

ANNUAL REPORT

2018




ALROSA

Report of ALROSA Public Joint Stock Company (PJSC ALROSA, ALROSA, the Company) for 2018 includes operating performance of the Company and its affiliates hereinafter referred to as ALROSA Group.

PJSC ALROSA, ALROSA Group, Group, ALROSA, Company used herein are deemed equivalents and refer to ALROSA Group as a whole, PJSC ALROSA and / or its affiliates as the context may require.

PJSC ALROSA is a parent company of ALROSA Group, and for the purpose of this report it submits consolidated information of the operations and financial activities of key business units and lines. The report is based on the operating data of the consolidated IFRS figures (unless otherwise is stated).

In terms of disclosure, the report complies with:

- Federal Law dated December 26, 1995 No. 208-FZ "About Joint Stock Companies",
- Federal Law dated April 22, 1996 No. 39-FZ "On Securities Market",
- Regulations of the Bank of Russia "On the Disclosure of Information by Issuers of Securities" No. 454-P approved December 30, 2014, registered by the Ministry of Justice of the Russian Federation February 12, 2015,
- Information letter of the Bank of Russia No. IN-06-52/8 dated February 17, 2016 "Of Joint Stock Companies Disclosing the Report of Complying with the Principles and Recommendations of the Corporate Governance Code in the Annual Report",
- Resolution of the Government of the Russian Federation No. 1214 dated December 31, 2010 "Of Improving Management of Joint Stock Companies with Federally-Owned Shares, and Federal Unitary Enterprises", as it reads now.

Report of PJSC ALROSA Public Joint Stock Company for 2018 Pre-Approved by ALROSA Supervisory Committee, Minutes № 01/294-ПР-НС dated 24 april 2019. Reliability of the data presented in the report has been confirmed by the Audit Commission.



FORWARD-LOOKING STATEMENTS

This report, in addition to the actual historical data presents some forward-looking statements. Such statements include, but are not limited to, statements of future operational performance, plans and / or forward-looking statements about future economic and financial metrics, development plans' goals and tasks of the Company, including those on products and services.

Statements on future performance include, but are not limited to, information of the forecasted or expected income, profit (loss), net profit (loss), of the shares, dividends, capital structure and other financial issues. Contents of such statements is forward-looking and is expressed through the words "expected", "supposed", "planned", "intended" etc. By nature, forward-looking statements are related with general and particular risks and uncertainties. There is the risk that future actual performance may differ significantly from the plans, goals, expectations, estimates and intentions expressed in such forward-looking statements, or may fail to be implemented because of a variety of factors.

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MAIN RESULTS 2018

726,3 RUB bln

MARKET CAP

↑ 31%

9,3 RUB bln

SOCIAL EXPENSES

↑ 13,4%

299,6 RUB bln

REVENUE TAKING INTO ACCOUNT
INCOME FROM SUBSIDIES

↑ 8,8%

1,148 mln carats

CARATS RESERVES ACCORDING
TO THE STATE RESERVES COMMITTEE, MN

92,3 RUB bln

FREE CASH FLOW

↑ 26%

156,0 RUB bln

EBITDA

↑ 22,9%

40,5 mln tons

IT IS PROCESSED ORE AND SANDS

↑ 3,5%

31,3 RUB bln

INVESTMENTS

↑ 3,6%

5,2 RUB bln

COSTS OF ECOLOGY

35 thd

WORKERS

82,2 RUB bln

DIVIDENDS PAID

↑ 25%

46%

TOTAL SHAREHOLDER
RETURN FOR 2018

↑ **NRKU rating* 8**

«ADVANCED PRACTICE
CORPORATE MANAGEMENT»

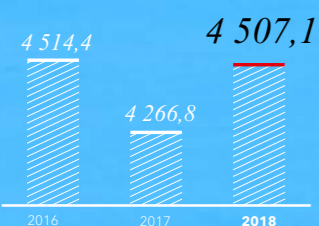
* National Corporate Governance Rating

more than 200 initiatives

AIMED TO ENHANCE EFFICIENCY ARE
IMPLEMENTED IN THE COMPANY

Core Product Sales Revenue,
mln. USD

↑ 6% to 2017 year



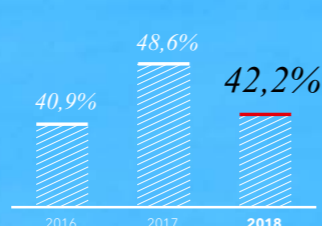
Rough diamond production,
mln. carats

↓ 7% to 2017 year



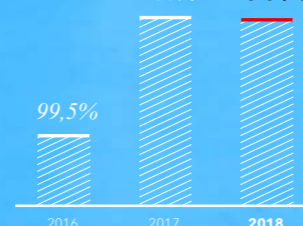
Cost of sale to sale
revenue ratio, %

↓ 13% to 2017 year



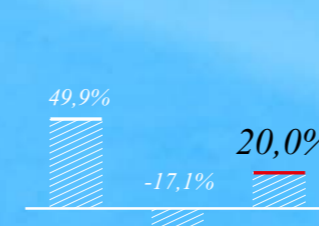
Integral KPI of innovative
activities, %

100% 100%



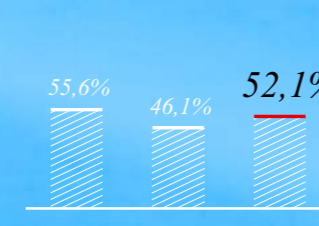
Market return
per share, %

-17,1% 20,0%



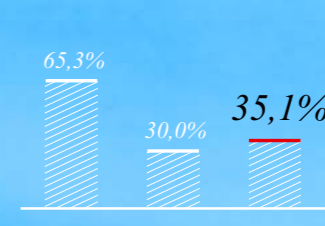
Adjusted EBITDA
margin, %

55,6% 46,1% 52,1%



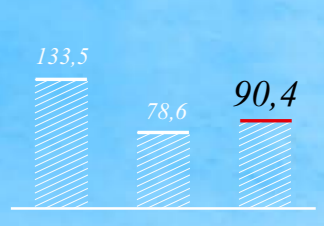
ROE

↑ 17% to 2017 year



Net profit,
RUB bln

↑ 15% to 2017 year



01 STRATEGIC DEVELOPMENT

REVENUE



>1,1

CARATS RESERVES
ACCORDING TO THE STATE
RESOURCES, BLN CT

2018

31,3

2017

30,2

2016

33,5

INVESTMENTS,
RUB BLN



ALROSA mission is to maintain the global leadership in the diamond mining industry that consistently delivers long-term interests of the shareholders due to efficient utilization of the production and raw base.

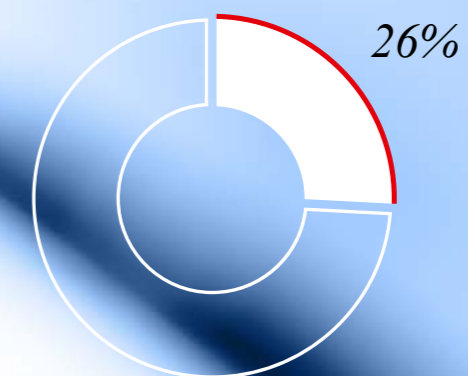
AT A GLANCE GROUP OF ALROSA

ALROSA is the world largest diamond mining company. The Company's main assets are based in Russia – Sakha Republic (Yakutia) and the Arkhangelsk Region, as well as in Africa continent. ALROSA has the world largest rough diamond reserves (over 1 bln carats).¹

ALROSA is a public company, with its shares traded in the Moscow Stock Exchange. The company has 34% of shares in public float and 66% owned by the Russian Federation, the Republic of Sakha (Yakutia), and municipal regions of the Republic of Sakha (Yakutia). The market capitalization of the company was RUB 726 bn at the end of 2018. (10.5 bn). US dollars).

ALROSA headcount is 34.6 thd employees. ALROSA is committed to sustainable development and the international standards of corporate social responsibility. The Company's achievements are recognized with high positions and presence held in FTSE4Good, MSCI ESG, Sustainalytics and WWF Russia ratings.

ALROSA share in the global diamond mining in 2018



¹ according to the State Reserves Committee of the Russian Federation

MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear shareholders,

ALROSA is consistently implementing the strategy approved by the shareholders in 2013. In the autumn of 2018, the strategy was updated to reflect new developments, but its key priorities have remained unchanged. The Company will maintain its focus on diamond exploration and production seeking to preserve and advance its global leadership in terms of mining and the size of its resource base. We will continue disposing of non-core assets, improving efficiency across all lines of business and evolving our social responsibility efforts in the regions where we operate.

The commitment to social responsibility is particularly important for ALROSA as a mining company operating in the challenging northern region. With some 50,000 people living in single-industry towns where ALROSA is virtually the sole employer, the Company plays a key role in Yakutia's economy. In 2018, ALROSA contributed approximately RUB 80 bn to Yakutia's budget in dividends and taxes, accounting for almost 50% of the region's revenues.

ALROSA also supports various environmental and social projects. With RUB 9.3 bln of social spending in 2018 alone, the Company is one of Russia's leading social investors implementing some 500 charity and social initiatives each year.

In 2018, ALROSA delivered record financial results despite the slowdown in the diamond market in Q4. The Company posted a significant y-o-y increase in revenue, EBITDA and net profit.

ALROSA is on track with its programme to improve operational efficiency and reduce costs. In 2018, labour productivity went up by 17% compared with 2014. Unit operating costs declined by 5% y-o-y in real terms in 2018 and should further go down by 2% per annum during the next five years.

Robust performance makes ALROSA highly attractive to investors. Apart from stable production and strong financial results, the Company's investment case is also supported by the new dividend policy adopted in 2018 that is based on semi-annual dividend payments linked to the free cash flow. We believe these best dividend practices make ALROSA a role model for the rest of the market.

Investors and shareholders praise ALROSA's stock option plan used as an efficient tool to incentivise the management towards driving business growth and delivering outstanding results in the medium and long term.

Our robust operational and financial performance attests to the strength of ALROSA's development model. I am confident that our commitment to the Company's strategy will further solidify our leadership in the diamond market, ensuring stable production and revenue growth, and boosting ALROSA's investment case and shareholder value.

In 2018, ALROSA produced more diamonds than any of its competitors. It accounts for 26% of global production, meaning that every fourth diamond in the global market is mined in Russia.

On behalf of the Supervisory Board, I want to thank the management and all our employees for their professional and efficient work.



Anton Siluanov
*Chairman of ALROSA's
Supervisory Board*

80

RUB BLN

IN 2018, CHARGES FROM DIVIDENDS AND TAXES PAID BY ALROSA TO YAKUTIA CAME UP TO ABOUT RUB 80 BLN. – THIS IS ALMOST HALF OF THE REPUBLIC REVENUE

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE EXECUTIVE COMMITTEE

Dear shareholders, investors and employees of ALROSA,

In 2018, ALROSA retained its leadership in the global diamond mining market and took several major steps towards higher production efficiency and greater financial stability.

Financial and operating performance

Revenue growth and initiatives to improve margins brought about strong financial performance for the year, with net profit going up by 15% to RUB 90 bln. Free cash flow increased by 26% to RUB 92 bln, which helped us to considerably reduce leverage.

In 2018, diamond production totalled 36.7 mln carats. The year-on-year drop in production was expected and mainly driven by the shutdown of the Mir underground mine. This decline was partially offset by higher ore processing at other mining assets. On top of that, in the autumn, we launched the Verkhne-Munskoye deposit after several years of preparation. It will bring us some 1.8 mln carats of diamonds per year for more than 20 years.

Exploration

The development of the resource base and replacement of reserves remain among our top strategic priorities. In 2018, we allocated almost RUB 7.7 bln for these purposes. Concurrently, we continued the restructuring of exploration operations: by the beginning of 2019, the economic effect of these initiatives exceeded RUB 800 mln.

Sales and marketing

In 2018, ALROSA's sales of rough and polished diamonds totalled USD 4.5 bln, up almost 6% y-o-y.

During the year, ALROSA made great efforts to optimise its inventories of work in progress and finished products. It was largely due to this that the Company sold more diamonds than it produced - over 38 mln carats. The management team's efforts to streamline the sales policy also made a meaningful contribution. In order to secure a stronger foothold in the global diamond market, ALROSA opened a representative office in Mumbai (India), and also reopened its office in New York (USA).

Long-term contracts are still the cornerstone of the Company's sales policy. In early 2019, major companies from China, India, the UAE and for the first time from Switzerland became ALROSA's newly acquired long-term clients.

We keep paying great attention to marketing initiatives set to promote sales. During the year, ALROSA was actively involved in projects relating to the sales of unique and coloured diamonds, tracing of diamond origin, and the launch of its own online store. We continued close cooperation with the Diamond Producers Association (DPA) in implementing large-scale diamond marketing programmes.

Operational excellence and innovation

Fiercer competition, expansion of synthetic diamonds, and evolving consumer preferences - all these trends make ALROSA focus on increasing its long-term competitive strength and improving productivity across all process stages throughout the production chain.

Currently, all divisions of the Group are involved in more than 200 efficiency initiatives: we introduce new technologies, streamline production processes, optimise the Company's structure and run a programme for the disposal of non-core assets. Just as an example, in February 2018, ALROSA sold gas assets for more than RUB 30 bln at a public auction. The proceeds were used to strengthen the Company's financial position and purchase the shares of PJSC ALROSA-Nyurba.

Investment programme

In 2018, ALROSA's investment programme totalled almost RUB 28 bln. Half of this amount was allocated to creating new production facilities. We completed a large-scale technical renovation at Udachny's processing plant No. 12 to process the ore from the Verkhne-Munskoye deposit.



+26%

FREE CASH FLOW GROWTH UP TO RUB 92 BLN, WHICH, IN ITS TURN, ALLOWED TO CONSIDERABLY REDUCE THE DEBT LOAD.

Sustainable development

We continue to maintain our position among the leaders in social and environmental responsibility. In 2018, ALROSA approved a new version of the sustainable development and corporate social responsibility policy, reaffirming its commitment to the high standards of responsible business conduct. ALROSA operates in line with the UN Sustainable Development Goals and best global business practices.

The Group contributes to the integrated social and economic development of local communities. One of the year's highlights was the opening of the Republican Children's Rehabilitation Centre in March 2018 in Yakutsk, entirely financed by ALROSA for a total of over RUB 1 bln.

The Company's social achievements regularly receive wide acclaim. For example, the State Committee on Employment of the Republic of Sakha (Yakutia) named ALROSA as the best employer in 2018. The Group was recognised as one of the leaders of the annual competition "Corporate Charity Leaders" held among Russian and international companies and ranked among the leaders of two sustainable development indices of the Russian Union of Industrialists and Entrepreneurs: "Responsibility and Transparency" and "Sustainable Development Vector". In addition, ALROSA made it to the top end of the final environmental and energy efficiency rating of the largest companies in Russia and Kazakhstan in the real sector.

+31%

BY RESULTS OF 2018, ALROSA
MARKET CAPITALIZATION
SHOWED 31% GROWTH

Value creation for shareholders and investors

The approval of a new version of the ALROSA's dividend policy was another important development of the year. We have changed the principles for dividend calculation, making them more transparent and clear for the shareholders and the investment community. We now use free cash flow as a base for determining the size of dividends, and the minimum dividend payout ratio has been raised from 35% to 50% of net profit under IFRS. Also, for the first time in its history, ALROSA switched to interim payments and paid dividends for the first half of 2018.

In 2018, ALROSA's market capitalisation increased by 31%, while the Moscow Exchange index – by 12%. Total shareholder return for 2018 stood at 46%.

ALROSA's performance in the reporting year was driven by the efforts of the top management team and each and every employee of the Company, along with the support of our shareholders. Once again the Group showed that it is the key contributor to Yakutia's economy, one of the largest industrial companies in Russia and the leader of the global diamond industry.

We will keep working to deliver on ALROSA's strategic goals, strengthen its market position and authority, and boost our production, financial performance and shareholder value.

Sergey Ivanov
ALROSA's CEO and Chairman of the
Executive Committee

VERKHNYAYA MUNA BIGGEST ALROSA INVESTMENT

1956 year
launch

2015 year
preparatory works started

2018 year
putting in commercial operation

2019 year
reaching design capacity

2042 year
final stoping

60 RUB bln
total investment

38,4 mln carats
total reserves
(categories C1 and C2)

3 one mln tons
ore/year

1,8 mln carats
of rough diamonds per year

> Over 700
new work places

- Between Oleneksky district and ALROSA the agreement under which the Company will annually allocate 100 RUB mln for the solution of social problems of the area is signed.

- At construction of the route designers considered ways of migration of reindeers and provided five transitions with more flat descent and the warning signs.

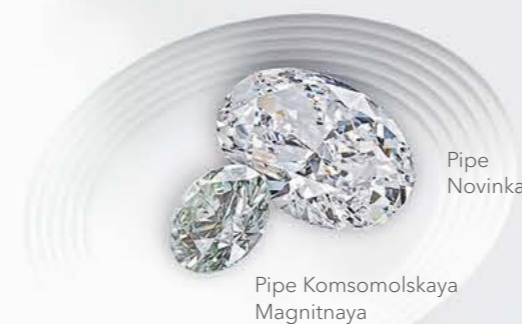
- Within the Investment agreement with the Ministry for the Development of the Russian Far East ALROSA got in 2018 the state support in the form of a subsidy of 3.5 RUB bln for creation of necessary infrastructure.

68 TRUCK-TRAINS CARRYING
UP TO **95 TONS**

*Processing
plant № 12*

RUB 700 MLN
INVESTMENTS

New building with 130 apartments for Verkhnyaya Muna workers, invited MPD experts and truck-train drivers



*Open pit mine Zapolyarny
1150 x 1000 m, depth are 400 m*



Administrative-
service-utility
complex

Energy complex



fuel and lubricant
depo

151 km
TECHNOLOGICAL WAY
(the general distance – 170 km)



Water treatment
facility



Hydro electrical
complex

President of the Russian Federation Vladimir Putin,

"Russia is a country of immense natural wealth, and diamonds of Yakutia is another of our national treasures, we are proud of. Immense diamond deposits in the region have become the basis for its powerful development - they have brought new cities, new jobs and the latest technology to the Republic. Launch of the new deposit is another step towards improving the quality of life of the population in the far North and in consolidating the leadership of Russia on the world diamond market."

From the ceremony of launching commercial operation of Verkhnyaya Muna deposit on October 31, 2018

135 km
**NORTH OF THE
ARCTIC CIRCLE**

KEY EVENTS IN 2018

Q1 2018

JANUARY 21

ALROSA completed the list of customers for the new contract period of 2018 – 2020

The Company concluded 67 long-terms contracts for sales of gem and industrial diamonds with 65 companies.

JANUARY 25

ALROSA entered into the top ten of transparent Russian companies

The Company reached one of the highest transparency indices in Corporate Reporting Transparency research prepared by Transparency International – Russia.

FEBRUARY 19

ALROSA sold non-core gas assets in the auction

ALROSA sold out non-core gas assets in the public auction to Geotransgas Joint Stock Company and Urengoy Gas Company LLC. The selling price amounted to RUB 30.3 bln. The cash received from sales was spent on strengthening the Company's financial standing and repurchase of shares of PJSC ALROSA-Nyurba.

MARCH 12

ALROSA earlier repaid the bank loans in the amount of 450 mln. USD

ALROSA earlier repaid the bank loan in the amount of USD 250 mln., and a part of the bank loan in the amount of USD 200 mln. borrowed from Rosbank and Raiffeisenbank in December 2017. ALROSA debt was reduced for more than 1.2 bln. USD. The bank loans were repaid from the case received in the auction held February 2018 to sell ALROSA gas assets.

MARCH 19

Health and Safety Policy of PJSC ALROSA was approved.

Preventing injuries and accidents was proclaimed to be the Company's strategic goal. The document states obligations of the Company's management, and core principles every Company employee is to be guided by to reach the set strategic goal.

Q2 2018

APRIL 19

ALROSA opened the representative office in Mumbai (India)

The representative office is located in the territory of the Indian Diamond Exchange. The representative office will not run trading activities and will focus at developing the contacts with the local market, enhance ALROSA brand awareness in India, extend the customer base and the customer consulting.

MAY 22

ALROSA resumed office operations in New-York (USA)

ALROSA resumed operations of its office in the world largest diamond jewelry market. During 2018, two rough diamond contests and one polished diamond contest were held in the New York marketplace. The total revenue from the auctions came up to 20 mln. USD.

MAY 23

Fitch improved outlook of the default rating of (IDR) ALROSA issued from the "stable" to the "positive".

The rating is confirmed at BB+ level. ALROSA financial standing is one of the strongest in the mining industry due to its leadership in terms of Company costs, consistent positive free cash flow and low level of facility commitments.

JUNE 26

The Annual General Meeting of ALROSA Shareholders was held, in which:

- the new membership of the Supervisory Board was elected,
- the new annual report and annual financial statements were approved,
- the decision of distributing profit for 2017 was made: it was decided to spend RUB 38,6 bln on dividend payment, or RUB 5.24 per one ordinary share with its nominal value of 50 kopecks,
- the By-Laws and regulations on the management and control bodies were amended in order to improve quality of communications between the corporate relations parties.

Q3 2018

JULY 27

ALROSA increased its share in PJSC ALROSA-Nyurba up to 97.48%

10% of shares were purchased from JSC RIK Plus controlled by the Government of Sakha Republic (Yakutia). The transaction amount was equal to RUB 12 bln.

JULY 27

S&P improved ALROSA credit rating up to BBB-, with the stable outlook

The agency noted positive trends on the diamond market, a steady high level of ALROSA's business profitability, the Company's leading position in the global industry, a significant improvement in its financial sustainability, as well as a consistent increase in the Company's operating efficiency and development of its key business.

AUGUST 6

ALROSA approved the new dividend policy

The Supervisory Board approved a new revision of the Dividend Policy Regulations and recommended the General Meeting of Shareholders to pay the intermediate dividends by results of the Company operations for the first 6 months of 2018 in the amount of at least RUB 5.93 per share. Pursuant to the new revision of the Dividend Policy Regulations:

- payment frequency is increased from one to two times per year (for the first half of the year and for 12 months less the dividends paid for the first half of the year),
- the free cash flow that takes into account the cash flow from operations after the investment amount (capital investments) in core production underlies the dividend amount calculation,

- the minimum level of dividend payments is determined in the amount of 50% of the net profit for the period according to IFRS.

AUGUST 15

ALROSA tried contract payment vehicle in RUB

Experimentally, the transactions in question were committed with long-terms customers from China and India.

SEPTEMBER 27

ALROSA held the first auction of colored diamonds

True Colours auction was held during the Hong Kong Gem & Jewelry Fair. ALROSA sold the colored diamonds for 9 mln USD. The company plans to regularly hold True Colours once or twice a year.

SEPTEMBER 30

The decision to pay dividends for half a year was made for the first time

According to the new revision of the Dividend Policy, the Extraordinary General Meeting of Shareholders made the decision to spend RUB 43.7 bln or 70% of the free cash flow on dividend payment by results of the first half of 2018, which is RUB 5 bln more than for 2017 in general. The total dividends paid in 2018 reached the record-breaking milestone of RUB 82.2 bln.

Q4 2018

OCTOBER 9

ALROSA launched the project of enhancing the working capital management efficiency

According to this program aimed to enhance the operating efficiency and business process quality, ALROSA launched the project of optimization of rough diamond distribution patterns between different Company divisions. It is aimed to reduce the production cycle, from diamond mining for ore to the time, when they are ready to be sold thus reducing the level of the work in progress.

OCTOBER 16

ALROSA was included in top five of the companies in terms of corporate governance quality

The Russian Institute of Directors upgraded ALROSA on the rating scale in the National Rating of Corporate Governance (NRCG®) to level 8 – Best practices of corporate governance. Besides

ALROSA, only four Russian companies have this rating.

OCTOBER 22

ALROSA shareholder elected the new membership of the Supervisory Board

October 22, the Extraordinary General Meeting of Shareholders elected a new membership of the Supervisory Board. The head of Sakha Republic (Yakutia) Isen Sergeevich Nikolav became one of its members.

OCTOBER 31

ALROSA launched commercial production in the Verkhne-Munskoye diamond deposit

The deposit is situated in the west of Yakutia, 170 off the town of Udachny. At present, four kimberlite pipes (Zapolyarnaya, Demos, Novinka and Komsomolskaya Magnitnaya) have been explored. The deposit will bring 1.8

mln carats per year, with its reserves being sufficient for production for more than 20 years. The development of the Verkhne-Munskoye diamond deposit is the largest investment project of ALROSA. At the stage of preparing to production, the investments amounted to RUB 16 bln, while the total investments, including production maintenance, up to 2042 are estimated to be equal to RUB 60 bln.

NOVEMBER 16

The Supervisory Board approved the updated Strategy and Long-Term Program of ALROSA Group Development for 2018 - 2024.

The changed observed in the world economy and diamond industry during the last years have been taken into account. The main strategy priorities include:

- enhancing sustainability and safety standards,
- improving operational efficiency,
- maintaining leading positions in terms of

the resource base size,

- developing marketing operation,
- reasonable distribution of the capital and maximizing the shareholder value.

DECEMBER 27

ALROSA updated the Sustainable Development and Corporate Social Responsibility Policy

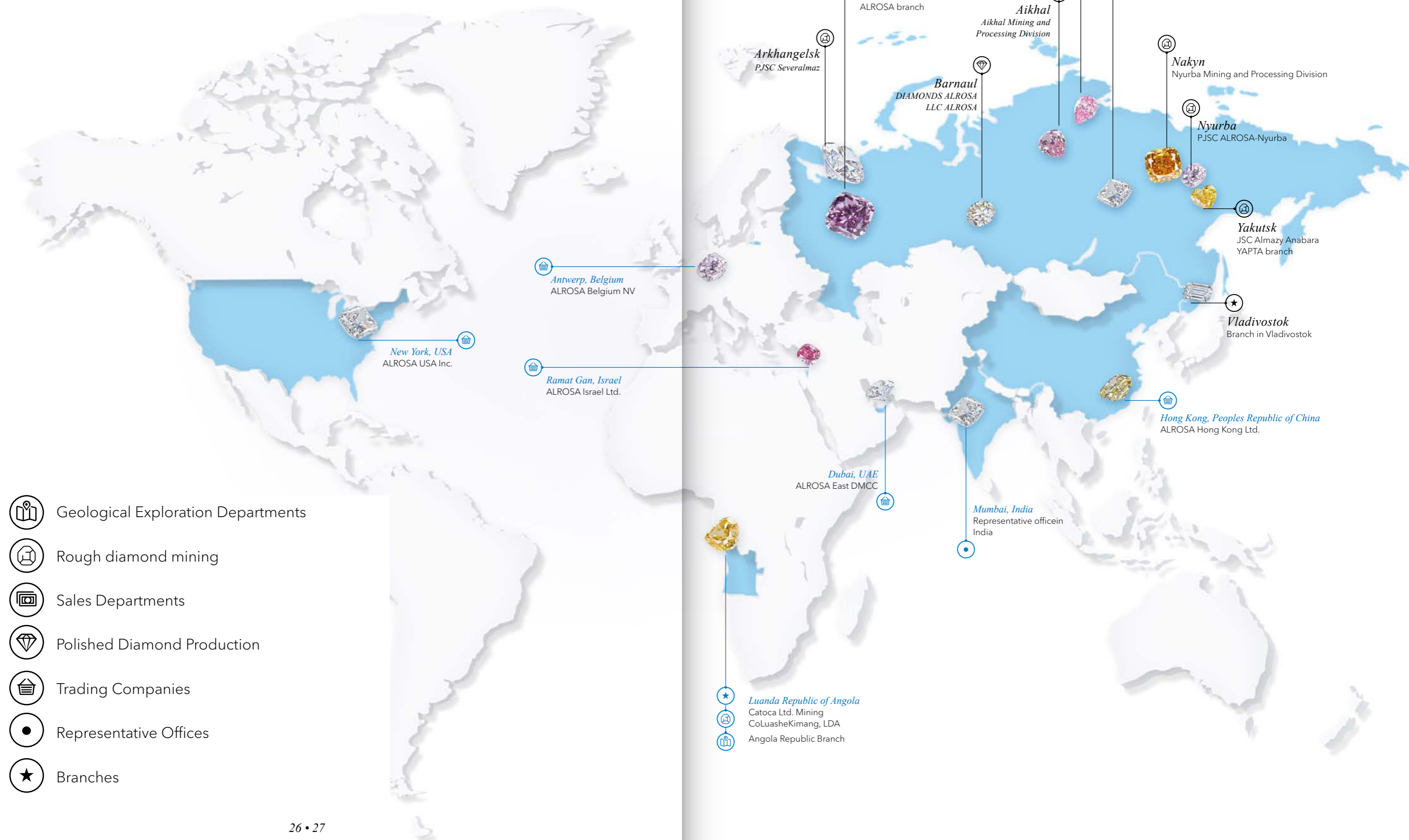
The new revision emphasizes that the Company runs business in accordance with the UN Sustainable Development Goals, world best practice and industry tendencies, confirms its commitment to the principles of running business in line with UN human rights and WDC guarantee system.

IMPORTANT EVENTS AFTER THE REPORTING DATE JANUARY 14

ALROSA announced its readiness to develop partnership relations with Zimbabwe

With support of Zimbabwe government, ALROSA will develop geological exploration and mineral production in new deposits of the country.

ASSET GEOGRAPHY



BUSINESS MODEL

ALROSA business model is aimed to strengthen the leading positions of the world diamond market, maintain consistent volume of mining and revenues in the long run, and increase the shareholder value. ALROSA does not only use the existing competitive advantages, but also pays much attention to developing innovations and utilizing modern technologies to enhance the operational efficiency and business profitability.

RESOURCES AND ASSETS

1

Global leader in the diamond mining

PAGE. 32

26%

ALROSA GROUP SHARE
IN THE WORLD MARKET

2

Unique Resource Base

PAGE. 64

1148

MLN CARATS
RESERVES ACCORDING TO THE STATE RESERVES
COMMITTEE OF THE RUSSIAN FEDERATION

- 60 licenses² in Russia
- 1 license in Angola

3

Unchallenged International Reputation

PAGE. 61, 62

- cooperation with the leaders of the world diamond business
- support of DPA programs

4

Strong Financial Standing

PAGE. 42

300

BLN
CONSOLIDATED
REVENUE ³

0.4 Net debt/EBITDA

5

Professional Team

PAGE. 132, 180

35

THD
EMPLOYEES

6

Efficient system of Corporate Governance

PAGE. 146

- 4 out of 15 members of the Supervisory Board are independent directors
- 3 committees actively support work of the Supervisory Board
- 8 – corporate governance rating

TYPES OF ACTIVITIES



Geological Exploration

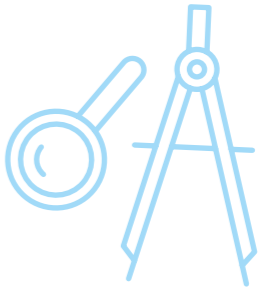
Maintaining the reserves at the level of at least 1 bln carats up to 2024
2.25 mln carat reserve growth in 2018⁴

Geological Exploration Departments
Vilyuiskaya GRE Kimang, LDA



Rough diamond mining

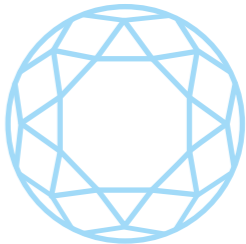
Maintaining mining while retaining high operational efficiency
36.7 mln carats – rough diamonds mined
0.91 carat/t – diamond content
Open work:
9 open-cut mines
Underground mining:⁵
3 underground mines
Alluvial mining:
17 placer deposits



Sorting, evaluation, and sale

Grouping diamonds by grain-size classes, primary assessment of rough diamonds, classifying in 16 size / weight groups, sorting by 8 thd positions

Revenues from sales of rough diamonds
USD 4.4 bln
Branch "Single sales entity"



Rough diamond cutting

Production of unique esoterically large polished diamonds of fancy colors

Subsidiaries:
DIAMONDS ALROSA LLC DIAMONDS ALROSA LLC, facilities in Moscow and Barnaul, DIAMONDS ALROSA branch

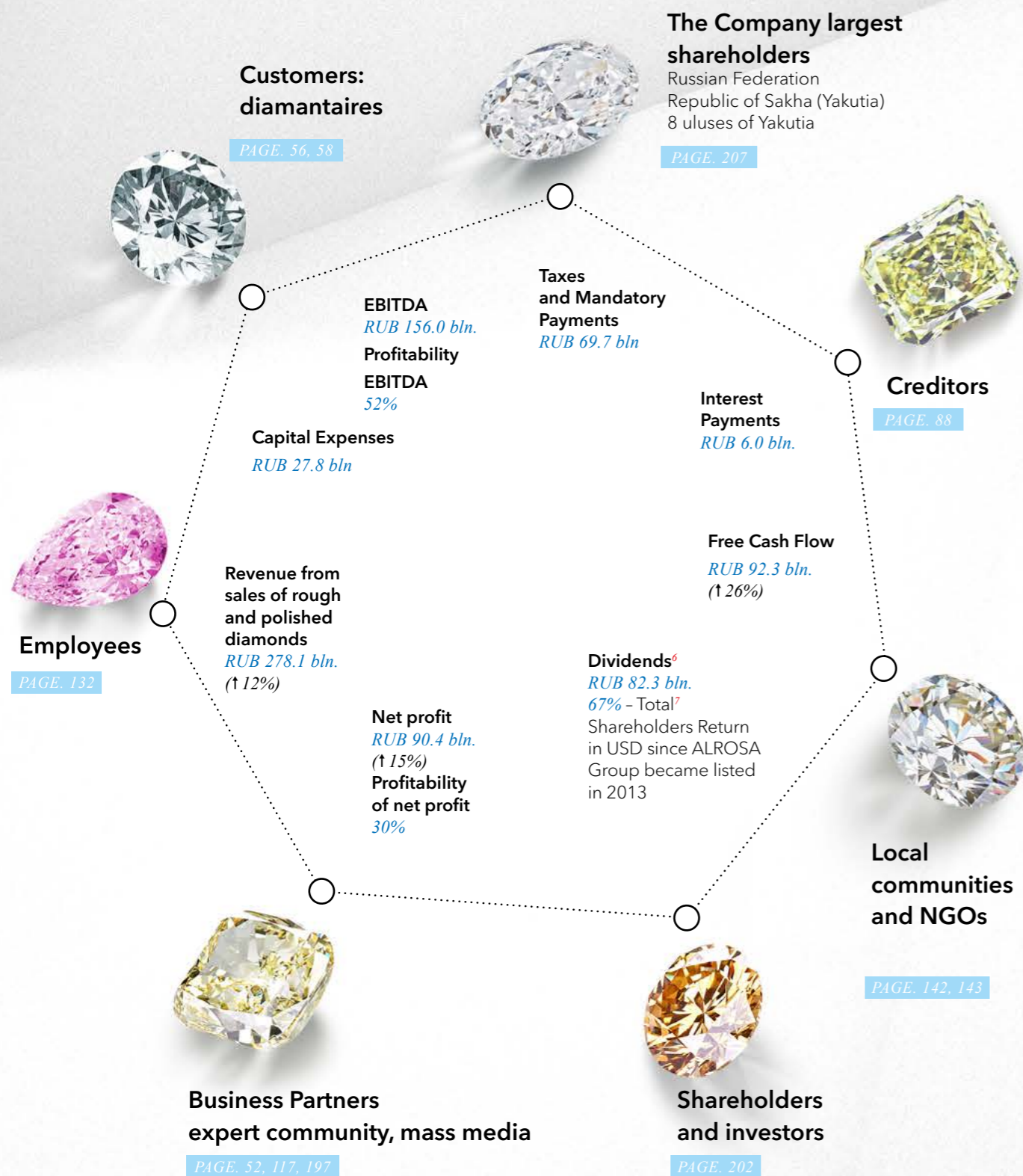
² without considering the depletion of the reserves, economic feasibility of the development of individual deposits or sites is assessed on a case-by-case basis and depends on many factors

³ diamond mining share across ALROSA Group (carats)

⁴ diamond extraction license

⁵ considering the income from state subsidies

CREATING VALUE FOR ALL GROUPS OF STAKEHOLDERS



STRATEGIC PRIORITIES OF ALROSA GROUP

1. FOCUS ON THE ROUGH DIAMOND BUSINESS
2. REPLENISHING THE DISPOSED PRODUCTION AND RAW BASE
3. IMPROVING PERFORMANCE
4. COMPLYING WITH HIGH STANDARDS AND SHAPING THE CULTURE OF INDUSTRIAL AND ENVIRONMENTAL SAFETY
5. STIMULATING THE CONSUMER DEMAND ON NATURAL DIAMONDS BY MEANS OF THE GENERIC MARKETING
6. GRADUALLY WITHDRAWING FROM THE NON-CORE BUSINESSES
7. HIGH SOCIAL RESPONSIBILITY IN ALL AREAS OF PRESENCE



INDUSTRY POSITION

Russia holds the first place in the world in terms of volume and value of the mined rough diamonds In the largest mining country, rough diamonds are mined by large-business mining companies.⁸ Main competitors of ALROSA in the diamond market are De Beers, Rio Tinto and Petra Diamonds.

DE BEERS

is the only diamond mining company that can be compared with ALROSA in terms of mining volume. De Beers mines diamonds in deposits of Botswana, RSA, Canada and Namibia.

RIO TINTO

is a public diversified mining company engaged in exploration, mining and processing of extractable resources. The diamond segment of Rio Tinto business includes Argyle deposit in Australia (100% ownership) and Diavik in Canada (60% ownership).

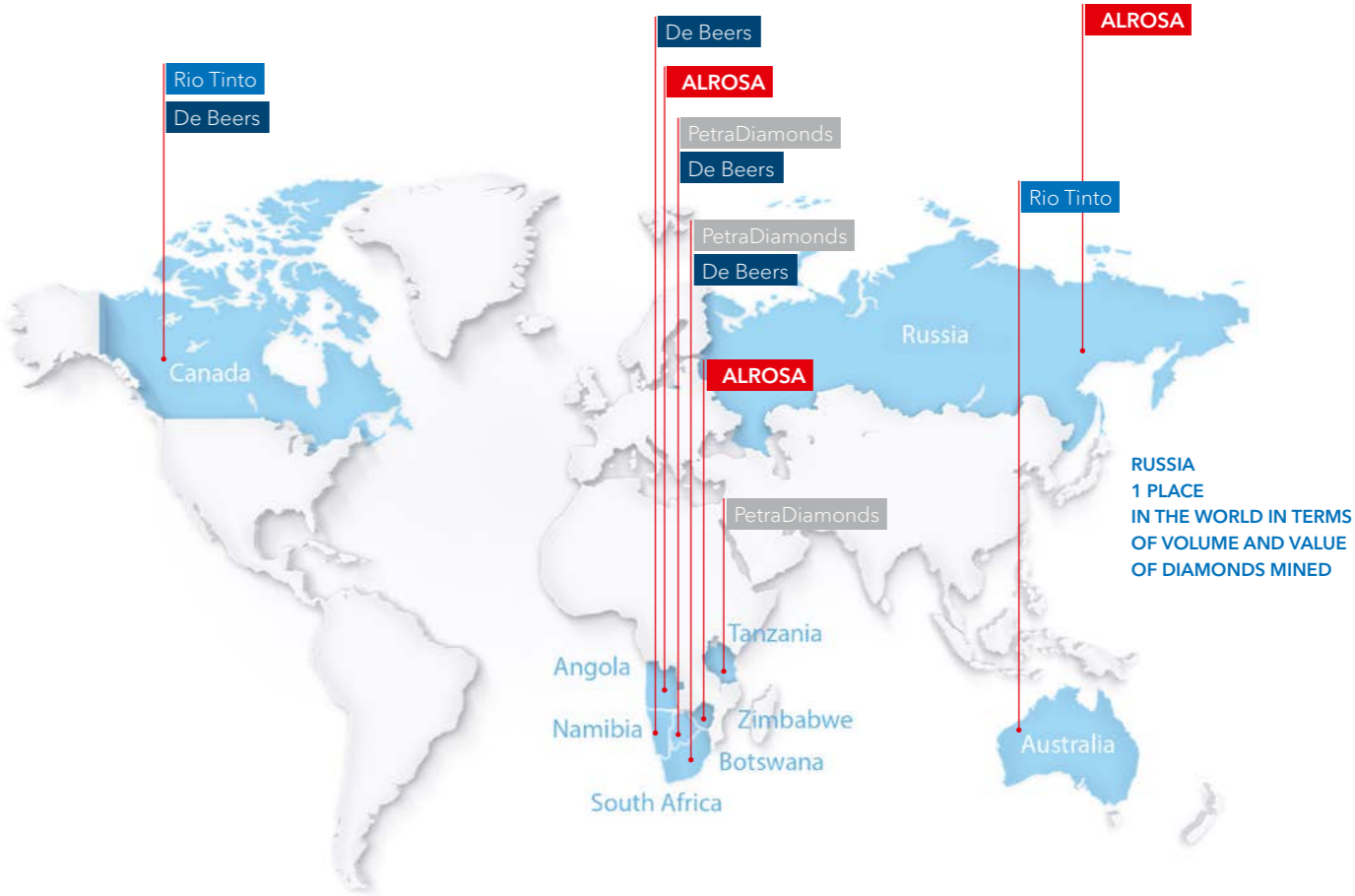
PETRA DIAMONDS

is public diamond mining company the develops diamond deposits in the RSA and Tanzania.

⁸ except for some African countries (for example, the Democratic Republic of the Congo), where diamond deposits are developed by small companies and startups

Geography of the World Larges Diamond Mining Companies

In 2018, ALROSA Group mined 36.7 mln carat of diamonds and takes the leading position among the largest diamond mining companies of the world.

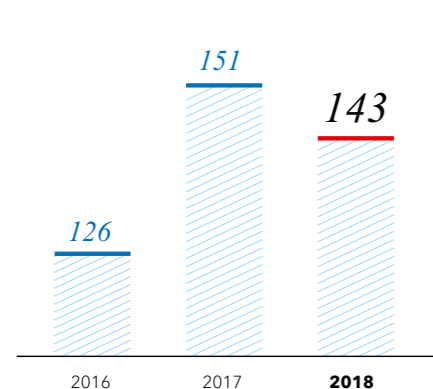


Diamond mining by the largest industry players, mln carat⁹

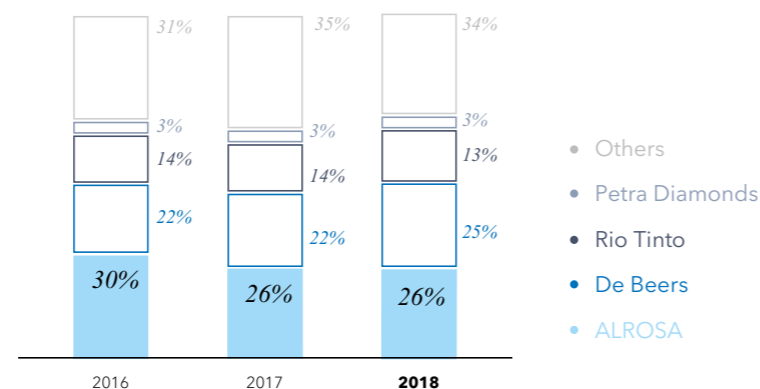
| Company | 2016 | 2017 | 2018 | Variance |
|------------------------------|------|------|------|----------|
| ALROSA | 37,4 | 39,6 | 36,7 | ↓ 7% |
| De Beers | 27,3 | 33,5 | 35,3 | ↑ 6% |
| Rio Tinto | 18,0 | 21,6 | 18,4 | ↓ 15% |
| Petra Diamonds ¹⁰ | 4,1 | 4,2 | 4,4 | ↑ 5% |
| Total | 86,7 | 98,9 | 94,9 | ↓ 4% |

In 2018, ALROSA Group share came up to 26% of the world diamond mining in natural units. In 2018, ALROSA started industrial mining of rough diamonds in new Verkhne-Munskoye deposit, which will help maintain the leading position of the Company in the world market.

⁹ source: annual reports of the companies
¹⁰ including the share in Kimberley Ekapa Mining joint venture sold in July 2018

Market volume, mln carat¹¹

In 2018, the world diamond mining was reduced for 5% vs. 2017 because of aggravation of the raw material base caused by decline of average rough diamond content in the ore and volume of the processed ore. In monetary terms, in 2018

Market share of the leading diamond mining companies¹²

the global rough diamond production amounted to about USD 15 bln, which is 2% increase vs 2017 due to the consistent growth of rough diamond demand and prices in the first half 2018 against the favorable macro-economic conditions.

ROUGH AND POLISHED DIAMOND MARKET

In 2018, the rough and polished diamond market was characterized by a variety of tendencies in terms of demand.

In 2018, the USA market remained the main driver of the global diamond jewelry market with the stable growth pace for most part of the year.

In Asia, the consumer demand demonstrated less consistent growth rate. In most countries of the region, including India, the second half of the year saw slowdown of the diamond jewelry sales growth rate, and in certain countries – drop in sales because of the weakening of the national currency exchange rates against US dollar.

In Q3 2018, the demand weakening tendency could be observed in the entry-level segment of the rough diamond market that continued in Q4. The rough diamond demand reflected the situation in the polished diamond market, where the prices for non-certified melee polished diamond reduced most of all due to the excessive supply,

Key Market Tendencies in 2018:

- consistent rough diamond demand in the first half 2018 against the positive results of the holiday sales in America and China,
- slowing down activities in the global diamond market in the second half of the year caused by the liquidity crisis in India, trade war between the USA and China, and impact of the synthetic raw material market,
- reduced supplies of rough diamonds (in carats) by most diamond mining companies to the global market due to the limited stock and production with growing sales revenues in the context of stable demand and growing prices in the first half of the year.

¹¹ data for 2018 – ALROSA assessment

¹² source: annual reports of the companies, ALROSA assessment



rupiah weakening and liquidity reduction in India, as well as impact of the synthetic raw material.¹³

Weakening of the melee market in the second half of the year was conditioned by the excessive supply of this category of the raw material that resulted from starting production in three new deposits (Gahcho Kué, Renard and Liqobong) in 2017, which led to accumulating melee in the mid segment of the diamond pipeline. Besides, considerable depreciation of the Indian rupiah affected the reduced liquidity in the diamond-cutting industry of the country causing decline in purchase and falling profitability of small-size diamond-cutting.

However, the fundamental drivers of the global polished diamond jewelry market remain positive. The developing markets, including China and India, with their citizens making one third of the planet population, are the future of the further development of the jewelry industry. In the long term, the consistent growth of consumption of the diamond jewelry is forecasted in the developed and developing economies due to the favorable macro economic situation.

The main factor that affects consumption of natural rough diamonds will become shifting a part of the consumer demand from natural to synthetic raw material for the diamond jewelry due to efficient promotion of this category and considerable price discount vs. natural polished diamonds.

To increase demand for natural diamond jewelry, market players implement a variety of initiatives, including activating the generic marketing as part of DPA advertising campaigns, as well as offers to the jewelry buyers the polished diamonds with history tracing back from the mine to the end product, and active utilization of the Internet and social networking to promote the jewelry to the young generation of consumers.

¹³ small-size inexpensive rough diamonds, whose main consumer is the diamond-cutting industry of India

KEY EVENTS FROM THE 2018 GLOBAL DIAMOND INDUSTRY NEWSFEED

ALROSA

started commercial production of diamonds in the new Verkhne-Munskoye deposit of Udachny MPD in Sakha Republic (Yakutia). About 1.8 mln carats of rough diamonds will be produced in the deposit annually, with its reserves being sufficient to continue the production until 2042.

RIO TINTO

reduced the resource based of Argyle deposit, with its remaining reserves being sufficient to maintain production until 2020. The Company started production in new A21 pipe of the Diavik deposit in Canada that is planned for mining until 2022, with the annual average mining volume being about 1.6 mln carats per year.

DOMINION DIAMOND

suspended construction of the diamond mining enterprise in the new Jay pipe of Ekati deposit in Canada – the pipe is covered with the lake, and and its development will require dike construction. According to the company, developing Jay pipe from the point of view of the existing rough diamond prices is loss-making.

DE BEERS

completed development of Voorspoed deposit in the RSA that used to provide about 0.6 mln carats annually, purchased Peregrine Diamonds, the Canadian geological survey company, whose main asset was Chidliak diamond project in Canada with the potential production volume of 1.3 mln carats per year, launched GemFair pilot programme aimed to support sales of the prospectors' diamond mining, successfully implemented the starting stage of Tracr, the pilot blockchain platform of digital forwarding of rough diamonds from the place of production to the retail sales, announced launching the jewelry brand, Lightbox Jewelry, and sales of jewelry with synthetic polished diamonds.

MOUNTAIN PROVINCE

Bough Diamonds Canadian geological survey company, with its main asset being Kennady North project with the total reserve estimates of 18.6 mln carats. Diamond assets of Kennady Diamonds will become an important supplement to the resource base of Gahcho Kue deposit (49%-owned by Mountain Province Diamonds, and 51%-owned by De Beers).

PETRA DIAMONDS

completed the transaction of selling 75.9% participant in the joint venture of Kimberley Ekapa Mining (RSA); the share was sold to the joint venture partner, Ekapa Mining. Kimberley Ekapa Mining joint venture includes: Kimberley underground mine, tailing dams of Kimberley deposit and the processing plant. Kimberley Ekapa Mining production amounted to about 0.7mln carats per year.

LUCARA DIAMOND

carried out the first sales of rough diamonds through Clara Diamond Solutions digital platform that combines analytical methods with cloud technologies and blockchain thus providing the guarantee of origin of the rough diamonds from the place of the raw material production to the jewelry sales. Seven large diamond-cutting companies took part in the first sales, with the sales revenue from the first lot of rough diamonds sold through the platform amounting to 661 thd USD.

BSG RESOURCES

resumed rough diamond mining in Koidu deposit (Sierra Leone). The deposit development was started in 2002 and was suspended from time to time until 2018 because of unprofitability, debts and Ebola fever. The estimated Koidu production volume is 400 thd carats per year with the possibility of being increased up to 650 thd carats.

THE ANGOLA GOVERNMENT

approved the new rough diamond sales policy that provided for restructuring of the previous system of the "privileged buyers" that had been offered the best conditions for purchasing rough diamonds. According to the former system, Angola's diamond mining companies were obliged to sell the raw material to the buyers determined by Sodiam, the state trading company the defined the buyers entitled to buy rough diamonds 30% below the market prices. The former system is replaced with the contracts for regularly rough diamond purchases that are concluded for the period from one to three years. Within the contracts, Angola's diamond mining companies are free to choose the buyers and sell them up to 60% of the output. To sell the diamonds of special sizes, it is planned to arrange auctions. Diamonds recovered by prospectors' sector are purchased exclusively by Sodiam according to the market prices and official price list.



DEVELOPMENT STRATEGY

In 2013, ALROSA developed the strategy defining strategic priorities of the long-term development. In 2018, the Development Strategy 2018 – 2024 was updated because of intensifying external and internal challenges ALROSA faced. The document includes stated measurable strategic development goals, a target financial business model and strategic events.

The ALROSA Development Strategy 2018 – 2024 was approved by the Supervisory Board in November 2018.¹⁴

The key principles of the strategy remain in line with the approved strategy ALROSA in 2013:

- maintaining leadership in the global diamond market,
- focus on the rough diamond business,
- efficient management of the socially responsible business in order to implement long-term interests of the shareholders.

The strategy is based on the assumptions that the natural polished diamond jewelry market will face pressure from synthetic alternatives, other goods and services that will restrict rough diamond price increase in 2018 – 2024.

Successful strategy implementation will allow to strengthen the leading positions of ALROSA in the rough diamond market, ensure consistent long-term growth of production and revenue, and will also increase the shareholder value.

Key Strategic Priorities of ALROSA

| Strategy Priority | Summary |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Focus on the rough diamond business | ALROSA is committed to a mono-product strategy with a focus on the exploration and mining of rough diamonds as the most attractive sector of the diamond industry with the highest operating margin. |
| Replenishing the disposed production and raw base to ensure long-term growth of ALROSA | ALROSA will continue investing in exploration and development of new deposits and maintenance of the existing deposits to ensure continuous operations in the long run. Russia will remain the main mining region, while African countries are considered as forward-looking regions for further growth. ALROSA intends to enhance efficiency of geological survey through improving the existing and implementing new exploration methods and technologies. |
| Productivity increase through continuous improvement of production processes and implementation of new technologies | To enhance the operational efficiency and support profitability both during period of stable and reducing prices for rough diamonds, ALROSA actively searches for the ways to optimize cost structure at all production process stages and regularly monitors new technologies if mining and processing. ALROSA also intends to improve logistics, rough diamond sorting and classification processes, and to ensure improved liquidity through minimizing the inventory turnover rate. |

¹⁴ Minutes No. A01/283-IIP-HC dated November 15, 2018

Complying with high standards and shaping the culture of industrial and environmental safety

ALROSA key priorities are occupational health and safety, with its strategic purpose of completely eliminating injuries and accidents, and 100% engagement of managers in resolving safety issues. ALROSA intends to minimize negative impact on the environment, to implement rational mining and resource saving, to comply with requirements of international environmental protection and safety standards.

Stimulating the consumer demand on natural diamonds by means of the generic marketing

ALROSA aim is to shape the long-term demand on natural polished diamonds against changing preferences of the target audience, to promote the natural polished diamond as the emotional symbol of the relations.

Gradually withdrawing from the non-core businesses

Focusing on the rough diamond core business through disposing of the non-core assets.

High social responsibility in all areas of presence

ALROSA social policy is based on the principles of socially responsible business and mutually beneficial cooperation with state authorities and local governments in the regions of the company presence. Its long-term guiding landmark include retaining investments in the regional development, maintaining its own social facilities, charity and sponsorship.

Long-term Development Program of ALROSA Group

In 2014, the Long-term Development Program Until 2023 was developed to determine the development perspectives of ALROSA Group taking into account micro and macro factors, as well as certain efforts designed to implement the development Strategy.

In 2018, the Long-term Development Program of ALROSA Group 2018 – 2024¹⁵ aimed to reach the strategic goals and including 10 program events was updated together with the Development

| Program Event | Summary |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Geological survey and production | Performance increase for main types of the exploration work through optimizing the management system and implementing new technologies, replenishing the disposed production and raw base. |
| The operational efficiency program | Improving the performance of core business and other lines of business within ALROSA Group subdivisions, implementing digitizing projects in the operations. |
| Health and Safety | Completely eliminating the injuries and accidents and 100% engagement of managers in resolving production safety issues. |
| Environmental Protection | Reducing environment load and ultimate environmental transparency. |
| Sales, diamond-cutting, marketing | Improving sales methods and customer relations policy to ensure consistent cash flow, reaching break-even operations of diamond-cutting facilities, improving their competitive ability up to the world level, shaping long-term demand on natural polished diamonds, establishing new online sales channels, developing new markets through tracing deployment. |

¹⁵ adopted by the Supervisory Board November 15, 2018, Minutes No. A01/283-IIP-HC

| | |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Operations in Africa | Ongoing monitoring of new opportunities of discovering promising diamond deposits. |
| Disposal of non-core assets | Disposal of all non-core assets, with such disposal being reasonable and economically feasible. |
| HR Policy | Engaging and retaining the best specialists, ensuring efficiency of personnel work, improving the remuneration and social welfare plan. |
| Social responsibility | Retaining investments in the regional development, maintaining its own social facilities, charity and sponsorship. |
| Organizational and Corporate Development | Ensuring the corporate governance system complies with the world best practice, including improvement of the Corporate Governance Code, reforming the risk management system and developing the internal audit system. |

In 2018, ALROSA implemented the initiatives across all program events of the Long-Term Development Program and achieved the following results:

| <i>Program Event</i> | <i>Initiative</i> | <i>Performance for 2018</i> |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Geological survey and production | Transferring the Mirinskaya Mining and Drilling Expedition (MMDE) from PJSC ALROSA to the subsidiary | All procedures of transferring MMDE to the subsidiary were completed in line with the schedule. June 1, MMDE was included in ALROSA-Spetsbureniye LLC. |
| | Start of mining in the new diamond deposit, Verkhne-Munskoye, of Udachny Mining and Processing Division | Commercial recovery of rough diamonds was started in Verkhne-Munskoye deposit. About 1.8 mln carats of rough diamonds will be produced by ALROSA in the deposit annually, with its reserves being sufficient to continue the production until 2042. |
| The operational efficiency program | Diesel fuel / oil changeover of Wartsila Diesel Power Plant of Nakynsky MPD | Wartsila Diesel Power Plant of Nakynsky MPD was switched from diesel fuel processes to crude oil, the existing Wartsila Diesel Power Plant of Nyurbinsk MPD was upgraded. |
| | Construction of the module for manufacture of packaged explosives in Udachninsk MPD | The module was commissioned in Q3. Field tests of all manufactured products were carried out. Project NPV amounted to RUB 0.7 bln. |
| Health and Safety | Development of the target programs for key risks: overburden management, safe transport, methane, water management | ALROSA developed and implemented the health and Safety Policy that contained key health and safety guidelines. |
| Environmental Protection | Reducing environmental load | In 2018, recultivation of disturbed soils grew for 14%. Greenhouse gas emissions in CO2 equivalent was reduced for 1.2% as compared to 2017. |
| | Maximum Environmental Transparency | ALROSA took the second place out of 5733 in Interfax-ERA Rating of Environmental Energy Efficiency. |

| | | |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sales | Modification of the long-term contract system with the annual revision of the product range | ALROSA developed and implemented the vehicle of transferring into practice of the modified long-term contract system with the annual revision of the product range. The clause of the annual revision of the product range and volume of the purchased rough diamonds is included in the standard form of long-term contracts concluded in the contract period of 2018 – 2020. |
| | Improving algorithms of rough diamond distribution | The rating of demand by the buyers in terms of certain rough diamond product range positions was included in the distribution of the above-target (additional) supply. |
| | Implementation of CRM system | ALROSA developed and implemented CRM system. In Q4, CRM system was launched in SSE ALROSA and DIAMONDS ALROSA. |
| Marketing | Promoting polished diamonds as the commodity category (generic marketing) in the largest consumer markets – the USA, India and China | ALROSA took part in the projects of DPA, in the course of which it implemented the planned marketing programs of promoting polished diamond jewelry in the three main markets: the USA, India and China. ALROSA achieved considerable changes in the media strategy in the largest market – the USA. The Board of Directors of DPA acknowledged the result of work as positive. |
| | Branding Initiatives | Marketing of certain product range categories of rough and polished diamonds (for example, fluorescent ones) to boost the demand. In 2018, ALROSA presented several programs that resulted in coming to the sales agreements through the largest retailers in the USA and China. |
| | Sales of unique coloured polished diamonds | ALROSA held the first auction of the coloured polished diamonds, True Colours, in Hong Kong and sold the collection of unique polished diamonds, The Dynasty, one of which was the clearest large polished diamond ever cut in Russia. |
| | Tracing | Creating tracing technologies and systems to provide consumers with complete information about full life cycle of the polished diamond starting with the place of mining. ALROSA took part in M2M and Tracr pilot projects of tracing the origin of polished diamonds. |
| | Extending the Sales Channels | ALROSA developed the online platform for polished diamond sales. It also launched Private Banking project implemented jointly with the largest Russian banks allowing to sell polished diamonds as the investment savings product. |
| Operations in Africa | Closing the deal of increasing ALROSA share in Katoka GRO from 32.8% up to 41.0% | The deal was approved by the Decree of the President of the Republic of Angola; share transfer is being legally finalized. |

| | | |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Disposal of non-core assets | <p>In 2018, the Supervisory Board approved the adjustments to the Program of Disposal of Non-Core Assets.¹⁶ The approved register of non-core assets included the following assets to be disposed of:</p> <p>7 business entities, 420 real estate items, 32 construction-in-progress assets and 267 residential premises</p> <p>Detailed Information of implementing the Program of Disposal of Non-Core Assets inn 2018 can be found in Appendix 6</p> | <p>301 non-core assets were disposed, with the balance sheet value of RUB 59.2 bln: 174 assets were sold, 21 assets were transferred to the authorized capital of the subsidiaries, 16 assets were exchanged, 8 assets were donated, 82 assets were liquidated (Gas Assets were sold for RUB 30.3 bln, the asset portfolio of the Research and Production Enterprise Bourevestnik – for RUB 1.5 bln).</p> <p>Actual amount of cash received from sales of non-core assets in 2018 was equal to RUB 32.7 bln.</p> |
| HR Policy | Recruitment of personnel and corporate programs of training and professional development | <p>The total headcount hired exceeded 6.7 thd people, with 4.3 thd people being residents of the regions of the Sakha Republic (Yakutia), mostly from the uluses of the Diamond Province.</p> <p>Over 8.7 thd of workers, specialists and managers passed different kinds of training. The programs aimed to develop professional and management competences, and leadership (“ALROSA Potential”, “ALROSA Wealth”, “ALROSA Leaders”, “Supervision School”) were implemented.</p> |
| | Social programs for employees and their families | <p>Housing program, “Health” program”, “Rest and Health Improvement”, “Culture and Sport” were implemented.</p> |
| Social responsibility | Enhancing the Corporate Development Level | <p>In March, the Republican Healthcare Facility for Children, whose construction was funded by ALROSA was opened in Yakutsk. New contracts about social and economic development of the Nyurbinks and Oleneksk Regions were signed. ALROSA Group was acknowledged one of the leaders of the annual contest “Corporate Charity Leaders” among Russian and international companies.</p> |
| Organizational and Corporate Development | Enhancing the Corporate Development Level | <p>The Strategy and the Long-term Development Program of ALROSA Group for 2018 – 2024 were updated, the financial policy and the Dividend Policy were developed and approved. The investment rating was improved (BBB- rating, “stable” level, according to S&P).</p> |
| | Implementing the zero stage of SSC project | <p>16 business units of ALROSA moved their business to SSC to get services of Business and Tax Accounting and HR Management, while all business units of the Company migrated to the model of the unified settlement center.</p> |

Implementing program / strategy events in the long run:

1. will retain sufficient reserves to ensure continuous operation for more than 20 years,
2. will ensure the annual volume of the diamond mining in 2018 – 2024 at the level allowing to maintain the world leadership,
3. will reduce the negative impact of external factors on the world prices for polished diamonds through implementing the marketing initiatives, which will allow ALROSA to keep the second place in the world among its competitors in terms of revenue from sales of core products,
4. will enhance productivity through implementing programs aimed to improve the operational efficiency, innovational development and retrofitting.

ALROSA PLANS TO REACH THE LEADING POSITIONS IN TERMS OF OPERATIONAL EFFICIENCY WHILE RETAINING THE SCOPE OF SOCIAL SUPPORT AND INVESTMENTS IN THE ENVIRONMENTAL MANAGEMENT AND INDUSTRIAL SAFETY.

¹⁶ approved by the Supervisory Board (Minutes No. A01/266-IIP-HC December 14, 2017 in the fifth revision) and amended with the adjustments approved by the Supervisory Board in 2018 (Minutes No. A01-271-IIP-HC May 3, 2018 and Minutes No. A01/273-IIP-HC June 25, 2018)

Compliance with the key performance indicators

The program strategic efforts of ALROSA have been translated in the form of certain indicators of the operational management or KPIs.

KPIs are integrated in the management incentive system and establish the direct dependence of the remuneration amount of the Director General – Chairman of the Executive Committee on the level of achieving the target values of KPIs approved by the shareholders.

| Indicators | 2016 | 2017 | 2018 | Variance |
|-------------------------------------------------------|---------|--------|--------|----------|
| Core Product Sales Revenue, mln. USA | 4 514 | 4 267 | 4 507 | ↑ 5,6% |
| Rough diamond production, thd carats | 37 358 | 39 614 | 36 749 | ↓ 7,2% |
| Cost of Sales Share in the Sakes Revenue, % | 40,9 | 48,6 | 42,2 | ↓ 13,2% |
| Integral KPI of the Innovations, % | 99,5 | 100,0 | 100,0 | 0 |
| Cost of sale to sale revenue ratio, % | 49,9 | -17,1 | 20,0 | – |
| Growth of the dividend flow, RUB mln | 53 420 | 7 930 | >0 | – |
| EBITDA margin, adj. % | 55,6 | 46,1 | 52,1 | ↑ 13,0% |
| Return on Equity (ROE), % | 65,3 | 30,0 | 35,1 | ↑ 17,1% |
| Net profit, RUB mln | 133 471 | 78 616 | 90 404 | ↑ 15,0% |
| Lost Time Injury Frequency Rate (LTIFR) ¹⁷ | 0,08 | 0,19 | 0,24 | ↑ 28,1% |
| Net Debt ¹⁸ /EBITDA adj., rate | 0,6 | 0,7 | 0,5 | ↓ 25,1% |

KPI target values of ALROSA Group for three years ¹⁹

| Indicators | 2019 | 2020 | 2021 |
|-------------------------------------------------------|-----------------------------------------------|--------|--------|
| Core Product Sales Revenue, mln US dollars | 4 002 | 4 106 | 4 135 |
| Rough diamond production, thd carats | 37 320 | 37 148 | 36 795 |
| Volume of rock mass, thd cubic meters | 80 941 | 85 797 | 92 008 |
| Integral KPI of the Innovations, % | > 95 | | |
| Market Return on Shares, % | > Δ Moscow Stock Exchange index ²⁰ | | |
| Growth of the dividend flow, RUB mln | 13 667 | 19 558 | 2 600 |
| Return on Equity (ROE), % | 29 | 28 | 27 |
| EBITDA adj., RUB bln | 124 | 125 | 125 |
| BONUS CANCELLATION (RATIOS) | | | |
| Net Debt/EBITDA adj., rate ²¹ | ≤0,7 | | |
| Productivity, RUB mln /person | 11,45 | 11,80 | 11,97 |
| Reduction (+)/growth (-) of the operating expenses, % | -3,8 | -2,2 | -0,2 |

¹⁷ values for 2018 cannot be fully comparable because of the measures taken to enhance transparency of the reporting system

¹⁸ before bank deposits

¹⁹ target values of the indicators for 2019 – 2021 – based on the Long-Term Development Program of ALROSA Group for 2018 – 2024 approved by the Supervisory Board in November 2018

²⁰ relative change of the market P/E ratio is more than relative growth of Moscow Stock Exchange index for year (in case of growth of Moscow Stock Exchange index) and less then relative reduction of Moscow Stock Exchange index for year (in case Moscow Stock Exchange index falls down)

²¹ before bank deposits

ENHANCING BUSINESS
EFFICIENCY AND INNOVATIONS

Enhancing efficiency and innovations development of ALROSA are carried out within the following programs and directions:

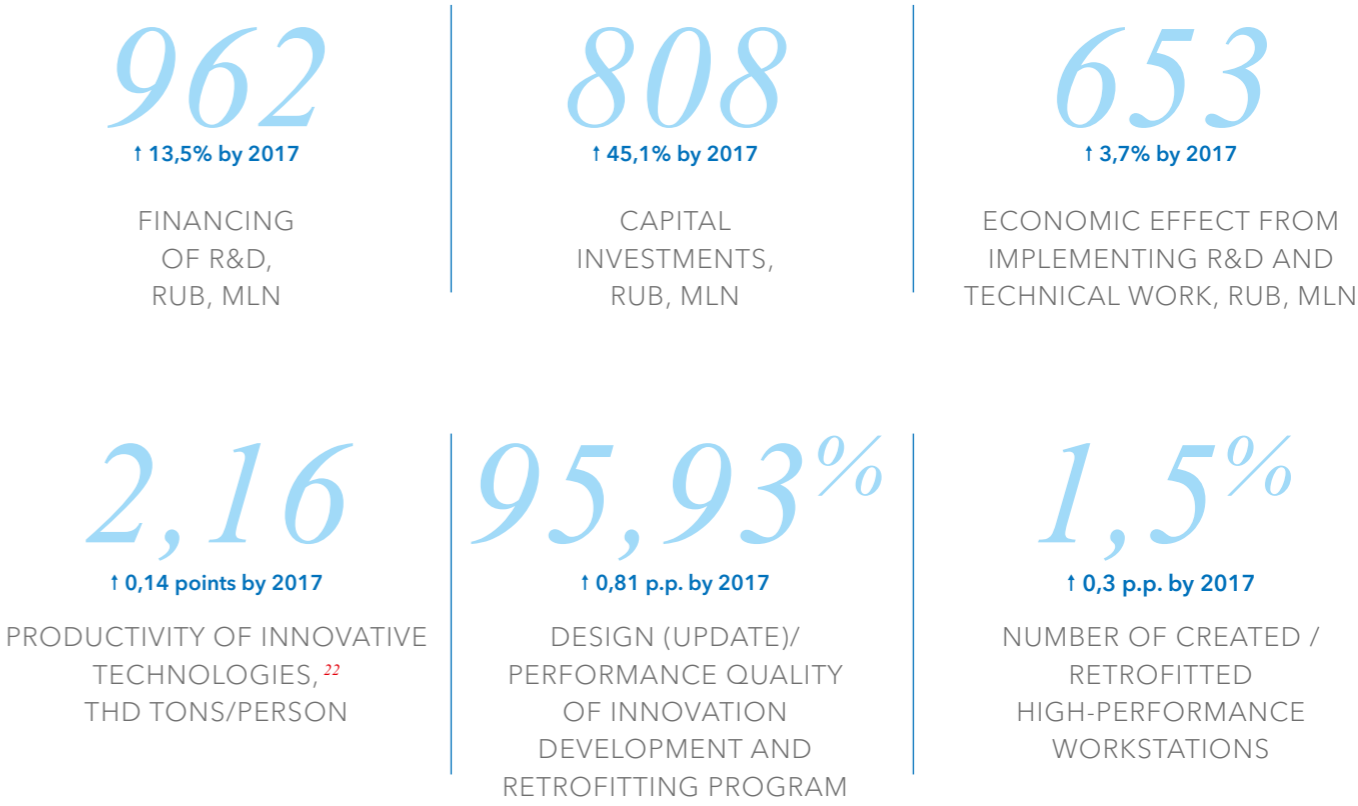
— Programs of innovations development and technology upgrade (PID&TU) aimed to set the conditions for improving competitive ability through continuous research, development and implementation of the innovative solutions in the core business.

— The programs of operating efficiency and cost-cutting (POECC),

— IT and industrial automation projects,

— procurement aimed to ensure efficient and timely support of core production.

INNOVATION DEVELOPMENT
AND RETROFIRING PROGRAM



²² productivity (volume of processed raw materials per employee engaged in core activity)

The Innovation Development and Retrofitting Program (IDRP) unites the projects that require testing or pilot operations to confirm their feasibility and economic efficiency. The program is deployed successfully and is an important source of submitting the projects to the Program of Operating Efficiency and Cost-Cutting (POECC).

In 2018, KPIs of the Innovation Development and Retrofitting Program (IDRP) approved by the Supervisory Board,²³ including the integral KPI of innovations, were fulfilled.²⁴

Integral key performance indicator (IKPE)

| Indicators | 2016 | 2017 | 2018 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------|-------------------|
| Development/procurement and implementation (30%) | | | |
| Ratio of R&D costs to revenue, % | 0,33 | 0,34 | 0,35 |
| Share of innovative product (goods, works, services) procurement in the total procurement volume, % | 1,7 | 1,7 | 1,4 ²⁵ |
| Commercialization/effectiveness (40%) | | | |
| Effectiveness of using innovative technology/labor productivity (volume of processed raw materials per employee engaged in core activity), thd tons/person. | 1,99 | 2,02 | 2,16 |
| Design (update)/performance quality of Innovation Development and Retrofitting Program (30%) | | | |
| Design (update)/performance quality of Innovation Development and Retrofitting Program, % | 98,2 | 95,12 | 95,93 |



²³ Minutes No. A01/249-IIP-HC dated November 29, 2016 for the purpose of fulfilling Directive No. 1471p-P13 dated March 3, 2016
²⁴ IKPI was developed and approved for the purpose of fulfilling Directive No. 1472p-P13 dated March 3, 2016
²⁵ reduction of the actual value is conditioned by completing construction of large facilities (Udachny Underground Mine, (Verkhne-Munskoye deposit), completing the road train procurement program.

Key performance indicators (KPI) of the Innovation Development and Retrofitting Program

| Indicators | 2016 | 2017 | 2018 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------------------|
| Increase of labor productivity, creation of highly productive jobs | | | |
| Volume of processed raw materials (ore and sand) per employee engaged in core activity, thd tons/person | 1,99 | 2,02 | 2,16 |
| Number of created/upgraded high-performance workplaces, % | 1,3 | 1,2 | 1,5 |
| Improvement of production efficiency processes, reducing the production cost | | | |
| Energy cost share in the structure of the total cost of production, % | 13,95 | 9,97 | 12,00 ²⁶ |
| Refusal to use the obsolescent and inefficient technologies, implementing modern production technology and management practice | | | |
| Number of cases of implementation/use of the results of R&D projects, new machinery, technology, production and labor organization at production deposits, number of cases | 37 | 29 | 29 |
| Improving energy efficiency and environmental friendliness of production | | | |
| Specific consumption of energy resources for extraction of one carat for mining and processing production, GJ/carat | 0,345 | 0,327 | 0,352 |
| Fresh water intake, thd cub. m | 20 326 | 7 886,1 | 2 834,2 |
| Greenhouse gas emissions in CO ² equivalent from portable and stationary sources, thd tons | 1 066,9 | 642,7 | 550,8 |
| The specific indicator of greenhouse gas emissions in CO ² equivalent from portable and stationary sources per product unit, tons / carat | 0,030 | 0,015 | 0,015 |
| The specific indicator of greenhouse gas emissions in CO ² equivalent from portable and stationary sources per unit of processed rock mass, ton/cubic meter | 0,011 | 0,004 | 0,003 |
| Efficiency of innovations | | | |
| The number of patents and other E&P documents of title, units | 17 | 18 | 22 |
| Economic effect from the implementation of R&D and technological works, mn RUB | 809 | 629,5 | 653,0 ²⁷ |
| Output of innovative products by JSC Bourevestnik Research and Production Enterprise | | | |
| Share of innovative products in the total sales of Bourevestnik Research and Production Enterprise (JSC), % | 13 | 11 | 12 |

²⁶ the target value of the indicator is reached, if the actual value of the indicator does not exceed the established target (similarly, for the Improving Energy Efficiency and Environmental Friendliness of Production indicators). The indicator takes into account hi-tech and innovative solutions of IDRP, without which the basic values were higher than target ones
²⁷ reporting values of the indicator are expected

RESULTS OF IDRP IN 2018

ALROSA Innovations and Technology Center is transformed in the standalone division

In 2018, reengineering of the Company's innovations was performed – ALROSA Innovations and Technology Center, which was in charge of the innovations development, was transformed into a standalone division. It was made in order to strengthen its role and privileges, enhance efficiency, and create additional vehicles of managing ALROSA innovations.

Industry Benchmark was performed

The technology level and current values of ALROSA KPIs was compared with the level of development and indicators of the leading foreign counterpart companies.²⁸ According to the comparison, ALROSA demonstrates the results that exceed those of the counterpart companies across 90% KPIs: the diamond mining market size and share, profitability according to EBITDA and EBITDA per employee, open cut productivity, cost price of open cut and underground mining, energy efficiency and environmental performance indicators. The results of operations will be included in the updated IDRP in 2019.

The program of digitizing production facilities was launched

Implementation of perspective projects related with digital mine, digital duplicates of the production cycle elements, MES system, deployment of unmanned drones in compliance with the Digital Economy of the Russian Federation state program is planned.

The agreement with the Russian venture company was signed

For the purpose of joint generation and promotion of hi-tech and innovative developments, ALROSA concluded the agreement with Russian Venture Company (JSC). Selection of technology startups as partners of Mining&Metals track is carried out based on GenerationS corporate accelerator.

Successful testing of the unique X-ray separator in washhouse No. 16 were carried out

Separator RGS-OD-3 is the joint development of JSC Innovation Center Bourevestnik, Yakutnioproalmaz Institute, ALROSA Innovation Center and Nyurba MPD. It has no counterparts in terms of processing of dry concentrates that contain -3+1 mm rough diamonds.

The “electronic drilling datasheet” technology was tested in Udachny and Aikhal underground mines

The “electronic drilling datasheet” technology that contains all required drilling parameters allows to improve drilling accuracy and minimize human factor.

The ALROSA site surveillance system was tried and implemented successfully

Video and photo recordings of the industrial sites are carried out by PHANTOM 4 drone.

The project of the automated IT system for managing operations of Aikhal MPD was implemented

The system acts as the single data source for operation of the process equipment and as the tool designed to analyze the operations efficiency.

The contract for manufacture and pilot testing of the thermo adhesive separator was concluded

ALROSA entered into the contract with the Institute of the Physical-Technical Problems of the North of the Siberian Branch of the RAS for manufacture and pilot testing of the second-to-none thermos adhesive separator in Q1 2019. Two patents were granted, and one more patent was applied for in connection with this invention.

There were prepared and held several events concerning open innovations:

- Annual contest of ALROSA open innovations the winner's offers will be included in the action plan of the Company's business units,
- the annual ALROSA contest of innovators and inventors, to which 57 technical solutions out of 11 Company's business units were submitted,
- Technostart-2018, a contest of innovative projects, where ALROSA acted as the main strategic partner and arranged its own section in different areas of diamond mining.

THE PROGRAMS OF OPERATING EFFICIENCY AND COST-CUTTING

The programs of operating efficiency and cost-cutting (POECC) was launched in the Company in 2014 and includes projects ready to be implemented. Currently, POECC includes 267 projects across ALROSA Group, with the respective project infrastructure created:

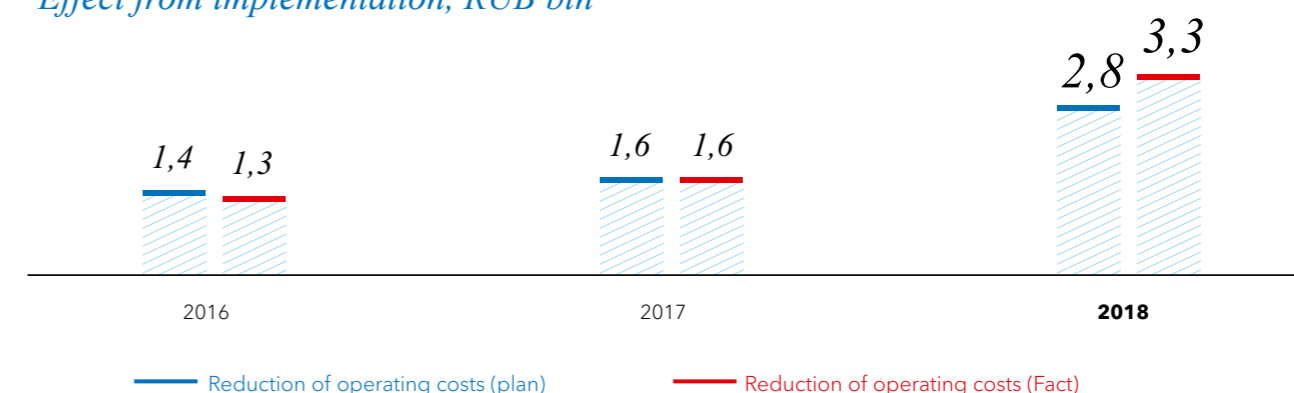
- the dedicated division aimed to manage operations of all Company's divisions in what refers to support of the investment efficiency, enhancing the operating efficiency and cost cutting was established,
- the project schedule was approved for every POECC project and the economic effect from implementation was recorded in the Project Datasheet,
- follow-up control of the claim effects is carried out.

In 2016, the operating costs were cut as part of the Operating Efficiency Strategic Initiative. In 2017 and 2018, the operating costs were cut as a result of POECC implementation. By results of 2017, it amounted to RUB 1.6 bln, 2018 – RUB 3.3 bln.

ALROSA sets the following operating efficiency strategic tasks:

- cumulative effect resulting from the POECC implementation taking into account profit from additional commodity output shall be RUB 112.0 bln in 2018 – 2024, including that from operating cost cutting for RUB 70.5 bln,
- implementing digitizing projects in the operations since 2020: digital simulation, use of big data for process optimization, virtual reality, introduction of drones and unmanned aircrafts.

Effect from implementation, RUB bln



3,3

RUB BLN

MADE DECREASE IN OPERATING EXPENSES FOLLOWING THE RESULTS OF 2018 AS A RESULT OF IMPLEMENTATION OF THE POESR PROGRAM

²⁸ The RF Government Directive no. 3262 p-P13 dated April 27, 2018

INFORMATION TECHNOLOGIES

The Company is aware of the role IT plays for its development and its importance. State-of-the-art technical and software solutions are able to meet the needs of all auxiliary business processes and core operations of the mining enterprise. Integration of different tools in a single information space creates assumptions to deploy the digital deposit, automate the entire value chain and Company product movement.

Considering these tendencies, in 2018 PJSC ALROSA started populating the operations digitizing program, in particular, the following initiatives to be completed in 2019 – 2020 were started:

- implementing “digital mine”, the automated dispatching systems for mining in the underground mines and open pit mines,
- using robotized drilling rigs,
- implementing the systems of augmented and virtual reality (VR),
- developing the single Geological and Mining Information System.

The development and operation of the systems of industrial automation and technical communications, business application automation and developing the information systems continued in 2018. These efforts set the pre-requisites for subsequent comprehensive digitizing program.

Industrial automation and technical communications

In 2018, the Company performed the following work in terms of industrial automation and technical communications:

- development of the Automated Process Management System:
 - implementation of UMTS oil depot automated management and metering system. Aikhal,
 - implementation of the automated mining and conveyor operations management system for Zarya pipe of Aikhal MPD,

- implementation of the road train dispatching system in the (Verkhne-Munskoye deposit of Udachny MPD,
- implementation of the underground online radio communications in Internatsionalny underground mine of Mirny MPD,
- end-to-end automation as part of the retrofitting of the treatment section OF No. 12 of Udachny MPD,
- equipping the refuelling tankers with mobile filling stations, on-board kits of authorized fuel dispensing and metering and devices designed to collect and wirelessly transfer data,
- equipping new construction facilities in Mirny with fire-fighting automated systems,
- automation of new infrastructure facilities while developing Internatsionalny underground mine
- along the horizons of -790, 85 and 832 meters (support of the processes and mining safety),
- automation of new infrastructure facilities while developing Udachny underground mine along the horizons of -480 and 580 meters (support of the processes and mining safety),
- creating IT infrastructure for automation systems of new Verkhnyaya Muna deposit facilities. Introducing voice radio communications (including cellular communications),
- implementation of XRL separator replacement program.



Automation of business applications and information systems

In 2018, the Company made the following efforts in terms of the "Automation of business applications and information systems"

- automation of the archive of business and finance documents,
- automation of HR and payroll business process,
- automation of procurement business process through developing ALROSA ETF in what refers to compliance with requirements of Federal Law No. 223,
- automation of health, fire safety and industrial safety business processes,
- visualization and planned / actual analysis of operations and finance KPIs of ALROSA Group enterprises,
- automation of production process management,
- automation of motor carrier management,
- automation of corporate services provided through implementing the self-service terminals.

In spite of the automation performed in previous years, the existing IT systems and technical solutions require extended functionality and improved mutual integration. Growing automation needs, the tasks of enhancing the operating efficiency, the need to build the single service model in IT lead to new tasks IT department faces:

- consolidating and centralizing IT resources,
- creating and developing local competences of workstation support,
- standardizing the organizational structure and IT processes, including SLA with the proper level of user support,
- establishing the Design Office to run IT projects and ensure efficient interaction with business units,
- building the single corporate IT architecture,

- creating the organizational infrastructure for continuous improvement of employees' IT competences considering new trends and technologies,
- shifting the focus to development of the consolidated IT systems of ALROSA Group taking into account the specific features of the enterprises and assets of ALROSA instead of supporting multiple disparate local systems.

It is planned to develop the Comprehensive IT Strategy 2019 – 2023 and have it approved by the Supervisory Board for Q2 2019.

PROCUREMENT MANAGEMENT

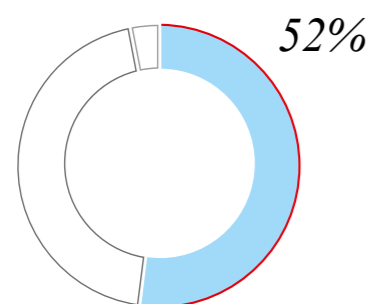
The main purpose of procurement is timely, efficient and transparent provision of the Company with required inventory, equipment, work and services of the proper quality in the required quantity on the best possible conditions.

Main principles of ALROSA procurement:

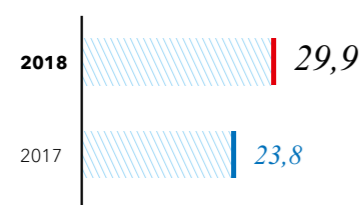
- target and economically efficient cash spending on products procurement and the efforts aimed to reduce the Company's costs,
- information openness and transparency of procurement,
- equality, fairness, no discrimination and unreasonable restrictions of competition against the participants, shaping measurable requirements to suppliers.

ALROSA procurement is governed by Federal Law No. 223-FZ dated July 18, 2011 Of Procurement of Goods, Work, Services by Certain Kinds of Legal Entities, Regulations of the Government of the Russian Federation issued to further develop this law, Regulations on procurement activities²⁹ and other internal regulations of the Company.

PJSC ALROSA Procurement Structure in 2018



Costs on materials and resources procurement, RUB bln.

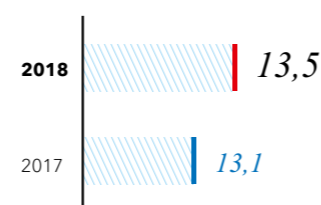


Actual Procurement

The key peculiarity of supplying materials and resources to the Company is that the Company is remote from main transport routes in Yakutia territory. Most materials and resources are delivered by water along the Lena river during the navigation period, which is from May until October.

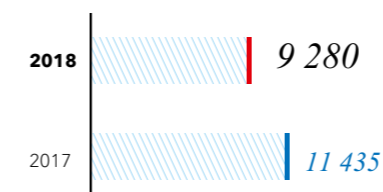
In 2018, product manufacturers and official dealers were the main source of procurement - their share amounted to 97% and grew for 6% vs. 2017.

Warehouse stock,³⁰ RUB bln

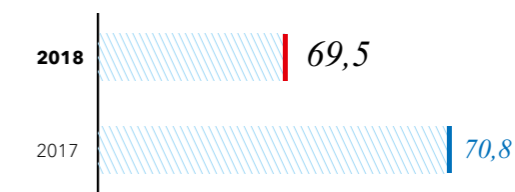


In 2018, the Company carried out 9,280 procurement procedures for purchase of goods, physical and intellectual services, by results of which the contract were concluded for the total amount of RUB 69.5 bln.

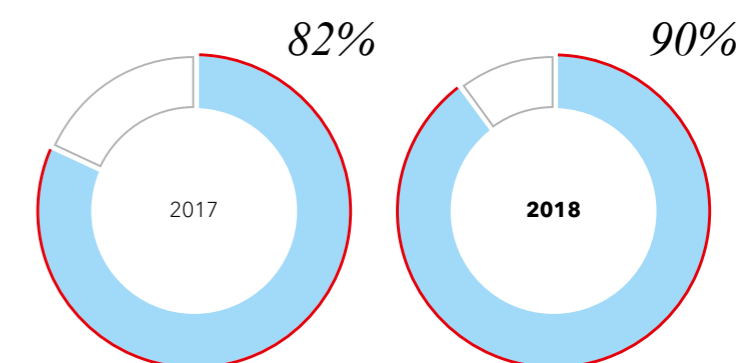
Procurement procedures, pcs.



Contract value, RUB bln

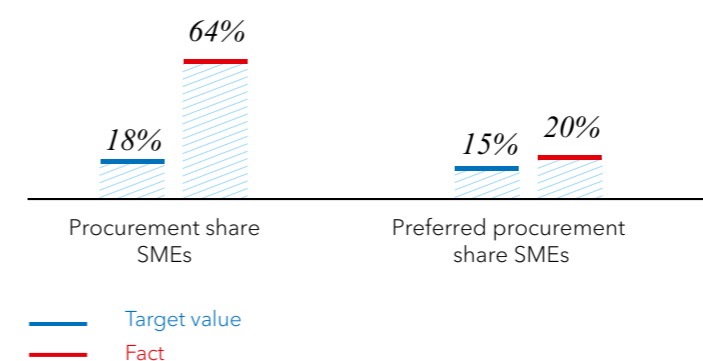


The share of electronic public competitive procurement procedures



In 2018, ALROSA continued developing partnerships with small and medium companies and increased their share in the total number of bidders. By the end of 2018, the share of procurement from small and medium businesses vs. overall payments under concluded contracts reached 64% with the target of 18%. By results of the year, the share of preferential procurement from small and medium businesses was equal to 20% of the amount of payments under contracts concluded by results of the preferential procurements from small and medium businesses, with the target of 15%.

Procurement from small and medium businesses in 2018



In 2018, 12 small and medium businesses were included in the partnership program based on the submitted bids, which is seven companies less than in 2017.

Import Phase-Out Program

One of the Company's important tasks is reducing dependence on the foreign equipment. ALROSA consistently implements the import phase-out program strategy - since 2014, the Company arranged work of the import phase-out commission. The goal of the commission work is to determine the import phase-out policy base on the principle of economic and technical feasibility. In 2018, nine meetings of the commission were held, with the decisions made on 51 issues of the possibility of actual phase-out of imported products with the Russian counterparts.

²⁹ approved by the Supervisory Board (Minutes No. A01/247-IIP-HC dated September 29, 2016), a new revision of the Regulations on procurement activities was approved November 15, 2018 (Minutes No. A01/283-IIP-HC)

³⁰ as of the end of the year taking into account the materials in transit and advance payments

³¹ in compliance with the instructions of the Government of the Russian Federation, Directives of the Government of the Russian Federation No. 7850p-P13 dated November 24, 2014

SALES AND MARKETING

4 507

↑ 5.6% vs. 2017

SALES OF ROUGH AND
POLISHED DIAMOND PRODUCTS,
USD MLN DOLLARS

4 412

↑ 5.8% to 2017

ROUGH DIAMOND SALES
MLN. DOLLARS

Generally, in the beginning and middle of 2018, the situation in the global diamond market was favorable and featured high trading activities. However, in the end of 2018, reduction of demand on rough diamonds was observed.

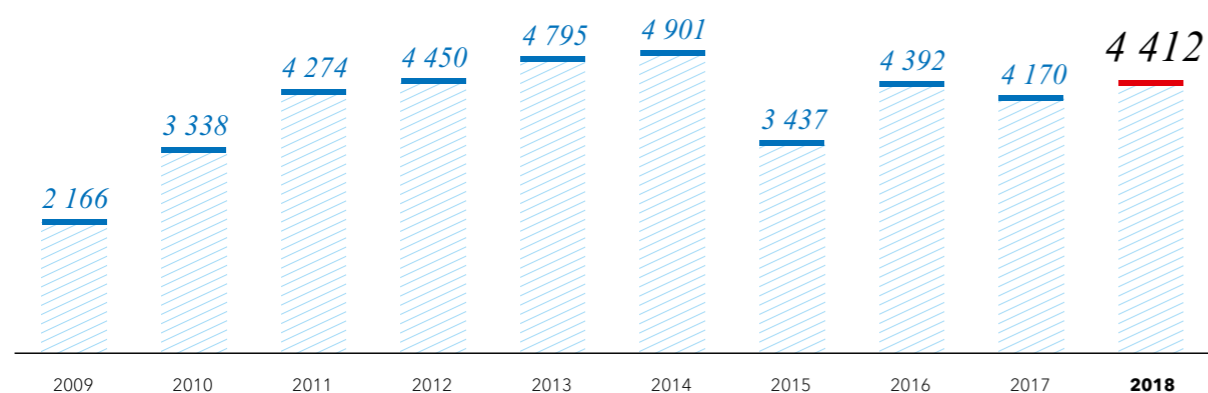
In the USA, optimistic trends to sales of polished diamond jewelry retained throughout 2018. At the same time, in non-USD consumption countries, devaluation of national currencies against USD adversely affected the demand for jewelry and diamond products. Besides, reduced financing could be observed in the industry in 2018. Indian banks toughened the lending to small businesses that usually purchased small rough diamonds that led to the decline in small and brown rough diamonds in the second half of 2018. In the context of considerable volume of rough diamonds that filled in the market December 2018 from ALROSA and De Beers, the demand for middle and small positions of rough diamonds did not recover in spite of the price reduction. Besides, the end of the year saw falling demand on large products.

By results of 2018, total sales of rough and polished diamond products of ALROSA amounted to USD 4,507 mln which is 5.6% higher than in 2017.

SALES OF ROUGH DIAMONDS

In 2018, ALROSA Group sold rough diamonds for the amount of USD 4,412 mln, which is 5.8% increase against the indicator of 2017. In 2018, supplies of rough diamonds to Gokhran of Russia amounted to 374 thd USD.

Sales of rough diamond by ALROSA Group in 2009-2018, mln USD³³



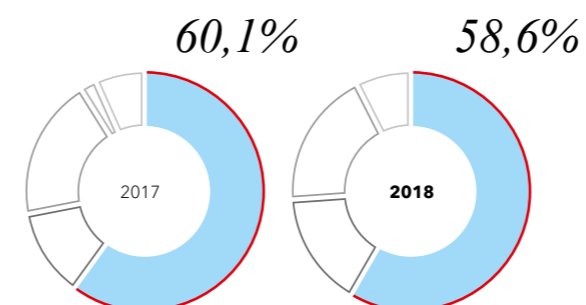
³² according to the IFRS without internal group transactions

³³ since 2016 – data according to IFRS (except for internal group transactions), previously – data according to RAS

In 2018, sales of rough diamonds by ALROSA Group in natural units reduced for 7.7% vs. 2017 and amounted to 38.1 mln carats. Sales of rough diamonds by PJSC ALROSA³⁴ reduced for 9.4%, by PJSC ALROSA-Nyurba – for 9.7%, indicators of JSC Almazy Anabara remained at the level of 2017,³⁵ and indicators of OJSC Severalmaz

increased for 6.9%. Different dynamics of sales volumes resulted in changes in the structure of rough diamond sales by types of ownership in 2018.

ALROSA Group rough diamond sales structure by ownership in 2017–2018, weight³⁶



In 2018, 88.1% of rough diamond sales by ALROSA Group in terms of value (in 2017 – 90.3%) and 94.5% – in terms of mass (in 2017 – 94.4%) fell to the external market. By results of the year, rough diamond sales in the external market reached USD 3,887 mln, which is 3.2% higher than the similar indicator of 2017.

By results of the year, the demand for rough diamonds by the Russian consumers grew. In the internal market, the sales amounted to USD 524 mln, which is 30.0% higher than in 2017. One of the factors stimulating sales growth in the internal market in 2018 became increase of payment delay provided to Russian buyers.

In 2018, the sales structure was changed through changed volume of mining in accordance with mining plans, reduced volume of stock and changed structure of the demand in the market. By results of the year, increase of sales of large-grain raw material, including +10.8 carat rough diamond, was noted. As a result, in 2018, average price index for the entire product range of rough diamonds³⁷ grew for 2.9% vs. 2017.

Actual average sales prices for rough diamonds of ALROSA Group, USD/carat

| Indicators | 2017 | 2018 | Variance |
|-----------------------|-------|-------|----------|
| ALROSA Group | 101,1 | 115,9 | ↑ 14,6% |
| • Jewelry diamonds | 134,5 | 163,5 | ↑ 21,6% |
| • Industrial diamonds | 7,6 | 7,5 | ↓ 1,8% |

Total growth of the average sales price amounted to 14.6%, with the price effect for 2018 evaluated as +1.9%. Change of the sales structure through increased sales share of the large-size expensive products resulted to 12.7% growth of the average rough diamond sales price (structure effect).

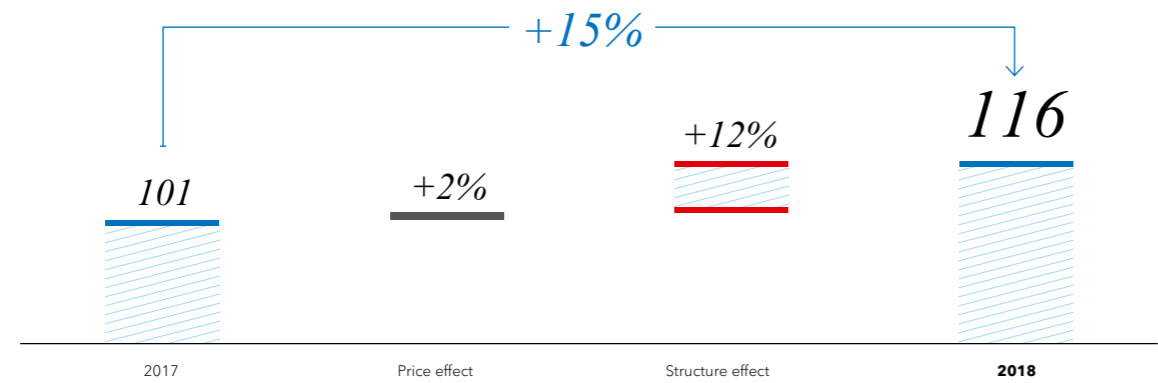
³⁴ without sales through the foreign network of ALROSA

³⁵ against total sales for 2017, ownerships by JSC Almazy Anabara and JSC Nizhne-Lenskoe, in 2017 the license of JSC Nizhne-Lenskoe was re-registered to JSC Almazy Anabara

³⁶ without sales by the foreign ALROSA network

³⁷ rough diamond price index – changes of price level for rough diamonds for the period in the structure of annual production of ALROSA Group

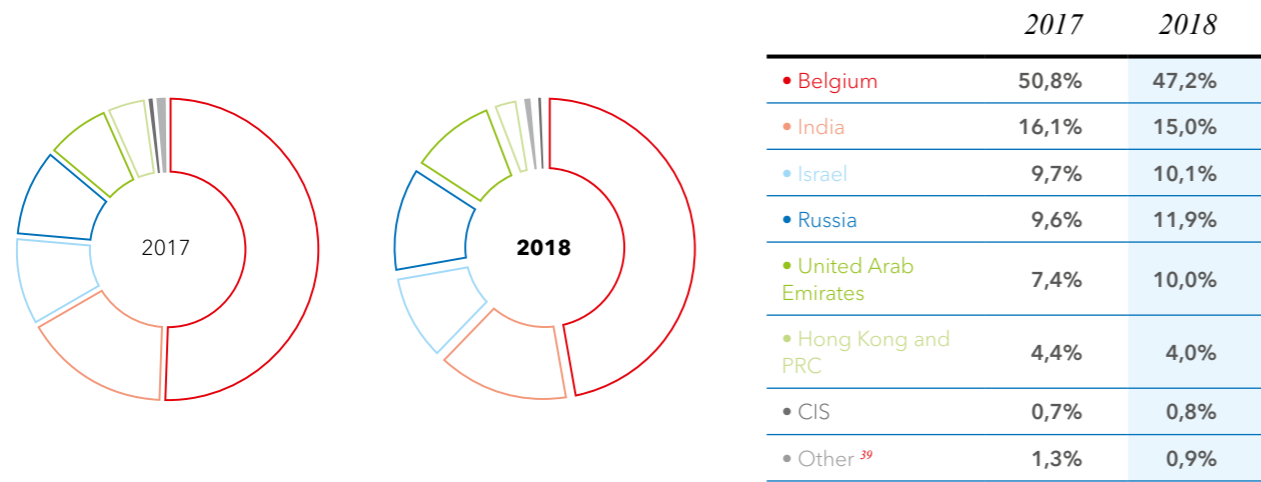
The average sales price of rough diamonds and diamond powder in 2017 – 2018, USD/carat



In 2018, sales of jewelry rough diamonds of special size (+10.8 carat) amounted to USD 464 mln (without taking into account ALROSA foreign network - USD 463), which is 27.4% increase against the indicator of 2017.

In 2018, +10.8 carat rough diamonds were demonstrated in the course of 34 closed international auctions taking into account two auctions of rough diamonds purchased in Africa that were held in Belgium and Dubai.

The sales geography of ALROSA Group rough diamonds in monetary terms³⁸



By the end of 2018, 61 long-term contracts for rough diamond supplies were concluded (without taking into account new long-term buyers). 75% products of ALROSA Group were sold under long-term supply contracts.

As of the beginning of 2019, the list of long-term buyers includes 67 companies: the rough diamond supply contracts were concluded with 59 buyers, the diamond supply contracts were concluded with 10 buyers, and two long-term buyers have supply contracts for both

jewelry and industrial rough diamonds. Just like during the previous periods, in 2018 ALROSA continued attracting new buyers with spot sales testing and perspective of signing new long-term agreements. Six new companies were included in the list of jewelry rough diamond buyers.

³⁸ Less shipment to Gokhran of the Russian Federation

³⁹ USA, Botswana, Great Britain, Switzerland, sales through foreign ALROSA network

Rough diamond cutting

To enhance efficiency of operations of ALROSA Group diamond-cutting entity, the development Strategy for DIAMONDS ALROSA branch for 2018 – 2020 has been developed to provide for a set of efforts aimed to change the product range, extend the sales channels, change the pricing policy and ensure marketing support.

The key initiatives of the development Strategy are increase of diamond-cutting of especially large rough diamonds and rough diamonds of rare colors, with such rough diamonds chosen across all mining entities of ALROSA Group, distribution of rough diamonds to the production sites in Moscow and Barnaul considering the cost price of processing and respective competences. Product range optimization provides for refusal to process small-grain rough diamonds in Moscow and increased shares of producing polished diamonds from respective rough diamond categories in Barnaul.



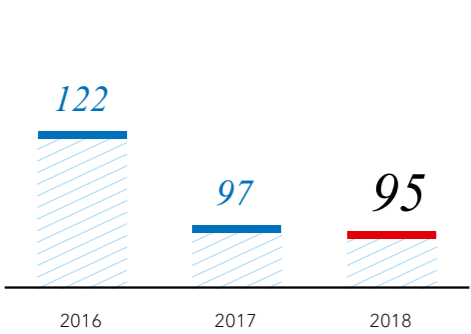
SALES OF POLISHED DIAMONDS

In 2018, the sales of polished diamonds manufactured by the diamond-cutting entity of ALROSA Group amounted to USD 95 mln ⁴⁰ which is 1.6% reduction vs. 2017.

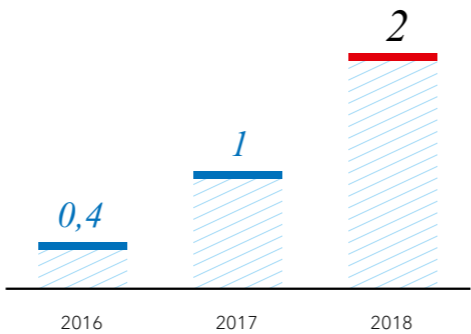
Dynamics of ALROSA polished diamonds sales in 2016 – 2018, USD mln dollars

| Indicators | 2016 | 2017 | 2018 | Variance |
|------------------------|------|------|------|----------|
| Export | 75 | 74 | 78 | ↑ 5,7% |
| ALROSA entities abroad | 47 | 21 | 15 | ↓ 29,2% |
| Domestic market | 0,4 | 1 | 2 | ↑ 30,1% |
| Total | 122 | 97 | 95 | ↓ 1,6% |

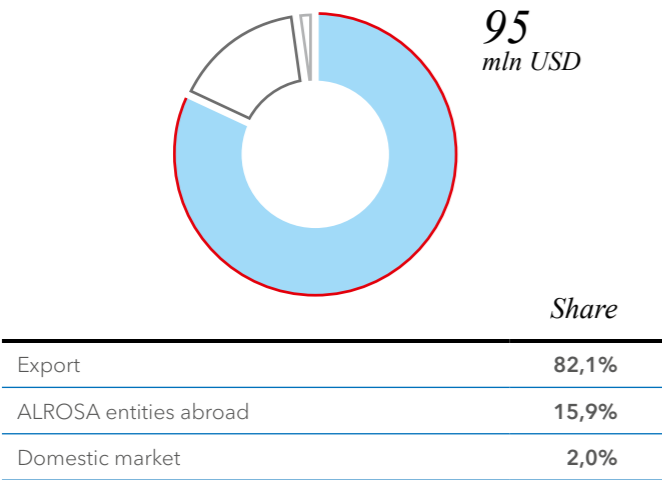
Dynamics of ALROSA polished diamonds sales, \$ mln



ALROSA polished diamonds sales in Russia, \$ mln



Structure of ALROSA polished diamonds sales in 2018 in monetary terms



In 2018, DIAMONDS ALROSA branch sold the polished diamonds in the external market for the amount of 78 mln USD. Polished diamond sales through ALROSA foreign network amounted to 15 mln USD. In 2018, the polished diamond sales (including retail sales of certified polished diamonds) the domestic market amounted to 2 mln USD.

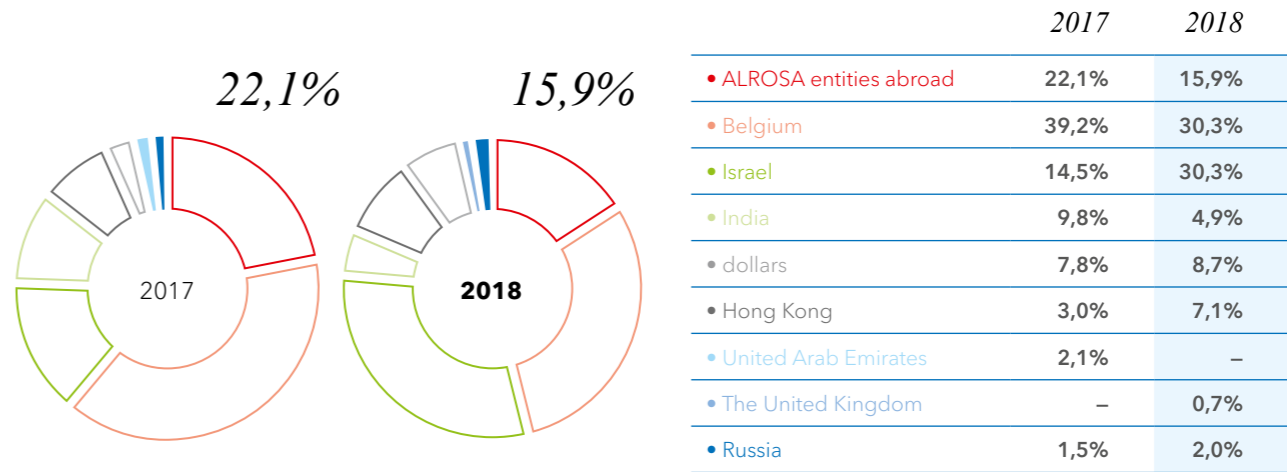
⁴⁰ according to IFRS

In 2018, in the course of auctions the polished diamonds were sold for the amount of 28 mln USD. For the purpose of polished diamond sales immediately in the diamond product consumption markets, in 2018, ALROSA foreign network was used to ship, under the contracts, polished diamonds for the total value of 14 mln USD. Cumulative currency efficiency ratio of polished diamond sales ⁴¹ by results of 2018 amounted to 0.98.

Since 2018, products of DIAMONDS ALROSA branch were purchased by 150 companies representing main world centers of cut diamond business; 85 companies under direct contracts in Moscow, 99

companies – through ALROSA foreign network. Since the beginning of 2018, in the domestic market, products of DIAMONDS ALROSA branch were purchased by 17 jewelry companies in Moscow, Kostroma Region, Barnaul, Smolensk, and private buyers that purchased certified polished diamonds.

Polished diamond sales geography of ALROSA Group in monetary value in 2017–2018 ⁴²



MARKETING AND INTERNATIONAL OPERATIONS

Historically, ALROSA adhered to the conservative approach, which was traditional for mining companies: it worked with the narrow circle of B2B customers and due to long-standing relations with them it was barely engaged in any product marketing. At the same time, demand for the Company's rough diamonds, and therefore its financial performance, directly depends on the consumer demand on polished diamond jewelry. For this reason, in 2018 ALROSA changed its marketing approach focusing at two segments simultaneously and dividing the goals for each of them:

- B2B: developing and promoting ALROSA brand in the rough diamond segment to boost demand on the Company's products,
- B2C: developing and implementing marketing initiatives aimed to maintain and boost demand on ALROSA products across the value chain, including boosting the demand on certain gem categories, participating in generic marketing programs (as member of industry associations) to maintain the consistent world demand on the natural polished diamonds as the product.

⁴¹ Currency efficiency ratio is the cost of cut diamond sales exceeding the cost of rough diamond used to manufacture them.

⁴² the data are in accordance with IFRS (net of intra-group turnover)

Importance of intensifying this work is accounted by the following trends:

| Trend | Description |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| High competition in luxury segment | Consumers are offered an extremely wide choice of products and services to purchase or give as a gift in the same pricing segments as polished diamond jewelry. |
| Impact of synthetic products | Introducing synthetic diamonds and other artificial substitutes of polished diamonds to the market, growing marketing activities of manufacturers and sellers of such diamonds and jewelry, including De Beers entering the market of synthetic polished diamond jewelry. So far, the market still doesn't offer any reliable assessment of the size of this segment, and popularity of such products by consumers is evaluated as low and niche-related. |
| Changes of consumer preferences | The millennials generation that now enters the phase of active consumption sees the things differently. They prefer the brands that interact with them, they want an individual approach and customized products, and are also inclined to choose the goods that were manufactured responsibly and environmentally friendly. |
| Slowdown of market growth pace and lack of stability | In recent years, polished diamond prices have not demonstrated consistent growth. |

Main projects and initiatives of 2018

Generic marketing

ALROAS is the initiator and participant of the Diamond Production Association DPA established in 2015 to implement large-scale programs of generic marketing. Work of DPA is intended to boost consumer demand on polished diamonds, first of all, among young generation - in the main polished diamond consumer markets: USA, China and India. DPA offered a new approach that presents the natural polished diamond as the symbol of expressing deep and sincere feelings even without reference to a certain date or event. Efficiency of DPA work is evaluated several times per year by means of research and public opinion polls. The first polls show growth of the number of people that plan to buy the polished diamond jewelry the next year.

Branding Initiatives

To promote the products in B2B and B2C, ALROSA develops a series of marketing programs aimed to shape and boost the

demand for certain product range groups. One of such initiatives is the brand of fluorescent polished diamonds, whose positioning is built on the unique property of these diamonds to shine with ultraviolet.

The Company also moves towards branding of Russian polished diamonds and other projects that, during their first stages, will be implemented in partnership with long-term customers and the largest retailers in the key markets.

In 2018, ALROSA branding initiatives were presented to the Company's long-term customers and got the positive feedback.

Marketing of polished diamonds of fancy colors and especially large polished diamonds

Polished diamonds of fancy colors are one of the new Company's focuses. Demand and prices on such diamonds grow annually even during the periods, when the rest of the diamond market slows down. In addition to the consumer properties, color polished diamonds feature the investment potential, since due to their restricted offer (only one diamond out of 10,000 is colored), their value grows higher than value of transparent diamonds.



Every year, ALROSA mines about 7 - 10 thd carats of colored diamonds that since 2018 are delivered to DIAMONDS ALROSA for diamond-cutting. The Company's goal is to become the largest manufacturer of colors polished diamonds promoting these products in B2B and B2C.

Thus, in in 2018 the Company launched large-scale advertising campaign in the industry market to inform potential partners of the advantages of ALROSA colored polished diamond product range, and the first auction of colored polished diamonds of different forms, colors and sizes, True Colors, was held in Hong Kong.

In 2018, with marketing support, the Company sold the collection of unique polished diamonds, The Dynasty, one of which was the clearest large polished diamond ever cut in Russia. The campaign included large-scale PR support with the audience coverage over 400 mln, worldwide road show, a series of events for private buyers and mass media.

Tracing the polished diamond origin

Modern consumers are interested in the polished diamond history, they want to be sure that the gem mining was not related with military conflicts, violation of human rights, that the polished diamond was manufactured responsibly, without polluting the environment, and that the polished diamond manufacturer supports local communities.

ALROSA is committed to provide consumers with the possibility to trace back the entire history of the purchase polished diamond starting since the place of mining of the rough diamond it was made of. At present, the Company presents such information in the text, photo and video formats to B2B buyers of polished diamonds manufactured by DIAMONDS ALROSA via the online platform.

ALROSA also actively researches the trading solutions existing in the market. In 2018, the Company joined the pilot launch of two large projects in this area: M2M by GIA and Tracr by De Beers.

Online Stores

Following the consumers' preferences, in 2018, ALROSA created and launched the online store of polished diamonds focused on both B2B and B2C. The marketplace allows wholesale buyers to purchase the diamonds remotely. Online sales of polished diamonds to individuals will be launched in 2019.

The store offers a wide product range of transparent and colored diamonds of different forms and quality that need the demand of a wide range of customers. Small and medium-size segments will be available for purchase in the form of non-competitive transactions, while large diamonds will be sold in the auction at the same marketplace.

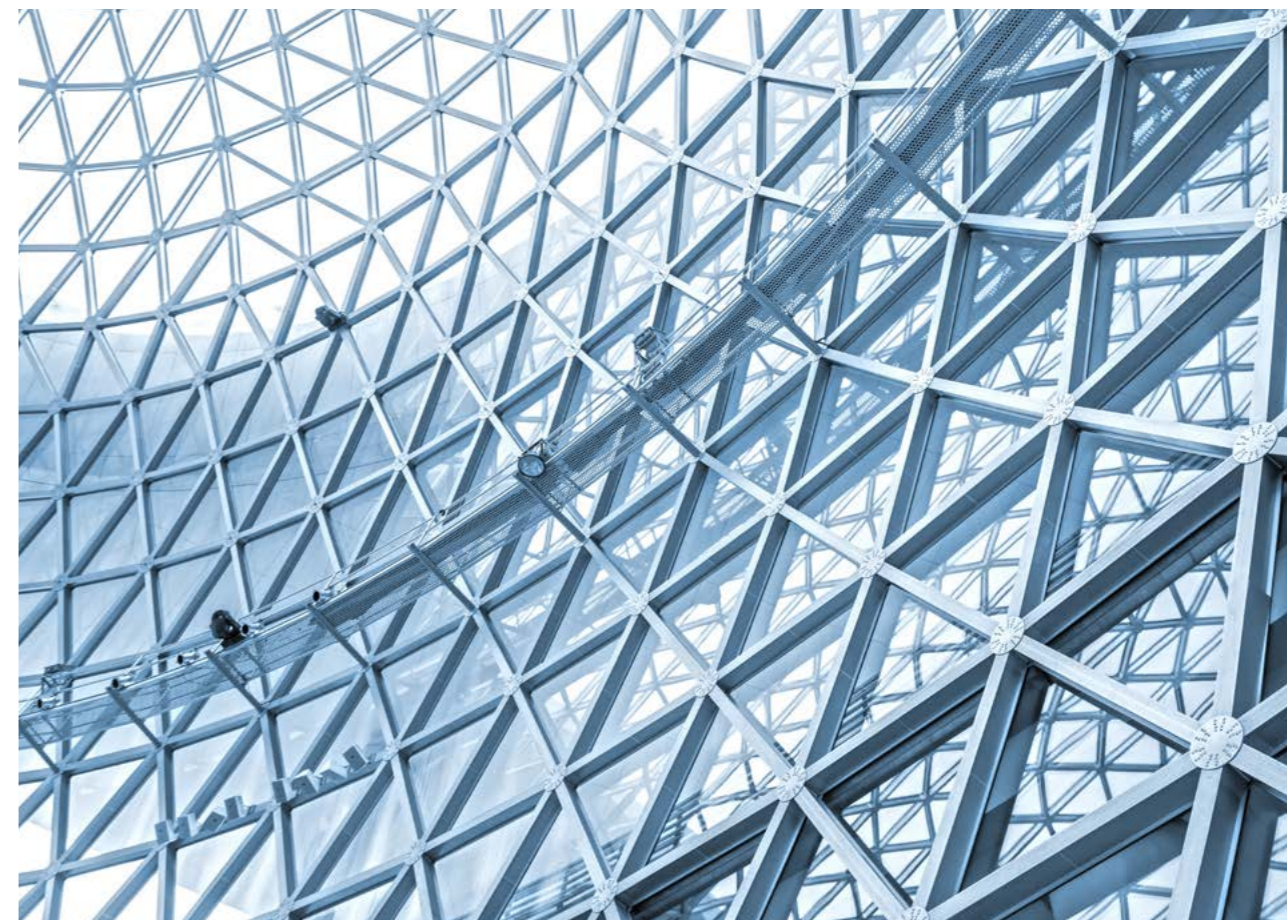
INTERNATIONAL OPERATIONS

ALROSA is committed to enhance efficiency of international regulatory mechanisms and the industry self-regulation system, to promote high standards of responsible business thus facilitating to strengthening the consumers' trust and contributing significantly in the sustainable development of the diamond industry, including in the context of achieving UN Sustainable Development Goals.

In 2018, within DPA work, a range of important projects of delineating natural and synthetic diamond markets was implemented, including unification of terminology, introduction of consistent code of the goods nomenclature for production of natural and synthetic diamonds, development of the standard of screening devices to identify synthetic products. Thus, the Diamonds Terminology Guidelines (DTG) adopted by in January 2018 was adapted for use in the key markets. DTG terminology is included in the updated version of ALROSA ALLIANCE Principles of Responsible Business. DPA also conducted the independent research of economic and social environmental aspects of diamond mining companies' operations that demonstrated considerable contribution of these companies in development of the regions of presence.

ALROSA also took part in industry initiatives aimed to ensure responsible origin of the rough and polished diamonds within WDC and the Kimberley process (KP). In October 2018, WDC approved the new System of Warranties that had been developed with assistance of ALROSA and that extended scope of KP Certification Pattern beyond the export / import transactions to cover the domestic trade transactions, included all segments of the diamond industry, from mining up to retail, and provided for compliance with the internationally acknowledged principles of human rights, labor rights, and combat with money laundering and terrorism financing.

In August 2018, ALROSA hosted the survey visit of KP experts in its production facilities to confirm compliance with the national system of mining, accounting, sales and control with rough diamonds to the minimum requirements of KP Certification Pattern. In November 2018, the consent in principle of all KP members to establish the secretariat of this organization to enhance efficiency of its work was reached in KP plenary session with the leading role of ALROSA. Besides, the decisions to of recommending all participants and supervisors to use DTG as the best practice were approved.



IN 2018 ALROSA CONTINUED WORK ON STRENGTHENING OF BILATERAL INTERACTION WITH THE LARGEST NATIONAL ORGANIZATIONS OF THE DIAMOND AND DIAMOND INDUSTRY.

The Company continues promoting responsible business standards for the diamond industry taking part in the work of the Committee on responsible best practice in the jewelry business (RJC). In May 2018, ALROSA hosted RJC annual meeting of the members in Moscow. In the course of regular elections of the organization's officers, the Company representative was elected as RJC vice-president. ALROSA actively took part in the process of updating the Code of Responsible Practice RJC. For the purpose of making the corporate standards comply with RJC requirements and the world best practice ALROSA updated its Sustainability and Corporate Social Responsibility Policy, in which it

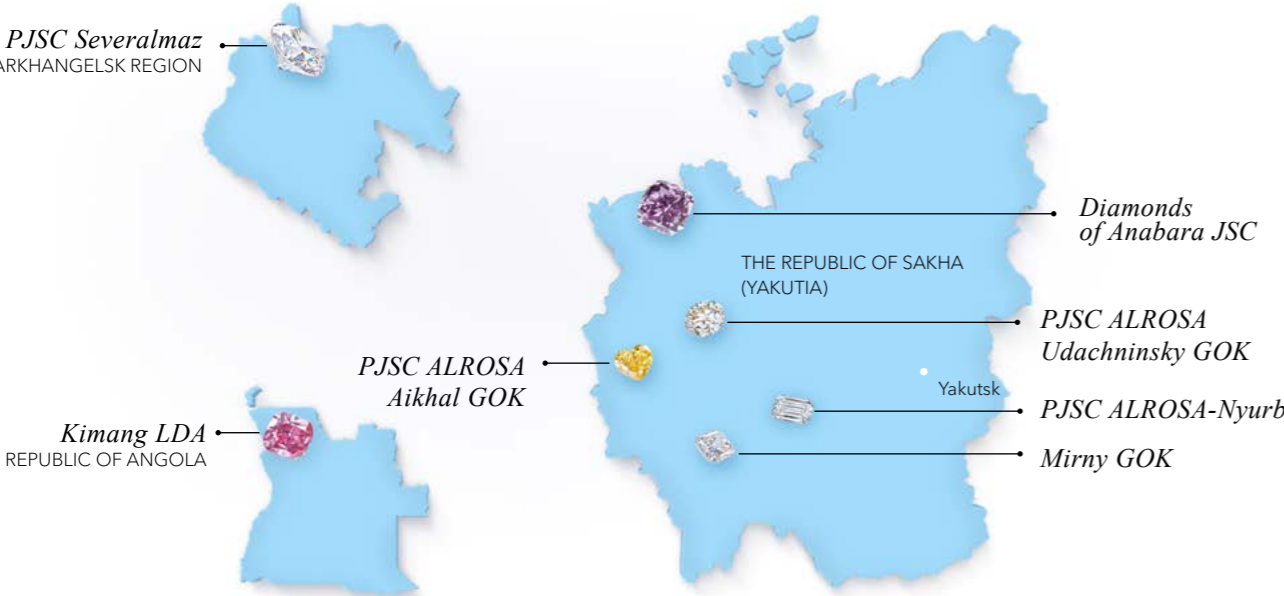
confirmed commitment to UN Sustainable Development Goals and the United Nations Guiding Principles on Business and Human Rights.

In 2018, ALROSA continued strengthening the bilateral interaction with the largest national organizations of the diamond industry. In April 2018, a new agreement of cooperation with the Antwerpen World Diamond Center (AWDC) was signed. The main areas of cooperation for the coming period include promoting joint marketing initiatives, implementing important industry projects, cooperation in the context of the international industry organizations, information exchange and organization of the educational programs. Within interstate cooperation the Company took part in work of the intergovernmental commissions with Angola, Armenia, Belgium, Israel, India, the UAE and the Republic of South Africa.

PERFORMANCE FOR 2018

RESERVES AND GEOLOGICAL EXPLORATION

Maintaining and expanding the resource base is one of ALROSA's key strategic priorities. Reserves of the deposit in the balance sheet of ALROSA Group as of January 1, 2019, amounted to 1,147,623 thd carats. Economic feasibility of certain mine or site development is determined on the case-by-case basis based on the technical solutions that are shaped considering the international market demand on the rough diamonds..



Reserves of rough diamonds, thd carats

| Company | January 1 2017 | January 1 2018 | January 1 2019 | Variance |
|---------------------|----------------|----------------|----------------|----------|
| PJSC ALROSA | 743 718 | 770 188 | 751 196 | ↓ 2,5% |
| PJSC ALROSA-Nyurba | 172 447 | 172 415 | 164 551 | ↓ 4,6% |
| JSC Almazy Anabara | 38 052 | 36 710 | 32 681 | ↓ 11,0% |
| JSC Nizhne-Lenskoe | 350 | 0 | 0 | – |
| PJSC Severalmaz | 205 339 | 202 735 | 199 195 | ↓ 1,7% |
| Total, ALROSA Group | 1 159 906 | 1 182 048 | 1 147 623 | ↓ 2,9% |

In the long run, ALROSA Group is committed to ensure growth of reserves at least the level that corresponds to the average mining level. The target task of ALROSA Group in terms of the exploration work in 2018 is to develop the mineral resources base in the most

promising regions. While pursuing this task ALROSA Group provided the growth of reserves in the amount of 2.2 mln carats (net of depreciation of the reserves), which is

160.4% of the target. In 2018, replacement of reserves amounted to 6.1%. In 2016 – 2018, ALROSA reserves increased totally for 118.4 mln carats with mining scope of 113.7 mln carats. The replenishment factor was equal to 104.1%.

In 2018, the exploration work was performed by ALROSA business units – Vilyuiskaya GRE and NGIP, while drilling and mining were contracted to Mirinskaya Mining and Drilling Expedition, and since July 1, 2018 – to ALROSA-Spetsbureniye LLC and its subsidiaries – PJSC ALROSA-Nyurba,⁴⁴ JSC Almazy Anabara and PJSC Severalmaz.

Work budget, RUB mln

| Type of Work | 2016 | 2017 | 2018 | Variance |
|--------------------|-------|-------|-------|----------|
| Exploration works | 6 383 | 6 522 | 5 973 | ↓ 8,4% |
| Onsite exploration | 1 500 | 1 469 | 1 694 | ↑ 15,3% |

Key Events of ALROSA Group in what refers to Exploration and Onsite Exploration in 2018

Ensuring long-term competitive advantage:

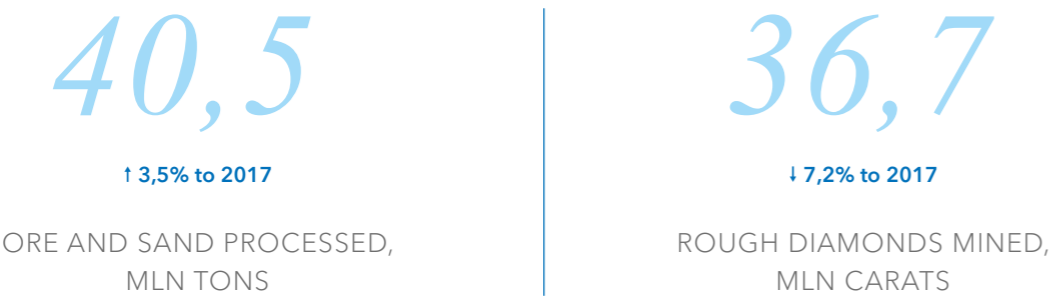
- ALROSA Group exploration development Program and Strategy were updated for 2019 – 2030,
- licenses for Munskey-1 and Sredne-Vilyisky sites for geological study of subsurface in the area of Verkhne-Munsky and Syuldukarsky kimberlite fields were obtained, the exploration is being planned,
- the regional exploration studies were carried out together with the Russian R&D organizations in order to determine the areas of further licensing,
- resources of new territories in Yakutia were tested in order to obtain licenses for the promising sites,
- production targets for planned exploration across central key diamondiferous areas covered by MEPs operations were completed,
- the monitoring was completed, and the information of the promising diamondiferous areas and the targets of assessment and exploration in African countries (Angola, Zimbabwe) and the world was classified,
- reforming the geological survey facilities was continued:
 - since July 1, 2018 the Mirinskaya Mining and Drilling Expedition was transferred to the subsidiary in order to reduce cost of drilling and mining,
 - the geo information center was transferred from Vilyui GRE to NGIP and the regional aspect was enhanced,
 - concentrating the dedicated services of Vilyui GRE: geological, geophysical and processing ones,
- development of suggestions of amending the subsurface use regulations.

Development and Investments:

- growth of reserves of JSC Almazy Anabara in the amount of 2.2 mln carat was obtained:
 - Ochuos site (0.4 mln carats),
 - Billyakh Pritoki-3 (1.0 mln carat),
 - deposit called "rooch.. Lyaseger-Uryakh" (0.8 mln carats).
- JSC Almazy Anabara approved reserves of the associated components of the placer deposits: gold – 189.93 kg gold and platinum – 48.59 kg of platinum(Ochuos site, Billyakh Pritoki-3, deposit called "rooch.. Lyaseger-Uryakh and Ebelyakh),
- exploration of deep horizons of Zarnitsa and Yubileynaya pipes was continued,
- brownfield exploration for the fourth stage of Nyurbinskaya placer deposit was completed,
- the research and analytic support and improvement of the exploration technologies and the diamond deposit discovery methods in the Siberian Platform was performed.

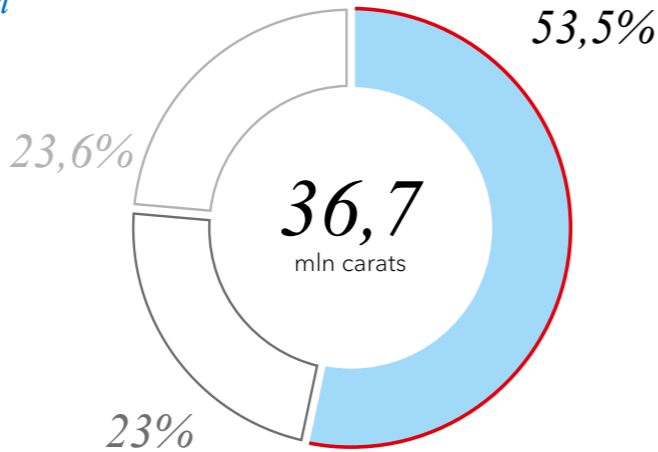
⁴⁴ contractor work was performed by Vilyuiskaya GRE

OPERATIONAL PERFORMANCE



ALROSA Group mines diamonds in Russia: in the Republic of Sakha (Yakutia) and the Arkhangelsk Region. In 2018, the diamond mining amounted to 36.7 mln carats, out of which 33.1 mln carats (or 90.1% of the total volume) was produced in the Republic of Sakha (Yakutia) and 3.6 mln carats (9.9% of the total volume) – in the Arkhangelsk Region. In 2018, diamonds were mostly produced by the surface mining from open-pit mines (53.5%), 23.0% of the mined diamonds fell to the underground mines, and 23.6% – were produced by the surface mining from placer deposits.

Structure of ALROSA Group rough diamond mining in 2018

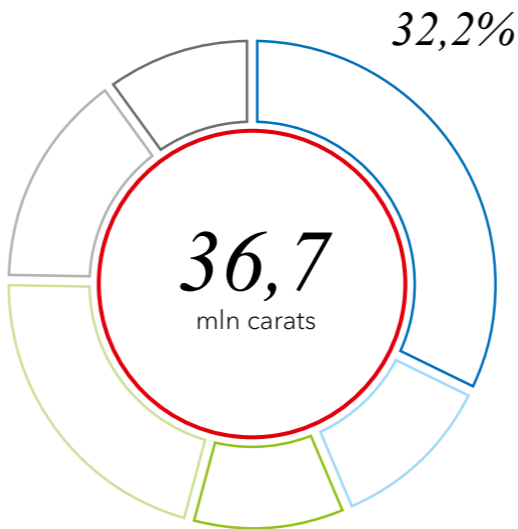


| Mining Type | Share | |
|--------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Surface mining | 53,5% | TYubileynaya pipe, Komsomolskaya pipe, Zarnitsa pipe, Zarya pipe, Zapolyarnaya pipe (Verkhne-Munskoye deposit), Nyurbinskaya pipe, Botuobinskaya pipe, Arkhangelskaya pipe, Karpinsky I pipe, Karpinsky II pipe |
| Underground mining | 23,0% | Internatsionalnaya pipe, Mir pipe (mining shut down because of the accident), Aikhal pipe, Udachnaya pipe |
| Placer deposits | 23,6% | Piropovy Ruchey placer, Zakonturnaya Deluvialnaya placer, Zapolyarnaya pipe placer deposit, Gornoye placer, Irelyakh placer, Vodorazdelnye Galechniki placer, Nyurbinskaya placer, Botuobinskaya placer, Morgor placer, Pravoberezhie Morgora placer, Istok placer, Ebelyakh placer, Ruchey Gusiny placer, Srednee Molodo placer, Bolshaya Kuonamka placer, Talakhtakh placer, Khara-Mas placer, Kholomolokh placer, a man-made deposit, Tailing dumps of Processing Plant No. 5 |



ALROSA owns six mining facilities with four of them being part of PJSC ALROSA: Aikhal Mining and Processing Division, Mirninsky Mining and Processing Division, Udachny Mining and Processing Division, and Nyurba Mining and Processing Division; two other companies are subsidiaries: JSC Almazy Anabara and PJSC Severalmaz (Lomonosov Mining and Processing Division).

Structure of ALROSA Group rough diamond mining in 2018 with breakdown by subdivisions



| | | Share |
|--------------------------------------------|--------------------|-------|
| •Aikhal Mining and Processing Division | PJSC ALROSA | 32,2% |
| • Mirny Mining and Processing Division | PJSC ALROSA | 11,4% |
| • Udachny Mining and Processing Division | PJSC ALROSA | 10,7% |
| • Nyurba Mining and Processing Division | PJSC ALROSA | 21,0% |
| • JSC Almazy Anabara | JSC Almazy Anabara | 14,7% |
| • Lomonosov Mining and Processing Division | PJSC Severalmaz | 9,9% |

Ore Mining and Processing in 2018

| | Ore and sand processing mln tons | Variance | Rough diamond mining, mln carats | Variance | Diamond content, carat/ton |
|----------------------------------------|----------------------------------------|---------------|-------------------------------------------|---------------|-------------------------------|
| Aikhal Mining and Processing Division | 9,4 | ↑ 3,4% | 11,8 | ↓ 8,9% | 1,26 |
| Mirny Mining and Processing Division | 5,0 | ↓ 6,2% | 4,2 | ↓ 42,0% | 0,84 |
| Udachny Mining and Processing Division | 6,9 | ↑ 5,8% | 3,9 | ↑ 2,8% | 0,57 |
| Nyurba Mining and Processing Division | 2,1 | ↑ 2,0% | 7,7 | ↑ 0,1% | 3,66 |
| PJSC Severalmaz | 3,5 | ↑ 5,9% | 3,6 | ↑ 37,6% | 1,05 |
| JSC Almazny Anabara | 13,7 | ↑ 6,0% | 5,4 | ↑ 4,3% | 0,40 |
| ALROSA Group | 40,5 | ↑ 3,5% | 36,7 | ↓ 7,2% | 0,91 |

Production results in 2016-2018.

| Indicators | Unit | 2016 | 2017 | 2018 | Variance |
|-------------------------|--------------|-------|-------|-------|----------|
| Ore and sand mining | mln tons | 34,4 | 35,6 | 38,6 | ↑ 8,5% |
| Ore and sand processing | mln tons | 38,6 | 39,1 | 40,5 | ↑ 3,5% |
| Rough diamond mining | mln carats | 37,4 | 39,6 | 36,7 | ↓ 7,2% |
| Rough diamond mining | mln. dollars | 3 486 | 3 908 | 3 502 | ↓ 10,4% |
| Diamond content | carat/ton | 0,97 | 1,01 | 0,91 | ↓ 10,3% |

In 2018, ALROSA Group reduced rough diamond mining for 7.2% in natural units and 10.4% in value terms vs. 2017. The reduction of rough diamond mining was affected by the changed structure of the processed raw materials – ore of Mir pipe and Udachnaya open mining pipe were excluded from processing and were replaced with the lower-content raw material.

THE FIRST LARGE ROUGH DIAMOND WAS MINED IN VERKHNE-MUNSKOYE DEPOSIT

A transparent crystal of octahedral round shape with minor yellow tone was extracted in November 2018 from the ore of Zapolyarnaya pipe – one of the four kimberlite pipes developed in the deposit.

The rough diamond weight is 51.49 carats, with its dimensions being 23 x 22 x 15 mm. The approximate age of the extracted crystal is over 350 mln years. This is the first large jewelry-class rough diamond with the weight over 50 carat mined in the Verkhne-Munskoye deposit that was commissioned October 31, 2018.



AIKHAL MINING AND PROCESSING DIVISION

9,4

↑ 3,4% to 2017

ORE PROCESSED,
MLN TONS

11,8

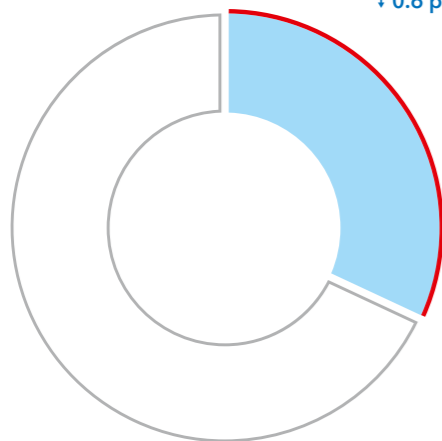
↓ 8,9% to 2017

ROUGH DIAMOND MINING,
MLN CARATS

Share in ALROSA Group total rough diamond mining in 2018

32,2%

↓ 0.6 p.p. by 2017



Aikhal Mining and Processing Division (MPD) is ALROSA Group largest rough diamond mining division; in 2018, the company accounted for 32.2% of all the diamonds, mined by ALROSA. Such kimberlite pipes as Yubileianaya, Komsomolskaya, Aikhal are this mining and processing division's main objects. The ore mined by Aikhal MPD goes to Concentrating Plants No. 8 and No. 14 for processing, their design capacity reaches 1.7 mln tons of ore and 10 mln tons of ore per year, respectively.

Aikhal MPD's Objects

| | |
|--------------------|---------------------------------------------------------------|
| Yubileynaya pipe | Open pit mine from 1989 |
| Komsomolskaya pipe | Open pit mine from 2000 |
| Aikhal pipe | Underground mine from 2005 (open pit mining ended in 1997) |

Ore Mining and Processing in 2018

| | Ore and sand processing mln tons | Changes to 2017, % | Rough diamond mining, mln carats | Changes to 2017, % | Diamond content, carat/ ton |
|--------------------------------------------------|----------------------------------------|-----------------------|-------------------------------------------|-----------------------|-----------------------------------|
| Yubileynaya pipe | 7,9 | ↑ 3,7% | 9,1 | ↓ 10,8% | 1,14 |
| Aikhal pipe | 0,5 | ↑ 17,6% | 2,4 | ↓ 2,0% | 4,86 |
| Komsomolskaya pipe | 1,0 | ↓ 6,7% | 0,4 | ↓ 3,5% | 0,37 |
| Aikhal Mining and Processing Division | 9,4 | ↑ 3,4% | 11,8 | ↓ 8,9% | 1,26 |

Total Production, 2016-2018

| Indicators | Unit | 2016 | 2017 | 2018 | Variance |
|----------------------|----------------|-------|-------|-------|----------|
| Ore mining | mln tons | 7,2 | 6,9 | 7,6 | ↑ 10,4% |
| Ore processing | mln tons | 10,0 | 9,1 | 9,4 | ↑ 3,4% |
| Rough diamond mining | mln carats | 12,2 | 13,0 | 11,8 | ↓ 8,9% |
| Rough diamond mining | mln US dollars | 1 184 | 1 383 | 1 237 | ↓ 10,6% |
| Diamond content | carat/ton | 1,23 | 1,43 | 1,26 | ↓ 11,9% |

In 2018, rough diamond mining at Aikhal MPD declined in both natural and monetary terms as compared to 2017. It was mainly due to a decrease in diamond content in the ore, mined at the Yubileianaya and Aikhal pipes, as well as lower processing volumes at the Komsomolskaya pipe.

MIRNY MINING AND PROCESSING DIVISION

5,0

↓ 6,2% to 2017

ORE AND SAND PROCESSED,
MLN TONS

4,2

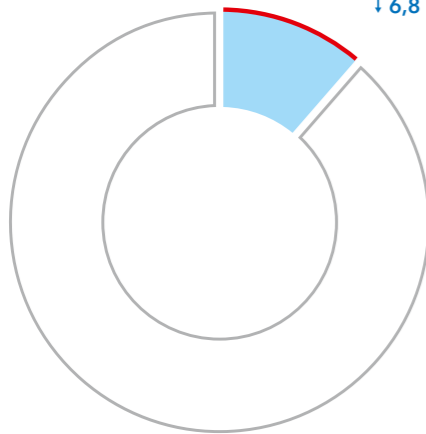
↓ 42,0% to 2017

ROUGH DIAMONDS MINED,
MLN CARATS

Share in ALROSA Group total rough diamond mining in 2018

11,4%

↓ 6,8 p.p. by 2017



Mirny Mining and Processing Division produces diamonds at such kimberlite pipes as Mir (temporarily shutdown) and Internatsionalnaya, as well as at such placer deposits as Vodorazdelnye Galechniki, Irelyakh, Gornoye, and also at the Tailing Dump of Processing Plant No. 5 technogenic deposit. Kimberlites extracted from the Internatsionalny mine, as well as part of the sand from Mirny MPD's placer deposits go to Processing Plant No. 3, the design capacity of which is 2 mln tons of ore per year.

Mirny MPD's unique feature is its alluvial dredging fleet, the only both in Russia and in ALROSA Group. There are three dredges (201, 202, and 203) at the mining and processing division, used to perform primary enrichment of diamond-containing pebbles from the Irelyakh and Gornoye placer deposits.

Mirny MPD's Objects

| | |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Internatsionalnaya pipe | Underground mine, open pit mining shut down in 2011 |
| Mir pipe | Underground mining since 2009 (open pit mining shut down in 2001); following an accident in August 2017, the Mir pipe is temporarily suspended |
| Placer deposits | Vodorazdelnye Galechniki, Irelyakh, Gornoye, as well as the Tailing Dump of Processing Plant No. 5 technogenic deposit |

Ore Mining and Processing in 2018

| | Ore and sand processing mln tons | Changes to 2017 % | Rough diamond mining, mln carats | Changes to 2017 % | Diamond content, carat/ton |
|---------------------------------------------|-------------------------------------|----------------------|----------------------------------|----------------------|-------------------------------|
| Internatsionalnaya pipe, underground mine | 0,6 | ↑ 3,5% | 3,4 | ↓ 6,8% | 6,21 |
| Mir pipe, underground mine ⁴⁵ | 0,01 | – | 0,03 | – | 2,88 |
| Placer and technogenic deposits | 4,4 | ↑ 9,1% | 0,7 | ↓ 7,3% | 0,16 |
| Mirny Mining and Processing Division | 5,0 | ↓ 6,2% | 4,2 | ↓ 42,0% | 0,84 |

Total Production, 2016-2018

| Indicators | Unit | 2016 | 2017 | 2018 | Variance |
|-------------------------|----------------|-------|-------|------|----------|
| Ore and sand mining | mln tons | 5,3 | 4,8 | 4,7 | ↓ 2,1% |
| Ore and sand processing | mln tons | 5,3 | 5,3 | 5,0 | ↓ 6,2% |
| Rough diamond mining | mln carats | 7,8 | 7,2 | 4,2 | ↓ 42,0% |
| Rough diamond mining | mln US dollars | 1 072 | 1 091 | 724 | ↓ 33,6% |
| Diamond content | carat/ton | 1,47 | 1,36 | 0,84 | ↓ 38,2% |

In 2018, rough diamond mining declined in both natural and monetary terms as compared to 2017 due to the withdrawal of the Mir pipe from ore processing after the 2017 accident, as well as a decrease in diamond content at the Internatsionalnaya pipe and alluvial sands of placer deposits.

⁴⁵ left-over stock from the ore stockpile

UDACHNY MINING AND PROCESSING DIVISION

6,9

↑ 5,8% to 2017

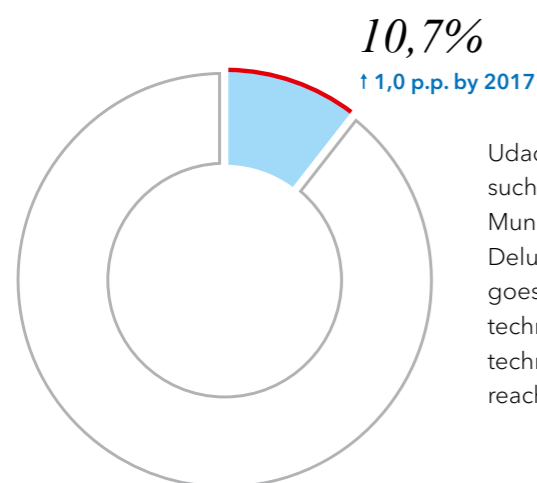
ORE AND SAND PROCESSED,
MLN TONS

3,9

↑ 2,8% to 2017

ROUGH DIAMONDS MINED,
MLN CARATS

Share in ALROSA Group total rough diamond mining in 2018



Udachny Mining and Processing Division produces diamonds at such kimberlite pipes as Udachnaya, Zarnitsa, as well as the Verkhne-Munsky diamond deposit and the placer deposits of Zakoturnaya Deluvialnaya and Piropovy Ruchey. Ore from Udachny MPD's deposits goes to Processing Plant No. 12. Currently, the plant is undergoing technical modernization; In 2019 new equipment will improve technological parameters of the enrichment process and enable reaching the design capacity of 10.5 mln tons of ore in a year.

Udachny MPD's Objects

| | |
|----------------------------------------------|------------------------------------------------------------------------------|
| Udachnaya pipe | Open pit mine from 1971 (completed in Q1 2016), underground mine from 2014 |
| Zarnitsa pipe | Open pit mine from 1999 |
| Zapolyarnaya pipe (Verkhne-Munskoye deposit) | Open pit mine from 2017 |
| Placer deposits | Zakoturnaya Deluvialnaya, Piropovy Ruchey, Zapolyarnaya pipe placer deposits |

A rise in diamond mining at Udachny MPD in 2018 was primarily due to an increase in ore processing at the Udachny underground mine by 131.1%, as well as the launch of ore and sand mining at the Verkhne-Munsky ore field.

Ore Mining and Processing in 2018

| | Ore and sand processing mln tons | Changes to 2017 % | Rough diamond mining, mln carats | Changes to 2017 % | Diamond content, carat/ton |
|-----------------------------------------------|----------------------------------------|----------------------|-------------------------------------------|----------------------|----------------------------------|
| Udachnaya pipe ⁴⁶ | 2,0 | ↑ 131,1% | 2,5 | ↑ 56,7% | 1,27 |
| Zarnitsa pipe | 3,6 | ↑ 29,2% | 1,0 | ↑ 21,2% | 0,27 |
| Piropovy Ruchey placer deposit | 0,6 | ↓ 47,3% | 0,1 | ↓ 54,0% | 0,23 |
| Zakoturnaya Deluvialnaya placer deposit | 0,3 | – | 0,08 | – | 0,27 |
| Zapolyarnaya pipe (Verkhne-Munskoye deposit) | 0,4 | ↑ 384,0% | 0,2 | ↑ 158,5% | 0,57 |
| Zapolyarnaya pipe placer deposit | 0,05 ⁴⁷ | – | 0,03 | – | 0,54 |
| Udachny Mining and Processing Division | 6,9 | ↑ 5,8% | 3,9 | ↑ 2,8% | 0,57 |

Total Production, 2016-2018

| Indicators | Unit | 2016 | 2017 | 2018 | Variance |
|-------------------------|----------------|------|------|------|----------|
| Ore and sand mining | mln tons | 5,1 | 4,6 | 6,6 | ↑ 43,6% |
| Ore and sand processing | mln tons | 5,8 | 6,5 | 6,9 | ↑ 5,8% |
| Rough diamond mining | mln carats | 3,2 | 3,8 | 3,9 | ↑ 2,8% |
| Rough diamond mining | mln US dollars | 287 | 355 | 384 | ↑ 8,3% |
| Diamond content | carat/ton | 0,54 | 0,59 | 0,57 | ↓ 2,8% |

⁴⁶ underground mining⁴⁷ not reported in total

NYURBA MINING AND PROCESSING
DIVISION

2,1

↑ 2,0% to 2017

ORE AND SAND PROCESSED,
MLN TONS

7,7

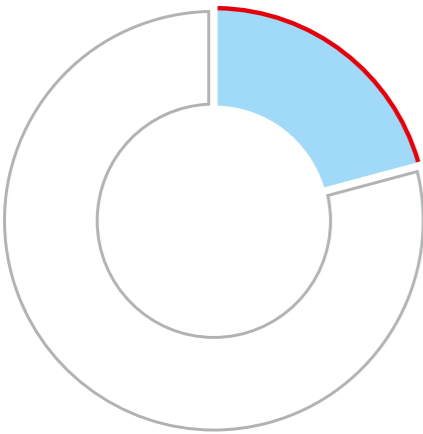
↑ 0,1% to 2017

ROUGH DIAMONDS MINED, MLN
CARATS

Share in ALROSA Group's total rough diamond mining in 2018

21,0%

↑ 1,5 p.p. by 2017



Nyurba Mining and Processing Division was established in 2000 to develop deposits of the Nakynsky ore field (Nyurbinsk Ulus, Yakutia) – Nyurbinskaya and Botuobinskaya kimberlite pipes, as well as placer deposits. Nyurba MPD's ore and sand go to Processing Plants No. 15 and 16, the design capacity of which reaches 0.5 mln and 1.4 mln tons of ore in a year, respectively. Processing Plant No. 16 is one of the most modern facilities in the global diamond industry in terms of technology applied and the level of process automation.

Nyurba MPD's Objects

| | |
|--------------------|------------------------------------------------|
| Nyurbinskaya pipe | Open pit mine from 2001 |
| Botuobinskaya pipe | Open pit mine from 2015 |
| Placer deposits | Nyurbinskaya and Botuobinskaya placer deposits |

Ore Mining and Processing in 2018

| | Ore and sand processing mln tons | Changes to 2017 % | Rough diamond mining, mln carats | Changes to 2017 % | Diamond content, carat/ton |
|--------------------------------------------------|----------------------------------------|----------------------|-------------------------------------------|----------------------|-------------------------------|
| Nyurbinskaya pipe | 0,9 | ↓ 9,1% | 4,1 | ↓ 12,8% | 4,49 |
| Botuobinskaya pipe | 0,3 | ↑ 53,5% | 1,4 | ↑ 13,9% | 4,54 |
| Placer deposits | 0,9 | ↑ 3,0% | 2,3 | ↑ 23,5% | 2,53 |
| Nyurba Mining and Processing Division | 2,1 | ↑ 2,0% | 7,7 | ↑ 0,1% | 3,66 |

Total Production, 2016-2018

| Indicators | Unit | 2016 | 2017 | 2018 | Variance |
|-------------------------|----------------|------|------|------|----------|
| Ore and sand mining | mln tons | 1,8 | 2,2 | 2,2 | ↑ 4,2% |
| Ore and sand processing | mln tons | 1,5 | 2,1 | 2,1 | ↑ 2,0% |
| Rough diamond mining | mln carats | 6,8 | 7,7 | 7,7 | ↑ 0,1% |
| Rough diamond mining | mln US dollars | 493 | 584 | 584 | ↓ 0,1% |
| Diamond content | carat/ton | 4,40 | 3,73 | 3,66 | ↓ 1,9% |

In 2018, diamond production at Nyurba MPD was close to the 2017 level. A rise in diamond production at the Botuobinskaya pipe of 13.9% was due to a planned increase in ore processing volume by 53.5% with a lower average diamond content. A rise in diamond production at placer deposits was due to processing of sand with a higher average diamond content, which grew by 19.9% compared to 2017, while sand processing volumes increased by 3.0%.

JSC ALMAZY ANABARA

13,7

↑ 6,0% to 2017

SAND PROCESSED,
MLN TONS

5,4

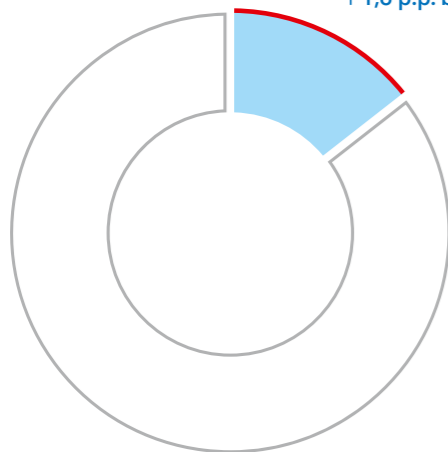
↑ 4,3% to 2017

ROUGH DIAMONDS MINED, MLN
CARATS

Share in ALROSA Group total rough diamond mining in 2018

14,7%

↑ 1,6 p.p. by 2017



JSC Almazly Anabara's fields are located in the northwestern part of the Republic of Sakha (Yakutia) across several uluses. In 2018, the company was developing the following placer deposits: Morgogor, Pravoberezhnye Morgogora, Istok, Ebelyakh, Ruchey Gusiny, Sredneye Molodo, Bolshaya Kuonamka, Talakhtakh, Kholomolokh, and Khara-Mas.

JSC Almazly Anabara's Objects

Placer deposits

Morgogor, Pravoberezhnye Morgogora, Istok, Ebelyakh, Ruchey Gusiny, Sredneye Molodo, Bolshaya Kuonamka, Talakhtakh, Kholomolokh, and Khara-Mas

Ore Mining and Processing in 2018

| | Ore and sand processing mln tons | Changes to 2017 % | Rough diamond mining, mln carats | Changes to 2017 % | Diamond content, carat/ton |
|---------------------|----------------------------------------|----------------------|-------------------------------------------|-------------------------|-------------------------------|
| JSC Almazly Anabara | 13,7 | ↑ 6,0% | 5,4 | ↑ 4,3% | 0,40 |

Total Production, 2016-2018

| Indicators | Unit | 2016 | 2017 | 2018 | Variance |
|----------------------|----------------|------|------|------|----------|
| Sand mining | mln tons | 11,1 | 13,1 | 13,4 | ↑ 2,3% |
| Sand processing | mln tons | 11,9 | 12,9 | 13,7 | ↑ 6,0% |
| Rough diamond mining | mln carats | 5,1 | 5,2 | 5,4 | ↑ 4,3% |
| Rough diamond mining | mln US dollars | 332 | 340 | 365 | ↑ 7,4% |
| Diamond content | carat/ton | 0,43 | 0,40 | 0,40 | ↓ 1,6% |

With a total increase in the enrichment volume by 6.0% in 2018 compared to 2017, a rise in diamond production at JSC Almazly Anabara reached 4.3% in real terms due to the involvement of less rich placer deposits into processing.

PJSC SEVERALMAZ LOMONOSOV MINING AND PROCESSING DIVISION

3,5

↑ 5,9% to 2017

ORE PROCESSED,
MLN TONS

3,6

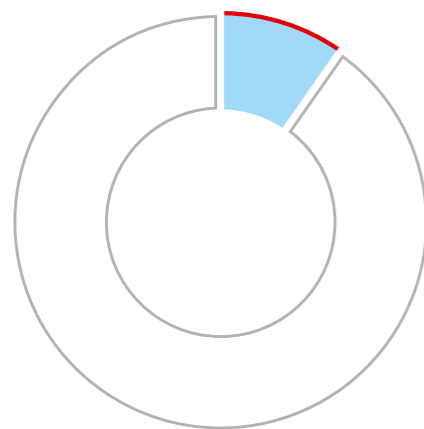
↑ 37,6% to 2017

ROUGH DIAMONDS MINED, MLN
CARATS

Share in ALROSA Group total rough diamond mining in 2018

9,9%

↑ 3,2 p.p. by 2017



PJSC Severalmaz is ALROSA Group subsidiary located in the Arkhangelsk Oblast. PJSC Severalmaz has developed the Lomonosov deposit, consisting of 6 kimberlite pipes with a total resource capacity of more than 115 mln carats of rough diamonds. The company mines at two sites – Arkhangelskaya and Karpinsky I pipes. In order to determine technological and geological and economic parameters, an experimental treatment of ore from the Karpinsky II pipe was carried out in 2018. PJSC Severalmaz includes Processing Plant No. 1: Module 1 (with a capacity of 1 mln tons per year) and Module 2 (3 mln tons per year).

PJSC Severalmaz's Objects

| | |
|---------------------|---------------------------------------------------------------|
| Arkhangelskaya pipe | Open pit mine from 2005 |
| Karpinsky I pipe | Quarry, stripping works since 2009, diamond mining since 2014 |
| Karpinsky II pipe | Ore mined in 2018 |

Ore Mining and Processing in 2018

| | Ore and sand processing mln tons | Changes to 2017 % | Rough diamond mining, mln carats | Changes to 2017 % | Diamond content, carat/ ton |
|-----------------------------------------------------|----------------------------------------|-------------------------|-------------------------------------------|----------------------|-----------------------------------|
| Arkhangelskaya pipe | 1,5 | ↓ 19,3% | 1,5 | ↑ 19,3% | 1,04 |
| Karpinsky I pipe | 1,8 | ↑ 24,6% | 2,1 | ↑ 51,5% | 1,15 |
| Karpinsky II pipe | 0,2 | – | 0,05 | – | 0,24 |
| Lomonosov Mining and Processing Division | 3,5 | ↑ 5,9% | 3,6 | ↑ 37,6% | 1,05 |

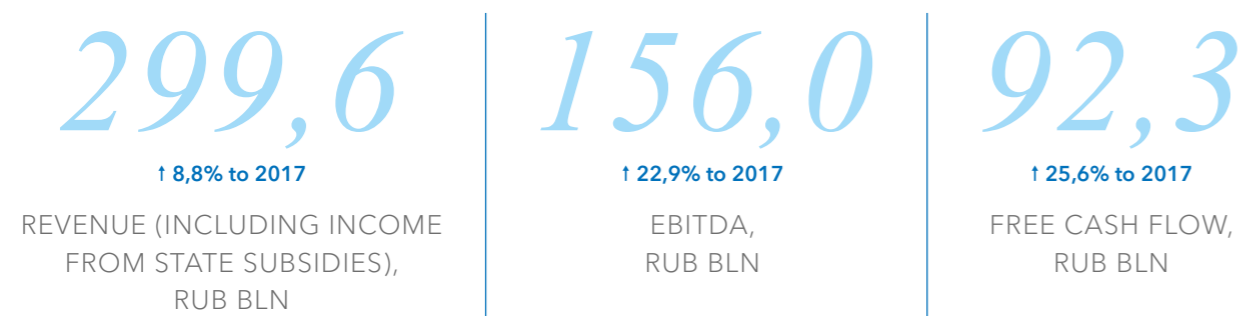
Total Production, 2016-2018

| Indicators | Unit | 2016 | 2017 | 2018 | Variance |
|----------------------|----------------|------|------|------|----------|
| Ore mining | mln tons | 3,9 | 4,0 | 4,0 | ↑ 0,4% |
| Ore processing | mln tons | 4,0 | 3,3 | 3,5 | ↑ 5,9% |
| Rough diamond mining | mln carats | 2,2 | 2,6 | 3,6 | ↑ 37,6% |
| Rough diamond mining | mln US dollars | 118 | 154 | 208 | ↑ 34,4% |
| Diamond content | carat/ton | 0,55 | 0,81 | 1,05 | ↑ 29,9% |

A rise in diamond production in 2018 was mainly due to an increase in diamond content of ore from the Arkhangelskaya and Karpinsky-1 pipes. The increase in an average diamond content across Lomonosov MPD as a whole reached 29.9% in 2018.

FINANCIAL RESULTS

Consolidated Key Financial Indicators ⁴⁸



ALROSA Group showed great financial performance in 2018. The main factors behind the growth of financial performance were improved market conditions (price recovery and rising demand for diamond jewelry on major markets), as well as executive officers' efforts to improve business performance.

Consolidated revenues, taking into account income from state subsidies, increased by 8.8% year on year against the background of a rising price index and improved sales structure, amounting to 299.6 RUB bln

EBITDA amounted to 156.0 RUB bln, which is 22.9% higher than for 2017. Such a significant increase in this indicator took place due to revenue growth and cost control. EBITDA margin reached 52.1%.

Following substantial improvement of business profitability, the net profit increased by 15.0% in 2018, to 90.4 RUB bln

The growth of cash flow from operations and a moderate level of investments in 2018 promoted ALROSA Group to increase free cash flow by 25.6%, to 92.3 RUB bln. The debt load is at a record low: net debt / EBITDA fell from 0.7 at the end of 2017 to 0.4 as of December 31, 2018.

| Indicators | 2016 | 2017 | 2018 | Variance |
|--------------------------------------|---------|---------|---------|----------|
| Sales revenue, ⁴⁹ RUB bln | 317,1 | 275,4 | 299,6 | ↑ 8,8% |
| Cost of sales, RUB bln | (129,8) | (133,9) | (126,5) | ↓ 5,5% |
| EBITDA, RUB bln | 176,4 | 126,9 | 156,0 | ↑ 22,9% |
| EBITDA margin, % | 55,6% | 46,1% | 52,1% | – |
| Net profit, RUB bln | 133,5 | 78,6 | 90,4 | ↑ 15,0% |
| Net profit margin, % | 42,1% | 28,5% | 30,2% | – |
| Free cash flow, RUB bln | 111,4 | 73,5 | 92,3 | ↑ 25,6% |
| Net debt/EBITDA | 0,5 | 0,7 | 0,4 | – |

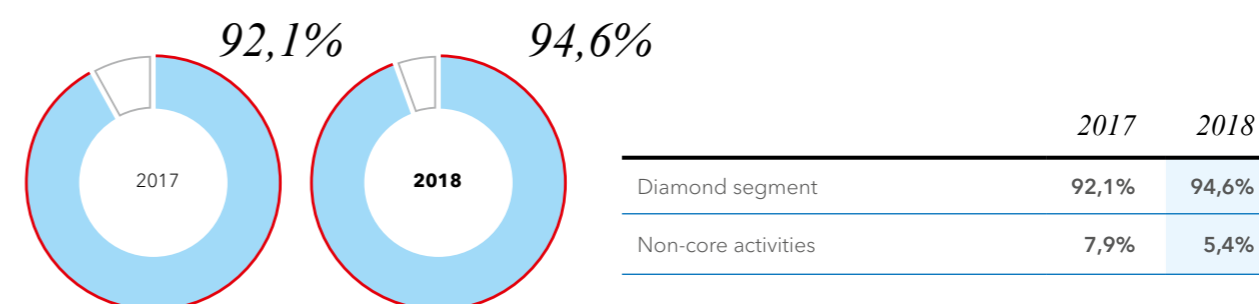
⁴⁸ based on ALROSA Group consolidated financial statements under IFRS for 2018

⁴⁹ including income from state subsidies

Revenue

Revenue of the diamond segment accounted for 94.6% of total ALROSA Group revenue in 2018 (92.1% for 2017) and rose by 12.0% compared to 2017, to 278.1 RUB bln.

Revenue structure by segments, RUB bln



| Indicator (RUB bln) | 2017 | 2018 | Variance |
|-------------------------|--------------|--------------|---------------|
| Diamond segment | 248,3 | 278,1 | ↑ 12,0% |
| Non-core activities | 21,4 | 15,8 | ↓ 26,2% |
| • Transport | 7,2 | 8,4 | ↑ 17,3% |
| • Social infrastructure | 2,6 | 2,3 | ↓ 11,7% |
| • Gas sales | 6,5 | 1,0 | ↓ 84,3% |
| • Other activities | 5,2 | 4,1 | ↓ 21,1% |
| Total | 269,7 | 293,9 | ↑ 9,0% |

The revenue in the diamond segment mainly comes from sales of jewelry diamonds (96%). In 2018, revenue from sales of gem-quality diamonds grew by 12% compared to 2017 due to an increase in average final disposal prices and a weaker RUB exchange rate, despite a decrease in carat sales. Revenue from non-core activities decreased by 5.6 RUB bln, or 26%, compared to 2017, primarily due to selling gas companies in February 2018.

Cost of sales

In 2018, expenses on “Salary, Payroll, and Other Payments to Employees” remained at the same level as in 2017; indexation of wages in 2018 led to an increase in expenses by 0.8 RUB bln, optimization of the number of employees and other measures to optimize the wage fund helped lower costs by 0.4 RUB bln, the outflow of gas assets reduced costs by 0.3 RUB bln

In 2018, depreciation expenses decreased by 10% compared to the previous year due to retirement and temporary closing-down of the Mir mine assets in 2017, as well as recalculation of depreciation for fixed assets, written off at the ton rate due to updating the Company's Inventory Report, confirmed by an independent appraiser.

Mineral extraction tax expenses decreased by 5% due to selling gas assets (-1.7 RUB bln), a weaker RUB exchange rate (+1.4 RUB bln), a decrease in the average valuation price (-0.7 RUB bln), a decrease in PJSC ALROSA-Nyurba's diamond sales, a volume of primary diamond valuation (-0.4 RUB bln), and a change in the Ministry of Finance's price list (+0.2 RUB bln).

In 2018, expenses on fuel and energy grew by 7% (+0.8 RUB bln) compared to 2017 due to an increase in fuel prices by an average of 18% (+1.7 RUB bln), a rise in prices for electricity of

Cost of sales by types of costs, RUB bln

| Indicators | 2017 | 2018 | Variance |
|------------------------------------------------------|--------------|--------------|-------------|
| Salaries and other payments | 43,6 | 43,7 | ↑ 0% |
| Depreciation | 23,8 | 21,4 | ↓ 10% |
| Mineral extraction tax | 21,8 | 20,6 | ↓ 5% |
| Fuel and energy | 12,7 | 13,5 | ↑ 7% |
| Materials | 13,3 | 12,3 | ↓ 8% |
| Services | 8,0 | 8,7 | ↑ 9% |
| Transport | 2,2 | 1,7 | ↓ 23% |
| Miscellaneous | 1,3 | 1,4 | ↑ 7% |
| Total production costs | 126,5 | 123,3 | ↓ 3% |
| Movement of reserves of rough diamonds, ore and sand | 7,3 | 3,2 | ↓ 57% |
| Cost of rough diamonds for resale | 0,0 | 0,0 | ↑ 131% |
| Total cost of sales | 133,9 | 126,5 | ↓ 6% |

10.2% (+0.2 RUB bln); this growth was partially offset by optimization, undertaken by executive officers to reduce costs (-0.7 RUB bln). Expenses on fuel and energy in 2018 were also affected by the sale of gas assets (-0.1 RUB bln) and the retirement of the Mir underground mine (-0.3 RUB bln).

Expenses on materials declined by 8% (-1.0 RUB bln) due to a decrease in repairs and a volume of rock mass (-0.4 RUB bln), as well as due to optimization measures (-0.1 RUB bln). The cost of materials changed due to price increases (+0.2 RUB bln), as well as in connection with the sale of gas assets (-0.1 RUB bln) and retirement of the Mir underground mine (-0.6 RUB bln).

Expenses for services and transport increased by 2% (+0.3 RUB bln) due to a growth in JSC ALROSA Airlines's traffic following the lease of new aircraft (+0.9 RUB bln), a rise in prices (+0, 2 RUB bln). Also, expenses were affected by the sale of gas assets (-0.4 RUB bln), the transition to direct contracts with suppliers of transport services by JSC Almazy Anabara (-0.2 RUB bln), and the retirement of the Mir underground mine (-0, 2 RUB bln).

EBITDA

EBITDA rose by 23% compared to 2017 and amounted to 156 RUB bln The positive dynamics of this indicator is related to higher revenues and effective cost control. EBITDA margin increased from 46% in 2017 to 52% in 2018.

Calculation of EBITDA, RUB bln

| Indicators | 2017 | 2018 | Variance |
|-------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Operating profit | | 127,1 | ↑ 28% |
| Depreciation | | 21,6 | ↓ 10% |
| Insurance payout by SOGAZ | (10,5) | – | – |
| Loss from write-off of fixed assets lost as a result of an accident at the Mir mine | 8,4 | 7,8 | ↓ 8% |
| Impairment of gas assets | | – | – |
| Result of amendments to the national pension program | (3,5) | – | – |
| Exchange rate differences related to operations | 1,9 | (3,3) | – |
| Loss from disposal and write-off of fixed assets | 1,7 | 0,3 | ↓ 83% |
| Impairment loss on investments in associates and joint ventures | – | 0,0 | – |
| Result of disposal of subsidiaries | (0,0) | 1,8 | – |
| Changes in fair value of financial assets measured through profit | – | 0,6 | – |
| EBITDA | 126,9 | 156,0 | ↑ 23% |
| EBITDA margin, % | 46% | 52% | – |

Net profit

In 2018, net profit grew mainly due to a rise in EBITDA, the effect of exchange rate differences and a decrease in interest expenses. Revenue from amendments to the national pension program and from insurance payout to cover losses resulting from an accident at the Mir underground mine were recognized in 2017. The growth of EBITDA amounted to 29.1 RUB bln, while revenue from exchange rate differences decreased by 12.6 RUB bln in 2018.

90,4

CONSOLIDATED NET
INCOME,
RUB BLN

Calculation of net profit, RUB bln

| Indicators | 2017 | 2018 | Variance |
|-------------------------------------------------------------------------------------|--------------|--------------|--------------|
| EBITDA | 126,9 | 156,0 | ↑ 23% |
| Depreciation | (24,0) | (21,6) | ↓ 10% |
| Insurance payout by SOGAZ | 10,5 | – | – |
| Loss from write-off of fixed assets lost as a result of an accident at the Mir mine | (8,4) | (7,8) | ↓ 8% |
| Impairment of gas assets | (5,7) | – | – |
| Result of amendments to the national pension program | 3,5 | – | – |
| Loss from disposal and write-off of fixed assets | (1,7) | (0,3) | ↓ 83% |
| Impairment loss on investments in associates and joint ventures | – | 0,0 | – |
| Result of disposal of subsidiaries | 0,0 | (1,8) | – |
| Changes in fair value of financial assets measured through profit | – | (0,6) | – |
| Exchange rate differences | 4,6 | (8,0) | – |
| Interest expenses, net | (7,5) | (4,4) | ↓ 40% |
| Increase in discounted value of reserves | (0,4) | (0,3) | ↓ 26% |
| Share in associates' and joint ventures' results | 3,0 | 3,4 | ↑ 13% |
| Income tax expenses | (22,2) | (24,2) | ↑ 9% |
| Net profit | 78,6 | 90,4 | ↑ 15% |
| Net profit margin, % | 29% | 30% | – |

Cash flow

ALROSA Group cash flow is positive and sufficient to ensure the Group's liquidity and solvency. In 2018, the Group's free cash flow went up by 26% to 92 RUB bln, following the growth of profitability against the background of a slight increase in investments.

Analysis of net cash flow, RUB bln

| Indicators | 2017 | 2018 | Variance |
|-----------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Cash flow from operations before changes in working capital and payment of taxes | 127,6 | 156,7 | ↑ 23% |
| Investments in working capital | (4,6) | (6,7) | ↑ 47% |
| Income tax paid | (22,5) | (29,8) | ↑ 33% |
| Net cash inflow from operations | 100,5 | 120,1 | ↑ 20% |
| Acquisition of fixed assets | (26,9) | (27,8) | ↑ 3% |
| Free cash flow | 73,5 | 92,3 | ↑ 26% |

Capital investments (CAPEX)

In 2018, total financing of capital investments rose by 3% and amounted to 27.8 RUB bln. Investments grew mainly as a result of an increase in investing in the expansion of production capacity by 61% to 13.7 RUB bln compared to 2017.

Financing of capital investments, RUB bln

| Indicators | 2017 | 2018 | Variance |
|-----------------------------------------|-------------|-------------|-------------|
| Maintenance of existing mining capacity | 13,2 | 11,9 | ↓ 10% |
| Expansion of mining capacity | 8,5 | 13,7 | ↑ 61% |
| Gas assets | 2,3 | 0,1 | ↓ 95% |
| Non-mining activities | 2,5 | 1,8 | ↓ 27% |
| Social infrastructure | 0,5 | 0,3 | ↓ 37% |
| Total | 26,9 | 27,8 | ↑ 3% |

Key directions of financing investments in the expansion of mining capacity in 2018:

| Financing direction, RUB bln | 2018 |
|-----------------------------------------------------------------------------------------------------|-------------|
| Construction of infrastructure facilities at the Verkhne-Munsky field, delivery of mining equipment | 8,6 |
| Mining and capital works at the Zarya pipe | 1,9 |
| Mining works, construction of infrastructure facilities at the Udachny underground mine | 1,6 |
| Preparation for accelerated mining at the Ebelyakh field | 1,1 |
| Vertical development of the Arkhangelsky quarry | 0,4 |
| Miscellaneous | 0,1 |
| Total | 13,7 |

Liquidity and financial stability

ALROSA Group total debt in US dollars ⁵⁰ reduced by 5% to 1.535 mln US dollars compared to 2017. During 2018, the effect of revaluation of the US dollars portion of the Group's portfolio following changes in the RUB exchange rate amounted to about 12.6 RUB bln. The 14% increase in RUB equivalent up to 106.7 RUB bln resulted from the impact of revaluation due to the weakening of the RUB.

In September and November, the Company attracted short-term loans worth 600 mln US dollars to ensure sufficient liquidity after the payment of dividends for the first half of 2018. The debt is mainly represented by the issue of Eurobonds worth 894 mln US dollars payable in November 2020.

In 2018, interest payments for debt servicing decreased by 39% from 10.4 to 6.3 RUB bln due to periods of reduction in the debt burden during the year.

Net debt decreased by 22% to 67.4 RUB bln in 2018. The main reason – the sale of non-core gas assets worth 30.3 RUB bln and free cash flow growth.

Analysis of consolidated debt portfolio

| Indicators | December 31 2017 | December 31 2018 | Variance |
|----------------------------------------------|---------------------|---------------------|--------------|
| Long-term part, RUB mln | 58 694 | 64 974 | ↑ 11% |
| Short-term part, RUB mln | 34 734 | 41 687 | ↑ 20% |
| Total debt, RUB mln | 93 428 | 106 661 | ↑ 14% |
| % of long-term part | 63% | 61% | – |
| Total debt, mln US dollars US dollars | 1 622 | 1 535 | ↓ 5% |
| Net debt, RUB mln | 86 047 | 67 440 | ↓ 22% |
| Total debt/EBITDA | 0,7 | 0,7 | |
| Net debt/EBITDA | 0,7 | 0,4 | |
| EBITDA/Interest charges | 12,2 | 24,6 | |

Credit ratings

Three of the world's largest rating agencies – Fitch, Moody's, and Standard & Poor's (S&P) – assigned credit ratings to the Company.

| International rating agency | Credit rating | Date of assigning/ reaffirming |
|-----------------------------|----------------------|-----------------------------------|
| S&P | BBB-, stable outlook | July 27, 2018 |
| Moody's | Baa2, stable outlook | February 12, 2019 |
| Fitch | BBB-, stable outlook | March 20, 2019 |

⁵⁰ Bank of Russia rate as of December 31, 2018: 69.47 per \$1, as of December 31, 2017: 57.60 per \$1 US dollars



On July 27, 2018, international rating agency S&P upgraded the Company's long-term credit rating to BBB-, stable outlook. The agency notes positive trends on the diamond market, a steady high level of ALROSA's business profitability, the Company's leading position in the global industry, a significant improvement in its financial sustainability, as well as a consistent increase in the Company's operating efficiency and development of its key business.

On February 12, 2019, international rating agency Moody's upgraded the Company's long-term credit rating from Baa3, positive outlook, to Baa2, stable outlook. This decision was made following the revision of a sovereign rating of the Russian Federation from Ba1 to Baa3 and a change in the country ceiling for obligations in foreign currency from Baa3 / P-3 to Baa2 / P-2. Moody's views ALROSA as highly credit-worthy, with a significant share of revenues in foreign currency and a strong liquidity profile, which gives it a certain stability under the conditions of 'sovereign stress'. The Company has a reliable business model, low costs for its sector, and is a notable player both on the domestic and external markets.

On March 20, 2019, international rating agency Fitch Ratings upgraded the Company's long-term default rating from BB+, positive outlook, to BBB-, stable outlook. The agency noted the Company's leading position on the global diamond market, its increasing financial stability and improving transparency.

The history of changes in credit ratings is available on the corporate website <http://eng.alrosa.ru/investors/ratings/>

INVESTMENT PROGRAM

ALROSA Group Long-Term Investment Program

ALROSA Group Long-Term Investment Program until 2024⁵¹ determines the priority areas of the Company's investment activities that facilitate the diamond mining plan and production and financial goals in accordance with the Group investment policy within the framework of its approved development Strategy.

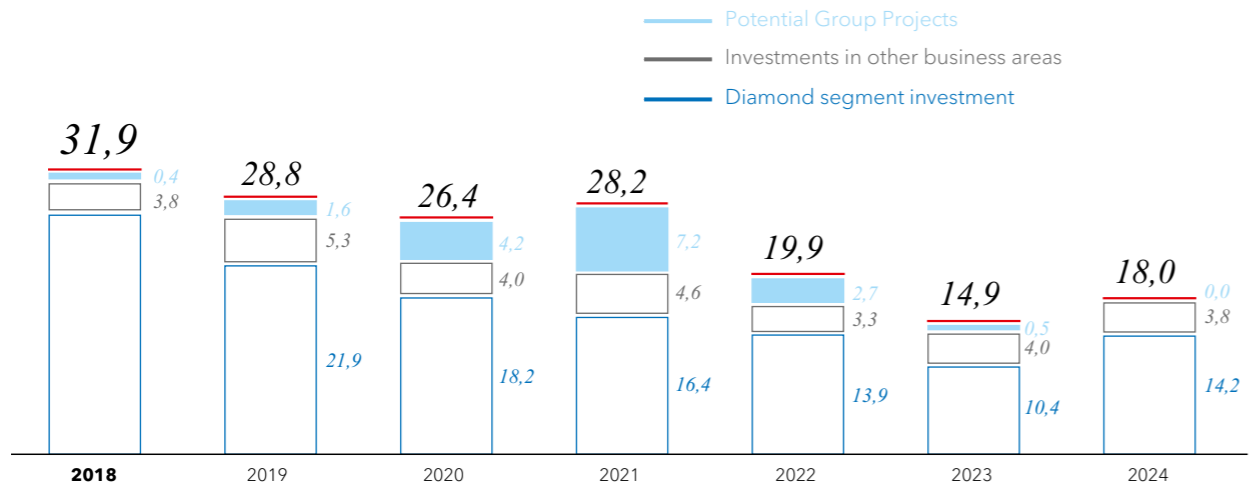
ALROSA Group Investment Program for 2018-2024 was developed in accordance with the diamond production and mining plans, aimed at maintaining the achieved level of diamond mining and production processes for other activities.

The main objectives of this investment program are ALROSA Group sustainable development and growth of the Company's shareholder value.

The investment program is based on the following documents:

- Development Strategy of ALROSA Group for 2018-2024;
- Long-term Development Program of ALROSA Group for 2018-2024;
- Operational Efficiency and Cost Reduction Program of PJSC ALROSA for 2017-2019 and for the period up to 2026 (OECRP),
- Program for Innovation Development and Technological Upgrade of PJSC ALROSA for 2016-2023; (PIDTU).

Structure and dynamics of ALROSA Group capital investments in 2018-2024⁵² on the forecast price level (according to IFRS), ⁵³ RUB bln



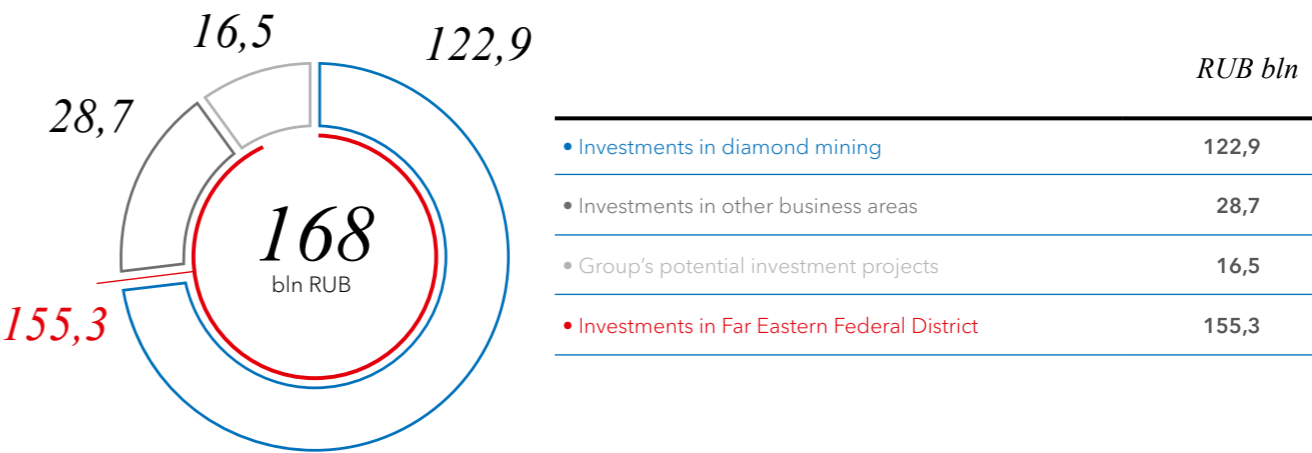
⁵¹ ALROSA Group Long-Term Investment Program was drawn up pursuant to the List of Instructions (December 27, 2013, No. Pr-3086, Clause 1, Subparagraph 32) to implement the Address of the President of the Russian Federation to the Federal Assembly of December 12, 2013

⁵² 2018 – plan, 2019-2024 – forecast

⁵³ hereinafter data under IFRS are presented on accrual excluding capitalized interest

ALROSA Group total capital investments in non-financial assets in 2018-2024 under IFRS will reach 168 RUB bln, including 155.3 RUB bln of investments in the Far Eastern Federal District.

Structure of ALROSA Group capital investments in 2018-2024⁵⁴ under IFRS, RUB bln



Total amount of funds allocated to capital investments (non-financial assets) in 2018-2024 will reach 160.1 RUB bln

Most of investments in terms of ALROSA Group assets will go to develop the Udachny and Aikhal MPD. A share of investments in production in the total investment program will make up 73%.

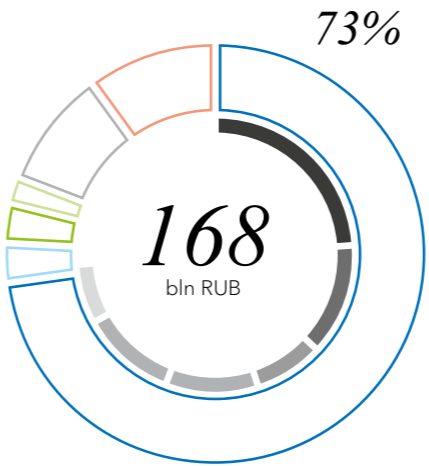
Volume of ALROSA Group capital investments in non-financial assets in 2018-2024 under RAS standards will reach 189.8 RUB bln (including investments in the Far Eastern Federal District – 176.2 RUB bln), additionally including investments not recognized for IFRS purposes:

- investments in mineral prospects – 20 RUB bln
- investments in R&D – 1.8 RUB bln

⁵⁴ 2018 – plan, 2019-2024 – forecast

CAPITAL INVESTMENTS OF GROUP OF
ALROSA IN NON-FINANCIAL ASSETS IN
2018-2024. UNDER RUSSIAN ACCOUNTING
STANDARDS MAKE 189.8 RUB BLN

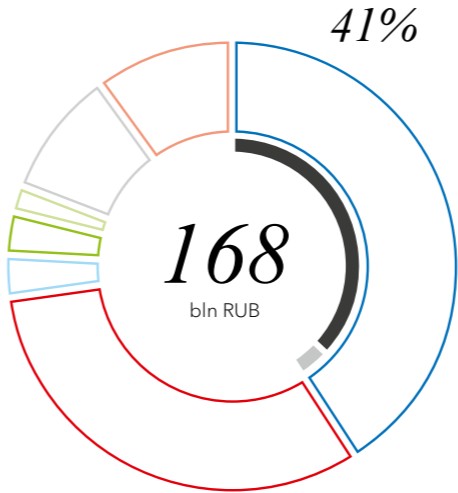
Structure of ALROSA Group investment program by assets,
RUB bln



| | Share | Investments in production | Share |
|------------------------------------|-------|------------------------------------------|-------|
| • Investments in production | 73% | • Udachny Mining and Processing Division | 24% |
| • Transport assets | 3% | • Aikhal Mining and Processing Division | 13% |
| • Social infrastructure | 3% | • Mirny Mining and Processing Division | 8% |
| • Gas supply infrastructure | 2% | • Nyurba Mining and Processing Division | 11% |
| • Miscellaneous | 9% | • JSC Almazy Anabara | 11% |
| • Potential projects ⁵⁵ | 10% | • PJSC Severalmaz | 7% |

In terms of the nature of investments, most of capital investments in 2018-2024 will be transferred to develop the Company's main activity – a share of these funds will reach 69.4 RUB bln, or 41% of total investments.

Structure of ALROSA Group investment program by nature
of investments, RUB bln



| | Share | Development of assets | Share |
|------------------------------------|-------|---------------------------------|-------|
| • Development of assets | 41% | • Rough diamond mining projects | 35% |
| • Asset maintenance | 32% | • MPD development projects | 6% |
| • Transport assets | 3% | | |
| • Social infrastructure | 3% | | |
| • Gas supply infrastructure | 2% | | |
| • Miscellaneous | 9% | | |
| • Potential projects ⁵⁶ | 10% | | |

⁵⁵ including PJSC ALROSA-Nyurba

⁵⁶ a project on the construction of an airport in the town of Mirny, a gasification project for Udachny MPD, etc.

ALROSA Group key investment projects

| Project | Underground mine, Udachny | Underground mine, Yubileynaya | Verkhne-Munskoye deposit |
|-----------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Purpose of project | Transition to underground mining | Transition to underground mining | Launch of a new deposit of several pipes |
| Project events | Reserve mining Stage I until 2022 Reserve mining Stage II after 2025 | Construction of a new mine and production infrastructure (mine parameters to be further specified) | Construction of a technological passage from Processing Plant No. 12 to the field Acquisition of equipment and infrastructure |
| Project events | Processing at existing facilities of UMPD | Processing at existing facilities of AMPD | Processing at existing facilities of UMPD (transportation of ore by train) |
| Investment stage, years | 2004-2019 | 2024-2035 | 2015-2019 |
| Year of commissioning | 2015 | 2036 | 2018 |
| Year of operation at full capacity | 2019 | 2040 | 2019 |
| CAPEX 2018-2024, RUB bln (IFRS) | 12,5 | 0,4 | 14,1 |
| CAPEX 2018-2030, RUB bln (IFRS) | 25,5 | 16,0 | 14,4 |
| NPV (discount rate), RUB bln | 36,3 (16,7%) | > 0 (16,7%) | 8,0 (16,0%) |
| Project IRR | 35,6% | > 16,7% | 21,8% |
| Share in ALROSA Group mining in 2024, % | 15% | 0% | 5% |
| Share in ALROSA Group mining in 2030, % | 14% | 0% | 5% |

| Open pit mine, Pipe, Maiskaya | Underground mine, Aikhal | Underground mine, Internatsionalny | Open pit mine, Pipe, Zarya |
|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| Launch of a new pipe Maiskaya | Development of deep horizons of the mine | Development of deep and ultra-deep horizons | Launch of a new pipe Zarya |
| Mining and capital works to develop a pipe Acquisition of equipment and construction of infrastructure | Construction of horizons and infrastructure to maintain current production | Development of deep horizons (to -790 m) and mine reserves Infrastructure for the development of ultra-deep horizons | Mining and capital works to put the mine into operation at full capacity of 1.25 mln tons of ore per year |
| Processing at existing facilities of NMPD | Processing at existing facilities of AMPD | Processing at existing facilities of MMPD | Processing at existing facilities of AMPD |
| 2018-2024 | 2018-2032 | 2018-2028 | 2014-2020 |
| 2025 | 2031 | 2021 | 2020 |
| 2027 | 2032 | 2024 | 2021 |
| 7,4 | 4,8 | 4,9 | 4,2 |
| 7,5 | 9,1 | 7,5 | 4,9 |
| 6,7 (15,3%) | 10,5 (16,7%) | 37,9 (16,0%) | 1,1 (16,7%) |
| 26,3% | > 16,7% | 51,6% | 18,9% |
| 0% | 7% | 9% | 1% |
| 3% | 8% | 11% | 1% |

CAPITAL INVESTMENTS (CAPEX)

31,3

↑ 3,4% to 2017

CAPITAL INVESTMENTS
(CAPEX), RUB BLN

10,2

↑ 25,2% to 2017

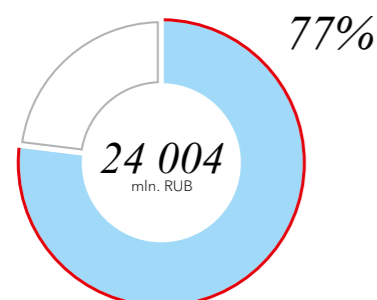
TECHNICAL
UPGRADE, RUB BLN

In 2018, ALROSA Group investments (capital investments)⁵⁷ amounted to 31,263 RUB mln, growing by 3% against 2017. The growth of investments mainly occurred due to a significant increase in investing in production capacity expansion.

ALROSA Group investments, RUB mln

| Indicators | 2016 | 2017 | 2018 | Variance |
|-------------------------------------------------------------------------------------------|---------------|---------------|---------------|--------------|
| Construction | 22 598 | 19 530 | 18 896 | ↓ 3% |
| Investments in underground mines | 9 877 | 5 805 | 3 306 | ↓ 43% |
| Other main production facilities | 8 908 | 11 509 | 13 525 | ↑ 18% |
| Auxiliary production facilities | 3 466 | 1 744 | 1 774 | ↑ 2% |
| Social objects | 347 | 472 | 292 | ↓ 38% |
| Technical upgrade and replacement of worn-out equipment | 8 438 | 8 139 | 10 190 | ↑ 25% |
| Other capital expenditures | 2 438 | 2 558 | 2 176 | ↓ 15% |
| Search assets (exploration) | 1 675 | 1 957 | 1 914 | ↓ 2% |
| R&PDW | 252 | 221 | 172 | ↓ 22% |
| Other non-current assets (acquisition of fixed assets, construction in progress, housing) | 511 | 380 | 91 | ↓ 76% |
| Change in equipment balance | – | – | 0,1 | – |
| Total | 33 474 | 30 228 | 31 263 | ↑ 3% |

INVESTMENT PROGRAM OF PJSC ALROSA



At the end of 2018, the main share in total investments of ALROSA Group fell on PJSC ALROSA – 24,004 RUB mln, or 77%.

⁵⁷ data on ALROSA Group capital investments are posted according to national standards

PJSC ALROSA's investments, RUB mln

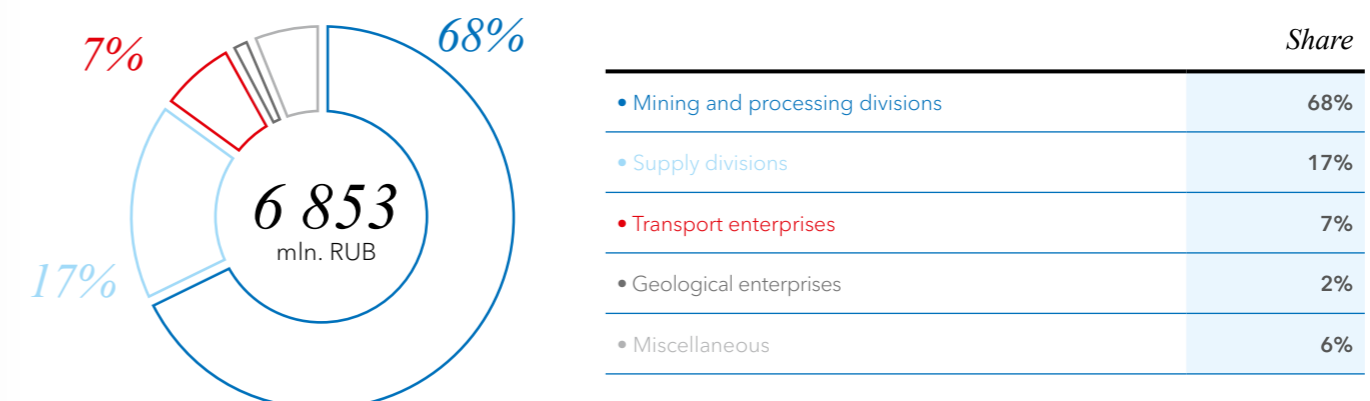
| Indicators | 2016 | 2017 | 2018 | Variance |
|-------------------------------------------------------------------------------------------|---------------|---------------|---------------|--------------|
| Construction | 19 444 | 14 763 | 16 274 | ↑ 10% |
| Investments in underground mines | 9 877 | 5 805 | 3 306 | ↓ 43% |
| • newly created facilities | 5 481 | 3 048 | 1 737 | ↓ 43% |
| • maintenance of existing facilities | 4 396 | 2 757 | 1 568 | ↓ 43% |
| Other main production facilities | 6 569 | 7 643 | 12 309 | ↑ 61% |
| Auxiliary production facilities | 2 680 | 880 | 374 | ↓ 57% |
| Объекты социального назначения | 318 | 436 | 286 | ↓ 34% |
| Technical upgrade and replacement of worn-out equipment | 7 057 | 6 157 | 6 853 | ↑ 11% |
| Other capital expenditures | 1 105 | 952 | 876 | ↓ 8% |
| Search assets (exploration) | 516 | 562 | 690 | ↑ 23% |
| R&PDW | 212 | 160 | 119 | ↓ 26% |
| Other non-current assets (acquisition of fixed assets, construction in progress, housing) | 376 | 230 | 68 | ↓ 70% |
| Change in equipment balance | – | – | 0,1 | – |
| Total | 27 606 | 21 872 | 24 004 | ↑ 10% |

In 2018, investments in the construction of the Udachny underground mine in 2018 were spent at the level of 1,689 RUB mln. The work to maintain existing capacity is performed at the underground mines of Internatsionalnaya and Aikhal, where capital investments were spent at the level of 1,564 RUB mln.

The main volume of PJSC ALROSA's capital investments for technical upgrade and replacement of worn-out equipment in 2018 went to mining and processing enterprises.

For the construction of other main production facilities, investments in 2018 amounted to 12,309 RUB mln, for the construction of auxiliary facilities – 374 RUB mln.

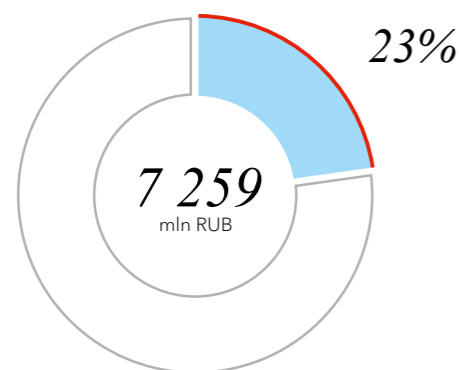
Structure of capital investments of PJSC ALROSA for technical upgrade and replacement of worn-out equipment in 2018



In 2018, the following facilities were commissioned in accordance with the plan:

- temporary technological passage. The access road The city of Udachny - The Verkhne-Munskoye Deposit (153 km), a power complex, a shift camp, a fuel depot, a repair shop for mining and transport equipment, an administrative building, water treatment facilities and other facilities as part of the Diamond-Mining Enterprise at the Verkhne-Munskoye Deposit Field investment project;
- Ramp No. 3 (from -380 m to -480 m), a warehouse for explosive materials, a fuel depot, a drilling equipment repair chamber (-480 m mark) at the Udachny underground mine;
- 5-storey residential house for shift workers of Udachny MPD in Udachny;
- mine and drainage water injection unit at the Levoberezhny site (Stage I of reconstruction).

INVESTMENT PROGRAM OF ALROSA GROUP S&A



ALROSA Group S&A accounted for 7,259 RUB mln, or 23% of total capital investments.

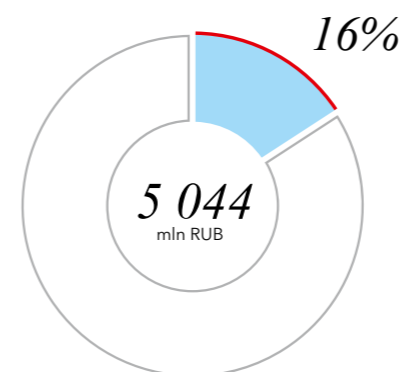
ALROSA Group S&A investments, RUB mln

| Indicators | 2016 | 2017 | 2018 | Variance |
|-------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Construction | 3 154 | 4 767 | 2 622 | ↓ 45% |
| Other main production facilities | 2 339 | 3 866 | 1 216 | ↓ 69% |
| Auxiliary production facilities | 786 | 865 | 1 400 | ↑ 62% |
| Social objects | 29 | 36 | 6 | ↓ 82% |
| Technical upgrade and replacement of worn-out equipment | 1 381 | 1 982 | 3 336 | ↑ 68% |
| Other capital expenditures | 1 333 | 1 606 | 1 300 | ↓ 19% |
| Search assets (exploration) | 1 158 | 1 395 | 1 224 | ↓ 12% |
| R&PDW | 40 | 61 | 54 | ↓ 13% |
| Other non-current assets (acquisition of fixed assets, construction in progress, housing) | 135 | 150 | 22 | ↓ 85% |
| Total | 5 868 | 8 355 | 7 259 | ↓ 13% |

Investments of ALROSA Group S&A decreased by 13%, compared to 2017, due to the disposal of JSC Geotransgaz and LLC Urengoi Gas Company from ALROSA Group in 2018, following their sale.



DIAMOND-MINING COMPANIES

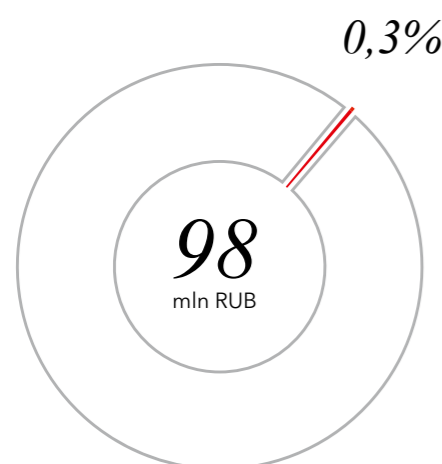


With regards to diamond-mining companies, ALROSA Group investments in 2018 amounted to 5,044 RUB mln. The share of investments of diamond-mining companies in the total volume of ALROSA Group capital investments reached 16% by the end of 2018.

Investments of diamond-mining companies, RUB mln

| Company | 2016 | 2017 | 2018 | Variance |
|--------------------|--------------|--------------|--------------|--------------|
| JSC Almazy Anabara | 2 092 | 3 047 | 3 435 | ↑ 13% |
| JSC Nizhne-Lenskoe | 384 | 77 | — | — |
| PJSC ALROSA-Nyurba | 261 | 303 | 322 | ↑ 6% |
| PJSC Severalmaz | 850 | 1 104 | 1 287 | ↑ 17% |
| Total | 3 587 | 4 531 | 5 044 | ↑ 11% |

GAS ASSETS



ALROSA Group only subsidiary, engaged in the extraction and transportation of gas, is JSC ALROSA-Gaz. Natural gas produced by the company is a strategic energy resource for enterprises of ALROSA Group. ALROSA-Gaz's capital investments in 2018 amounted to 98 RUB mln. The share of investments of the gas company in the total volume of ALROSA Group capital investments reached 0,3% by the end of 2018.

Investments of gas companies, RUB mln

| Company | 2016 | 2017 | 2018 | Variance |
|-------------------------|------|-------|------|----------|
| JSC ALROSA-Gaz | 76 | 25 | 98 | ↑ 292% |
| JSC Geotransgaz | 987 | 2 220 | – | – |
| LLC Urengoi Gas Company | 3 | 12 | – | – |

Most of JSC ALROSA-Gaz's investments in 2018 were transferred to carry out key activities:

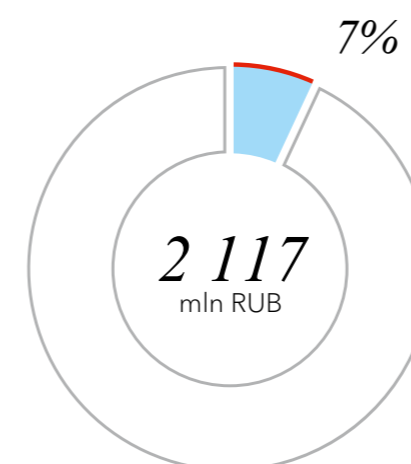
- construction of Well 44 to fulfill the conditions of a license agreement, increase production capacity of the well stock, and clarify the geology of the field;
- construction of distribution and supply gas pipelines to ensure sustainable operation and development of the gas transmission system with guaranteed gas supply to consumers;
- a feasibility study for the construction of an integrated gas treatment unit to replace a temporary process installation that has reached the end of its service life, as well as to improve gas treatment

At the end of 2017, the Company's Supervisory Board, in accordance with the directives of the Government of the Russian Federation⁵⁷, made a decision to terminate PJSC ALROSA's participation in Maretom Investments Ltd. and Velarion Investments Ltd., which owned, respectively, 100% of JSC Geotransgaz's shares and 100% of shares in LLC Urengoi Gas Company's authorized capital, by selling 100% of shares of Maretom Investments Ltd. and Velarion Investments Ltd. as a single lot at a public auction.⁵⁸ In Q1 2018, in the framework of the Alienation and Liquidation of Other Non-Core Assets strategic initiative, the participation in these companies was terminated. As a result of a public auction, the above shares were sold to PJSC NOVATEK under a purchase agreement dated February 19, 2018, at the transaction price of 30.3 RUB bln

⁵⁷ No. 9556p-P13 dated December 15, 2017

⁵⁸ Minutes of the Supervisory Board No. A01-/267-IIP-HC dated December 22, 2017

INDUSTRIAL AND OTHER COMPANIES



For the rest of ALROSA Group industrial and other companies, investments in 2018 amounted to 2,117 RUB mln, or 7% of total capital investments.

According to the results of 2018, ALROSA Group investments in the remaining industrial and other companies grew by 35% due to the construction and installation works on the Transition of Wartsila Diesel Power Plant to Crude Oil project worth 608 RUB mln

Investments of industrial and other companies, RUB mln

| Company | 2016 | 2017 | 2018 | Variance |
|-------------------------------------------------------|--------------|--------------|--------------|---------------|
| OJSC Vilyuiskaya HPP-3 | 131 | 203 | 200 | ↓ 1% |
| JSC Innovation Center Bourevestnik ⁵⁹ | 705 | 852 | 716 | ↓ 16% |
| JSC ALROSA Air Company | 124 | 16 | 95 | ↑ 480% |
| JSC SK ALROSA-Lena | 10 | 61 | 138 | ↑ 127% |
| JSC Golubaya Volna Resort | 29 | 39 | 16 | ↓ 61% |
| DIAMONDS ALROSA LLC | 22 | 0,1 | 3 | ↑ in 44 times |
| ALMAS LLC | 52 | 11 | 17 | ↑ 52% |
| JSC ALROSA-Torg | – | 0,1 | 2 | ↑ in 11 times |
| ALROSA-Spetsbureniye LLC | 52 | 11 | 29 | ↑ 157% |
| LLC Lenskoye PTES | 78 | 144 | 57 | ↓ 61% |
| LLC PTVS | – | 210 | 126 | ↓ 40% |
| ALROSA Business Service LLC | – | – | 78 | – |
| Yakutskaya generating company LLC | – | – | 610 | – |
| Rough Diamond Scientific and Technological Center LLC | – | – | 0,3 | – |
| Zarnitsa LLC | – | – | 1 | – |
| LLC ALROSA-Okhrana | 6 | 6 | 6 | ↑ 6% |
| HIDROCHICAPA S.A.R.L | 7 | 14 | 23 | ↑ 61% |
| Total | 1 215 | 1 568 | 2 117 | ↑ 35% |

⁵⁹ including JSC RPE Bourevestnik

RISK MANAGEMENT SYSTEM

ALROSA seeks to ensure effective risk management, required to prevent risks in a timely manner, as well as to minimize their consequences if they occur.

In 2018, the Company transformed its approach to dealing with risks, formed a new concept of risk management and a list of critical risks that were approved by the Supervisory Board. The key objectives are risk-oriented decision making, the development of risk culture. Executive officers are focused on managing the Company's critical risks. A project was launched to identify and evaluate operational (production) risks of mining and processing plants and other industrial enterprises. Measures to minimize risks have been developed and implemented.

The key internal regulatory documents governing ALROSA's risk management processes are:

- Risk Management Policy of PJSC ALROSA⁶⁰,
- Risk Management Regulations of PJSC ALROSA⁶¹,
- Regulations on the Office of Financial Controlling and Risk Management;
- Risk assessment methodology, risk classifier, risk passport template.⁶²

These documents define the structure and procedures of the Risk Management System (RMS), in particular, its principles, goals and objectives, common terminology, key elements, functions and roles of participants in the risk management process, as well as the main stages of the risk management process and participants' objectives.

RISK MANAGEMENT SYSTEM: PARTICIPANTS, FUNCTIONS, AND AREAS OF RESPONSIBILITY

In 2018, participants of the risk management process were involved in the identification, monitoring, analysis and consideration of risks on an ongoing basis, guided by certain approaches and principles.

Categories of participants in the risk management process:

- risk owners and supervising managers (members of the Board, deputy Chief Executive Officer, heads of departments/functional services),
- Decision-Making Center (Chief Executive Officer – Chairman of the Management Board and the Management Board);
- Center for Coordination of the Risk Management Process (risk management process owner);
- Center for Risk Information Aggregation and Risk Management System Improvement (Financial Controlling and Risk Management Department);
- management and control bodies (Supervisory Board, Audit Commission), Audit Committee of the Supervisory Board, IAD;
- employees of the Company's structural divisions and functional services.

Main Functions and Tasks of Specialized Bodies in the Framework of the RMS:

The Supervisory Board plays a strategic and supervisory role in the risk management process, defines risk management goals and objectives, as well as the principles of the outline and functioning of the RMS.

Functions of the Supervisory Board:

- approval of regulatory and regulatory documents on RMS, including the Regulations on Risk Management and the Risk Management Policy, defining the strategy and objectives of risk management;
- approval of planning documents to minimize risks;

- approval of risk management reporting documents;
- approval of a level of preferred risk (risk appetite).

The Supervisory Board monitors the adequacy and effectiveness of risk management methods and measures, under taken by the Company. In this regard, the Supervisory Board regularly receives information on risks from the Company's management.

The Audit Committee monitors risks and ensures control over the reliability and effectiveness of RMS

Functions of the Audit Committee under RMS:

- consideration of regulatory documents on risk management before their subsequent submission for approval to the Supervisory Board (Risk Management Policy, Regulations on Risk Management),
- consideration of reporting and planning documents on risk management, previously reviewed by the Company's executive body, before their subsequent submission for approval to the Supervisory Board;
- preparation of recommendations for the Supervisory Board on various aspects of risk management.

Executive bodies are responsible for the timely and effective identification, assessment and response to risks for the Company. Chief Executive Officer – Chairman of the Board and members of the Board allocate resources to ensure the functioning of the risk management system and make decisions to achieve goals and objectives in the field of risk management.

Functions of Chief Executive Officer – Chairman of the Board in the framework of RMS:

- regular monitoring of the Company's overall exposure to risks (aggregate risk level), monitoring of critical risks and new risks;
- deciding on measures to manage critical risks, appointing responsible persons to implement these measures, and monitoring the implementation of these measures;
- aligning regulatory documents on risk management before their subsequent submission for approval to the Audit Committee and the Supervisory Board (Risk Management Policy, Regulations on Risk Management);
- approval of regulatory and methodological documents on risk assessment and management.

By decision of Chief Executive Officer – Chairman of the Board, the Board may consider issues related to the the Action Plan for RMS Development and Improvement.

Risk owners, in particular, Chief Executive Officer – Chairman of the Board, deputy Chief Executive Officer and heads of departments or functional services are responsible for the day-to-day management of risks within their area of competence, determining risk response methods, developing and implementing measures to minimize risks, and also

identifying and assessing risks in the respective functional areas.

Supervising managers agree on the Risk Classifier and regulatory and methodological documents for assessment and management of individual risks within their area of competence.

Functions of a Risk Management Process Owner in the Framework of RMS:

- periodic risk monitoring, including regular monitoring of critical risks, and analysis of risk information provided by risk owners and aggregated by the risk management unit;
- monitoring the continuous operation of RMS and compliance with regulatory documents on risk management;
- consideration and preliminary approval of planning and reporting documents on risk management and improvement of the Risk Management System;
- interaction with risk owners and supervising managers and informing Chief Executive Officer – Chairman of the Board, the Board, the Audit Committee and the Supervisory Board about significant changes, problem areas and other aspects of risk management;
- monitoring and supervision of the risk management unit;
- assessment of risk management staff activities.

The risk management unit coordinates risk management, aggregates risk information, and facilitates regular exchange of risk information.

Functions of the Risk Management Unit within the Framework of RMS:

- coordination of activities of structural units / functional services on risk management issues;
- interaction and provision of methodological and informational support for risk management to the Company's employees involved in the risk management process;
- collection, aggregation and analysis of information on risks, provided by risk owners (risk passport);

⁶⁰ in accordance with the decision of the Supervisory Board dated December 11, 2014, Minutes No. A01/223-IIP-HC;

⁶¹ in accordance with the decision of the Supervisory Board dated November 10, 2015, Minutes No. A01/236-IIP-HC;

⁶² Order No. A01/131-P dated May 5, 2017 "On the Approval of Internal Regulatory Documents on the Company's Risk Management"

- compiling and updating the Critical Risk List, the Risk Register, and the Risk Map;
- drawing up planning and reporting documents on risk management and improvement of the Risk Management System;
- participating in risk identification, if necessary;
- storing documents and risk reports for each reporting period;
- monitoring of approved procedures, requirements and regulatory documents on risk management across the Company;
- developing draft risk management documents and reporting templates, including the development and revision of the methodology for determining the level of preferred risk;
- providing information on risks to structural units and functional services, responsible for interaction with shareholders, investors and the public;
- organization of training in risk management.
- предоставление информации по рискам в структурные подразделения и функциональные службы, ответственные за взаимодействие с акционерами, инвесторами и общественностью,
- организация обучения в области управления рисками.

Head of Financial Controlling and Risk Management is accountable to the risk management process owner.

Functions of the Internal Audit Department:

- assessment of the effectiveness of RMS key elements (in terms of the organization of the risk management process, functionality and interaction of participants in the risk management process, compliance with regulatory documents on risk management, risk reporting completeness);

RISK MANAGEMENT APPROACHES

Effective risk management is a continuous and systematic process, taking place at all levels across the Company, integrated with key business processes, and aimed at improving the quality of management decisions. ALROSA regularly identifies, monitors, analyzes and considers risks in the framework of its current operations and investment project planning.

A systematic approach to risk management enables the Company's sustainable development in conditions of uncertainty and changes in the external environment that affect the Company's operations. For this

- participation in identifying risks, violations and cases of non-compliance with regulatory documents on risk management, as well analysis of information about materialized risks in the framework of the audit.

In the case of identifying individual risks, the IAD discusses with objects of audits (structural divisions and functional services) steps to respond to risks to be taken into account when developing measures to minimize risks. In case of detection of facts of non-compliance with regulatory documents on risk management, the IAD sends the results of inspections to the risk management process owner.

reason, ALROSA seeks to form and ensure the effective functioning of its RMS, governing risk management activities, providing necessary resources and procedures in accordance with the Company's strategy and objectives.

The Company's executive bodies are responsible for the ongoing

functioning of RMS and implementation of the Supervisory Board's decisions on risk management.

Risk Management Principles

| Principle | Description |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Integratedness | Risk management is an important component of corporate governance and an integral part of the Company's overall management system. Risk management processes should be integrated into key business processes, including business planning and goal setting. Risk management affects all business functions and structural units |
| Consistency and continuity | Risk management is consistent in nature and is a continuous process, made up of regular and consistent procedures for risk management, adaptable to the changing conditions of the internal and external environment. |
| Integrity | Individual risk management and various risk management processes shall be carried out within the overall risk management system. |
| Economic expediency | The risk management system should be consistent with the Company's size, organizational structure, strategy, and objectives. The risk management process shall take into account a reasonable balance of risk management costs and a cumulative impact of risks on the Company, taking into account the likelihood of risks (cumulative risk level). Financial and other resources are allocated to address risks, taking into account the significance of risk for the Company, as well as the expected effect of a corrective measure |
| Responsibility | Risk management is the responsibility of all departments, bodies, officers, and employees of the Company. |

Key Groups of Risks

In 2018, the Company identified and assessed critical risks through discussions with risk owners to meet the requirements for reporting on risks on a regular basis and improve risk management efficiency. Critical risks include risks able to significantly affect the failure to achieve the Company's objectives during their implementation. At the same time, the Company undertakes the most cost-effective and efficient measures to minimize the risks involved. The effectiveness of critical risk management is monitored at the level of the Board and the Supervisory Board.

Following the collection of information on risks in 2018, the list of critical risks was updated. The list of critical risks serves as a source of information for the Company's management bodies, provides control over the implementation of measures to minimize inherent risks of an activity.

General corporate risks

1. Risk of changes in the balance of supply and demand for rough diamonds in the long term, including substitution with synthetic diamonds for the following reasons:
 - restructuring and reduction of the demand for natural diamonds;
 - change in diamond sales channels leading to an outflow of consumers from traditional sales schemes.
2. Geopolitical risks, negative impact of sanctions and restrictive measures on the Company's operations due to:
 - ban on the use of US dollars or other key global currencies during settlements through state banks;
 - ban on trade in the US, international trade;

- impact of restrictive measures on the importation of technological equipment, software, the country of origin of which is the United States or other countries that have adopted sanctions against the Russian Federation.
3. Loss of brand reputation due to environmental, political events, and incidents.
 4. Cyber attacks on information systems. Violation of data integrity and suspension of production.
 5. Lack / shortage of specialists with required qualifications, low level of expertise of current staff.
 6. Failure to comply with the planned scenario of activities in Angola.
 7. Intentional damage to assets due to terrorist attacks, sabotage.

Production risks

1. Risk of a long shutdown due to:
— risk of accidents in an underground mine ,
— risk of accidents during open pit mining;
— a fire inside the main building of a processing plant;
— impact of negative natural factors (forest fire, flood);
— accidents at hydraulic structures;
— ignition of flammable liquid at a tank farm.

2. Risk of failure to supply materials and resources, fuel and other types of energy due to broken logistics processes.

3. Risk of freezing residential, social and industrial facilities in the winter.
4. Stopping flights with the Company's enterprises as a result of accidents involving JSC ALROSA Air Company's aircraft and / or flight restrictions imposed.

5. Destruction of the dam at the Vilyui HPP-3.

6. Risk of making erroneous investment decisions and / or failure to achieve the planned indicators under an investment project.

7. Adverse impact on the environment.

In 2018, there were three production risks. Currently, the Company is taking measures to respond to and minimize these risks.

| Risk description | Brief description of risk management measures | Status of risk management measures | Damage from risk |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Break of the dam of the dredging pit | <div><div>• Dam condition monitoring,</div><div>• emergency stock of inert material to eliminate the accident</div></div> | In progress | As a result of abnormal precipitation, which led to a sharp rise in water level in the river of Irelyah, there was a breakthrough of technological dams of dredging pits, resulting in the shutdown of the work of the drags |
| Risk of accidents in underground mines | <div><div>• Regular staff training and retraining</div><div>• regular inspections of underground mining for compliance with the requirements of process regulations,</div><div>• monitoring of compliance with the requirements of projects during construction and operation</div></div> | In progress | During charging up of the cut face, there was an explosion, resulting in the death of the explosive specialist. Explosion operations were suspended for less than a week, but production at the mine was not stopped |
| Fire inside the main building of a processing plant | <div><div>• Manual extinguishing means,</div><div>• automatic fire extinguishing system</div><div>• replacement of flammable panels</div></div> | In progress | A fire took place in the building at the site of ore preparation at Udachninsky GOK during the replacement of roofing panels. It resulted in damage to the roof covering an area of 90 m² |

Risk Management Methods and RMS Improvement

ALROSA applies certain management methods to each identified risk, taking into account characteristics and results of the risk assessment, as well as a degree of risk controllability based on an expert approach.⁶³ Depending on the level of risk, measures and control means are selected to minimize risks.

| Risk mitigation (lower risk level) | Risk acceptance – risk retention | Risk transfer (risk reassigning) | Risk rejection |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <div>A risk is impacted through preventive measures, as well as risk mitigation measures in case of damage from a materialized risk. Includes mandatory development of risk mitigation measures and introduction of additional control procedures.</div> <div>If risk mitigation is selected, it is mandatory to develop risk mitigation measures, introduce additional control procedures, as well as a formalized procedure for preparing regular risk reports (with the approved format, content and frequency of submission). This method is applicable to risks of any level. The use of this method is recommended for risks of medium, high and critical materiality levels.</div> | <div>Includes predominantly risk level monitoring.</div> <div>If risk acceptance is selected, a level of risk and the effectiveness of existing control procedures within the framework of relevant business processes are monitored. Such risks are included in the summary risk reporting for risk monitoring. This method is more applicable to risks with a low level of materiality.</div> | <div>Includes tools such as transferring risk to a third party, risk insurance, etc.</div> <div>If risk transfer is selected, risk exposure is transferred to a third party, for example, to a counterparty. Such risks do not require the development of measures to minimize risks, but are also included in the summary risk reporting. This method is applicable to risks of any level. The choice of this method is due to the possibility of transferring the performance of a function (business process) to a third-party organization without prejudice to the effectiveness of the performance of this function and the Company's reputation.</div> | <div>Includes termination of activities, within the framework of which a risk appears</div> |

In 2018, ALROSA implemented a number of measures aimed at improving its RMS:

- approved a list of critical risks;

— identified and assessed production risks, followed by the development of measures to minimize risks at four mining and processing plants;

— updated internal regulatory documents: Risk Management Policy, Risk Management Regulations, Risk Assessment Methodology, Risk Classifier, and Risk Passport Template;

— collected information on inherent risks; compiled the annual report.

⁶³ a degree of risk controllability is understood as a measure of the Company's ability to influence risk factors. A degree of control over individual risks is determined by risk owners by an expert method and is used to determine a risk management method.

SUSTAINABLE DEVELOPMENT

5,2
RUB bln

ALROSA ENVIRONMENTAL
EXPENSES



DYNAMICS OF SOCIAL EXPENSES
OF GROUP OF ALROSA, RUB BLN

8,2

2016

8,2

2017

9,3

2018



98%

CONTRIBUTIONS
TO NPO*

* NON-STATE
PROVISION OF PENSIONS



SUSTAINABLE DEVELOPMENT POLICY

ALROSA strives to lead the way in sustainable development and adherence to the principles of corporate social responsibility, taking into account the best world practices and complying to the principles of the UN Global Compact, the provisions of the International Bill of Human Rights, and the UN Sustainable Development Goals for the period up to 2030.

ALROSA, being a member of the international community in the context of growing self-awareness, recognizes that::

- the Company's activities, concentrating significant human and natural resources, have a significant impact on society and the environment;
- society is interested not only to the final result of the Company's activities, but also in the level of its social and environmental responsibility;
- modern global trends are associated with the need to integrate a consolidated position of the global community on sustainable development into the activities of Russian companies

In 2018, the Company adopted the Sustainable Development and Corporate Social Responsibility Policy.⁶⁵ The document is based on the general development strategy and is aimed at supporting and facilitating the Company's mission to be the global leader in the diamond mining industry, while complying with high standards of environmental and industrial safety, social responsibility, and corporate governance.

The strategy of sustainable development is integrated into activity of ALROSA through:

THE MISSION OF ALROSA – TO BE THE WORLD LEADER IN THE DIAMOND-MINING INDUSTRY ON CONDITION OF OBSERVANCE OF HIGH STANDARDS OF ENVIRONMENTAL AND INDUSTRIAL SAFETY, SOCIAL RESPONSIBILITY AND CORPORATE MANAGEMENT.

- participation in maintaining the stability of the global diamond market, national and regional economies, the balance of reasonable expectations and interests of stakeholders;
- minimizing the adverse impact on the environment; developing the rational use of mineral resources and resource conservation; complying with the laws and international standards in the area of environmental management;
- responsibility for health and safety in the workplace, professional development and staff training, social and economic well-being of the population in the regions of presence, support to local communities, and charity.

Key Areas of Sustainable Development

- environmental responsibility;
- industrial safety;
- HR management;
- support of local communities;
- economic efficiency;
- charity expenses.

The Company's policy of sustainable development and corporate social responsibility (CSR) takes into account the requirements and recommendations of internal documents, as well as best industry and international practices.

Internal Documents of PJSC ALROSA:

- Social Policy;
- Environmental Policy;
- Labor Protection and Industrial Security Policy;
- Policy for Countering Corruption and Bribery;
- Corporate Governance Code;
- Corporate Ethics Code;
- ALROSA ALLIANCE Guidelines on Responsible Business Practices.

International and Russian Industry Standards, Initiatives:

- Kimberley Process Certification Scheme;
- World Diamond Council's Guarantee System;
- Code of Practices of the Responsible Jewelry Council;
- International Standard for Stakeholder Engagement AA1000SES;
- International Standard SA8000 "Social Responsibility 8000";
- International Standard ISO 14001 "Environmental Management Systems";
- International Standard OHSAS 18000;
- National Standard GOST R54934-2012 "Occupational Health and Safety Management Systems. Requirements";
- Principles of Sustainable Development of the International Council on Mining and Metals (ICMM);
- Memorandum on the Corporate Social Responsibility Principles of the CSR Committee of the Association of Managers;
- Main Provisions of the Environmental and Social Responsibility Policy of Mining Companies of the World Wide Fund for Nature (WWF);
- International Bill of Human Rights;
- Rio de Janeiro Declaration on Environment and Development of 1992;
- Principles of the UN Global Compact;
- Sustainable Development Agenda until 2030 (Resolution of the UN General Assembly of September 25, 2015);
- 2011 UN Guiding Principles on Business and Human Rights ;
- Sustainable Development Policy of the International Finance Corporation;
- ILO Convention on Forced Labor / ILO Declaration on Principles and Rights at Work;
- Global Reporting Initiative (GRI) Sustainability Reporting Guide;
- International Standard ISO 26000 "Guide to Social Responsibility";
- Sustainable Development Goals / Transforming Our World.

⁶⁵ adopted by the Supervisory Board on December 14, 2018, Minutes No. A01/285-PIP-HC

ALROSA's activities on sustainable development and CSR are based on the following principles:

1. ACCOUNTABILITY

The Company is committed to accountability for the impact of its decisions and activities on the environment, the economy and society, as well as for measures taken to prevent recurrence of unintended and unforeseen negative impacts.

2. TRANSPARENCY

The Company strives to be transparent in its decisions and activities that affect society and the environment, revealing the policies and decisions for which it is responsible in a clear, precise and complete form.

3. ETHICAL CONDUCT

The Company follows high ethical standards of open, honest and fair business to improve its corporate culture based on the best international practices.

4. RESPECT FOR STAKEHOLDERS' INTERESTS

The Company respects, takes into account and responds to the interests of all the parties concerned. To this end, the Company identifies interested parties, recognizes and takes due account of their interests and rights and responds to their concerns.

In the course of its activities, the Company seeks to maintain a balance of interests of all stakeholders.

5. COMPLYING WITH THE RULE OF LAW

The Company operates in strict accordance with current laws.

For this purpose, the Company complies with the requirements of laws and other regulatory legal acts in all jurisdictions where it operates, maintains awareness of all legal obligations, and analyzes its compliance with applicable laws and other regulatory legal acts on a regular basis.

6. COMPLYING WITH INTERNATIONAL STANDARDS OF CONDUCT

The Company seeks to comply with international standards of conduct. In situations where a law or its use does not provide adequate environmental or social restrictions, the Company strives to comply with international standards of conduct.

7. RESPECTING HUMAN RIGHTS

The Company respects human rights and recognizes their importance and universality. The Company respects and, where possible, promotes the rights set forth in the International Bill of Human Rights, respects the universal nature of such rights, takes measures to respect human rights, and in situations, where legislation or its use does not provide adequate protection for human rights, follows the UN Guiding Principles on Business and Human Rights

8. IMPROVING CORPORATE GOVERNANCE

High quality of corporate governance involves increasing the transparency and level of shareholder confidence. In this regard, the Company seeks to improve its corporate governance system, bringing it in line with international best practices.

9. DEVELOPING AND IMPLEMENTING INNOVATIVE TECHNOLOGY

The main guidelines for the development and introduction of new technology, innovative products and services, innovations in management, modernization of existing technology are as follows: higher energy efficiency, industrial and environmental safety of the core business, higher economic efficiency of diamond mining.

10. CONSIDERING PARTICULAR CHARACTERISTICS OF REGIONS WHERE THE COMPANY OPERATES

The Company operates in the field of sustainable development and corporate social responsibility taking into account social and economic, natural and climatic, and cultural features of the regions of its presence. The extent of such activities is determined by severity of social, environmental and economic problems in the region.

At the end of 2018, the Company's measures on corporate social responsibility and sustainable development got recognized in Russian and international ratings. In addition, ALROSA led the way in a number of independent studies:

- the State Employment Committee of the Republic of Sakha Yakutia named ALROSA the Best Employer 2018;
- the Group was acknowledged one of the leaders of the annual contest "Corporate Charity Leaders" among Russian and international companies and became one of the leaders of two sustainability indices of the Russian Union of Industrialists and Entrepreneurs: "Responsibility and Transparency" and "Sustainability Vector";
- ALROSA became one of the leaders of the final ranking of the Environmental and Energy Efficiency of the largest companies of Russia and Kazakhstan, working in the real sector of the economy;
- the Russian Institute of Directors upgraded the Company's rating to NRKU 8 "Best Practices in Corporate Governance";
- The Company took the second place⁶⁵ in the Interfax-ERA environmental and energy efficiency rating and made it to the top 100 enterprises in Russia for Ecology and Environmental Management.

INTEGRATION OF SUSTAINABLE DEVELOPMENT GOALS INTO THE ALROSA'S STRATEGY

Key sustainable development goals were identified in the process of prioritizing ALROSA's strategic development till 2024. Also, the global goals presented in the UN Agenda for Sustainable Development until 2030, as well as current trends in the diamond industry were taken into account.

The Company identified six sustainable development priorities:

- environmental responsibility;
- industrial safety;
- HR management;
- support of local communities;
- economic efficiency;
- charity expenses.

The sustainable development goals are already partially integrated into ALROSA's development strategy: industrial and environmental safety, operational efficiency, social responsibility and contribution to the development of society, return on investment, and the creation of shareholder value. ALROSA also implements programs and activities on other sustainable development goals of the UN SDG2030, aimed at contributing to their achievement.

In 2018, the Company drew up a report on its sustainable development goals and their integration into PJSC ALROSA's general development strategy. Detailed information will be disclosed as part of the Company's socio-environmental report for 2018.



⁶⁵ 5,733 companies and organizations participated in the rating

STAKEHOLDER ENGAGEMENT

The Company recognizes that stakeholder engagement is one of the most important and indispensable conditions for sustainable development and implementation of CSR. Such an approach reinforces the legitimacy of the Company's decisions, as well as creates conditions for meeting the interests of various parties, contributes to the growth of mutual understanding, accumulation of experience, and improvement of interaction skills. Stakeholder engagement refers to the activities of the Company's management bodies in:

- identifying interested parties and clarifying their interests and expectations;
- building a dialogue on mutual interests;
- arranging events to address these issues.

In 2018, the Company handled stakeholder engagement based on the AA1000SES standard, taking into account the principles of materiality, completeness, and response:

Materiality

The Company identified a range of key stakeholders, as well as the most significant interests of these parties.

Completeness

The company understands opinions, views, needs and expectations of key stakeholders on issues of relevance to them regarding the Company's activities.

Response

The Company undertakes not only to be aware of the stated interests and expectations, but also to respond to them.

The purpose of regular interaction with interested parties is to execute the right to be heard, assigned to each of the parties, depending on the Company's activities or which the Company depends on. The fundamental principle of stakeholder engagement is to fulfill mutual obligations to respond to stated expectations and interests.

ALROSA's stakeholders include the following groups: ⁶⁷

- shareholders;
- investors and the financial community;
- employees and the Company's interregional trade union, Profalmaz;
- government authorities of the Russian Federation and of the regions of the Company's presence;
- local communities (local governments, the population);
- business partners (suppliers, contractors);
- international and Russian industrial community;
- customers (buyers of diamond products);
- environmental organizations and NGOs;
- analysts and the expert community;
- mass media.

⁶⁷ based on the AA1000SES standard and in accordance with the Regulations adopted by the Supervisory Board on December 14, 2018, Minutes No. A01/285-IIP-HC

| <i>Stakeholders</i> | <i>Forms of engagement</i> | <i>Results for 2018 / Information in Report</i> |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Shareholders | <ul style="list-style-type: none"> Balancing interests of all groups of shareholders; Creating value and increasing investment attractiveness; Increasing information transparency and corporate governance quality. | Detailed information is available in Corporate Governance and Investors and Shareholders |
| Investors and the financial community | <ul style="list-style-type: none"> Creating value and increasing investment attractiveness; increasing information transparency and corporate governance quality. | Detailed information is available in Investors and Shareholders |
| Employees and the Company's interregional trade union, Profalmaz | <ul style="list-style-type: none"> Ensuring appropriate working conditions and a competitive level of remuneration for the Company's employees, complying with all conditions of a collective agreement; providing opportunities for growth and development of the Company's employees; guaranteeing compliance with all industrial safety rules and regulations; fulfilling obligations to the trade union organization; assisting retired employees as part of its commitments. | Detailed information is available in Sustainable Development (subsections: Social Responsibility , Labor Protection and Industrial Safety) |
| Government authorities | <ul style="list-style-type: none"> Ensuring the development of the regions, in which the Company operates; complying with requirements and recommendations of regulators; making changes to the regulatory framework in order to ensure the effective development and maintenance of the Company's resource base. | The results of interaction and key issues in 2018 are available on Page 91. |
| Local communities | <ul style="list-style-type: none"> Creating jobs, supporting agriculture; assisting in organization of children's activities, financing sports and cultural events, including national holidays; charitable assistance to schools, kindergartens, health care institutions, science and education, other non-profit organizations. | <p>In 2018, ALROSA fulfilled its obligations under agreements on mutual cooperation with nine municipalities of the Republic of Sakha (Yakutia) and provided free assistance in implementing socially significant projects.</p> <p>Detailed information is available in Social Responsibility</p> |
| Business Partners | <ul style="list-style-type: none"> Equal participation in auctions and tenders Prompt performance of mutual obligations Anti-corruption activities Ethical compliance | <p>ALROSA continues to develop partnerships with small and medium-sized businesses and implements a policy of increasing their share in a total number of participants in procurement procedures.</p> <p>In 2018, ALROSA's own electronic trading platform (ETP) continued to operate, supporting the full procurement management cycle from ordering to delivery of products.</p> <p>Detailed information is available in Business Improvement and Innovation (subsection: Procurement Management)</p> |

| <i>Stakeholders</i> | <i>Forms of engagement</i> | <i>Results for 2018 / Information in Report</i> |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| International and Russian industrial community | <ul style="list-style-type: none"> Development of joint solutions and documents to ensure: <ul style="list-style-type: none"> better transparency; consumers' trust to the industry; protection of global diamond markets from the entrance of manufacturers of artificially grown stones. | Detailed information is available in Strategic Report (subsection: Sales and Marketing) |
| Customers | <ul style="list-style-type: none"> ALROSA appreciates the trust of its customers and is interested in receiving reliable and constant feedback from them, guaranteeing them that offered rough diamonds are obtained in full compliance with national legislation and international obligations of the Russian Federation, including the provisions of the Kimberley Process Certification Scheme, signing long-term contacts for the supply of raw materials with the world's largest consumers. | Detailed information is available in Strategic Report (subsection: Sales and Marketing) |
| Environmental organizations and NGOs | <ul style="list-style-type: none"> Rational use of mineral resources and resource conservation, environmental protection; minimizing negative environmental impacts; complying with international standards for ecology and environmental protection. | Detailed information is available in Environmental Responsibility and on the corporate website in the section Sustainable Development |
| Analysts and the expert community | <ul style="list-style-type: none"> Regular constructive dialogue; publicity and transparency. | Подробная информация представлена в подразделе Sales and marketing |
| Mass media | <ul style="list-style-type: none"> Ensuring mutually beneficial cooperation with public organizations; ensuring prompt and non-discriminatory access to information on the Company's activities for all media representatives. | <p>Detailed information is available in Sales and Marketing and Information Disclosure System</p> <p>Detailed information about the interaction with the mass media in 2018 is available on Page 120</p> |

The Company has in place many arrangements and forms of feedback with stakeholders. The main methods of interaction are interviews, monitoring, focus groups, public discussions, consultations, seminars, conferences, and forums. In 2018, the Company monitored customer satisfaction and interviewed representatives of the investment community.



Examples of Effective Dialogue and Stakeholder Engagement

Interaction with Government Authorities

In 2018, ALROSA initiated a number of amendments to regulatory legal acts of the Russian Federation:

- negotiating amendments to budget financing for an investment project to create a diamond-mining enterprise in the Verkhne-Munsky field;
- ensuring budget financing for the Construction of the Mirny Airport Complex project in Mirny City, Republic of Sakha (Yakutia);
- adopting the decision to create a departmental security at the Company.

Main Areas of Work in 2018

1. Drawing up proposals to amend regulatory legal acts of the Russian Federation in terms of permitting geological exploration in subsoil areas, previously provided in accordance with licenses for other persons to use other types of minerals.
2. Drawing up proposals to improve the norms of Federal Law No. 223-FZ of July 18, 2011, "On the procurement of goods, works, services by certain types of legal entities", taking into account the practice of its application by PJSC ALROSA.
3. Drawing up proposals to amend regulatory legal acts of the Russian Federation in terms of the possibility of selling diamonds and jewelry using the Internet.
4. Drawing up proposals to amend regulatory legal acts of the Russian Federation in terms of additional regulation of the division of the market of natural diamonds and synthetic diamonds, as well as consumer protection in this area.

5. Including the funding of the Construction of the Mirny Airport Complex project in Mirny City, the Republic of Sakha (Yakutia), into the Federal Law "On the federal budget for 2019 and for the planned period of 2020 and 2021, starting from 2020.
6. Including the Construction of the Mirny Airport Complex project in Mirny City, Republic of Sakha (Yakutia), into the federal project on the development of regional airports and routes under the Comprehensive Plan for Upgrade and Expansion of the Main Infrastructure for the period up to 2024.⁶⁸

⁶⁸ approved by the Order of the Government of the Russian Federation No. 2101-r dated September 30, 2018

Following the results of 2018, PJSC ALROSA's Department of License Support and Government Affairs received and processed 335 requests.

| | |
|----------------------------------------|----|
| Government of the Russian Federation | 14 |
| Ministry of Finance | 88 |
| Ministry of Industry and Trade | 34 |
| Ministry of Economic Development | 30 |
| Ministry of Transport | 20 |
| Ministry of Natural Resources | 17 |
| Federal Agency for Property Management | 14 |
| Federal Agency for Subsoil Usage | 13 |
| Ministry of Energy | 7 |
| Individuals | 10 |

Unusual Eco-Project

The development of the Verkhne-Munskoye diamond deposit in Yakutia and the construction of a year-round road to the Verkhne-Munskoye deposit made ALROSA pay special attention to the conservation of traditions of the indigenous peoples of the North and include wild reindeer in the Company's environmental monitoring program.

Mining operations on a territory adjacent to the range of the indigenous peoples of Yakutia are especially challenging for the diamond mining enterprise. In 2015, public hearings were held with the participation of residents and members of the local community of the Olenek Evenki National District (Sakha Republic) to discuss the construction of a year-round road from the town of Udachny to the Verkhne-Munsky diamond deposit. It turned out that the new route would cut across the habitat of the Lenolenek population of wild reindeer, which the Northerners' life had been

associated with for centuries. Following the hearings, the Company's Environmental Service made a proposal to fund measures to protect reindeer migration routes, and the Company's management supported the initiative.

It resulted in a republican program for the conservation of wild reindeer. The project on e-tagging of reindeer helps scientists track at a time the movement of about 15,000 animals at a time. In general, the project enables monitoring of the movement of the Lena-Olenek herd of wild reindeer of about 90,000 heads.

Thanks to the monitoring system, specialists can track the herd and block the movement of vehicles on those parts of the road where it is to cross it.



THD OF INDIVIDUALS
THE NUMBER OF POPULATION OF A WILD REINDEER
WHICH MOVEMENT IS MONITORED BY THE PROGRAM
OF MONITORING OF ALROSA

Interaction with the Mass Media and Public Organizations

As an industrial leader, both globally and in Russia, a large employer and taxpayer, as well as a regional company, ALROSA supports interaction and communicates with various target audiences:

- communications aimed at a wide audience in order to inform it about the Company's activities, strengthen ALROSA's image as the world's leader in rough diamond mining, a leading participant on the diamond market, engaged into in shaping the global agenda and maintaining a high level of openness and transparency in accordance with best practices, a leader in social responsibility sectors; explaining the operation of the global diamond market, its main trends and development prospects, promoting the development of the diamond and jewelry market in Russia and the world;
- communications aimed at the industry community in order to inform it about ALROSA's key performance indicators, essential for assessing the state of the global diamond market, exchanging information and analytics, reflecting the Company's position on the key issues on the industry agenda, forming an industry opinion on certain trends, responding to certain market challenges;
- communications aimed at the investment community in order to inform investors and shareholders about ALROSA's main performance indicators and development plans that are important for assessing its investment potential and capitalization;
- internal communications aimed at informing ALROSA's employees and their family members, primarily at the main production sites in the Republic of Sakha (Yakutia) and the Arkhangelsk region, about the Company's activities, plans of its development, corporate social programs being implemented, training and employment prospects.

To solve these problems, ALROSA's Marketing and Public Relations Department runs a range of activities:

- maintains regular interaction with regional, federal, foreign and industry media;
- provides regular disclosure of information of importance to each of the above audiences, through the publication of official messages, reports and presentations;
- arranges interviews and meetings with ALROSA's top management to share the Company's position on key issues;
- arranges regular visits of representatives of the media, public and industry organizations to the Company's facilities in Moscow, Yakutia and the Arkhangelsk region in order to present them ALROSA's activities, demonstrate its openness and transparency;

- ensures the Company's presence at key conferences and forums, as well as its participation in the discussion of important issues on the current agenda.

One of the main channels of communication is the Company's official website, containing not only information and financial statements, but also detailed information about production, marketing, finance, corporate social responsibility of ALROSA, the global diamond market and industry organizations.

In order to inform the general public, maintain communication with employees and residents of each region, the Company also runs official communities on popular social networks. Today social networks are used not only as an information tool, but also as a feedback channel to enable people to contact the Company about employment or get an answer to any question of their interest.

For communication with employees and residents of the regions of presence, the Company also actively develops corporate media: the Vestnik ALROSA newspaper, the ALROSA magazine, and the Almazny Krai media company, which daily broadcasts on TV and the radio in the Sakha Republic (Yakutia).

The Company's policies and approaches to mandatory and voluntary disclosure are available in section "Corporate Governance".



ECONOMIC EFFICIENCY

Long-term economic growth is a priority for ALROSA as a participant in regional, Russian and global economic processes. The purpose of ensuring the Company's economic efficiency in the context of sustainable development is to preserve the sustainability and development of the global diamond industry, national and local economic systems.

Key principles of ensuring economic efficiency:

- maintaining a balance of interests of various groups of stakeholders;
- compliance of economic goals with the Company's established strategic benchmarks;
- constructive interaction within industry cooperation, respect and support of collective decisions on the development of the diamond industry;
- proper disclosure on rough and polished diamonds, including for consumers;
- counteracting bribery and corruption in business practices;
- systematic approach to making changes and additions to the Company's economic policies in accordance with its commitments and strategic goals.

Dynamics of ALROSA's key performance indicators of sustainable development and CSR in 2016-2018

| <i>Indicators</i> | <i>Unit</i> | <i>2016</i> | <i>2017</i> | <i>2018</i> | <i>Variance</i> |
|--------------------------------------------------------------------------------------------------|------------------|-------------|-------------|-------------|-----------------|
| Rough diamond mining across ALROSA Group | mln carats | 37,4 | 39,6 | 36,7 | ↓ 7,2% |
| Cost of extraction of rough diamond raw materials across ALROSA Group | mln US dollars | 3 486 | 3 908 | 3 502 | ↓ 10,4% |
| Revenues from sales of rough diamonds across ALROSA Group | mln US dollars | 4 514 | 4 267 | 4 507 | ↑ 5,6% |
| EBITDA across ALROSA Group | RUB mln | 176 418 | 126 890 | 155 972 | ↑ 22,9% |
| Dividend payments ⁶⁹ | RUB mln | 17 578 | 67 413 | 80 748 | ↑ 19,8% |
| Environmental expenses across ALROSA Group | RUB mln | 6 311 | 5 357 | 5 221 | ↓ 2,5% |
| Discharge of pollutants into surface water bodies across ALROSA Group | thd tons | 28,6 | 22,9 | 21,8 | ↓ 4,8% |
| Discharge of waste water onto water body surfaces across ALROSA Group | mln cubic meters | 82,8 | 75,0 | 76,4 | ↑ 1,9% |
| Energy resources consumption across ALROSA Group | GJ/carat | 0,345 | 0,327 | 0,352 | ↑ 7,6% |
| Water consumption level | m³/carat | 0,26 | 0,15 | 0,15 | ↓ 5,0% |
| Disturbed land areas | ha | 1 080,2 | 570,6 | 1 691,5 | ↑ 196,4% |
| Reclaimed land areas | ha | 613,7 | 893,4 | 496,4 | ↓ 44,4% |
| Staff headcount across ALROSA Group | people | 38 104 | 36 897 | 34 579 | ↓ 6,3% |
| Staff headcount PJSC ALROSA | people | 28 652 | 26 543 | 24 435 | ↓ 7,9% |
| General injury rate, number of injuries, including fatal per 1 000 employees across ALROSA Group | - | 0,83 | 1,44 | 1,79 | ↑ 24,3% |
| LTIFR ⁷⁰ | - | 0,08 | 0,19 | 0,24 | ↑ 28,1% |
| Employee turnover ratio for PJSC ALROSA | % | 7,6 | 7,2 | 7,0 | ↓ 2,8% |
| Share of women in management PJSC ALROSA | % | 31,6 | 32,2 | 30,5 | ↓ 5,3% |
| Social expenditures across ALROSA Group | RUB mln | 8 212 | 8 243 | 9 306 | ↑ 12,9% |

⁶⁹ dividends paid in the reporting year

⁷⁰ number of injuries that caused temporary disability per 200,000 hours worked. values for 2018 cannot be fully comparable because of the measures taken to enhance transparency of the reporting system

HEALTH AND SAFETY

In 2018, the Company developed and approved the Health and Safety Policy, Strategic Plan for Labor Protection and Industrial Security Management, as well as the Priority Action Plan.⁷¹ The LTIFR indicator across ALROSA Group made up 0.24 (+28%). General injury rate per 1,000 employees – 1.79 (+24%).

The following activities were implemented in 2018:

| <i>Area for change / creation of an appropriate body</i> | <i>Implementation</i> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Approval of key organizational and administrative documents. | Adopted the Health and Industrial Safety Policy, the Strategy for the Health and Industrial Safety Management System, and the Priority Action Plan. |
| Established a management committee under the Company's Chief Executive Officer. | Established committees under Chief Executive Officer – Chairman of the Board and Deputies Chief Executive Officer – Chairman of the Board. |
| Separation of the management vertical and restructuring of the industrial safety function. | Restructuring of services is completed, now the structures operate in a new status. Industrial safety services are removed from under Chief Engineers of the divisions and are subordinated to the first head. Main production subdivisions introduced new positions of Deputy Industrial Safety Chief. |
| Changes in the industrial safety goal setting system (KPIs) along the production management vertical from line managers to senior executives. | Changes in the goal setting system is one of the measures to develop the Industrial Safety Management System. This element will be implemented in 2018-2019. |
| The introduction of the Risk Assessment System for production processes with the subsequent formation of verification and control measures. | The introduction of the Risk Assessment System for production processes is one of the measures to develop the Industrial Safety Management System. The implementation of this element is scheduled for 2019. |
| Changes in the system of collecting and analyzing statistics on the results of internal investigation of any abnormal production event, accident or incident, affecting industrial safety. | In 2018, investigative techniques aimed at identifying the root causes were tested when investigating all abnormal situations. The most effective methods and procedures for conducting investigations will be included in the Company's standard on internal investigation of causes of incidents in the first half of 2019. |
| The introduction of an institute of permanent independent control - through the control of competencies and quality of implementation. | The updated structures of services, individual subdivisions replaced production control services. The Industrial Control Department was established under the Industrial Safety Directorate. Its task is to collect information and further analyze the work of the industrial control services of the Company's structural divisions. |
| Increase in the level of line managers' competence and responsibility. | As part of the introduction of new standards, all managers, including the line level, underwent mandatory training on the correct application of the approved internal regulatory documents. |

⁷¹ Order No. A01/68-P by Chief Executive Officer – Chairman of the Board dated March 19, 2018

ECOLOGICAL RESPONSIBILITY

ALROSA builds its activities, adhering to and complying with natural, environmental and legal principles that combine innovative approaches to the development of natural resources and improve the environmental friendliness of production processes at ALROSA Group enterprises. Environmental safety of production activities is the Company's priority.

ALROSA's strategic goal for environmental protection is to ensure environmentally balanced and safe production by reducing the burden on the environment. To minimize and eliminate environmental risks, ALROSA undertakes a set of interrelated environmental protection measures of a research, production, socio-economic and organizational nature.

ALROSA'S Main Activities for Environmental Safety

Key documents that guide the Company in the sphere of environmental protection:

- Constitution of the Russian Federation;
- Federal laws "On Environmental Protection", "On the Protection of Atmospheric Air", "On Production and Consumption Waste";
- Water Code of the Russian Federation, regulatory and legal acts of the Russian Federation and the Republic of Sakha (Yakutia);
- Comprehensive Environmental Protection Program of PJSC ALROSA for 2011-2018;
- Long-term Development Program of ALROSA Group for 2018-2024;
- Policy on Sustainable Development and Corporate Social Responsibility of PJSC ALROSA;
- Environmental Policy of PJSC ALROSA;
- Environmental Security Strategy of the Russian Federation for the period until 2025;⁷²
- Environmental Doctrine of the Republic of Sakha (Yakutia);⁷³
- Concept of foreign policy of the Russian Federation (international environmental cooperation).

Environmental policy challenges:

1. minimizing negative impact on the environment in all areas of environmental activities;
2. rational use of mineral resources;
3. risk management, compliance with the requirements of Russian and international environmental protection laws;
4. improvement of the Environmental Management System;
5. raising awareness of stakeholders and the culture of workers in the sphere of ecology;
6. development and implementation of comprehensive programs for improving the environmental situation in the regions where the Company operates.

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Development of a system for efficient handling of industrial waste through the creation of a recycling industry, including the reuse of waste as fuel and energy resources, raw materials, materials and semi-finished products. | 5. Introduction of technical and technological solutions aimed at reducing mass emissions of pollutants and greenhouse gases into the air. | 9. Creation of unified procedures (order) for certain works, production processes, quality and systematic execution, analysis through the system of standards for environmental protection and environmental safety (ALROSA Industry Standards). |
| 2. Construction and modernization of treatment facilities. | 6. Implementation of effective measures for the conservation of biological diversity and an increase in the area of land to be rehabilitated. | 10. Activation of fundamental and applied research in the field of environmental protection and environmental management, including environmentally friendly technology. |
| 3. Reduced water consumption / drainage through the introduction of circulating water supply systems and a tailings dewatering system. | 7. Minimization of the risk of man-made accidents at production facilities by creating an effective system of industrial and environmental monitoring. | 11. Development of a system of environmental education and awareness-raising, staff development in the field of environmental safety. |
| 4. Expansion of sites for the re-injection of water into underground horizons, development of hydrogeological monitoring for the search for high-reservoir reservoirs. | 8. Development of a geographic information system for environmental monitoring (GIS-EM). | 12. Strengthening of international cooperation on environmental protection and environmental management, taking into account the protection of national interests. |

⁷² approved by Presidential Decree No. 176 dated April 19, 2017

⁷³ approved by the Resolution of the State Assembly (Il Tumen) of the Republic of Sakha (Yakutia) of December 20, 2016, State Number 982-V

APPROACHES TO THE MANAGEMENT AND IMPLEMENTATION
OF THE ENVIRONMENTAL POLICY

Environmental Management System

The Environmental Management System of PJSC ALROSA was introduced in 2013, and it conforms to the ISO 14001-2007 international standard and GOST R ISO 2004:2016 national standard. In June 2018, ALROSA underwent an annual audit of the Environmental Management System. The opinion of the expert commission – the Company's Environmental Management System complies with ISO 14001:2015 and GOST R ISO 14001-2016. The current Environmental Management System is focused on continuous improvement, more attention is paid to preventive action rather than corrective.

Environmental Monitoring

To assess and predict changes in the state of the environment in the area of ALROSA's activities, a comprehensive observing system is being implemented for environmental monitoring. It is a system of regular long-term observations of the state of the environment in space and time to assess its quality parameters, important for humans, and preserve the environment itself.

Key objectives of environmental monitoring:

- assessing indicators of the state and functional integrity of ecosystems and the human environment;
- identifying the causes of changes in these indicators and assessing the consequences of such changes, as well as determining corrective measures in cases where the target indicators of environmental conditions are not achieved;
- creating conditions for prevention of negative situations that arise before damage occurs.

ALROSA's objects of ecological monitoring:

- components of the environment – soil, surface and groundwater, atmospheric air, flora and fauna;
- natural objects – natural ecological systems, natural landscapes and their constituent elements;
- sources of anthropogenic impact on the environment: noise, vibration, electromagnetic and radioactive radiation.

The Company monitors the quality of the environment near its own production facilities, on the borders of its sanitary protection zone and adjacent territories.

In 2018, the ecological structure was reorganized, as well as the internal environment. From February 1, the Environmental Center, consisting of 28 environmentalists, began its operation at the Company.

5 221
RUB MLN

IN 2018, WERE ALLOCATED TO RUN ENVIRONMENTAL PROTECTION MEASURES FOR ALROSA GROUP, 4,219 RUB MLN OF WHICH WERE ALLOCATED ACROSS PJSC ALROSA.

Tasks of the Environmental Center:

1. improving the quality of environmental protection and production culture;
2. developing and implementing environmental standards (industry standards) for environmental protection;
3. implementing risk-based production environmental control;
4. expanding the monitoring network;
5. supervising the provision of current regulatory legal acts of the Russian Federation and the constituent entity of the Russian Federation on environmental management.

Directions and volume of expenditures on environmental protection
and environmental activities, RUB mln

| Indicators | 2016 | 2017 | 2018 | Variance |
|--------------------------------------------------------------------------------|-------|-------|-------|----------|
| Capital investments in the construction of environmental facilities | 1 561 | 1 300 | 1 108 | ↓ 14,8% |
| Reconstruction and construction of sewage treatment plants | 789 | 69 | 89 | ↑ 29,2% |
| Scientific and technical support of environmental activities | 52 | 110 | 83 | ↓ 25,2% |
| Comprehensive environmental monitoring | 232 | 163 | 158 | ↓ 2,5% |
| Reclamation of disturbed lands | 251 | 580 | 398 | ↓ 31,4% |
| Improving the Environmental Management System | 4 | 5 | 2 | ↓ 60,0% |
| Compensation measures | 21 | 20 | 15 | ↓ 28,4% |
| Vocational training | 6 | 5 | 4 | ↓ 6,5% |
| Participation in forums, congresses, hearings, conferences, public information | 0,4 | 0,4 | 0,0 | ↓ 100% |
| Maintenance and operation of fixed assets for environmental protection | 3 160 | 2 894 | 3 111 | ↑ 7,5% |
| Other environmental expenditures | 234 | 210 | 252 | ↑ 20,0% |
| Total | 6 311 | 5 357 | 5 221 | ↓ 2,5% |

As part of ALROSA's Strategy, the amount of funding for the following periods has been increased. In February 2019, the Company signed with the Ministry of Ecology of the Republic of Sakha (Yakutia) a comprehensive program for environmental protection and environmental safety for 2019-2023. The total amount of financing for PJSC ALROSA's environmental protection and environmental activities for the next five years is expected to reach 29,369.7 RUB mln

29 369,7
RUB MLN

TOTAL AMOUNT OF FINANCING OF ACTIONS FOR ENVIRONMENTAL PROTECTION AND ECOLOGICAL ACTIVITY
JSC ALROSA (PJSC) FOR 2019-2023.

OPTIMIZATION OF THE USE OF ENERGY RESOURCES

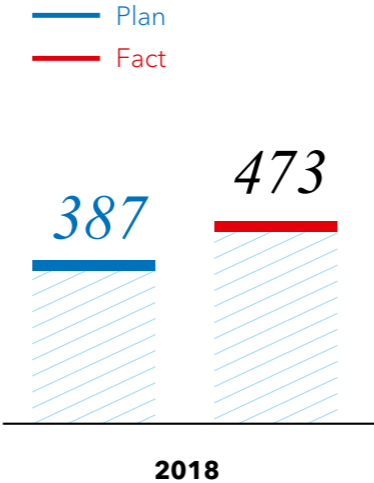
In 2018, ALROSA Group program on saving fuel and energy resources following energy saving measures was implemented at 122.3%.

In monetary terms, the plan was overfulfilled across all the articles of the Program:

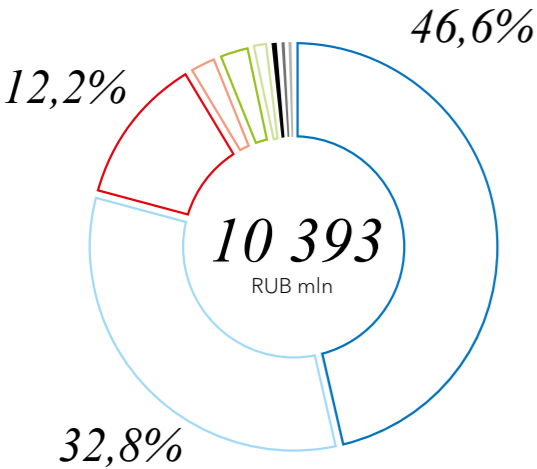
- electricity;
- heat energy;
- natural gas;
- water supply;
- other (gasoline, diesel fuel and oil for the production of electricity and heat, road transport).

Planned targets for saving liquid fuel in 2018 were reached at the level of 66% due to the failure to achieve planned targets for the replacement of gasoline and diesel fuel by CNG in general production motor transport. It happened due to the failure of a CNG filling station in the village of Aikhal, carried out as part of a project to convert the Company's general production vehicles from liquid (diesel, gasoline) to gas fuel in the form of CNG.

Implementation of the Program on Saving Fuel and Energy Resources in 2018, RUB mln



Structure of energy consumption in 2018, RUB mln



| | Share |
|--------------------------|-------|
| • Diesel fuel | 46,6% |
| • Electricity | 32,8% |
| • Heat energy | 12,2% |
| • Water supply | 2,4% |
| • Natural gas | 2,9% |
| • Kerosene | 1,3% |
| • Oil | 0,8% |
| • Motor gasoline | 0,7% |
| • Other energy resources | 0,4% |

Structure of energy consumption in 2018 in physical and monetary terms

| Type of energy resource | Unit of measurement | Consumption volume | Consumption volume, RUB mln (without VAT) |
|-------------------------|---------------------|--------------------|-------------------------------------------|
| Diesel fuel | тонны | 99 428 | 4 847 |
| Electricity | thd kW* h | 1 012 297 | 3 404 |
| Heat energy | Gcal | 327124 | 1 265 |
| Natural gas | thd cubic meters | 3 925 | 301 |
| Water supply | thd cubic meters | 3 925 | 245 |
| Kerosene | tons | 3 194 | 136 |
| Oil | tons | 3 632 | 84 |
| Motor gasoline | tons | 1 630 | 73 |
| Heating oil | tons | 638 | 25 |
| Coal | tons | 896 | 7 |
| Coke | tons | 28 | 1 |
| Other fuel | tons | 146 | 6 |
| Total | | | 10 393 |

WATER CONSUMPTION

In 2018, eight water use agreements were in force for PJSC ALROSA for such water bodies as Irelyakh River (Mirny), Malaya Botuobiya River (Arylyakh), Bolshaya Botuobiya River (Taas-Yuryakh),

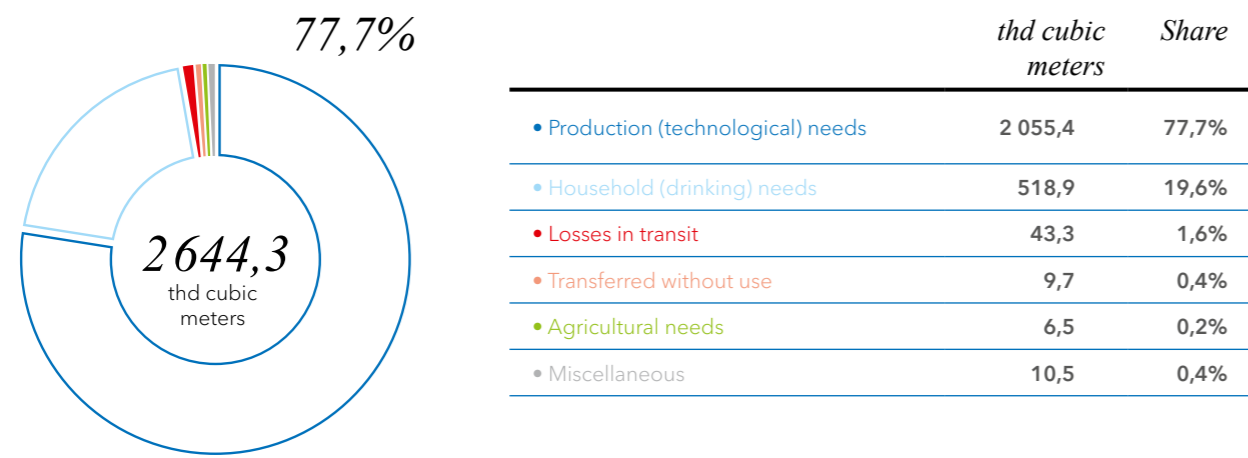
Vilyuy River Syuldyukar), Lena River (Lensk), a reservoir on Markha River Aikhal), a reservoir on a stream without a name (Verkhne-Munskoye deposit field), a buffer reservoir on a stream without a name (Nakynskaya area), and two licenses for the extraction of fresh groundwater (Lensk).

The Company requires water intake from surface water sources to operate. ALROSA consumes water on the basis of agreements with an executive authority of the constituent entity of the Russian Federation.⁷⁴

In 2018, total allowed water intake from natural sources was 4,618.7 thous. cubic meters. The actual water intake of the Company in 2018 was almost twice as low as allowed and amounted to 2,644.3 thous. cubic meters. This was due to upgrade PJSC ALROSA's processing plants by introducing a system of recycled water use for technical needs. These works were carried out in accordance with the long-term development program to cut down water intake from natural sources by 2024.

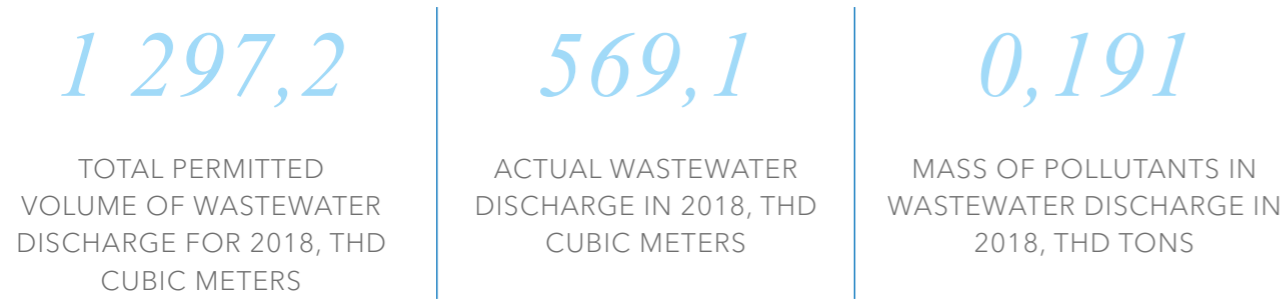
⁷⁴ authorized to enter into water use agreements for water bodies owned by constituent entities of the Russian Federation and water bodies that are federal property, located on the territory of constituent entities of the Russian Federation

Structure of water intake in 2018



In 2018, total amount of recycled (reused) water in the Company's production cycle amounted to 74,065.1 thd cubic meters.

DRAINAGE



Wastewater is generated as a result of industrial and economic activities. After cleaning PJSC ALROSA discharges it into surface water bodies. Water discharge takes place based on the corresponding decision on granting a water body for use by an executive authority of the constituent entity of the Russian Federation.

During the mining and enrichment of diamond ore, ALROSA does not use aggressive chemical reagents and materials, as well as radioactive substances, therefore there are no pollutants with toxic, carcinogenic or radioactive properties in its wastewater.

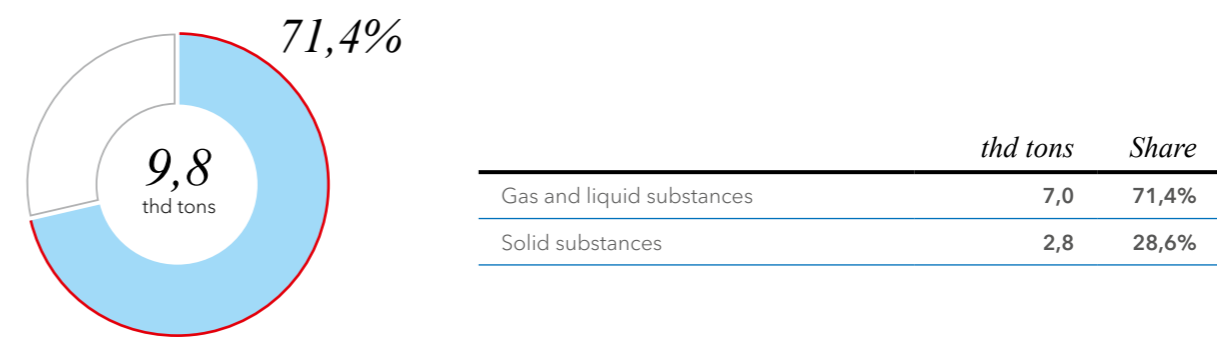
In 2018, PJSC ALROSA operated under five decisions on wastewater discharge:

- 1. Sokhsolookh River (Aikhal),
- 2. Lena River (Lensk),
- 3. Irelyakh River (Mirny),
- 4. a feeder to Dyulyung Otuu Creek (Nakynskaya area) and Bezymyanny-3 Creek (Verkhne-Munskoye field)

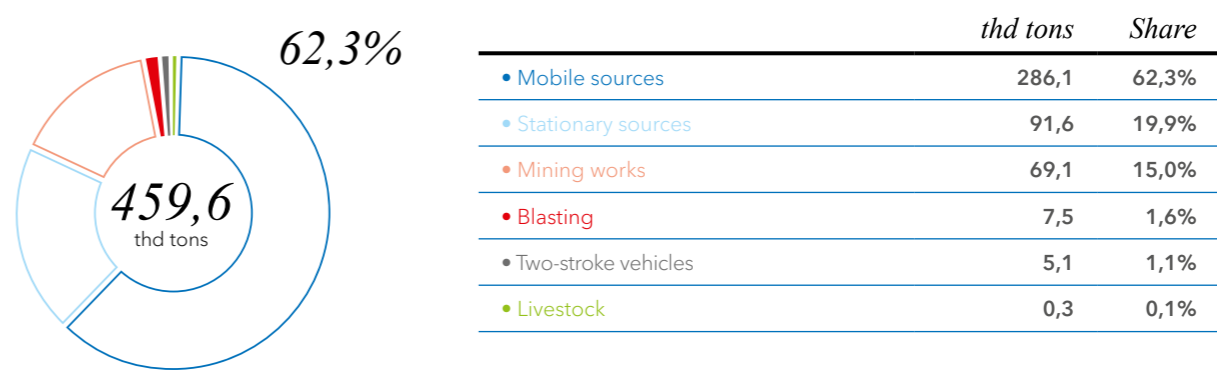
ATMOSPHERIC AIR AND GREENHOUSE GASES

In 2018, the total mass of pollutant emissions into the atmospheric air by PJSC ALROSA reached 9,800 tons. Content of pollutants classified as Hazard Class I-II (extremely hazardous and highly hazardous) is 0.07% of the total mass of emissions.

Structure of pollutant emissions into the atmospheric air in 2018



Structure of greenhouse gas emissions in CO₂ equivalent in 2018



PRODUCTION AND CONSUMPTION WASTE

Production and consumption waste is generated as a result of PJSC ALROSA's production activities. The process of handling each type of waste is strictly regulated depending on its hazard class, state of aggregation, and chemical characteristics.

In 2018, the total mass of waste reached 66,989.075 thd tons, less than 0.01% of which fell to Hazard Classes 1–4.

| Hazard class | Description | 22018 (thd tons) |
|--------------|-------------------------|------------------|
| Class 1 | extremely hazardous | 0,014 |
| Class 2 | highly hazardous | 0,017 |
| Class 3 | moderately hazardous | 0,722 |
| Class 4 | low hazardous | 7,811 |
| Class 5 | virtually non-hazardous | 66 980,511 |
| Total | | 66 989,075 |

SOCIAL RESPONSIBILITY

6 620

↑ 98,2% to 2017

PREMIUMS ON PRIVATE PENSION PLANS,
RUB MLN

9 306

↑ 12,9% to 2017

SOCIAL EXPENSES,
RUB MLN

HR POLICY

HR relation policy is aimed at enhancing performance and social security of workers and create a favorable working environment.

Internal documents regulating ALROSA's HR Policy:

- Charter;
- Internal Labor Conduct;
- Collective Agreement;⁷⁵
- local internal regulations.

Objectives of PJSC ALROSA's HR Policy:

- Plan recruitment needs, i.e. the delivery of valid information related to current and expected, quality and quantity need in workforce, which is required and sufficient to meet the objectives set to ALROSA Group;
- Provide employment to local residents;
- Minimize costs associated with attracting human resources from other regions;
- Optimize the age structure of staff, attracting and retaining young people;
- Promptly meet the demand of ALROSA Group in adequately qualified personnel; and
- Ensure personnel performance and efficiency.

Key tasks of ALROSA Group HR Policy in 2018:

- Form a highly efficient team for launching and operating at the Verkhn-Munskoye field;
- Provide staff for th Internatsionalny, Aikhal, Udachny underground mines, train and develop staff for the efficient operation of underground mines;

- Perform HR activities in connection with the continuation of reforming of the exploration and motor transportation complexes, the creation of the Joint Service Center of LLC ALROSA Business Service;
- Retain highly qualified specialists during the transition to ALROSA Group subsidiaries and affiliates;
- Perform activities for social support of workers transferred to subsidiaries and affiliates, keep benefits and guarantees under the Collective Agreement of PJSC ALROSA at newly established subsidiaries and affiliates;
- Arrange vocational guidance of young people, facilitate adaptation of young specialists, study the causes of staff turnover, a dynamics of changes in the workforce, develop measures to stabilize and improve the social and demographic staff structure.

In 2018, ALROSA Group employed 34,579 people, 24,435 of whom were with PJSC ALROSA. Yakutia accounts for 94% (22,953 employees) of PJSC ALROSA's average number of employees.

The actual number of employees with PJSC ALROSA as of December 31, 2018, reached 22,768 people, decreasing by 11% compared to 2017.

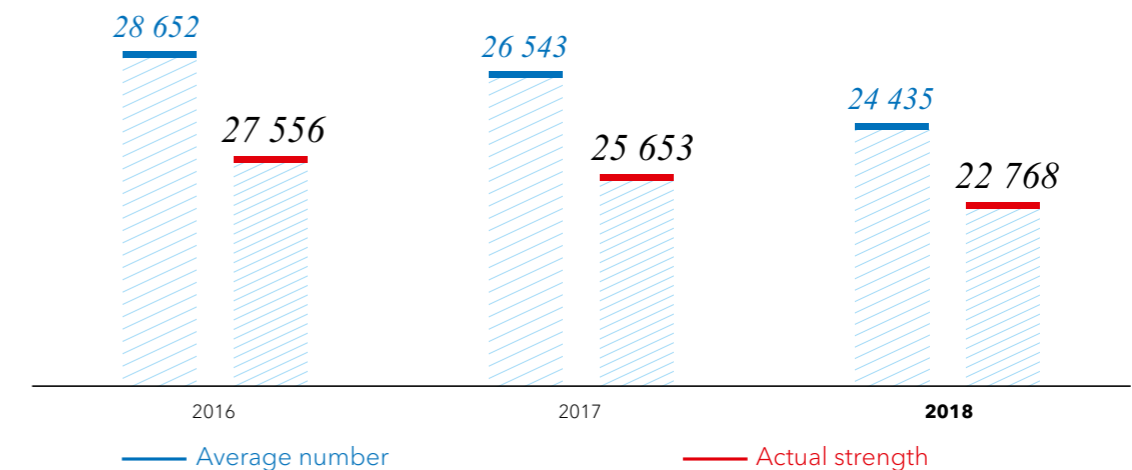
22 768

PERSON

↓ 11% to 2017

ACTUAL NUMBER OF STAFF
OF JSC ALROSA (PJSC)

Dynamics of the average and actual number of employees with PJSC ALROSA, people



The number of employees decreased in 2018 due to strategic objectives of business development and HR policy, as well as reorganization measures:

- reforming of the construction complex and structural changes at the Capital Construction Department;
- reorganization of the exploration complex, including the withdrawal of the Mirninskaya mining and drilling expedition from the Company to a subsidiary company LLC ALROSA-Spetsbureniye;
- creation of a subsidiary company LLC Almazdortrans to optimize the costs of operating general-purpose motor vehicles and specialized equipment, as well as providing transportation services for the Company's structural divisions;
- reorganization of working power shops in the Company's structural divisions: Mirny MPD, Almazdortrans (Nakynsky complex), and the withdrawal of catering workshops to LLC ALROSA-Torg from Udachny and Aikhal MPDs from January 1, 2019;

- liquidation of the Company's branch – the Prometey Recreation Complex and the creation of a subsidiary – LLC Prometey Recreation Complex from September 1, 2018;
- launch of the Construction of a Joint Service Center project, creation of LLC ALROSA Business Service (within the project, two sites were created in the town of Mirny and the city of Novosibirsk, as well as operational departments in the town of Mirny and Moscow).

At the same time, the number of established subsidiaries corresponds to the number in structural units before the moment of their withdrawal.

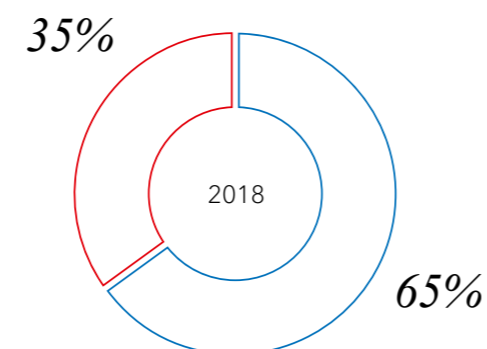
⁷⁵ Collective Agreement between PJSC ALROSA and the Profalmaz Inter-Regional Trade Union of PJSC ALROSA for 2017-2019.

Personnel structure of PJSC ALROSA by category as of December 31, 2018, people

| Subdivision | Category | | | | Total |
|------------------------------------------|---------------|----------------------|--------------|-----------------|---------------|
| | Workers | White collar workers | Experts | Executive staff | |
| Administration and management | 38 | 5 | 361 | 269 | 673 |
| Mining complex | | | | | |
| • Aikhal Mining and Processing Division | 3 415 | 24 | 389 | 449 | 4 277 |
| • Mirny Mining and Processing Division | 2 096 | 10 | 292 | 342 | 2 740 |
| • Udachny Mining and Processing Division | 3 696 | 12 | 340 | 427 | 4 475 |
| • Nyurba Mining and Processing Division | 1 076 | 9 | 190 | 223 | 1 498 |
| Transport and procurement divisions | 1 200 | 83 | 475 | 331 | 2 089 |
| Exploration complex | 305 | 5 | 414 | 168 | 892 |
| Capital Construction Division | 1 325 | 18 | 323 | 344 | 2 010 |
| Specialized repair facilities | 291 | 12 | 458 | 163 | 924 |
| Research facilities | 33 | 8 | 317 | 157 | 515 |
| Social complex | 715 | 56 | 577 | 139 | 1 487 |
| Rough and polished diamond complex | 344 | 12 | 674 | 158 | 1 188 |
| Total | 14 534 | 254 | 4 810 | 3 170 | 22 768 |

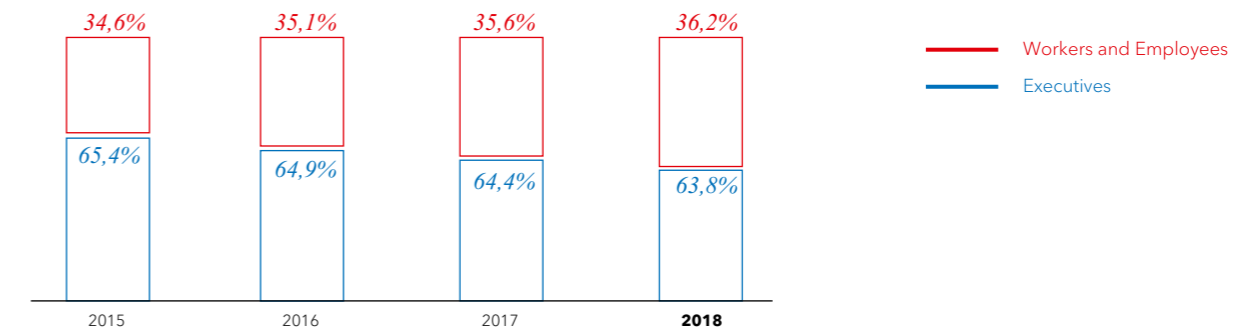
Gender composition of PJSC ALROSA's staff as of December 31, 2018

In 2018, the Company's staff structure was dominated by men (65%). The average age for all categories of employees was 41.4 years.



| | 2016 | 2017 | 2018 | Share | Variance |
|--------------|---------------|---------------|---------------|-------|----------------|
| Men | 18 075 | 16 901 | 14 903 | 65% | ↓ 11,8% |
| Women | 9 481 | 8 752 | 7 865 | 35% | ↓ 10,1% |
| Total | 27 556 | 25 653 | 22 768 | | ↓ 11,3% |

Dynamics of the ratio of the number of workers and employees to managers and specialists

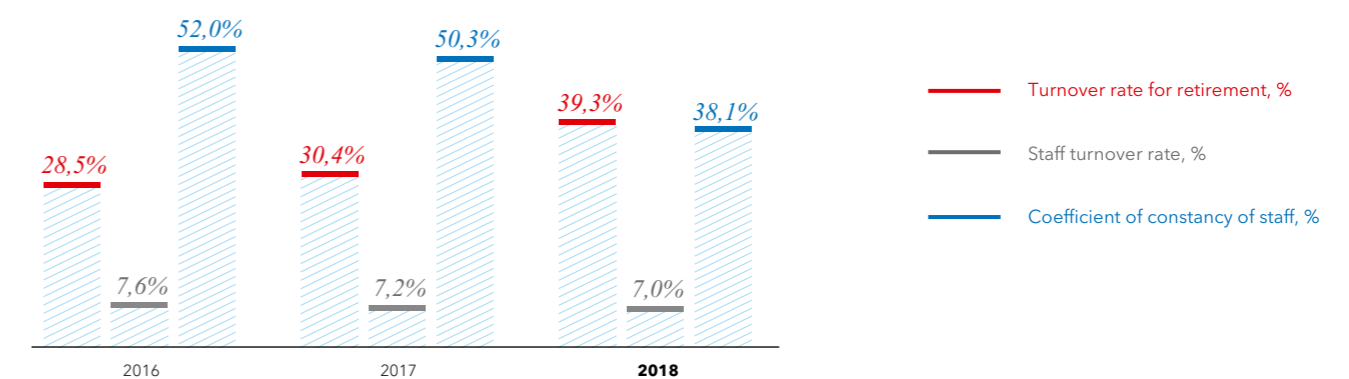


HUMAN RESOURCES

In 2018, ALROSA's need for workforce was covered through redistribution of the Company's local internal labor resources by hiring released personnel, as well as by transferring employees within structural units. The main emphasis in the selection of personnel was made on the employment of local workers from Yakutia.

In 2018, the staff turnover rate decreased by 0.2 percentage points compared to 2017, and accounted for 7.0%. The decrease was due reorganization of the exploration and road transport complexes, as well as the creation of subsidiaries.⁷⁶

Dynamics of rotation, turnover and constancy of the Company's staff



In 2018, the index of staff constancy showed a decrease of 12.2 percentage points compared to 2017, and accounted for 38.1%. The decrease was due to:

- dismissal of part of the Mir mine staff at the Mirny MPD in early 2018;
- transfer of catering workshops of MMPD and the Nakynsky Catering Complex at Almazdortrans to a subsidiary – JSC ALROSA-Torg;
- transfer of staff to the established subsidiaries LLC ALROSA-Spetsbureniye, LLC Almazdortrans, and LLC ALROSA Business Service.

In 2018, PJSC ALROSA recruited young promising staff by hiring graduates and students of universities and colleges.

⁷⁶ LLC ALROSA-Spetsbureniye, LLC Almazdortrans, LLC ALROSA Business Service

STAFF TRAINING
AND DEVELOPMENT

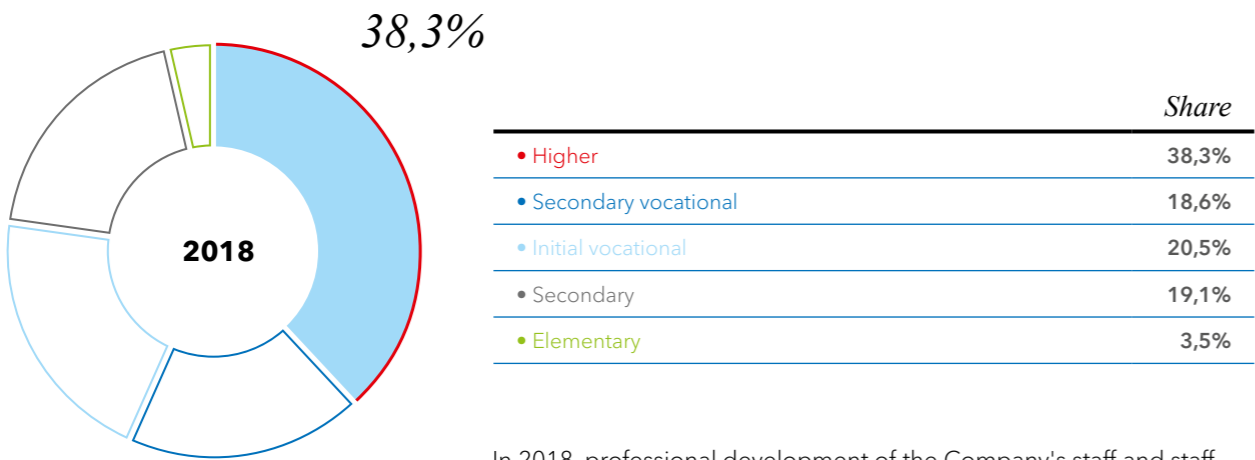
In order to effectively train and develop staff, the Company runs the following activities:

- vocational training;
- additional vocational training;
- corporate management and professional programs;
- career guidance.

Dynamics of staff training as of December 31,
2018, people

| Education level | 2016 | 2017 | 2018 | Variance |
|----------------------|--------|--------|--------|----------|
| Higher | 9 699 | 9 325 | 8 726 | ↓ 6,4% |
| Secondary vocational | 5 008 | 4 549 | 4 221 | ↓ 7,2% |
| Initial vocational | 5 841 | 5 471 | 4 671 | ↓ 14,6% |
| Secondary | 6 313 | 5 568 | 4 344 | ↓ 22,0% |
| Elementary | 695 | 740 | 806 | ↑ 8,9% |
| Total | 27 556 | 25 653 | 22 768 | ↓ 11,2% |

Staff education structure as of December 31, 2018



In 2018, professional development of the Company's staff and staff reproduction were carried out in accordance with the plan for training, retraining and advanced training of managers, specialists and workers through the Staff Training Center and through training and course centers. In 2018, 8,710 managers and experts underwent training, that is 33% more than in 2017; 8,611 of them – at the Training Center.



Dynamics of staff training by subdivisions, people

| Subdivision | 2016 | 2017 | 2018 | Variance |
|-----------------------------------|-------|-------|-------|----------|
| Management | 25 | 45 | 50 | ↑ 11,1 % |
| Mining and geological enterprises | 4 219 | 3 940 | 6 016 | ↑ 52,7% |
| Science | 235 | 389 | 138 | ↓ 64,5% |
| Construction enterprises | 350 | 750 | 232 | ↓ 69,1% |
| Transport enterprises | 459 | 930 | 399 | ↓ 57,1% |
| Automation | 809 | 262 | 833 | ↑ 217,9% |
| Other ⁷⁷ | 370 | 212 | 1 042 | ↑ 391,5% |
| Total | 6 467 | 6 528 | 8 710 | ↑ 33,4% |

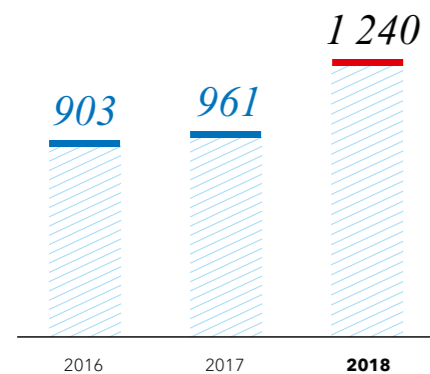
In 2018, HRTC of PJSC ALROSA provided precertification industrial safety training of 1 687 executives and experts involved in hazardous work and facilities based on state accreditation.

Precertification staff training by areas of supervision, people

| Area of supervision | 2016 | 2017 | 2018 | Variance |
|-----------------------------------------------------------------------------|-------|-------|-------|----------|
| Operation of production and mining facilities; | 518 | 533 | 786 | ↑ 47,5% |
| Operation of hazardous facilities for storage and use of harmful materials; | 98 | 95 | 107 | ↑ 12,6% |
| Operation of lifting structures; | 430 | 427 | 398 | ↓ 6,8% |
| Operation of pressure equipment; | 90 | 106 | 180 | ↑ 69,8% |
| Operation of hazardous facilities for gas distribution and gas consumption | 60 | 72 | 39 | ↓ 45,8% |
| Energy safety | 272 | 179 | 177 | ↓ 1,1% |
| Total | 1 468 | 1 412 | 1 687 | ↑ 19,5% |

⁷⁷ HR Training Center, Cultural and Sports Complex, Medical Center, others

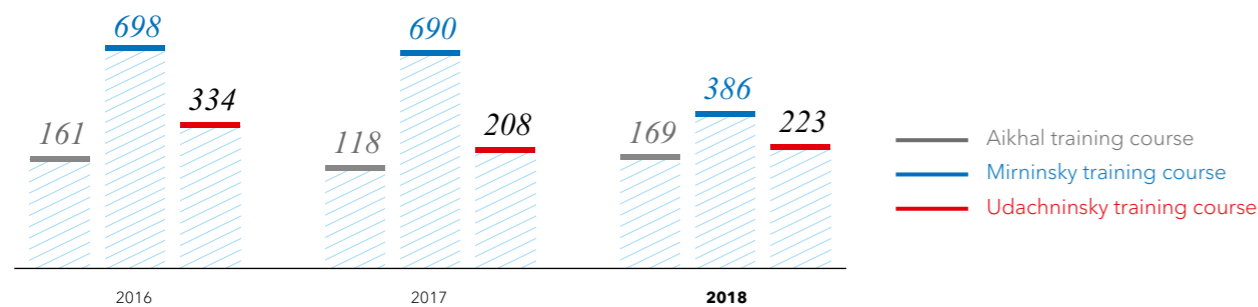
Dynamics of staff training in health safety, people



In addition, in 2018, the Training Center conducted annual health and safety training of the Company's staff on the basis of accreditation of the Ministry of Health and Social Development of the Russian Federation.

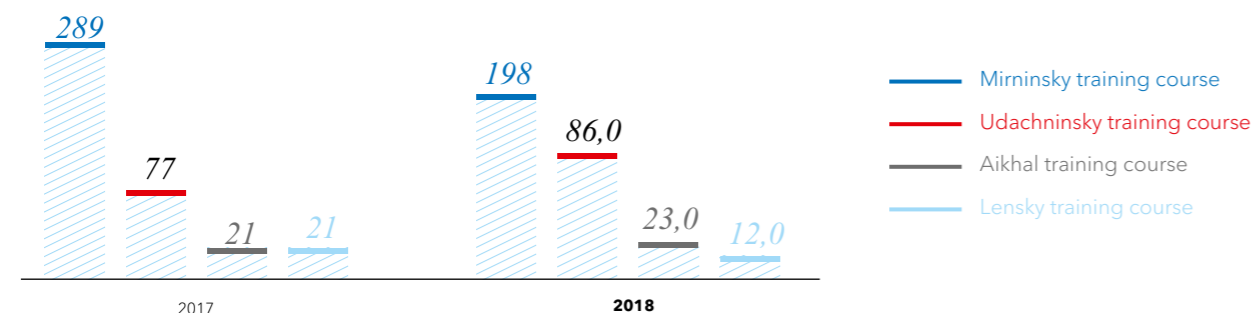
The training of ALROSA's employees took place in accordance with the approved plan for training, retraining and advanced training of workers under training courses of the Training Center, which trained 5,472 people in main occupations and various types of admissions, as well as 4,187 people in instructions in 2018. The full list of training programs includes more than 80 professions and courses.

Dynamics of training in underground professions, people



In 2018, 778 people were trained in underground professions.
In 2018, 319 people from indigenous people underwent training.

Dynamics of training of indigenous people, people



In 2018, ALROSA launched a number of projects in the framework of corporate management and professional programs:

- ALROSA's Potential for Young Specialists;
- ALROSA's Value for the Initial Level;
- ALROSA's Leaders for Middle Managers;
- Mentoring School.

VOCATIONAL GUIDANCE AND PRE-UNIVERSITY TRAINING

A number of events was held in 2018 as part of the ALROSA Integrated Program for career guidance in the town of Mirny and the Mirny district of the Sakha Republic (Yakutia) for 2013-2018:

- graduation of an engineering class of the Mirny Polytechnic Lyceum;
- Open Doors Days for school leavers of the Mirny and Lensky districts at the Staff Training Center and training and course facilities, the first exhibition of the Company's partner universities;
- a regional vocational game My Choice for pupils of Grades 9-10 of schools of the Mirninsky district, held at the Almaz Concert and Sports Complex, organized jointly with the Mirninsky District Education Board to inform schoolchildren about training and professions in demand at ALROSA;
- tours of ALROSA's facilities for schoolchildren from the engineering class of the Mirny Polytechnic Lyceum;
- the Staff Training Center arranged meetings of the Company's young specialists and students of the ALROSA-Class (team building with representatives of local government bodies, a lecture on Blockchain, Class Account on a Social Network, presentation of operations at the Udachny and Aikhal MPD);

- within the framework of the Step into the Future scientific conference, young specialists supervised projects of students of the ALROSA-Class, and also acted as design bureau experts;
- in the framework of the Young Professionals Association, students of the ALROSA-Class took part in the work of the From Teenagers to Teenagers project team;
- to develop the ALROSA vocational guidance system, representatives of the District Education Administration, Technopark, the Polytechnic Lyceum, the Center for Children's Additional Education, and the Almazik Preschool Educational Establishment held a seminar – Career Guidance for Students.

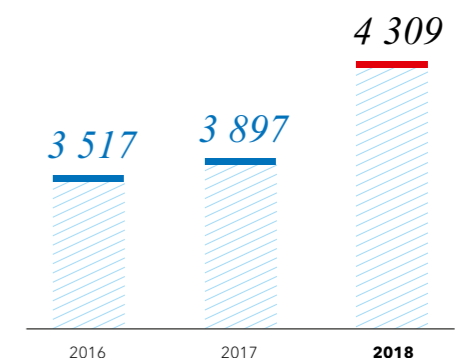
ATTRACTION OF LOCAL LABOR RESOURCES, SHIFT PERSONNEL AND EMPLOYEES OF SHORTAGE PROFESSIONS

Employment of Local Population

To perform certain types of works or temporary works at the Company's production facilities under construction, the Company attracts qualified workers for rotational working hours with the mandatory involvement of local labor resources, including representatives of the indigenous nationalities of Yakutia.

In 2018, 4,309 residents from localities of the Republic of Sakha (Yakutia) were hired under fixed-term and indefinite employment contracts, including 3,604 people from the "Diamond Province": Anabarsky, Oleneksky, Vilyuisky, Verkhne-Vilyuysky, Nyurbinsky, Suntarsky, Mirninsky, and Lensky uluses. In total, the Company's divisions employed 2,796 representatives of indigenous nationalities and minorities of Yakutia as of the end of 2018.

Dynamics of attracting specialists from localities of the Republic of Sakha (Yakutia), people



On January 30, 2018, PJSC ALROSA signed an agreement on mutual cooperation with the State Committee for Employment of the Republic of Sakha (Yakutia) to run a priority project of the Republic of Sakha (Yakutia) – Local Personnel in Industry in 2018-2022.

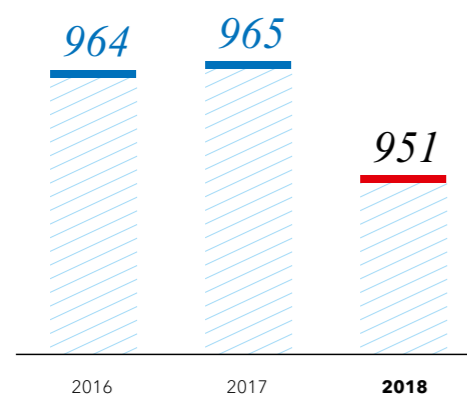
PJSC ALROSA's activities under the agreement in 2018:

- arranging various activities to hire the unemployed of Yakutia, including from the countryside;
- recruiting 950 people from local labor resources of the Republic of Sakha (Yakutia), including 418 people on a rotational basis and for seasonal work, 332 people from rural areas, and 259 young specialists under the age of 30;
- vocational training and additional vocational education for more than 110 people at the Company's Training Center and the Mirny Regional Technical College;
- transferring over 3 RUB mln for vocational training and additional education of the population at the expense of the state budget of the Republic of Sakha (Yakutia) and PJSC ALROSA.

To reduce the adaptation period of local personnel and ensure their smooth integration into the Company, ALROSA launched a mentoring project in 2018, aimed at systematizing work in this area, including the training of mentors.

In May and December 2018, jointly with the Agency for the Development of Human Capital in the Far East and the Employment Center of the Mirninsky district, ALROSA held job fairs in the town of Mirny. As a result of the fairs, more than 350 people signed up for retraining in various areas and over 100 people were employed.

Dynamics of attracting workers from other regions of Russia, people



Attraction of Shift Personnel and Employees of Shortage Professions

In 2018, 951 people were recruited from other regions of Russia to work on a rotational basis. The recruitment of shift workers from other regions of Russia is necessary due to the lack of specialists of the required professions and qualifications in Yakutia. Among such professions – highly qualified electric welders for manual welding, installers for the installation of metal structures, machinists of drilling rigs, underground electrical fitters and shaftmen. In addition, shift workers are engaged because of the economic feasibility of using temporary workers at launch facilities with subsequent dispatch to the place of permanent residence at the end of the work.

In 2018, 53 people were invited to the Company's divisions for shortage professions and positions.⁷⁸

⁷⁸ in accordance with the Order on the procedure for inviting workers to shortage professions (positions) in PJSC ALROSA's subdivisions and providing them with guarantees and compensations

PRIVATE PENSION PLANS

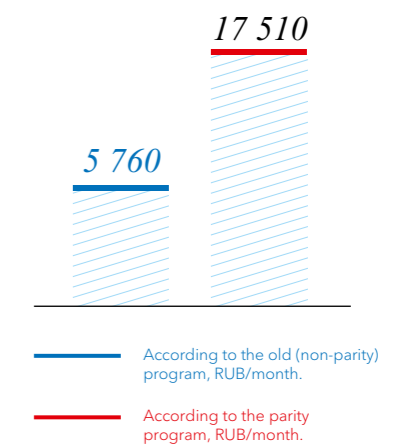
The Private Pension Plan Program has been pursued since 1998 with the purpose to ensure decent standard of living for retiring PJSC ALROSA's employees, as well as also to attract, retain and motivate the personnel for long-term and efficient work at the Company.

The principle of parity financing of corporate pensions was introduced in 2017 – the Company pays contributions to it jointly with an employee in equal shares (thus, the total contribution gets doubled). In 2018, NPF Almaznaya Osen signed agreements on non-state pension coverage with PJSC Severalmaz and JSC Almazny Anabara. These companies became ALROSA Group first subsidiaries with corporate parity pensions. Previously, they could be issued exclusively to employees of PJSC ALROSA's structural divisions.

In 2018, ALROSA Group total contributions to NPF Almaznaya Osen for non-state pensions amounted to more than 6.62 RUB bln. At the end of the year the total amount of payments to fund pensioners reached 1.45 RUB bln, including 1.35 RUB bln under corporate and private (without employer participation) pension plans. Most of the payments were made as part of PJSC ALROSA's corporate pension program.

The program is implemented through JSC NPF Almaznaya Osen.
<http://npfao.ru/>

The average non-state pension for ALROSA's pensioners as of the end of 2018



SOCIAL RESPONSIBILITY

ALROSA is the leader of the global diamond industry in terms of the Company's investments in social programs.⁷⁹ In 2018, ALROSA Group allocated 3.1% of its consolidated revenue to social expenditures, which is 0.1 pp higher than in 2017.

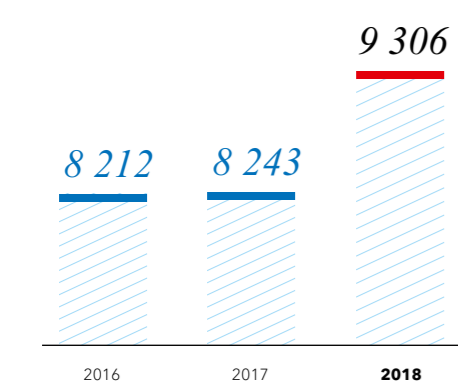
In 2018, ALROSA's social expenditures grew by 12.9% compared to 2017, and amounted to 9,306 RUB mln. The funds were transferred to run corporate social programs, as well as to regional and federal projects.

9 306

RUB MLN
MADE EXPENSES OF ALROSA
ON SOCIAL NEEDS IN 2018

⁷⁹ according to a PwC study on sustainable development indicators of 2017 ALROSA Sustainability Benchmark Report

Dynamics of social expenditures across ALROSA Group, RUB mln



ALROSA's achievements in the field of social responsibility in 2018 were repeatedly recognized both in Russia and abroad. Every year, following independent assessment of social responsibility, ALROSA reaffirms its status of a leader of the Responsibility and Openness and the Sustainable Development Vector indices of the Russian Union of Industrialists and Entrepreneurs. In addition, the Company undergoes certification to confirm maintenance of its social responsibility management system in accordance with the international RJC standard.

Corporate programs and social infrastructure investments

ALROSA runs social programs in the following areas:

- Social infrastructure and utilities,
- rest and rehabilitation,
- health,
- culture and sports,
- housing,
- charity, and regional development.

In 2018, 1,296 RUB mln were spent on improving the health of workers, their families and retired veterans:

- 413 RUB mln were allocated to the Health Program, and over 2,500 people were examined and treated at leading medical and scientific medical institutions in Russia and the Republic of Sakha (Yakutia) at the expense of ALROSA. Also, the Company's Medical Center runs screening programs, aimed at timely detection and further reduction of the incidence of diseases. In 2018, more than 9,000 of ALROSA's employees underwent screenings – by 3,300 more more than in 2017;
- 883 RUB mln were allocated to the Health Resort Treatment and Rest program. Nearly 14,000 people, taking advantage of subsidized health resort passes, rested and recovered their health at local health resorts of Yakutia, on the Black Sea coast and in Altai, children rested in summer children's country camps and city day care centers.

ALROSA finances a mortgage lending program, which ensures preferential terms for interest rates and enables possible compensations of interest payments for the Company's employees. In 2018, the cost of providing such compensations amounted to 37 RUB mln, 340 employees of the Company participated in the housing program.

In 2018, as part of the resettlement program for the Company's retirees and veterans relocating from the Far North, contracts were signed to purchase 10 apartments and 20 cottages in the city of Oryol. Expenses (compensation from the exchange of apartments) in this area amounted to 27 RUB mln

In 2018, ALROSA completed the construction of a residential building for temporary residence in the town of Udachny with 130 apartments for one-time accommodation of 390 people. Construction costs amounted to 698 RUB mln in 2017-2018.

The Company spends significant amounts on maintaining cultural and sports facilities, developing corporate sports and supporting a healthy lifestyle of its employees. There are more than 175 sections and club associations for adults and children at ALROSA's sports facilities. Several thd cultural, sporting and sports and recreational activities are arranged annually. In 2018, 189 RUB mln were allocated to finance the Culture and Sports program, which is 24% less than in 2017 due to the commemoration of Yakutalmaz's 60th anniversary and ALROSA's 25th anniversary. In addition to the costs of organizing and holding events, the costs of maintaining ALROSA's cultural and sports facilities amount to about 1,110 RUB mln

To ensure rational employment of the indigenous local rural population and meet the needs of the Company and the local population in essential food, ALROSA runs a subsidiary collective farm Novy. In 2018, 804 RUB mln were allocated to run it.

Regional development and charity programs

One of the most important directions of ALROSA's social policy is to promote the integrated social and economic development of the regions of its presence. In 2018, expenditures on regional development and charity programs amounted to 3,722 RUB mln

ALROSA's charity expenses in 2018

| | Amount, RUB mln |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Funding of NGO Almazik (27 kindergartens) | 933 |
| Construction of educational, medical, cultural, health and other facilities within the framework of the agreement on the social and economic development of Yakutia with NGO Trust Fund for Future Generations of the Republic of Sakha (Yakutia). Among others, ALROSA funded the construction of a republican rehabilitation center in Yakutsk, annually providing medical care to 3,000 children with disorders of the musculoskeletal system, hearing, speech and vision | 900 |
| Activities under the agreement on the social and economic development of the Nyurbinsky district | 325 |
| District development programs under mutual cooperation agreements with nine uluses of the "diamond province" | 115 |
| Activities under the agreements on the social and economic development of the Olekminsky, Bulunsky, Zhigansky, Eveno-Batyntaysky, Anabarsky, and Oleneksky uluses | 109 |
| Activities under the agreement on the social and economic development of the Arkhangelsk region | 53 |
| Others (maintenance of municipal housing and utilities enterprises in the Mirninsky district, demolition of dilapidated and emergency housing, financial assistance to improve municipal roads, repair of the runway at the Polyarny Airport, support of the Living Diamonds of Yakutia Natural Park, stocking of water bodies, support of educational institutions in Yakutia and Arkhangelsk, construction of an ethnocultural center in the village of Olenek) | 1 287 |
| Total | 3 722 |

FEDERAL
SOCIAL PROJECTS

ALROSA sponsors a number of organizations and major federal-scale events in the sphere of culture, education, education, health care, and sports. In 2018, ALROSA allocated 1,703 RUB mln for these purposes. The Company supports the Eastern Economic Forum, the Russian Hockey Federation, the Russian Wrestling Federation, the Russian Martial Arts Association, the Kyokushin Association of Russia, the VTB United Basketball League, and the Federation of Dance Sports and Acrobatic Rock and Roll.

CORPORATE GOVERNANCE



NATIONAL CORPORATE
GOVERNANCE RATING
"ADVANCED CORPORATE
GOVERNANCE PRACTICE"



4
INDEPENDENT MEMBER
OF THE SUPERVISORY BOARD

CORPORATE GOVERNANCE STRUCTURE AND PRINCIPLES

STATEMENT OF THE SUPERVISORY BOARD ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE PRINCIPLES AND GUIDELINES

The Supervisory Board of PJSC ALROSA states that the Company is committed to complying with principles of corporate governance, enshrined in the Corporate Governance Code.⁸⁰ The Company intends to continue incorporating key principles and recommendations of the Corporate Governance Code in its activities.

ROLE OF CORPORATE GOVERNANCE

ALROSA implements its corporate governance system in full compliance with Russian legislations, including in the field of corporate law, anti-corruption law, and laws on the securities market, as well as in accordance with international standards and recommendations. Consistently developing all the elements of the system, adjusting them in response to new demands and challenges of the external environment, the Company is invariably guided by key principles of corporate governance, enshrined in the Corporate Governance Code.

Compliance with high standards of corporate governance is one of the Company's strategic priorities. The Company's management confirms that ensuring the growth of shareholder value in the long term is impossible without full protection of the rights and interests of all shareholders.

Informational transparency is one of the important elements of corporate governance and a significant factor affecting the Company's investment attractiveness.

The annual General Meeting of Shareholders was held on June 26, 2018, members of the meeting approved amendments to the Charter, regulations on the Supervisory Board, the Board, the Audit Commission, as well as remuneration of members of the Supervisory Board.

Amendments to the Charter were required to ensure that the Charter complied with the amended legislation on joint-stock companies, as well as to fulfill instructions under the Corporate Governance Code, prescribed in the Bank of Russia Letter and the Company's Corporate Governance Code.⁸¹

Changes to the regulations on the Supervisory Board, the Board and the Audit Commission were made to improve the quality of communications between members of the Supervisory Board, the Audit Commission and the Company's management, ensure prompt access of members of the governing bodies to meeting materials (absentee voting), and enable them to resolve issues remotely.

Changes to the regulations on remuneration of members of the Supervisory Board were made in order to improve the level of corporate culture and in accordance with the best corporate practices.

CORPORATE GOVERNANCE PRINCIPLES

To ensure the rights of shareholders and equality of conditions for shareholders:

- giving all shareholders the right to participate in the management of the Company's activities by making decisions on the most important issues;
- providing all shareholders with an equal and fair opportunity to participate in the distribution of the Company's profits through dividends;
- ensuring equality of conditions for all shareholders and equal treatment of them;
- providing shareholders with the possibility of free and unhindered alienation of their shares;
- ensuring that all shareholders the opportunity to obtain effective protection.

To organize and maintain the operation of the Supervisory Board:

- implementation by the Supervisory Board of the Company's strategic management, the definition of basic principles and approaches to the risk management and internal control systems, control over the activities of the Company's executive bodies, and the implementation of other key functions;
- accountability of the Supervisory Board to the Company's shareholders;
- efficiency and professionalism of the Supervisory Board, the ability of the Supervisory Board to make objective independent judgments and make decisions that meet the interests of the Company and its shareholders;
- presence of a sufficient number of independent directors in the Supervisory Board;
- ensuring the effective operation of the Supervisory Board during convening and holding meetings (absentee voting), preparations for them and participation of members of the Supervisory Board in them;
- creation of committees by the Supervisory Board for preliminary consideration of the most important issues.

To organize and maintain the operation of the Corporate Secretary:

- providing effective interaction with shareholders, coordinating the Company's actions in the field of protecting the rights and interests of shareholders, supporting the effective work of the Supervisory Board by the Corporate Secretary.

To develop and implement a remuneration system for members of the Supervisory Board and executive bodies:

- ensuring a sufficient level of remuneration paid by the Company to attract, motivate, and retain persons having required skills and qualifications;

- incorporating the principle of dependence of remuneration on the Company's performance results and employees' personal contributions to the achievement thereof in a remuneration system for the Company's executive bodies and other key managers.

To organize and maintain the functioning of the risk management and internal control system:

- developing an effective risk management and internal control system at the Company;
- improving the Company's internal audit for systematic independent assessment of reliability and effectiveness of its management system.

To disclose information about the Company:

- ensuring transparency of the Company and its activities to its shareholders, investors, and other stakeholders;
- timely disclosure of complete, current and reliable information about the Company to facilitate informed decision-making by shareholders and investors;
- provision of information and documentation upon shareholders' requests adhering to the principles of equal and unencumbered access.

⁸⁰ recommended by Bank of Russia Letter No. 06-52/2463 dated April 10, 2014

⁸¹ approved by the AGM on June 30, 2016 (Minutes No. 34) with amendments approved by the AGM on June 30, 2017 (Minutes No. 35)

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Report on Compliance with the Corporate Governance Code was drawn up in accordance with the Bank of Russia's recommendations ⁸² On the disclosure of the report on compliance with the Corporate Governance Code principles and guidelines in the annual report of a public joint-stock company".

The Russian Institute of Directors regularly runs independent assessment and analysis of ALROSA's corporate governance activities and analysis of the Company's corporate governance practices, starting from 2015.

Detailed information on compliance with the Corporate Governance Code principles and guidelines is available in Appendix 9

| March 31, 2015 | September 15, 2015 | October 25, 2016 | November 20, 2017 | October 16, 2018 |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| The Company was assigned a National Corporate Governance Rating (NCGR) for the first time – 7 out of 10 for Developed Corporate Governance Practices | Under the NCGR scale, the Company's corporate governance rating has been upgraded to 7+, or Developed Corporate Governance Practices | The Russian Institute of Directors set the Company's rating at the level of NCGR 7++, or Developed Corporate Governance Practices | The Russian Institute of Directors reaffirmed the Company's rating at the level of NCGR 7++, or Developed Corporate Governance Practices | Russian Institute of Directors upgraded the Company's rating – NCGR 8 for Advanced Corporate Governance Practices |

ALROSA's rating of NCGR 8 Advanced Corporate Governance Practices indicates that the Company complies with Russian corporate governance legislation and follows a significant number of recommendations of the Russian Corporate Governance Code. The Company is characterized by relatively low risks of loss of owners associated with the quality of corporate governance.

MAJOR AND INTERESTED-PARTY TRANSACTIONS

Decisions on the approval of the Company's major transactions and interested-party transactions are made in accordance with the Federal Law "On Joint-Stock Companies". In 2018, 136 interested-party transactions were approved by the Supervisory Board, 135 of which were intragroup transactions aimed at supporting ALROSA Group activities. The non-intragroup transaction with JSC RIK Plus was approved by the Supervisory Board on March 21, 2018. ⁸³ There were no major transactions worth 25% or more of the balance sheet value of the Company's assets, determined under to the financial statements as of December 31, 2018.

Detailed information on interested-party transactions is available in Appendix 8

⁸² No. IN-06-52/8 dated February 17, 2016

⁸³ Minutes No. A01/270-IIP-HC

CORPORATE GOVERNANCE STRUCTURE

The Company's corporate governance system is a carefully organized structure of management and control bodies with a clear mechanism for interaction.

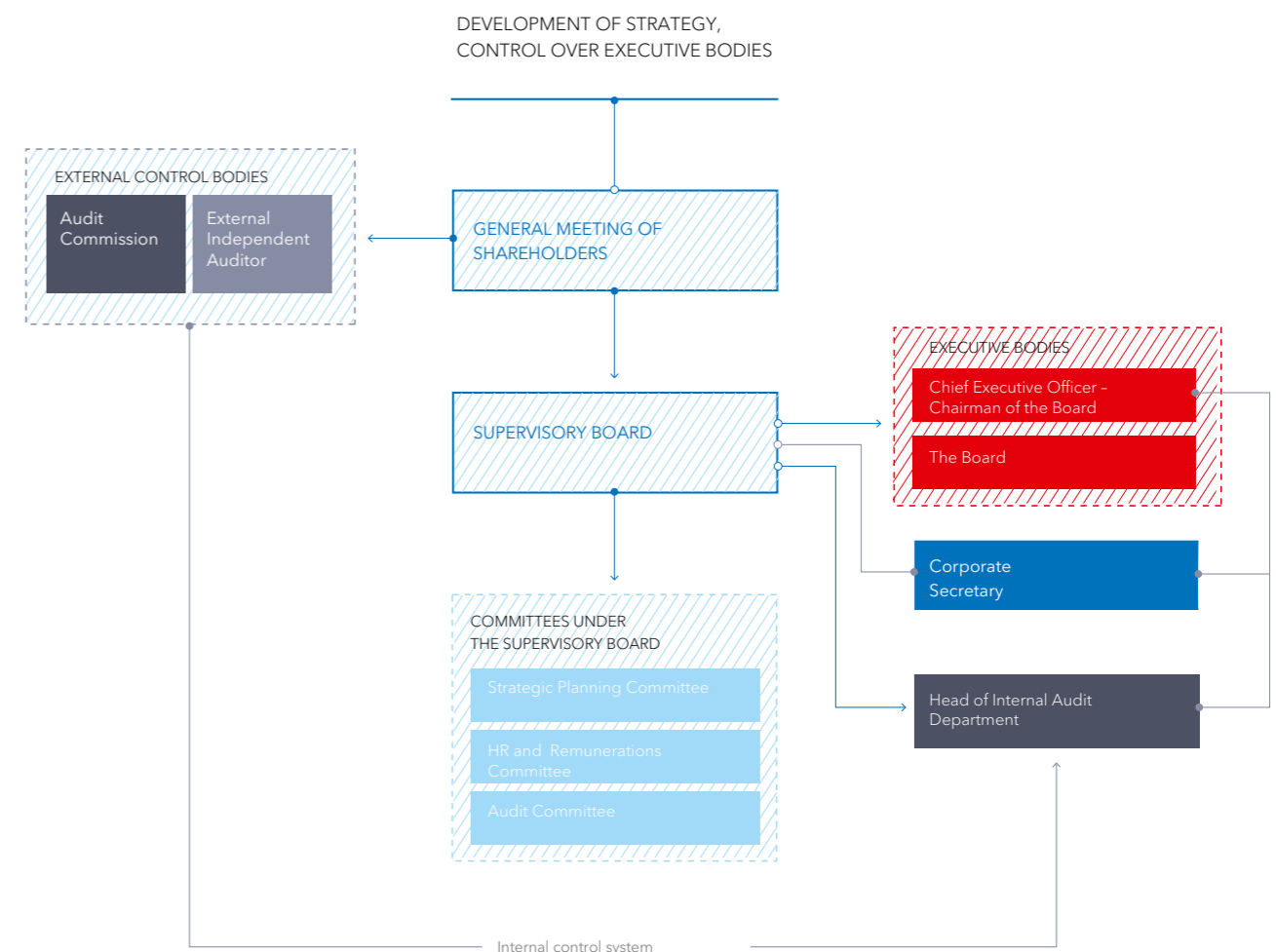
The supreme governing body is the General Meeting of Shareholders. The Supervisory Board exercises strategic leadership and oversight of the work of the Board, which provides operational management.

Under the Supervisory Board, there are three committees: on strategic planning, on HR and remuneration, and on audit. These committees operate to improve the efficiency and quality of the Supervisory

Board's work. The Company has an effective system of external and internal control: an independent auditor, the Audit Commission, and the IAD.

The Chief Executive Officer (sole executive body) is also the Chairman of the Board.

Corporate Governance Structure



Documents regulating the Company's corporate governance are available on the website: <http://www.alrosa.ru/documents/Charter and Internal Documents/>



AWARDS FOR CORPORATE MANAGEMENT

In 2016, the Company received an award For Active Corporate Policy on Information Disclosure, established by the Interfax and AK&M news agencies.

In November 2017, the Open Government of the Russian Federation, assessing the implementation of the Company's Corporate Governance Code for a period of more than three years past the instructions of the Government of the Russian Federation on the implementation of the Corporate Governance Code, as well as relevant decisions of the annual General Meetings of Shareholders of the Company in 2015, 2016, and 2017 on amending the internal documents to introduce CCC, ranked the Company second out of seven in the rating of the full implementation of the Corporate Governance Code priority recommendations.

The ALROSA's annual report for 2017 was recognized as the winner of the 20th annual contest of annual reports as The Best Annual Report in the Industrial Sector of the Economy organized by the Moscow Exchange and the Central Bank of Russia.

Since 2016, PJSC ALROSA has been a member of the Committee of Shares Issuers of PJSC Moscow Exchange.

IMPROVING CORPORATE GOVERNANCE

In 2018, ALROSA introduced a procedure for electronic voting of shareholders during General Meetings of Shareholders for the first time. In this way, shareholders were enabled to remotely participate in meetings.

In addition, significant work was performed to implement a project on automating the information system of the Company's collegial bodies. The system is designed to facilitate remote access to materials on agenda items and the voting process for members of the Supervisory Board and its committees. The system will apply from 2019.

In 2018, a comprehensive assessment of the Supervisory Board and its committees was carried out with the help of external organizations (consultants), the report of which was reviewed by the Supervisory Board in December 2018. Also in December 2018, the methodology for evaluating the activities of the Supervisory Board and its committees, the Chairman of the Supervisory Board, members of the Supervisory Board, and the Corporate Secretary was approved.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the Company's highest governing body, which operates on the basis of Russian legislation, the Company's Charter, and the Regulations on the General Meeting of Shareholders.

In accordance with the provisions of the Federal Law "On Joint-Stock Companies" and the Company's Charter, the annual General Meeting of Shareholders is held annually, not earlier than two months and no later than six months after the end of the fiscal year. The annual General Meeting of Shareholders approves the annual report, annual accounting (financial) statements, distribution of profits (including payment (declaration) of dividends) and losses based on the results of the reporting year, elections of members of the Supervisory Board and the Audit Commission, choice of an auditor, and other issues within the competence of the General Meeting of Shareholders.

In addition to the annual General Meeting of Shareholders, it is possible to hold an extraordinary General Meeting of Shareholders.

The competence of the General Meeting of Shareholders includes the following main issues:

- election of members of the Supervisory Board and the Audit Commission;
- approval of annual reports, annual financial statements;
- profit and loss distribution for the reporting year;
- payment (announcement) of dividends for the reporting year;
- approval of an auditor;
- introduction of amendments and additions to the Charter or approval of the Charter in a new edition;
- approval of internal documents regulating the activities of the Company's bodies;
- determining a number, nominal value, category of declared shares and the rights granted by these shares;
- splitting and consolidation of shares;
- increase and decrease in share capital;
- placement by open subscription of equity securities, convertible into ordinary shares, to be converted into ordinary shares;
- approval of transactions in which there is interest in the cases stipulated by the Federal Law "On Joint-Stock Companies";
- approval of major transactions in cases provided for by the Federal Law "On Joint-Stock Companies";
- participation in financial and industrial groups, associations and other unions of commercial organizations;
- reorganization of the Company;
- liquidation of the Company, appointment of a liquidation commission and approval of interim and final liquidation balance sheets;
- establishing of remuneration and making decisions on the payment of remuneration and / or compensation of expenses to members of the Supervisory Board and the Audit Commission, related to the performance of their duties.

In 2018, four General Meetings of Shareholders took place: one annual and three extraordinary.

An extraordinary General Meeting of Shareholders of PJSC ALROSA in the form of absentee voting was held on January 11, 2018. ⁸⁴

Agenda:

1. On approval of the Charter of PJSC ALROSA in a new edition.
2. On approval of the Regulations on the General Meeting of Shareholders of PJSC ALROSA in a new edition.
3. On approval of the Regulations on the Supervisory Board of PJSC ALROSA in a new edition.
4. On approval of the Regulations on the Board of PJSC ALROSA in a new edition.
5. On approval of the Regulations on the Audit Commission of PJSC ALROSA in a new edition.
6. On approval of the Regulations on Remuneration of Members of the Supervisory Board of PJSC ALROSA in a new edition.
7. On amending the Regulations on Remuneration and Compensation to Members of the Audit Commission of PJSC ALROSA.

The annual General Meeting of Shareholders of PJSC ALROSA was held on June 26, 2018. ⁸⁵

Agenda:

1. On approval of the Annual Report of PJSC ALROSA.
2. On approval of the Annual Accounting (Financial) Statements of PJSC ALROSA.
3. On approval of the distribution of profits of PJSC ALROSA for 2017.
4. On approval of the distribution of retained earnings of previous years.
5. On the amount of dividends, timing and form of payment according to the results of 2017 and on the establishment of a date on which the persons entitled to receive dividends are to be identified.
6. On payment of remuneration for working as part of the Supervisory Board to members of the Supervisory Board – non-government employees in an amount, established by internal documents of PJSC ALROSA.
7. On payment of remuneration for working as part of the Audit Commission to members of the Audit Commission – non-government employees in an amount, established by internal documents of PJSC ALROSA.

8. On the election of members of the Supervisory Board of PJSC ALROSA.
9. On the election of members of the Audit Commission of PJSC ALROSA.
10. On approval of auditors of PJSC ALROSA.
11. On amendments to the Charter of PJSC ALROSA.
12. On amendments to the Regulations on the Supervisory Board of PJSC ALROSA.
13. On amendments to the Regulations on the Board of PJSC ALROSA.
14. On amendments to the Regulations on the Audit Commission of PJSC ALROSA.
15. On amendments to the Regulations on Remuneration of Members of the Supervisory Board of PJSC ALROSA

An extraordinary General Meeting of Shareholders of PJSC ALROSA in the form of absentee voting was held on September 30, 2018. ⁸⁶

Agenda:

1. On the amount of dividends for the first half of 2018, timing and form of their payment, and on the establishment of a date on which the persons entitled to receive dividends are to be identified.

An extraordinary General Meeting of Shareholders of PJSC ALROSA with attendance in person was held on October 22, 2018 ⁸⁷

Повестка дня:

1. On early termination of powers of members of the Supervisory Board of PJSC ALROSA.
2. On the election of members of the Supervisory Board of PJSC ALROSA.

⁸⁴ Minutes No. 36
⁸⁵ Minutes No. 37
⁸⁶ Minutes No. 38
⁸⁷ Minutes No. 39

SUPERVISORY BOARD AND COMMITTEES

SUPERVISORY BOARD

Members of the Supervisory Board of PJSC ALROSA are elected by the General Meeting of Shareholders in the manner, prescribed by the Federal Law “On Joint-Stock Companies” and the Company’s Charter for the period until the next annual General Meeting of Shareholders. The Supervisory Board acts on the basis of Russian legislation, the Company’s Charter, and the Regulations on the Supervisory Board.

The competence of the Supervisory Board is to decide on the general management of the Company’s activities, with the exception of matters referred by the Federal Law “On Joint-Stock Companies” and the Company’s Charter to the competence of the General Meeting of Shareholders.

According to the Company’s Charter, 15 people are elected to the Supervisory Board. The Chairman of the Supervisory Board is elected by the members of the Supervisory Board from themselves by a majority of 3/4 votes of the members of the Supervisory Board in attendance at the meeting.

Regulations on the Supervisory Board

Regulations on the Supervisory Board were approved by the decision of the extraordinary General Meeting of Shareholders of the Company on January 11, 2018. ⁸⁸

In order to improve the quality of communication between members of the Supervisory Board and the Company’s management, ensure prompt access of members of management bodies to meeting materials (absentee voting), and solve issues online remotely, followed by the integration and use of an electronic business automation system in the Supervisory Board’s processes, the amendments to the Regulations on the Supervisory Board were approved by the decision of the annual General Meeting of Shareholders on June 26, 2018 ⁸⁹

Results of self-assessment / external evaluation of the Supervisory Board and its committees from the standpoint of the effectiveness of their work

In 2014, the Supervisory Board underwent assessment by an independent consultant of Bord Solutions CJSC, and the report was submitted to the Supervisory Board. Also in December 2014, the methodology for evaluating the activities of the Supervisory Board and its committees, the Chairman of the Supervisory Board, members of the Supervisory Board, and the Corporate Secretary was approved. This Methodology recommends to assess the Supervisory Board’s

work with the assistance of an external consultant at IEast once every three years.

The next assessment of the Supervisory Board’s work, as well as its committees, the Chairman, members of the Supervisory Board and the Corporate Secretary with the involvement of an external organization (consultant) was conducted in 2018.

July 10, 2018 the Supervisory Board ⁹⁰ in accordance with Paragraph 5.9.2 of the Corporate Governance Code and Paragraph 1 Part 3 of the Methodology for evaluating the activities of the Supervisory Board and its committees, the Chairman of the Supervisory Board, members of the Supervisory Board, and the Corporate Secretary, decided to conduct a comprehensive assessment in 2018 involving external organizations (consultants):

1. LLC Odgers Berndtson Rus – for comprehensive assessment of the activities of the Supervisory Board and its committees, the Chairman of the Supervisory Board, members of the Supervisory Board, and the Corporate Secretary;
2. Association of Professional Investors – to analyze PJSC ALROSA’s corporate governance system for compliance with the best international practices of corporate governance and formulate recommendations for its improvement.

⁸⁸ Minutes No. 36
⁸⁹ Minutes No. 37
⁹⁰ Minutes No. A01/275-IIP-HC



Following the results of the work performed, the Supervisory Board received the corresponding reports from those consultants, according to which:

- the Supervisory Board's activities were rated positively (on average 3.61 points out of 4): The Supervisory Board is active, performs its duties properly, and conducts its activities at a strategic level, without seeking to replace management. There is a potential for improvement in terms of strengthening industry expertise and involvement in relations with investors and shareholders;
- the role of the Chairman of the Supervisory Board was highly appreciated, with his contribution to the formation of an atmosphere of respect, trust and openness noted;
- committees' activities were rated positively (on average 3.44 points out of 4), there is a potential in terms of planning, meeting arrangements, enhancing interaction with the Supervisory Board and management, working with external experts;

- the Corporate Secretary's activities were highly appreciated, there is the need to preserve the quality of communication and interaction with shareholders, members of the Supervisory Board and management in order to maintain a balance of interests. There are also opportunities to improve planning and preparatory works for meetings, as well as
- the need to update a number of the Company's internal documents to clarify the role of the Supervisory Board and Committees.

Recommendations, provided based on the results of the assessment, have an organizational and strategic nature, aimed at improving the level of corporate governance at the Company, compliance with the Corporate Governance Code guidelines and the the Corporate Ethics Code

Also, based on the results of the assessment of the Supervisory Board, committees, members of the Supervisory Board and the Corporate Secretary, the draft Regulations on the assessment of the Supervisory Board's activities were drawn up. On December 5, 2018, the consultants' reports and the draft Regulations on the evaluation of the activities of the Supervisory Board were reviewed by the Human Resources and Remuneration Committee.

On December 14, 2018, the Supervisory Board⁹¹, taking into account recommendations of the Human Resources and Remuneration Committee, took note of the reports submitted by the consultants, approved the Regulations on the evaluation of the Supervisory Board, and instructed the Corporate Secretary to prepare proposals for the recommendations set out in the reports.

⁹¹ Minutes No. A01/285-IIP-HC

Members of the Supervisory Board

As of December 31, 2018, the Supervisory Board included 15 people, 14 members of whom were non-executive (including 4 independent) and 1 executive.

Key Competences of Members of the Supervisory Board

| № | Full name | Status, independence | Membership in Supervisory Board committees ⁹² | | | Date of election to the Supervisory Board | Key competences | | | | | | | | Share in authorized capital, % |
|----|--------------------------------|-------------------------------------------|----------------------------------------------------------|-----------------|--------------------------------|-------------------------------------------|--------------------|-----------------------------|--------------------------|----------------------|---------------------------|--------------------|---------------|---------------------------|--------------------------------|
| | | | Strategic Planning Committee | Audit Committee | HR and Remunerations Committee | | Strategy Committee | Finance and Audit Committee | Diamond Mining Committee | Governance Committee | Risk Management Committee | GR/IR/PR Committee | CSR Committee | Human Resources Committee | |
| 1 | Anton Germanovich Siluanov | Chairman, non-executive | | | | 25.06.2015 | + | + | | + | + | | + | + | no |
| 2 | Nikolai Pavlovich Alexandrov | Non-Executive | + | | | 26.06.2018 | + | | | | | | + | | no |
| 3 | Maria Vladimirovna Gordon | Independent member of Supervisory Council | + | C | | 25.06.2015 | + | + | | + | | | + | | no |
| 4 | Evgenia Vassilievna Grigorieva | Non-Executive | + | | | 25.06.2015 | + | + | | + | | | + | + | no |
| 5 | Kirill Alexandrovich Dmitriyev | Non-Executive | + | | | 30.06.2017 | + | + | | + | + | | | | no |
| 6 | Ilya Yelizarovich Yelizarov | Non-Executive | + | | | 26.06.2018 | + | | | + | | | | | no |
| 7 | Sergei Sergeyevich Ivanov | Deputy Chairman, executive | + | | | 30.06.2017 | + | + | + | + | + | | + | + | 0.0272 |
| 8 | Dmitry Vladimirovich Konov | Independent member of Supervisory Council | + | | + | 30.06.2017 | + | + | | | + | | + | + | no |
| 9 | Galina Maratovna Makarova | Independent member of Supervisory Council | | + | C | 22.10.2018 | | + | | | | | + | + | no |
| 10 | Sergei Vasilyevich Mestnikov | Non-Executive | + | | + | 30.06.2017 | + | + | | + | + | | | | no |
| 11 | Alexei Vladimirovich Moiseyev | Non-Executive | | C | | 26.06.2018 | + | + | | | + | | | | no |
| 12 | Aisen Sergeyevich Nikolayev | First Deputy Chairman, non-executive | + | | | 22.10.2018 | + | + | | | + | | + | + | no |
| 13 | Vladimir Viktorovich Solodov | Non-Executive | + | | | 22.10.2018 | + | + | | | + | | + | + | no |
| 14 | Oleg Romanovich Fedorov | Independent member of Supervisory Council | + | + | + | 29.06.2013 | + | + | | + | | + | + | + | no |
| 15 | Alexey Olegovich Chekunkov | Non-Executive | + | | | 25.06.2015 | + | + | | | + | | + | | no |

⁹² C – Chairman of the Supervisory Board

Changes in Composition of Supervisory Board

In 2018, the composition of the Supervisory Board was updated twice in connection with the two General Meetings of Shareholders (annual and extraordinary), the agenda of which included the issue of electing members of PJSC ALROSA's Supervisory Board. On June 26, 2018, following the election of the new Supervisory Board and the termination of the powers of the previous Supervisory Board at the annual General Meeting of Shareholders, the below changes took place:

| <i>4 members left the Supervisory Board:</i> | <i>4 members entered the Supervisory Board:</i> |
|----------------------------------------------|-------------------------------------------------|
| Sergey Vladimirovich Barsukov | Nikolai Pavlovich Alexandrov |
| Georgy Karlovich Basharin | Ilya Yelizarovich Yelizarov |
| Alexander Sergeevich Galushka | Alexei Vladimirovich Moiseyev |
| Galina Innokentievna Danchikova | Yevgeny Alexeyevich Chekin |

On October 22, 2018, following the election of the new Supervisory Board and the termination of the powers of the previous Supervisory Board at the extraordinary General Meeting of Shareholders, the below changes took place:

| <i>3 members left the Supervisory Board:</i> | <i>3 members entered the Supervisory Board:</i> |
|----------------------------------------------|-------------------------------------------------|
| Yegor Afanasyevich Borisov | Galina Maratovna Makarova |
| Valentina Ivanovna Lemesheva | Aisen Sergeyevich Nikolayev |
| Yevgeny Alexeyevich Chekin | Vladimir Viktorovich Solodov |

Membership of the Supervisory Board in 2019

| <i>January 1 – June 26, 2018⁹³</i> | <i>June 26 – October 22, 2018⁹⁴</i> | <i>October 22 – December 31, 2018</i> |
|--------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------|
| A. G. Siluanov Chairman | A. G. Siluanov Chairman | A. G. Siluanov Chairman |
| E. A. Borisov First Deputy Chairman | E. A. Borisov First Deputy Chairman | A. S. Nikolayev First Deputy Chairman |
| A. S. Galushka Deputy Chairman | S. S. Ivanov Deputy Chairman | S. S. Ivanov Deputy Chairman |
| S. V. Barsukov | N. P. Alexandrov | N. P. Alexandrov |
| G. K. Basharin | M. V. Gordon (independent member) | M. V. Gordon (independent member) |
| M. V. Gordon (independent member) | E. V. Grigoryeva | E. V. Grigoryeva |
| E. V. Grigoryeva | K. A. Dmitriyev | K. A. Dmitriyev |
| G. I. Danshikova | I. Y. Yelizarov | I. E. Yelizarov |
| K. A. Dmitriyev | D. V. Konov (independent member) | D. V. Konov (independent member) |
| S. S. Ivanov | V. I. Lemesheva (independent member) | G. M. Makarova (independent member) |
| D. V. Konov (independent member) | S. V. Mestnikov | S. V. Mestnikov |
| V. I. Lemesheva (independent member) | A. V. Moiseyev | A. V. Moiseyev |
| S. V. Mestnikov | O. R. Fedorov (independent member) | V. V. Solodov |
| O. R. Fedorov (independent member) | E. A. Chekin | O. R. Fedorov (independent member) |
| A. O. Chekunkov | A. O. Chekunkov | A. O. Chekunkov |

⁹³ brief biographical background of members of the Supervisory Board is available in the Annual Report for 2017

⁹⁴ brief biographical background of members of the Supervisory Board as of December 31, 2017, and excluded from the Supervisory Board as of December 31, 2018, is available in the Annual Report for 2017

Meetings of the Supervisory Board

Participation in corporate events in 2018

| <i>№</i> | <i>Full name</i> | <i>Total</i> | <i>Meetings</i> | <i>Voting by written consent</i> |
|-----------------------------------------------------------------------------------------------|------------------|--------------|-------------------------------------------|----------------------------------|
| Members of the Supervisory Board who left the Supervisory Board as of June 26, 2018 | | | | |
| 1 | S. V. Barsukov | 7 | 2 | 5 |
| 2 | G. K. Basharin | 7 | 2 | 5 |
| 3 | A. S. Galushka | 2 | – | 2 |
| 4 | G. I. Danshikova | 6 | 1 | 5 |
| Members of the Supervisory Board who left the Supervisory Board as of October 22, 2018 | | | | |
| 5 | E. A. Borisov | 14 | 2 | 12 |
| 6 | V. I. Lemesheva | 14 | 2 | 12 |
| Members of the Supervisory Board from June 26 to October 22, 2018 | | | | |
| 7 | E. A. Chekin | 7 | – | 7 |
| Members of the Supervisory Board for the entire 2018 | | | | |
| 8 | M. V. Gordon | 20 | 4, incl. 2 written consents ⁹⁵ | 16 |
| 9 | E. V. Grigoryeva | 20 | 4 | 16 |
| 10 | K. A. Dmitriyev | 20 | 4, incl. 3 written consents | 16 |
| 11 | S. S. Ivanov | 20 | 4 | 16 |
| 12 | D. V. Konov | 20 | 4, incl. 1 written consent | 16 |
| 13 | S. V. Mestnikov | 20 | 4 | 16 |
| 14 | A. G. Siluanov | 20 | 4 | 16 |
| 15 | O. R. Fedorov | 20 | 4 | 16 |
| 16 | A. O. Chekunkov | 20 | 4, incl. 3 written consents | 16 |
| Members of the Supervisory Board elected to the Supervisory Board on June 26, 2018 | | | | |
| 17 | N. P. Alexandrov | 13 | 2 | 11 |
| 18 | I. E. Yelizarov | 12 | 2 | 10 |
| 19 | A. V. Moiseyev | 13 | 2 | 11 |
| Members of the Supervisory Board elected to the Supervisory Board on October 22, 2018 | | | | |
| 20 | G. M. Makarova | 6 | 2 | 4 |
| 21 | A. S. Nikolayev | 6 | 2 | 4 |
| 22 | V. V. Solodov | 6 | 2 | 4 |

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QUESTION

IT WAS CONSIDERED
IN REPORTING YEAR
SUPERVISORY BOARD

In 2018, the Supervisory Board held 20 meetings (4 in person, 16 in the form of absentee voting), making decisions on various areas of the Company's activities.

⁹⁵ written consent

Report of the Supervisory Board on the results of the Company's development in priority areas

- On approval of the Development Strategy, the Long-Term Development Program, and the Long-term Investment Program of ALROSA Group for the period of 2018-2024:
 - determination of strategic goals and risks of ALROSA Group, approval of long-term programs, attraction of investments.
- On approval of the consolidated budget of PJSC ALROSA for 2019:
 - approval of the budget for 2019, costs of maintaining social infrastructure and utilities, regional development and reform programs, as well as charity and sponsorship projects at the federal level.
- On compliance of members of the Supervisory Board of PJSC ALROSA with the independence criteria, established by the Listing Rules of PJSC Moscow Exchange:
 - review of issues regarding the compliance with the independence criteria of such members of the Supervisory Board as M.V. Gordon and O.R. Fedorov.
- On approval of the Company's internal documents:
 - Regulations on the Dividend Policy of PJSC ALROSA;
 - Regulations on the Financial Policy of PJSC ALROSA;
 - Regulations on Procurement of PJSC ALROSA;
 - Regulations on Intellectual Property of PJSC ALROSA;
 - Regulations on the Procedure and Terms of Sales of Natural Rough Diamonds by PJSC ALROSA;
 - Policy on Sustainable Development and Corporate Social Responsibility of PJSC ALROSA;
- On approval / review of the Company's programs (reports):
 - Report on the Program for Innovation Development and Technological Upgrade of PJSC ALROSA;
 - Work Plan / Report on the Work of the IAD;
 - Report on the Program for Enhancing Operating Performance and Cost Cutting;
 - Policy on Sustainable Development and Corporate Social Responsibility of PJSC ALROSA;
 - Non-Core Assets Disposal Program; Plan of Measures for Non-Core Assets Sales for the Next Year;
 - quarterly reports on the the Non-Core Assets Sales Program;
 - quarterly procurement reports;
 - on the integration of professional standards in the Company's activities.
- Risk Management:
 - approval of principles and approaches to risk management at the Company, the list of critical risks, and the annual report on risks.
- Corporate Governance:
 - assessment of the Supervisory Board's work, as well as its committees, the Chairman, members of the Supervisory Board and the Corporate Secretary with the involvement of an external organization (consultant);
 - approval of the Regulations on Performance Evaluation of the Supervisory Board of PJSC ALROSA.

- Non-Core Assets Sales:
 - decisions were made to terminate the Company's participation in JSC Golubaya Volna Health Resort JSC, liquidate the Company's representative office in Oryol, reorganize the Prometey Recreation Complex, and others.
- Motivation System:
 - approval of the KPI Report of ALROSA Group for 2017;
 - approval of the Regulations on the Long-Term Bonus Program for the Company's executives and the Rules of Trust Management of the Kimberlite Closed Share Investment Fund;
 - approval of the Regulations on Remuneration of the Chief Executive Officer – Chairman of the Board of the Company.
- On consent to enter into transactions with an interest (during the reporting year, decisions were taken on the consent to enter into interested-party transactions).
- Issues in accordance with the instructions of the President of the Russian Federation and the Government of the Russian Federation:
 - On the inventory of intellectual property rights;
 - On the Quality Management System;
 - On the procedures for coordination of planning and program- and target-focused documents with the Ministry of the Russian Federation on the Development of the Far East;
 - On ALROSA Group transition to preferential use of domestic software.

Duties of the Supervisory Board related to its role in the organization of the effective risk management and internal control system

Within the competence of the Supervisory Board, the Regulations on the Audit Committee under the Supervisory Board and the Internal Audit Regulations, the Supervisory Board annually reviews and approves reports and work plans of the Company's IAD. These documents are subject to preliminary review by the Audit Committee of the Supervisory Board in order to develop recommendations to the Supervisory Board.

Also, the Supervisory Board may consider reports on unplanned activities of the Company's IAD in accordance with instructions of the Company's management.

In 2018, as part of the work on reforming the Risk Management System, the Principles and Approaches to Risk Management at PJSC ALROSA were drawn up, including materials on assessing the current state of the Risk Management System, a target vision of the risk management system, and the Company's list of critical risks. The Annual Risk Report was generated, serving as a source of information on the current status and effectiveness of the Risk Management System to identify measures to develop and improve the Risk Management System, allowing to monitor the risk level and assess the effectiveness of risk management measures taken by key risk management actors.

In November 2018, the Supervisory Board, taking into account the recommendations of the Audit Committee, approved the Risk Management Principles and Approaches in the Company, a list of critical risks, and the Annual Risk Report.

Key Results of the Evaluation of the Supervisory Board

In order to independently evaluate the Company's corporate governance activities, at the end of 2014 it entered into an agreement with the Russian Institute of Directors to determine the Company's corporate governance rating under the National Corporate Governance Rating (NCGR) scale.

Starting from 2015, the Russian Institute of Directors annually analyzes the Company's corporate governance practices, assessing them by four main components, within which both positive aspects and points of growth are determined for further development:

- shareholders' rights;
- management's and control bodies' activities;
- disclosure;

- activities in the interests of other stakeholders and corporate social responsibility.

On October 16, 2018, the Russian Institute of Directors upgraded the Company's rating to NRKU 16 "Best Practices in Corporate Governance".

It was noted that from the upgrade of ALROSA's NCGR to 7 ++ in October 2016, the Company's corporate governance practices continued to develop progressively, including in accordance with the road map of the corporate development management program, approved by the Supervisory Board on March 20, 2015.

During 2017-2018, the Company's internal documents, defining the Corporate Governance System, were amended in accordance with the changes in Russian laws and the Moscow Exchange listing rules.

These amendments applied to the following:

- creating conditions for the use by shareholders of electronic means of communication in order to exercise their rights;
- securing the competence of the General Meeting of Shareholders to approve the Corporate Governance Code at the proposal of the Supervisory Board;
- securing the competence of the Supervisory Board to assess the effectiveness of the Internal Control and Risk Management System;
- determining a range of issues that are decided by a majority vote of the total number of members of the Supervisory Board;
- bringing the remuneration system for members of the Supervisory Board in line with best corporate practices.

In addition, a key improvement in the Company's corporate governance practices during the reporting period was the election of exclusively independent directors to the Audit Committee, as well as the adoption of an option program for members of the Board and the Company's executives.

On September 30, 2018, an extraordinary General Meeting of Shareholders was held, and it was decided to pay dividends for the first half of 2018.

At the same time, the following key positive points remain to be observed in the Company's corporate governance practices:

- the Company has a positive dividend history;
- the Company creates conditions for the use by shareholders of electronic means of communication in order to exercise their rights;
- the Company practices comprehensive regulation of the conflict of interests of members of the Supervisory Board and executive bodies;
- the competence of the Supervisory Board has been expanded in terms of approving material transactions;
- the Company provides for liability insurance for members of the Supervisory Board and the Board;

- the Company developed and launched a regulatory and methodological risk management framework;
- the Company ensures the functional accountability of the IAD to the Supervisory Board;
- the Company has a developed Corporate Secretary institute;
- the Company discloses full information on the structure of owners, who its shares belong to;
- the Company discloses all major forms of financial statements drawn up in accordance with IFRS and RAS. Disclosed statements are accompanied by appropriate audit reports.
- the Company discloses interim financial statements drawn up in accordance with IFRS, and annual financial statements under IFRS are disclosed before the annual General Meeting of Shareholders for the relevant year;
- the Company actively implements corporate social projects for its employees, the population in the regions of the Company's presence, as well as charity and sponsorship projects;
- the Company's activities are certified for compliance with ISO 9001 and ISO 14001:2004;
- the Company compiles a social report conforming to GRI standards.

associated with the quality of corporate governance.

Among the factors requiring additional actions by the Company are the following:

- an external auditor provides consulting services to the Company;
- most of the internal documents regulating the Company's corporate social responsibility policy are not available on its official website.

ALROSA's rating of NCGR 8 Advanced Corporate Governance Practices indicates that the Company complies with Russian corporate governance legislation and follows a significant number of recommendations of the Russian Corporate Governance Code. The Company is characterized by relatively low risks of loss of owners



INFORMATION ABOUT MEMBERS OF THE SUPERVISORY BOARD ⁹⁶

Information about the date of election to the Supervisory Board and participation in the committees under the Supervisory Board, as well as about the ownership of the Company's shares is available in the Key Competences of the Supervisory Board Members table.



ANTON GERMANOVICH SILUANOV

Chairman of the Supervisory Board

Date and place of birth

April 12, 1963, Moscow

Education

In 1985, he graduated from the Moscow Financial Institute with a degree in Finance and Credit.

Advanced training

In 2007, he graduated from the All-Russian State Tax Academy of the Ministry of Finance of the Russian Federation. In 2010, he graduated from the Financial University under the Government of the Russian Federation. Doctor of Economics (November 8, 2012).

Work experience in recent years

| Period | Position |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2011 - to date | Minister of Finance of the Russian Federation, from 2018 - First Deputy Prime Minister of the Russian Federation - Minister of Finance of the Russian Federation |
| 2012 - to date | Resident Representative of the Russian Federation in the International Monetary Fund |
| 2012-2018 | Resident Representative of the Russian Federation at the International Bank for Reconstruction and Development |
| 2012-2018 | Resident Representative of the Russian Federation at the Multilateral Investment Guarantee Agency |
| 2012 - to date | Plenipotentiary of the Russian Federation in the Council of the Eurasian Development Bank |
| 2013 - to date | Chairman of the Board of Trustees, Supervisor - Dean of the Finance and Economics Department of the Financial University under the Government of the Russian Federation |
| 2013 - to date | Chairman of the National Financial Council of the Bank of Russia |
| 2015 - to date | Resident Representative of the Russian Federation in the New Development Bank |
| 2018 - to date | Representative of the Russian Federation in the Council of the Eurasian Economic Commission |
| 2018 - to date | Government of the Russian Federation, member of the National Council for Financial Stability |

Membership in governing bodies of other organizations

| Period | Position |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2012 – to date | Member of the Supervisory Board of the autonomous non-profit organization Organizing Committee Russia – 2018 |
| 2012–2018 | Member of the Board of Trustees of the Charitable Foundation for the Restoration of the Resurrection New Jerusalem Monastery |
| 2013 – to date | Member of the Board of Trustees of the non-profit organization of the Development Fund of the New Technology Development and Commercialization Center |
| 2014 – to date | Member of the Supervisory Board of the state corporation on the development, production and export of high-tech industrial products Rostec |
| 2015–2018 | Chairman of the Board of Directors of the state corporation Deposit Insurance Agency |
| 2016 – to date | Member of the Board of Directors of JSC Russian Export Center |
| 2017 – to date | Chairman of the Supervisory Board of PJSC VTB Bank |
| 2017 – to date | Member of the Supervisory Board of JSC Managing Company of the Russian Direct Investment Fund |
| 2018 – to date | Member of the Supervisory Board of the state corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) |
| 2018 – to date | Member of the Supervisory Board of PJSC Promsvyazbank (Moscow) |



AISEN SERGEYEVICH NIKOLAYEV

First Deputy Chairman of the Supervisory Board

Date and place of birth
January 22, 1972, Leningrad

Education
In 1994, he graduated from Moscow State University with a degree in Physics, and the Academy of National Economy under the Government of the Russian Federation with a degree in Financial Management.

Work experience in recent years

| Period | Position |
|----------------|-----------------------------------------|
| 2012–2018 | Head of the City of Yakutsk district |
| 2018 – to date | Head of the Republic of Sakha (Yakutia) |



SERGEI SERGEYEVICH IVANOV

Deputy Chairman of the Supervisory Board

Date and place of birth
October 23, 1980, Moscow

Education
He graduated from the Moscow State Institute of International Relations: in 2001 - with a degree in Economics, in 2002 - with a degree in Finance and Credit. In 2011 he graduated from the Russian Economic University named after G.V. Plekhanov, Candidate of Economics.

State awards and titles
Commendations of the President of the Russian Federation and the Chairman of the Government of the Russian Federation, departmental awards.

Work experience in recent years

| Period | Position |
|----------------|-----------------------------------------------------------------|
| 2011–2016 | Chairman of the Board of JSC Sogaz |
| 2016–2017 | Senior Vice President – Head of Wealth Management PJSC Sberbank |
| 2017 – to date | Chief Executive Officer – Chairman of the Board of PJSC ALROSA |

Membership in governing bodies of other organizations

| Period | Position |
|----------------|-----------------------------------------------------------------------------|
| 2016 – to date | Member of the Board of Directors of JSC Rosneftegaz |
| 2016 – to date | Member of the Board of Directors of NPF Gazfond |
| 2016–2017 | Member of the Board of Directors of JSC Sberbank Asset Management |
| 2016–2017 | Member of the Board of Directors of JSC NPF Sberbanka |
| 2016–2017 | Member of the Board of Directors of LLC IC Sberbank Insurance |
| 2016–2017 | Member of the Board of Directors of LLC IC Sberbank Life Insurance |
| 2017 – to date | Member of the Board of Directors of JSC Gazprombank |
| 2017 – to date | Chairman of the Board of Directors of JSC NPF Almaznaya Osen |
| 2017–2018 | Chairman of the Board of Directors of JSC Geotransgaz |
| 2017–2018 | Chairman of the Board of Directors of LLC Urengoi Gas Company |
| 2017 – to date | Chairman of the Board of Directors of PJSC ALROSA-Nyurba |
| 2017 – to date | Chairman of the Board of Directors of JSC Almazy Anabara |
| 2017 – to date | Chairman of the Board of Directors of PJSC Severalmaz |
| 2017 – to date | Member of the Board of Directors of the Diamond Producers Association (DPA) |

Information on acquisitions or dispositions of ordinary shares of PJSC ALROSA for 2018

- As of December 31, 2017, S. S. Ivanov owned 1,628,500 ordinary shares
- (0.02211% of the Company's share capital).
- April 9, 2018 – S. S. Ivanov purchased 243,500 shares.
- After the change, S. S. Ivanov owned 1,872,000 shares (0.0254%).
- April 11, 2018 – S. S. Ivanov purchased 122,000 shares.
- After the change, S. S. Ivanov owned 1,994,000 shares (0.0270%).
- June 29, 2018 – S. S. Ivanov purchased 1,000,000 shares.
- After the change, S. S. Ivanov owned 2,994,000 shares (0.0407%).
- June 29, 2018 – S. S. Ivanov purchased 6,000 shares.
- After the change, S. S. Ivanov owned 3,000,000 shares (0.0407%).
- November 15, 2018 – S. S. Ivanov alienated 544,210 shares.
- After the change, S. S. Ivanov owned 2,455,790 shares (0.0333%).
- November 29, 2018 – S. S. Ivanov alienated 455,790 shares.
- After the change, S. S. Ivanov owned 2,000,000 shares (0.0272%).
- As of December 31, 2018, S. S. Ivanov owned 2 000,000 ordinary shares (0.0272% of the Company's share capital).



NIKOLAI PAVLOVICH ALEXANDROV

Date and place of birth

May 28, 1986, village of Elgyay, Suntarsky district of the Yakut Autonomous Soviet Socialist Republic

Education

In 2009, he graduated from the Far Eastern State Technical Fisheries University with a degree in Engineering and Navigation. In 2010, he graduated from the State Budgetary Institution of Vocational Training the Institute of Management under the President of the Republic of Sakha (Yakutia) with a degree in Management of State and Municipal Orders. Valid Municipal Advisor Class 3.

State awards and titles

A commendation letter from the Minister of Transport, Communications and Informatization of the Republic of Sakha (Yakutia), a certificate of honor from the State Committee for Population Support of the Republic of Sakha (Yakutia).

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| 2013-2015 | Head of the Department of Water Transport of the Ministry of Transport, Communications and Information of the Republic of Sakha (Yakutia) |
| 2015-2016 | Chief Executive Officer of the Treasury Enterprise of the Republic of Sakha (Yakutia) Arctic Transport Company |
| 2017 – to date | First Deputy Head of the Municipal Suntarsky Ulus (District) of the Republic of Sakha (Yakutia) |



EVGENIA VASSILIEVNA GRIGORIEVA

Date and place of birth

August 19, 1965, village of Nyurba, Leninsky district of the Yakut ASSR

Education

In 1988 she graduated from the Lenin Komsomol Institute of Civil Aviation of Riga with a degree in Electronic Computers - Systems Engineering. In 1998 she graduated from the Y.A. Yakutsk State University named after M.K. Ammosov with a degree in Law. In 2001, she underwent professional retraining at the Far Eastern Academy of Public Service with a degree in State and Municipal Management.

State awards and titles

Honored Worker of the National Economy of the Republic of Sakha (Yakutia), Medal of the Ministry of Justice of the Russian Federation "In Memory of the 200th Anniversary of the Ministry of Justice of Russia".

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|----------------------------------------------------------------------------|
| 2011 – to date | Minister of Property and Land Relations of the Republic of Sakha (Yakutia) |

Membership in governing bodies of other organizations

| <i>Period</i> | <i>Position</i> |
|----------------|---------------------------------------------------------------|
| 2018-2018 | Member of the Board of Directors of JSC Yakutia Airlines |
| 2018 – to date | Member of the Supervisory Board of JSCB Almazergienbank (JSC) |

***KIRILL ALEXANDROVICH DMITRIYEV*****Date and place of birth**

April 12, 1975, Kiev, Ukrainian SSR

Education

In 1996 he graduated from Stanford University (California, USA).
In 2000, he received an MBA degree from Harvard Business School (Massachusetts, USA).

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|--------------------------------------------------------------------------------|
| 2011 – to date | Chief Executive Officer of JSC MC RDIF |
| 2012 – to date | Chairman of the Board of JSC MC RDIF |
| 2012 – to date | Member of the Supervisory Board of JSC MC RDIF |
| 2013 – to date | Representative of the Russian Federation in the BRICS Business Council |
| 2013 – to date | Member of the Board of Trustees of the Moscow State University |
| 2016 – to date | Representative of the Russian Federation on the APEC Business Advisory Council |

Membership in governing bodies of other organizations

| <i>Period</i> | <i>Position</i> |
|----------------|-------------------------------------------------------------------------------------------------------------------|
| 2012 – to date | Member of the Board of Directors of MD Medical Group Investment plc |
| 2013 – to date | Member of the Board of Directors of RCIF Asset Management Ltd |
| 2014 – to date | Member of the Board of Directors of JSC Gazprombank |
| 2014 – to date | Member of the Board of Directors of PJSC Rostelecom |
| 2014 – to date | Member of the Board of the All-Russian Association of Employers Russian Union of Industrialists and Entrepreneurs |
| 2015 – to date | Member of the Board of the Roscongress Foundation |
| 2016 – to date | Member of the Board of Directors of PJSC RZD |
| 2017 – to date | Member of the Board of Directors of PJSC Transneft |

***MARIA VLADIMIROVNA GORDON*****Date and place of birth**

February 13, 1974, Vladikavkaz, Republic of North Ossetia

Education

In 1994, she graduated from the Moscow State University with a degree in Journalism.

In 1995, she graduated from the University of Wisconsin (USA), Bachelor of Political Science.

In 1998, she graduated from the Fletcher School of Law and Diplomacy, TAFTS University (USA), Master of Laws and Diplomacy.

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|---------------|---------------------------------------------------------------------------------------------------------------------------------|
| 2010 – 2014 | Chief Portfolio Manager with Pacific Investment Management Co. (PIMCO) on shares of developing countries, investment activities |

Membership in governing bodies of other organizations

| <i>Period</i> | <i>Position</i> |
|----------------|---------------------------------------------------------|
| 2016 – to date | Member of the Supervisory Board of PJSC Moscow Exchange |
| 2017 – to date | Member of the Board of Directors of PJSC Polyus |

***ILYA YELIZAROVICH YELIZAROV*****Date and place of birth**

January 27, 1963, Baku, Azerbaijan SSR

Education

In 1998, he graduated from the Institute of Modern Business with a degree in Economics and Enterprise Management. In 2005, he graduated from the Moscow Institute of State and Corporate Governance with a degree in Economics and Enterprise Management.

In 2008, he graduated from the Russian Academy of Public Administration under the President of the Russian Federation with a degree in Personnel Management. Candidate of Law. Acting State Councilor of the Russian Federation Class 1.

Advanced training

In 2006, he graduated from the Military Academy of the General Staff of the Armed Forces of the Russian Federation under the program “Defense and Security of the Russian Federation”.

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2008–2010 | Advisor to the Chairman of the Council of Federation of the Federal Assembly of the Russian Federation |
| 2010–2012 | Assistant of the Presidential Administration's Expert Department, Assistant to the Head of the Presidential Administration, Secretariat of the Head of the Presidential Administration |
| 2012–2015 | Assistant to the Chairman of the Government of the Russian Federation |
| 2017 – to date | Assistant Head of the Federal Agency for State Property Management |

**DMITRY VLADIMIROVICH KONOV****Date and place of birth**

September 2, 1970, Moscow

Education

In 1994, he graduated from the Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the Russian Federation with a degree in International Economic Relations.

In 2000, he received an MBA degree from the International Institute for Development and Management.

State awards and titles

Badge of honor of the Russian Union of Industrialists and Entrepreneurs, the Government Award for participation in the preparation of the concept of a national system for safe circulation of chemical products.

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|-------------------------------------------------------------------------------------------------------------|
| 2011 – to date | Chief Executive Officer (until 2016) – Chairman of the Board (from 2016), Member of the Board of LLC SIBUR. |
| 2007 – to date | Member of the Board of Directors, Chairman of the Board of PJSC SIBUR Holding |

Membership in governing bodies of other organizations

| <i>Period</i> | <i>Position</i> |
|----------------|--------------------------------------------------------------|
| 2014 – to date | Member of the Board of Directors of LLC Stroytransgaz-M |
| 2014 – to date | Member of the Board of Directors of JSC Stroyneftegaz |
| 2016 – to date | Chairman of the Board of Directors of JSC NIPIgazpererabotka |
| 2014–2016 | Chairman of the Board of Directors of JSC Stroytransgaz |

**GALINA MARATOVNA MAKAROVA****Date and place of birth**

June 17, 1956, Kostroma

Education

In 1980 she graduated from the Irkutsk Institute of National Economy with a degree in Industrial Planning.

State awards and titles

Title of Honored Worker of the National Economy of the Republic of Sakha (Yakutia), signs of the Russian Federation Labor Glory Degree 3, Excellence in Geodesy and Cartography

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|---------------|-------------------------------------------------------------------------------|
| 2003–2007 | Minister of Property and Land Relations of the Republic of Sakha (Yakutia) |
| 2007–2015 | Permanent Representative of the Republic of Sakha (Yakutia) in St. Petersburg |

**SERGEI VASILYEVICH MESTNIKOV****Date and place of birth**

July 22, 1981, village of Borogontsy, Ust-Aldan district of the Yakut ASSR

Education

In 2003 he graduated from the Yakutsk State University named after M.K. Ammosov with a degree in Law.

In 2013, he graduated from the Russian Academy of National Economy and Public Administration under the President of the Russian Federation with a degree in Anti-Crisis Management of Enterprises, Regions and Industries.

State awards and titles

Diploma of the Government of the Republic of Sakha (Yakutia), Commendation of the President of the Republic of Sakha (Yakutia).

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|-----------------------------------------------------------------------------------------------------------|
| 2010–2012 | Deputy Head, Head of the Secretariat of the Chairman of the Government of the Republic of Sakha (Yakutia) |
| 2012–2016 | First Deputy Minister of Property and Land Relations of the Republic of Sakha (Yakutia) |
| 2016 – to date | Chief Executive Officer of NGO Trust Fund for Future Generations of the Republic of Sakha (Yakutia) |

Membership in governing bodies of other organizations

| <i>Period</i> | <i>Position</i> |
|----------------|------------------------------------------------------------------------|
| 2012 – to date | Member of the Board of Directors of OJSC Republican Investment Company |
| 2012–2017 | Member of the Board of Directors of PJSC RSK Sterkh |
| 2013–2017 | Member of the Board of Directors of PJSC ALROSA-Nyurba |
| 2015–2017 | Member of the Board of Directors of JSC Republican Mortgage Agency |
| 2017–2018 | Member of the Board of Directors of OJSC Tuimaada-Agrosnab |

**ALEXEI VLADIMIROVICH MOISEYEV****Date and place of birth**

March 6, 1973, Moscow

Education

In 1995 he graduated from the Moscow Institute of Management named after Sergo Ordzhonikidze with a degree in World Economy.

In 1998 he graduated from the University of Rochester (US Magistracy, MBA).

Advanced training

In 2013, he graduated from the Financial University under the Government of the Russian Federation.

In 2016, he graduated from the Russian Academy of Public Administration under the President of the Russian Federation with a degree in Personnel Management.

State awards and titles

Diploma of the Government of the Russian Federation, Certificate of Honor of the Council of Federation of the Federal Assembly of the Russian Federation, Certificate of Honor of the Bank of Russia, Commendation of the Chairman of the State Duma of the Federal Assembly of the Russian Federation, silver medal "For Assistance to the Federal Service for Financial Monitoring"

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|-------------------------------------------------------------------|
| 2010–2012 | Deputy Head of Department, Head of Department of CJSC VTB Capital |
| 2012 – to date | Deputy Minister of Finance of the Russian Federation |

Membership in governing bodies of other organizations

| <i>Period</i> | <i>Position</i> |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2013 – to date | Member of the Board of Directors of the Deposit Insurance Agency |
| 2015 – to date | Member of the Supervisory Board of JSC DOM.RF (formerly JSC AIZhK) |
| 2016–2017 | Member of the Supervisory Board of PJSC JSC VTB Bank |
| 2016 – to date | Chairman of the Board of Directors of JSC GOSZNAK |
| 2017 – to date | Member of the Supervisory Board of JSC NSPK |
| 2017 – to date | Member of the Board of Directors of PJSC PA Kristall |
| 2017 – to date | Member of the Supervisory Board of PJSC Bank Otkritie Financial Corporation |
| 2017 – to date | Member of the Supervisory Board of the Public Law Company Foundation for the Protection of the Rights of Citizens - Participants in Shared-Equity Construction |
| 2018 – to date | Member of the Supervisory Board of PJSC National Bank Trust |
| 2018 – to date | Member of the Supervisory Board of JSC Rossiyskiye Ippodromy |
| 2018 – to date | Member of the Supervisory Board of LLC Management Company of the Banking Sector Consolidation Fund |

**VLADIMIR VIKTOROVICH SOLODOV****Date and place of birth**

July 26, 1982, Moscow

Education

In 2004, he graduated from the Moscow State University with a degree in Public Administration.

Candidate of Political Sciences.

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|-----------------------------------------------------------------------------------------------------------------------|
| 2013–2015 | Head of Department of the Autonomous Non-Profit Organization Agency for Strategic Initiatives to Promote New Projects |
| 2015–2018 | Deputy Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District |
| 2018 – to date | Chairman of the Government of the Republic of Sakha (Yakutia) |

Membership in governing bodies of other organizations

| <i>Period</i> | <i>Position</i> |
|----------------|-----------------------------------------------------------------------------------------------------|
| 2015 – to date | Member of the Board of Directors of the Agency for the Development of Human Capital in the Far East |
| 2017–2018 | Chairman of the Board of Directors of JSC Development Fund of the Far East and Baikal Region |



OLEG ROMANOVICH FEDOROV

Date and place of birth

March 30, 1968, Moscow

Education

In 1992, he graduated from Moscow State University with a degree in Mathematics, Applied Mathematics.

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|---------------|----------------------------------------------------------------------------------------------------------|
| 2003-2009 | Executive Director, Corporate Finance, LLC Deutsche Bank (DeutscheUFG until 2005) |
| 2009-2012 | Head of Division within the Department of Investment Banking in Global Markets, CJSC VTB Capital |
| 2012-2017 | Advisor to the Head (from 2014 on a voluntary basis) of the Federal Agency for State Property Management |

Membership in governing bodies of other organizations

| <i>Period</i> | <i>Position</i> |
|----------------|--------------------------------------------------------------------------------------------------------------------------|
| 2003-2010 | Member of the Board of Directors of PJSC Volgatelecom |
| 2004-2010 | Member of the Board of Directors, Deputy Chairman of the Board of Directors of the Association of Professional Investors |
| 2009-2011 | Member of the Board of Directors of OJSC MOEK |
| 2014-2017 | Member of the Board of Directors of JSC Rosinfokominvest |
| 2015-2016 | Member of the Board of Directors of PJSC Rosseti |
| 2016-2018 | Member of the Board of Directors of PJSC IDGC of Center and Volga Region |
| 2017 - to date | Member of the Board of Directors of PJSC IDGC of North-West |
| 2000-2018 | Independent director in 18 OJSCs with listing, including 4 of the above |



ALEXEY OLEGOVICH CHEKUNKOV

Date and place of birth

October 3, 1980, Minsk, Belarussian SSR

Education

In 2001, he graduated from the Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the Russian Federation with a degree in International Economic Relations, Bachelor of Economics.

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|-------------------------------------------------------------------------------------------------------------|
| 2011-2013 | Director, Member of the Board, Advisor, LLC MC Russian Direct Investment Fund (RDIF) |
| 2013-2014 | First Deputy Chief Executive Officer of LLC Kada-Neftegaz |
| 2014 - to date | Chief Executive Officer of the Board of Directors of JSC Development Fund of the Far East and Baikal Region |

Membership in governing bodies of other organizations

| <i>Period</i> | <i>Position</i> |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| 2015 - to date | Chairman (until 2016), Member of the Supervisory Board of the Agency for the Far East Investment Promotion and Export Support Association |
| 2015-2017 | Member of the Supervisory Board of the Agency for the Development of Human Capital in the Far East |
| 2015-2017 | Member of the Board of Directors of JSC Corporation for the Development of the Far East |
| 2016 - to date | Member of the Board of Directors of PJSC RusHydro |
| 2017 - to date | Member of the Board of Directors of LLC Skolkovo Venture Investments |
| 2017 - to date | Member of the Board of Directors of JSC Voskhod |
| 2018 - to date | Member of the Board of Directors of LLC Platform for Supporting Japanese Investments in the Far East |



COMMITTEES UNDER THE SUPERVISORY BOARD

Regulations on the Strategic Planning Committee, the Audit Committee, and the HR and Remuneration Committee under the Supervisory Board of PJSC ALROSA were approved by the Supervisory Board on June 22, 2018,⁹⁷ amendments to the Regulations were made by the Supervisory Board on July 10, 2018⁹⁸

Audit Committee

The Audit Committee was established on April 20, 2010, to improve the efficiency and quality of the Supervisory Board's work on monitoring of the Company's financial and business activities, ensure open communication with auditors, the Audit Commission, branches, representative offices and services of the Company through preliminary consideration and development of recommendations to the Supervisory Board on the issues within the Committee's competence in the following areas:

- financial statements,
- risk management and internal control procedures,
- external independent audit, internal audit,
- counteraction to unfair actions of the Company's employees and third parties,
- risks associated with the fullness of disclosure.

The Committee is composed of independent members of the Supervisory Board only.

If it is impossible to form a committee only from independent members of the Supervisory Board for objective reasons, independent members of the Supervisory Board should form a majority of the committee members, while non-executive members of the Supervisory Board may become the remaining committee members.

Committee members must have professional experience in internal control, audit, finance, accounting and financial institutions management. In accordance with the Regulations on the Audit Committee, the Committee is composed of three people.

As of December 31, 2018, the Audit Committee consisted of three members of the Supervisory Board, all three of whom were independent.

Members of the Audit Committee as of December 31, 2018

| Full name | Position | Independence |
|---------------------------|-----------------------|---------------------------------------------|
| Maria Vladimirovna Gordon | Chairman of Committee | Independent Member of the Supervisory Board |
| Galina Maratovna Makarova | Member of Committee | Independent Member of the Supervisory Board |
| Oleg Romanovich Fedorov | Member of Committee | Independent Member of the Supervisory Board |

Members of the Audit Committee from July 10 to October 22, 2018

| Full name | Position | Независимость |
|------------------------------|-----------------------|---------------------------------------------|
| Maria Vladimirovna Gordon | Chairman of Committee | Independent Member of the Supervisory Board |
| Valentina Ivanovna Lemesheva | Member of Committee | Independent Member of the Supervisory Board |
| Oleg Romanovich Fedorov | Member of Committee | Independent Member of the Supervisory Board |

⁹⁷ Minutes No. A01/237-IIP-HC

⁹⁸ Minutes No. A01/275-IIP-HC

Members of the Audit Committee from January 1 to June 26, 2018

| Full name | Position | Independence |
|--------------------------------|-----------------------|---------------------------------------------|
| Maria Vladimirovna Gordon | Chairman of Committee | Independent Member of the Supervisory Board |
| Evgenia Vassilievna Grigorieva | Member of Committee | Member of the Supervisory Board |
| Kirill Alexandrovich Dmitriyev | Member of Committee | Member of the Supervisory Board |
| Valentina Ivanovna Lemesheva | Member of Committee | Independent Member of the Supervisory Board |
| Oleg Romanovich Fedorov | Member of Committee | Independent Member of the Supervisory Board |

Events of the the Audit Committee

In 2018, there were 9 events held by the Audit Committee (including 5 meetings and 4 meetings by absentee voting), at which they considered 29 issues.

| Participation in the Committee's work in 2018 | | | |
|------------------------------------------------------------------------------------------------------|-------------------|-------|--------------------------------|
| № | Full name | Total | Voting by written consent |
| Members of the Supervisory Board, participating in the Audit Committee until July 10, 2018 | | | |
| 1 | Ye. V. Grigoryeva | 5 | 2 |
| 2 | K. A. Dmitriyev | 5 | 2 written consents |
| Members of the Supervisory Board, participating in the Audit Committee until October 22, 2018 | | | |
| 3 | V. I. Lemesheva | 6 | 2 |
| Members of the Supervisory Board, participating in the Audit Committee for the entire 2018 | | | |
| 4 | M. V. Gordon | 9 | 5 |
| 5 | O. R. Fedorov | 9 | 5, including 1 written consent |
| Members of the Supervisory Board, elected to the Audit Committee on November 9, 2018 | | | |
| 6 | G. M. Makarova | 2 | 2 |
| | | | — |

HR and Remuneration Committee

The HR and Remuneration Committee was established on April 20, 2010, in order to improve the efficiency and quality of the Supervisory Board's work and its decisions through preliminary consideration and recommendations to the Supervisory Board to develop an effective and transparent remuneration practice, formulate the main directions of the Company's HR policy in order to strengthen the professional composition and effectiveness of the Supervisory Board, as well as pay remuneration to the Supervisory Board, members of the Board, the Chief Executive Officer - Chairman of the Board and other officers of the Company, the list of which is determined by the Supervisory Board.

In accordance with the Regulations on the HR and Remuneration Committee under the Supervisory Board, the Committee is composed of three members, among them – only independent members of the Supervisory Board. If it is impossible to form a committee only from

independent members of the Supervisory Board for objective reasons, independent members of the Supervisory Board should form a majority of the committee members, while non-executive members of the Supervisory Board may become the remaining committee members.

As of December 31, 2018, the HR and Remuneration Committee consisted of four members, three of whom were independent members of the Supervisory Board.

Membership of the HR and Remuneration Committee as of December 31, 2018

| <i>Full name</i> | <i>Position</i> | <i>Independence</i> |
|-------------------------------------|-----------------------|---------------------------------------------|
| <i>Galina Maratovna Makarova</i> | Chairman of Committee | Independent Member of the Supervisory Board |
| <i>Dmitry Vladimirovich Konov</i> | Member of Committee | Independent Member of the Supervisory Board |
| <i>Sergei Vasilyevich Mestnikov</i> | Member of Committee | Member of the Supervisory Board |
| <i>Oleg Romanovich Fedorov</i> | Member of Committee | Independent Member of the Supervisory Board |

Membership of the HR and Remuneration Committee from July 10 to October 22, 2018

| <i>Full name</i> | <i>Position</i> | <i>Independence</i> |
|-------------------------------------|-----------------------|---------------------------------------------|
| <i>Valentina Ivanovna Lemesheva</i> | Chairman of Committee | Independent Member of the Supervisory Board |
| <i>Dmitry Vladimirovich Konov</i> | Member of Committee | Independent Member of the Supervisory Board |
| <i>Sergei Vasilyevich Mestnikov</i> | Member of Committee | Member of the Supervisory Board |

Membership of the HR and Remuneration Committee from January 1 to June 26, 2018

| <i>Full name</i> | <i>Position</i> | <i>Independence</i> |
|-------------------------------------|-----------------------|---------------------------------------------|
| <i>Valentina Ivanovna Lemesheva</i> | Chairman of Committee | Independent Member of the Supervisory Board |
| <i>Dmitry Vladimirovich Konov</i> | Member of Committee | Independent Member of the Supervisory Board |
| <i>Sergei Vasilyevich Mestnikov</i> | Member of Committee | Member of the Supervisory Board |

Events of the HR and Remuneration Committee

In 2018, there were 14 events held by the Human Resources and Remuneration Committee (including 5 meetings and 9 meetings by absentee voting), at which they considered 35 issues.

Participation in the Committee's work in 2018

| <i>№</i> | <i>Full name</i> | <i>Total</i> | <i>Meetings</i> | <i>Voting by written consent</i> |
|--------------------------------------------------------------------------------------------------------------------|------------------------|--------------|-----------------------------|----------------------------------|
| Members of the Supervisory Board, participating in the HR and Remuneration Committee until October 22, 2018 | | | | |
| 1 | <i>V. I. Lemesheva</i> | 11 | 3 | 8 |
| Members of the Supervisory Board, participating in the HR and Remuneration Committee for the entire 2018 | | | | |
| 2 | <i>D. V. Konov</i> | 14 | 5, incl. 3 written consents | 9 |
| 3 | <i>S. V. Mestnikov</i> | 14 | 5 | 9 |
| Members of the Supervisory Board, elected in the HR and Remuneration Committee on November 9, 2018 | | | | |
| 4 | <i>G. M. Makarova</i> | 3 | 2 | 1 |
| 5 | <i>O. R. Fedorov</i> | 3 | 2 | 1 |

Report on the work of the HR and Remuneration Committee

Reports of the HR and Remuneration Committee under the Supervisory Board on the results of its work are submitted regularly when providing recommendations to the Supervisory Board on the issues considered.

Strategic Planning Committee

The Strategic Planning Committee was established on April 20, 2010, to improve the efficiency and quality of the Supervisory Board's work through preliminary consideration and making recommendations to the Supervisory Board on issues, related to priority areas of the Company's activities.

A number of members of the Strategic Planning Committee is determined by a decision of the Supervisory Board and may not be less than three members of the Supervisory Board.

As of December 31, 2018, the Strategic Planning Committee consisted of 13 members of the Supervisory Board, 3 of whom were independent.

Members of the Strategic Planning Committee as of December 31, 2018

| <i>Full name</i> | <i>Position</i> | <i>Independence</i> |
|---------------------------------------|-----------------------|---------------------------------------------|
| <i>Alexei Vladimirovich Moiseyev</i> | Chairman of Committee | Member of the Supervisory Board |
| <i>Nikolai Pavlovich Alexandrov</i> | Member of Committee | Member of the Supervisory Board |
| <i>Maria Vladimirovna Gordon</i> | Member of Committee | Independent Member of the Supervisory Board |
| <i>Evgenia Vassilievna Grigorieva</i> | Member of Committee | Member of the Supervisory Board |
| <i>Kirill Alexandrovich Dmitriyev</i> | Member of Committee | Member of the Supervisory Board |
| <i>Ilya Yelizarovich Yelizarov</i> | Member of Committee | Member of the Supervisory Board |
| <i>Sergei Sergeyevich Ivanov</i> | Member of Committee | Member of the Supervisory Board |
| <i>Dmitry Vladimirovich Konov</i> | Member of Committee | Independent Member of the Supervisory Board |
| <i>Sergei Vasilyevich Mestnikov</i> | Member of Committee | Member of the Supervisory Board |
| <i>Aisen Sergeyevich Nikolayev</i> | Member of Committee | Member of the Supervisory Board |
| <i>Vladimir Viktorovich Solodov</i> | Member of Committee | Member of the Supervisory Board |
| <i>Oleg Romanovich Fedorov</i> | Member of Committee | Independent Member of the Supervisory Board |
| <i>Alexey Olegovich Chekunkov</i> | Member of Committee | Member of the Supervisory Board |

Membership of the Strategic Planning Committee from July 10 to October 22, 2018

| <i>Full name</i> | <i>Position</i> | <i>Independence</i> |
|---------------------------------------|-----------------------|---------------------------------------------|
| <i>Alexei Vladimirovich Moiseyev</i> | Chairman of Committee | Member of the Supervisory Board |
| <i>Nikolai Pavlovich Alexandrov</i> | Member of Committee | Member of the Supervisory Board |
| <i>Yegor Afanasyevich Borisov</i> | Member of Committee | Member of the Supervisory Board |
| <i>Maria Vladimirovna Gordon</i> | Member of Committee | Independent Member of the Supervisory Board |
| <i>Evgenia Vassilievna Grigorieva</i> | Member of Committee | Member of the Supervisory Board |
| <i>Kirill Alexandrovich Dmitriyev</i> | Member of Committee | Member of the Supervisory Board |
| <i>Ilya Yelizarovich Yelizarov</i> | Member of Committee | Member of the Supervisory Board |
| <i>Sergei Sergeyevich Ivanov</i> | Member of Committee | Member of the Supervisory Board |
| <i>Dmitry Vladimirovich Konov</i> | Member of Committee | Independent Member of the Supervisory Board |
| <i>Sergei Vasilyevich Mestnikov</i> | Member of Committee | Member of the Supervisory Board |
| <i>Oleg Romanovich Fedorov</i> | Member of Committee | Independent Member of the Supervisory Board |
| <i>Yevgeny Alexeyevich Chekin</i> | Member of Committee | Member of the Supervisory Board |
| <i>Alexey Olegovich Chekunkov</i> | Member of Committee | Member of the Supervisory Board |

Membership of the Strategic Planning Committee from January 1 to June 26, 2018

| Full name | Position | Independence |
|---------------------------------|-----------------------|---------------------------------------------|
| Sergei Sergeyevich Ivanov | Chairman of Committee | Member of the Supervisory Board |
| Sergey Vladimirovich Barsukov | Member of Committee | Member of the Supervisory Board |
| Georgy Karlovich Basharin | Member of Committee | Member of the Supervisory Board |
| Yegor Afanasyevich Borisov | Member of Committee | Member of the Supervisory Board |
| Maria Vladimirovna Gordon | Member of Committee | Independent Member of the Supervisory Board |
| Evgenia Vassilievna Grigorieva | Member of Committee | Member of the Supervisory Board |
| Galina Innokentievna Danchikova | Member of Committee | Member of the Supervisory Board |
| Kirill Alexandrovich Dmitriyev | Member of Committee | Member of the Supervisory Board |
| Dmitry Vladimirovich Konov | Member of Committee | Independent Member of the Supervisory Board |
| Sergei Vasilyevich Mestnikov | Member of Committee | Member of the Supervisory Board |
| Oleg Romanovich Fedorov | Member of Committee | Independent Member of the Supervisory Board |

Events of the Strategic Planning Committee

In 2018, there were 6 events held by the Strategic Planning Committee (including 4 meetings and 2 meetings by absentee voting), at which they considered 30 issues.

Participation in the Committee's work in 2018

| № | Full name | Total | Meetings | Voting by written consent |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------|-------|--------------------------------|---------------------------|
| Members of the Supervisory Board, participating in the Strategic Planning Committee until June 26, 2018 | | | | |
| 1 | S. V. Barsukov | 3 | 2 | 1 |
| 2 | G. K. Basharin | 3 | 2 | 1 |
| 3 | G. I. Danshikova | 2 | 1 written consent | 1 |
| Members of the Supervisory Board, participating in the Strategic Planning Committee until October 22, 2018 | | | | |
| 4 | Ye. A. Borisov | 3 | 1 written consent | 2 |
| Members of the Supervisory Board, participating in the Strategic Planning Committee from July 10 to October 22, 2018 | | | | |
| 5 | Ye. A. Chekin | 2 | 1 written consent | 1 |
| Members of the Supervisory Board, participating in the Strategic Planning Committee for the entire 2018 | | | | |
| 6 | M. V. Gordon | 5 | 3, incl. 1 written consents | 2 |
| 7 | Ye. V. Grigoryeva | 5 | 3 | 2 |
| 8 | K. A. Dmitriyev | 6 | 4 written consent | 2 |
| 9 | S. S. Ivanov | 6 | 4 | 2 |
| 10 | D. V. Konov | 6 | 4, incl. 3 written consents | 2 |
| 11 | S. V. Mestnikov | 6 | 4 | 2 |
| 12 | O. R. Fedorov | 6 | 4 | 2 |
| Members of the Supervisory Board, elected in the Strategic Planning Committee until July 10, 2018 | | | | |
| 13 | N. P. Alexandrov | 2 | 2 | – |
| 14 | A. V. Moiseyev | 3 | 2 | 1 |
| 15 | I. Ye. Yelizarov | 2 | 2 | – |
| 16 | A. O. Chekunkov | 3 | 2, including 1 written consent | 1 |
| Members of the Supervisory Board, elected in the Strategic Planning Committee on November 9, 2018 | | | | |
| 17 | A. S. Nikolayev | – | – | – |
| 18 | V. V. Solodov | 1 | 1 | – |

Remuneration of the Supervisory Board Members

Regulation on Remuneration of the Members of the Supervisory Board of PJSC ALROSA

Regulation on Remuneration of the Members of the Supervisory Board was approved by the decision of the extraordinary General Meeting of Shareholders, Minutes No. 36 of January 15, 2018.

Remuneration of the Members of the Supervisory Board

Members of the Supervisory Board may be remunerated for the following:

- participation in the work of the Supervisory Board (basic remuneration),
- performance of additional duties related to the chairmanship of the Supervisory Board, as well as the chairmanship and (or) membership in committees under the Supervisory Board (allowance).

Remuneration (basic and allowance) and compensation are not paid in the following cases:

- Chairman and members of the Supervisory Board, who have the status of a state or municipal employee, in accordance with the current legislation of the Russian Federation,
- Chairman and members of the Supervisory Board, with regards to which the law provides for a restriction or prohibition on receiving any payments from commercial organizations,
- members of the Supervisory Board who are simultaneously a sole executive body or a member of the Company's collegial executive body.

The payment of remuneration is decided upon by the General Meeting of Shareholders of the Company. The amount of remuneration is decided

upon by the General Meeting of Shareholders of the Company.

The size of the basic part of the basic remuneration S (base) is determined by a revenue figure, calculated from consolidated financial statements, drawn up in accordance with International Financial Reporting Standards, and reaches:

Performance of additional duties related to the chairmanship of the Supervisory Board, as well

| Revenue Size | S (base) |
|-------------------|------------|
| above 200 RUB bln | 6 RUB mln |
| above 30 RUB bln | 4 RUB mln |
| above 10 RUB bln | 2 RUB mln |

as the chairmanship and (or) membership in committees under the Supervisory Board are subject to additional remuneration (allowance).

Report on the Practices of Applying the Remuneration Policy to Members of the Supervisory Board

On June 26, 2018, the annual General Meeting of Shareholders⁹⁹ decided to pay remuneration to members of the Company's Supervisory Board - non-state employees for their work as part of the Supervisory Board in the 2017–2018 corporate year in the amount and manner, determined in accordance with the Regulations on Remuneration of Members of the Supervisory Board.

Total expenses for the payment of remuneration to members of the Supervisory Board at the end of the corporate year amounted to 43,350,000 RUB Rewards were paid in full by the due date.

| № | Full name | Basic part, RUB (Sbase) | Amount of remuneration for participation in the work of the Supervisory Board, RUB S(1) | Allowance for additional obligations (for chairmanship over committees or the Supervisory Board) S(2) | Total remuneration, RUB (Stotal) = S(1) + S(2) |
|---|-----------------|----------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| | | | | % | RUB |
| 1 | M. V. Gordon | 6 000 000 | 5 750 000 | 20 | 1 150 000 |
| 2 | O. R. Fedorov | 6 000 000 | 6 000 000 | – | – |
| 3 | A. O. Chekunkov | 6 000 000 | 5 750 000 | – | – |
| 4 | K. A. Dmitriyev | 6 000 000 | 5 500 000 | – | – |
| 5 | D. V. Konov | 6 000 000 | 6 000 000 | – | – |
| 6 | S. V. Mestnikov | 6 000 000 | 6 000 000 | – | – |
| 7 | V. I. Lemesheva | 6 000 000 | 6 000 000 | 20 | 1 200 000 |

CHIEF EXECUTIVE OFFICER – CHAIRMAN OF THE MANAGEMENT BOARD AND THE MANAGEMENT BOARD

The Company's current activities are governed by the Chief Executive Officer – Chairman of the Board¹⁰⁰ (sole executive body) and the Board (collegial executive body). The competence of the Company's executive bodies covers all questions of the governance of current activities, with the exception of issues falling within the competence of the General Meeting of Shareholders and the Supervisory Board.

Chief Executive Officer – Chairman of the Management Board and the Management Board arrange the implementation of decisions of the General Meeting of Shareholders and the Supervisory Board, and are accountable to them.

The Board is composed as determined by the Supervisory Board. On September 23, 2017, by the decision of the Supervisory Board¹⁰¹ the number of members of the Board was determined to reach nine people. As of December 31, 2018, the Board consists of 8 members.

KEY RESULTS OF THE EVALUATION OF THE COMPANY'S EXECUTIVE BODIES

Issues considered by the Board in 2018

Structure of issues

IN 2018, THE BOARD CONSIDERED 69 ISSUES.



| | Quantity |
|---------------------------------------------------------------------------------------------------------------------|----------|
| Issues requiring preliminary consideration before being submitted to the Supervisory Board, except for transactions | 19 |
| Preliminary consideration of transactions (including transactions related to charity and sponsorship) | 16 |
| Determining directions for the Company's goals, strategy, policies and programs | 11 |
| HR and social issues | 10 |
| Consideration of the Company's internal documents | 9 |
| Risk Management | 2 |
| Miscellaneous | 2 |

¹⁰⁰ On January 11, 2018, the extraordinary General Meeting of Shareholders approved a new version of the Charter, according to which the position of the sole executive body was changed to "Chief Executive Officer - Chairman of the Board". The new edition of the Charter was registered on January 22, 2018.

¹⁰¹ Minutes No. A01/262-IIP-HC dated September 27, 2017

Terms of members of the Supervisory Board on the Board

| Term | Number of people |
|-----------|------------------|
| > 7 years | – |
| 1–7 years | 1 |
| < 1 year | 1 |

Changes in the composition of the Board
Powers of members of the Board did not expire ahead of schedule in 2018.

Brief Biographical Background



SERGEY SERGEYEVICH IVANOV

Chief Executive Officer – Chairman of the Executive Committee

Date of entry into office
March 14, 2017

Brief Biographical Background
Born on October 23, 1980, in Moscow.
He graduated from the Moscow State Institute of International Relations: in 2001 - with a degree in Economics, in 2002 - with a degree in Finance and Credit.
In 2011 he graduated from the Russian Economic University named after G.V. Plekhanov.
Candidate of Economics.

Work experience in recent years

| Period | Position |
|----------------|-----------------------------------------------------------------|
| 2011–2016 | Chairman of the Board of JSC Sogaz |
| 2016–2017 | Senior Vice President – Head of Wealth Management PJSC Sberbank |
| 2017 – to date | Chief Executive Officer – Chairman of the Board of PJSC ALROSA |



Holds no shares of PJSC ALROSA. In 2018, he committed no transactions for the acquisition / alienation of shares.

YEVGENY YURYEVICH AGUREYEV

Director of USO ALROSA, Member of the Board

Date of entry into office:
August 3, 2017.

Brief Biographical Background
Born on January 31, 1978 in Vienna (Austria).
In 1999, he graduated from Moscow State University with a degree in Economics, in 2001 – Management.

Work experience in recent years

| Period | Position |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2009-2017 | Head of the International Reporting Division, Deputy Head of the Planning and Reporting Department of the Finance Department, Head of the Planning and Reporting Department, Senior Managing Director of the Finance Department, Vice President-Director of the Finance Department with PJSC Sberbank RF |
| 2017 – to date | Director of PJSC ALROSA's branch USO ALROSA (manages and is in charge of the Company's activities on the implementation of rough diamonds sales plans, also ensures the timely receipt of RUB and foreign exchange earnings for the products sold (diamonds) and implements the Company's sales policy with regards to rough diamonds) |



Holds no shares of PJSC ALROSA. In 2018, he committed no transactions for the acquisition / alienation of shares.

SERGEY VLADIMIROVICH BARSUKOV

Deputy CEO Member of the Board

Date of entry into office:
August 14, 2017.

Brief Biographical Background
Born on September 2, 1971, in the city of Kalinin.
In 1993 he graduated from the Military Space Engineering Academy of the Red Banner named A. F. Mozhaisky with a degree in Mathematical Support of Automated Information Processing Systems; in 2005 – St. Petersburg State University with a degree Public and Regional Administration.

Work experience in recent years

| Period | Position |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2010-2017 | Director of the Financial Policy Department of the Ministry of Finance of the Russian Federation |
| 2017 – to date | Vice-President, Deputy Chief Executive Officer of PJSC ALROSA (manages the Company's activities in representing its interests when interacting with government authorities and administrations, public organizations, developing external relations, implementing the Company's policy for international activities, and representing the Company's interests when interacting with international industry organizations of the world's diamond complex, licensing all types of activities of Russian companies and affiliates) |



Holds no shares of PJSC ALROSA. In 2018, he committed no transactions for the acquisition / alienation of shares.

ALEXANDER GRIGORIEVICH MATVEEV

Head of the Legal Affairs Department, Member of the Board

Date of entry into office:
November 23, 2009

Brief Biographical Background
Born on August 3, 1976, in the city of Omsk.
In 1998, he graduated from the Omsk State University with a degree in Law.

Work experience in recent years

| Period | Position |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------|
| 2009 – to date | Head of Legal Affairs with PJSC ALROSA (manages and is responsible for the activities, related to the Company's legal protection) |



Share of PJSC ALROSA's ordinary shares in possession: 0.0073%
In 2018, he committed no transactions for the acquisition / alienation of shares.

YURY KONSTANTINOVICH OKOYOMOV

Deputy CEO Member of the Board

Date of entry into office:
August 6, 2009.

Brief Biographical Background
Born on January 1, 1962, in the village of Kazachye, Verkhoyansk Region of the Yakut Autonomous Soviet Socialist Republic.
In 1985, he graduated from the Moscow State Institute of Steel and Alloys with a degree in Physics of Metals; in 1996 – from the Academy of National Economy under the Government of the Russian Federation with the qualification “Manager of the Highest Category”.

Work experience in recent years

| Period | Position |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2009 – to date | Vice President, Deputy Chief Executive Officer of PJSC ALROSA (manages and is responsible for the Company's activities on matters related to plans for the production and sale of rough and polished diamonds in subordinate divisions, ensures the efficient operation of the Company's cutting and polishing complex and timely receipt of revenues for the products sold, participates in the formation and implementation of the Company's sales policy on rough and polished diamonds (in the Company's subordinate divisions), provides methodological support for technological processes in terms of sorting and evaluation of rough diamonds) |



Holds no shares of PJSC ALROSA. In 2018, he committed no transactions for the acquisition / alienation of shares.

IGOR VITALYEVICH SOBOLEV

First Deputy Chief Executive Officer - Executive Director, Member of the Board

Date of entry into office:
January 1, 2012.

Brief Biographical Background

Born on November 16, 1969 in the town of Kimovsk, Tula region. In 1993, he graduated from Tula State Technical University with a degree in Mining Engineering and Construction.

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2012 – to date | First Vice President - Executive Director, First Deputy Chief Executive Officer - Executive Director of PJSC ALROSA (manages and is responsible for the Company's main production and related activities in the regions where the Company operates, including in the Republic of Sakha (Yakutia)) |



Holds no shares of PJSC ALROSA. In 2018, he committed no transactions for the acquisition / alienation of shares.

ALEXEY NIKOLAYEVICH FILIPPOVSKY

Deputy CEO Member of the Board

Date of entry into office:
September 1, 2017.

Brief Biographical Background

Born on December 28, 1972, in Yekaterinburg. In 2002, he graduated from the University of California at Los Angeles with a degree in Master of Business Administration; in 2015, he graduated from the Maxwell School of Public Administration (New York, USA) with a degree in Master of Public Administration.

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2015-2017 | Chief Financial Officer of LLC Siberian Generating Company |
| 2017 – to date | Vice President for Economics and Finance, Deputy Chief Executive Officer of PJSC ALROSA (manages and is responsible for the Company's accounting and reporting, finance and treasury, planning and economic analysis, rationing of labor resources, and coordinates risk management) |



Holds no shares of PJSC ALROSA. In 2018, he committed no transactions for the acquisition / alienation of shares.

ANDREY NIKOLAYEVICH CHEREPNOV

Chief Engineer, Member of the Board

Date of entry into office:
July 29, 2015

Brief Biographical Background

Born on January 4, 1966 in Irkutsk. In 1988, he graduated from the Irkutsk Polytechnic Institute with a degree in Mine Surveying.

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2001-2012 | Deputy Chief Surveyor, Chief Surveyor of PJSC ALROSA |
| 2012-2015 | Deputy Chief Engineer for Production, PJSC ALROSA |
| 2015 – to date | Chief Engineer of PJSC ALROSA (manages and is responsible for the Company's unified technical policy, the Company's compliance with technological requirements of regulations on the protection of mineral resources and preservation of mineral raw materials at all stages of their extraction and enrichment, improving the efficiency of maintaining open and underground mining, construction, environmental safety, improving the quality of products, works and services, as well as development and examination of feasibility studies) |



Amount of remuneration paid to Members of the Board in 2018

Regulations on Remuneration of Members of the Board and its relationship with the Company's KPI System

On November 27, 2018, the Supervisory Board approved the Regulations on Remuneration of Chief Executive Officer – Chairman of the Board in a new edition,¹⁰² which takes into account, among other things, the linkage of an amount of remuneration to the achievement of certain KPI. Regulations on Remuneration of Members of the Board was approved by a decision of the Supervisory Board on November 10, 2015.¹⁰³

According to the Regulations, annual remuneration is paid to the Chief Executive Officer – Chairman of the Board and members of the Board for achieving key performance indicators of production and economic activity. The size of quarterly remuneration to the Chief Executive Officer – Chairman of the Board and members of the Board depends on reaching the following quarterly KPI:

- core product sales revenue, mln US dollars
- rough diamond production, thd carats
- net profit, RUB mln

For the payment of annual remuneration to the Chief Executive Officer – Chairman of the Board, the following annual KPIs are taken into account:

- market return on shares, %
- growth of the dividend flow, RUB mln
- Return on equity (ROE), %
- EBITDA, adjusted for irregular components (adjusted earnings before taxes, interest and depreciation) (RUB bln),
- core product sales revenue, mln US dollars
- rough diamond production, thd carats
- volume of rock mass, thd cubic meters
- integral KPI of innovations, %

For members of the Board, annual remuneration depends on the following KPI:

- market return on shares, %
- growth of the dividend flow, RUB mln
- Return on equity (ROE), %
- EBITDA margin adjusted for irregular components (adjusted profit margin before taxes, interest and depreciation) (achievement of planned targets) (%),
- share of cost of sales in sales revenue (%) (not exceeding the planned values).

The Chief Executive Officer – Chairman of the Board and members of the Board are entitled to receive wages, bonuses, voluntary medical insurance, compensation for performing their duties as members of the Boards of Directors of ALROSA Group individual enterprises. Wages and bonuses paid to members of the Board are determined according to the terms of their employment contracts. Upon termination of employment in accordance with the conditions, set out in the Regulations on Non-State Pension Provision for employees of PJSC ALROSA, members of the Board are entitled to receive a non-state pension.

Structure of remuneration, RUB thd

| Indicators | 2016 | 2017 | 2018 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|
| Short-term remuneration - amounts payable during the reporting period and for 12 months after the reporting date | 831 674 | 863 999 | 327 719 |
| • remuneration for the reporting period, annual paid vacation for work in the reporting period, payment for treatment, medical care, utilities, etc. payments to core management staff | 717 639 | 752 877 | 281 000 |
| • accrued taxes and other obligatory payments to relevant budgets and extra-budgetary funds | 114 035 | 111 122 | 46 719 |

¹⁰² Minutes No. A01/284-IIP-HC

¹⁰³ Minutes No. A01/236-IIP-HC

Audit Commission

In accordance with the legislation of the Russian Federation and the Company's Charter the Audit Commission is elected by the annual General Meeting of Shareholders to oversee the Company's financial and economic activities and compliance with legal acts of the Russian Federation.

The Audit Commission is elected to consist of 5 people; its term of office extends to the period until the next annual General Meeting of Shareholders.

The composition of the Audit Commission, elected by the Annual General Meeting of Shareholders on June 30, 2017,¹⁰⁴ was valid until June 26, 2018

| Full name | Position |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Viktor Nikolayevich Pushmin | Chairman Deputy Finance Minister of the Republic of Sakha (Yakutia) |
| Anna Ivanovna Vasilyeva | Head of Department of the Rough and Polished Diamond Complex Property, Financial and Insurance Organizations, Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) |
| Alexander Sergeyevich Vasilchenko | Deputy Director of the Corporate Governance Department, Ministry of Economic Development of the Russian Federation |
| Dmitry Gennadievich Vladimirov | Head of Management of Property Relations and Privatization of the Largest Organizations of the Federal Agency for State Property Management |

The composition of the Audit Commission, elected by the Annual General Meeting of Shareholders on June 26, 2018,¹⁰⁵ was valid until December 31, 2018

| Full name | Position |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alexander Alexeyevich Pshenichnikov | Chairman Deputy Director for State Regulation in Production, Processing and Circulation of Precious Metals and Gems and Currency Control of the Ministry of Finance of the Russian Federation |
| Viktor Nikolayevich Pushmin | Deputy Chairman Deputy Finance Minister of the Republic of Sakha (Yakutia) |
| Anna Ivanovna Vasilyeva | Head of the Department of the Rough and Polished Diamond Complex Property, Financial and Insurance Organizations, Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) |
| Alexander Sergeyevich Vasilchenko | Deputy Director of the Corporate Governance Department, Ministry of Economic Development of the Russian Federation |
| Konstantin Konstantinovich Pozdnyakov | Chairman of the International Tourism, Sport and Hospitality Department, Associate Professor of the Corporate Finance and Corporate Governance Department, Associate Professor of the Management Department of the Financial University under the Government of the Russian Federation |

¹⁰⁴ Minutes No. 35

¹⁰⁵ Minutes No. 37

Events run by the Audit Commission in 2018

In 2018, the Audit Commission conducted an annual audit of the Company's financial and economic activities for 2017. The audit was conducted from April 2 to April 13, 2018

and included the following planned activities:

- analysis of accounting (financial) statements;
- analysis of reaching key performance indicators; planning and economic indicators, including the analysis of actually achieved financial indicators;
- analysis of net profit spending;
- analysis of the accrual and payment of dividends;
- implementation of the Non-Core Asset Alienation Program in 2017;
- analysis of results of the Company's sales policy on domestic and foreign markets in 2017;
- analysis of procurement activities in 2017;
- analysis of the measures taken to eliminate deficiencies, identified by the previous audit;
- conclusion (including recommendations to eliminate the identified deficiencies).

The Audit Commission's conclusion on the audit of the Company's financial and economic activities for 2017 was presented to the annual General Meeting of Shareholders on June 26, 2018.

Amount of remuneration for members of the Audit Commission

In accordance with the Regulations on Remuneration and Compensation of Members of the Audit Commission, remuneration to members of the Audit Commission may be paid for participating in the work of the Audit Commission and for performing additional duties related to the chairmanship of the Audit Commission. Remuneration shall not be paid to the Chairman and members of the Audit Commission, who have the status of a state or municipal employee, in accordance with the current legislation of the Russian Federation.

For the 2017-2018 corporate year, four people were elected to the Audit Commission, all of them - civil servants. In accordance with the Regulations on Remuneration and Compensation for Members of the Audit Commission, members of the Audit Commission did not receive remuneration for their services to the Company in the 2017-2018 corporate period.

CORPORATE SECRETARY

Rights and obligations of the Corporate Secretary are enshrined in the Company's Charter and detailed in the Regulations on the Corporate Secretary.¹⁰⁶

Objectives of the Corporate Secretary:

- ensuring compliance by the Company's executive bodies and employees with laws of the Russian Federation, the Company's Charter and internal documents, guaranteeing the exercise of the rights and legitimate interests of shareholders;
- ensuring the observance of the rights and property interests of shareholders, helping shareholders in exercising their rights, maintaining a balance of interests between participants in corporate relations;
- assisting in the activities of the General Meeting of Shareholders, the Supervisory Board, committees under the Supervisory Board, the Board, and the Audit Commission;
- assisting the members of the Supervisory Board in their functions, including the instatement of newly elected members of the Supervisory Board;

- developing the Company's Corporate Governance System in accordance with the interests of all shareholders and the Company;
- assisting in growth of the Company's investment attractiveness, promoting sustainable development.

The Corporate Secretary is an official of the Company, administratively subordinate to the Chief Executive Officer – Chairman of the Board, functionally subordinate to the Supervisory Board, while being accountable to the Supervisory Board and supervised by the Chairman of the Supervisory Board.

¹⁰⁶ Approved by the Supervisory Board on December 11, 2014 (Protocol No. A01/223-IIP-HC) with amendments, approved by the Supervisory Board on October 2, 2015 (Protocol No. A01/234-IIP-HC)



MAXIM VIKTOROVICH RAZDOLKIN

Head of Corporate governance Department – Corporate Secretary

Date of entry into office:

September 28, 2018¹⁰⁷

Brief Biographical Background

Born on May 19, 1976 in the city of Maikop of the Republic of Adygea. In 2000, he graduated from the Peoples' Friendship University of Russia with a degree in Law, a lawyer. Candidate of Laws (Peoples' Friendship University of Russia, 2003).

Additional education

2010 – Manchester Business School, Compliance Program
2011 – INSEAD Business School, Building a World-Class Company Program.

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|--------------------------|------------------------------------------------------------------------------|
| 2007-2010 | Corporate Secretary of OJSC TNK-BP Management |
| 2010 – 2013 | Chief of Staff of the President of OJSC TNK-BP Management |
| 2013 – August 2018 | Corporate Secretary of X5 Retail Group N.V. |
| August-September 2018 | Assistant to Chief Executive Officer of PJSC ALROSA |
| September 2018 – to date | Head of Corporate governance Department – Corporate Secretary of PJSC ALROSA |

He has no family ties with persons who are members of the Company's governing and supervisory bodies for financial and economic activities.

¹⁰⁷ Minutes No. A01/281-IIP-HC



ANDREI GRIGORYEVICH LEKAREV

Head of Corporate governance Department – Corporate Secretary

Termination date:

September 28, 2018

Brief Biographical Background

Born on May 7, 1981 in the city of Kuibyshev. In 2003, he graduated from the Moscow State Academy of Law with a degree in Law, lawyer. Candidate of Laws (Moscow State Academy of Law, 2006).

In 2011, he graduated from the International Business School of the Financial University under the Government of the Russian Federation under the MBA program – International Banking Management.

Work experience in recent years

| <i>Period</i> | <i>Position</i> |
|-----------------------|------------------------------------------------------------------------------------------------------------------|
| 2007-2010 | Lead, General Counsel, Legal Department, OJSC VTB Bank |
| 2010 - September 2018 | Secretary of the Supervisory Board, Head of Corporate governance Department – Corporate Secretary of PJSC ALROSA |

Until 2007, he worked in the offices of the Council of Federation and the State Duma of the Federal Assembly of the Russian Federation. Counselor of the State Civil Service of the Russian Federation, Class 3, Member of the All-Russian Public Organization National Association of Corporate Secretaries.

He has no family ties with persons who are members of the Company's governing and supervisory bodies for financial and economic activities.

The powers of Corporate Secretary A. G. Lekarev were terminated by a decision of the Supervisory Board of September 26, 2018¹⁰⁸

Remuneration to the Corporate Secretary

In 2018, the Corporate Secretary received remuneration under the Regulations on the Corporate Secretary, the Company's internal regulatory documents, governing the remuneration and material incentives system for the Company's employees, including those in senior positions.

¹⁰⁸ Minutes No. A01/281-IIP-HC

INTERNAL CONTROL AND AUDIT

Internal control and audit provide significant support in the proper implementation of the procedures of corporate governance of ALROSA. The system of Internal control and audit of the Company comprises an essential set of functional units and tools of control.

INTERNAL AUDIT

Internal Audit Department (hereinafter IAD) is accountable functionally to the Audit Committee at the Supervisory Board. Head of IAD is subordinate in administrative aspect to the Chief Executive Officer – Chairman of the Board.

The main activity directions are:

- assessment of the efficiency of the internal control system,
- assessment of the efficiency of the risk management system,
- assessment of corporate governance.

The staff of the IAD consists of 13 persons and three divisions: the Division of Internal Audit and Inspections, Division for Internal Control of the ALROSA Group and the Division of Corporate Controlling.

The activities of the Internal Audit Department are based on Regulation on Internal Audit,¹⁰⁹ Regulation on IAD and on risk-based work schedule and targets (key performance indicators) and the budget of the IAD.

Internal Audit Department tasks are:

- assistance to the executive bodies and employees of the Company in developing and monitoring execution of procedures and activities to improve risk management and internal control systems and corporate governance of the Company,
- coordination of work with the independent auditor of the Company, as well as parties providing consulting services in the risk management, internal control and corporate governance,
- conducting internal audit of structural divisions of the Company in accordance with the established procedure,
- preparation and presentation of the report on internal audit activity and findings to the Supervisory Board (Audit Committee) and Chief Executive Officer – Chairman of the Board.

Regulation on Internal Audit defines the objectives, tasks, powers and responsibilities of the IAD, the status of the internal audit in the Company, including the administrative reporting lines and functional accountability, the scope and content of the internal audit activities (including limitations) and the right of access to information. It also regulates interaction with stakeholders, requirements and procedures of internal audit planning, arranging and conducting audits and preparation of reports. The Regulation defines the program of assessment and enhancement of the quality of the activities of the IAD, including quality-control procedures, as well as the criteria and procedures for the evaluation of the activities of the internal audit of the Company

Internal Audit Department functions are:

- assessment of the effectiveness of the internal control system, risk management and evaluation of corporate management,
- conducting internal audits on the basis of the approved schedule of internal audit activities
- conducting other checks, performing other tasks on request/ instruction of the Supervisory Board (Audit Committee) and executive bodies of the Company within the authority, including on the basis of the ‘hot line’ information,
- conducting comprehensive examinations (reviews) of the structural units of the Company, by way of documentary and physical examination of the legitimacy of financial and economic transactions, the reliability and accuracy of their reflection in accounting (financial) reporting,
- analysis of operations of the structural units of the Company to evaluate particular aspects of their activities,
- advising the Supervisory Board (Audit Committee) and the executive bodies on risk management, internal control and corporate governance, (subject to maintaining independence and objectivity of the internal audit activities),
- monitoring implementation of action plans for elimination of shortfalls, violations and enhancing risk management and internal control systems, developed by the heads of the structural units of the Company on the results of the internal audit,
- within the competence of the IAD, assisting the executive bodies of the Company in the investigation of dishonest/unlawful actions of employees and third parties,
- development and maintenance of internal normative documents regulating the activities of the internal audit (internal audit methodology).
- development of an annual schedule of internal audit activity (annual IAD work plan)
- preparation and presentation of the 12-month report on internal audit (IAD) activity and findings to the Supervisory Board (Audit Committee) and Chief Executive Officer – Chairman of the Board.
- coordination of work with the independent auditor of the Company, as well as parties providing consulting services in the risk management, internal control and corporate governance,
- interacting with other departments on matters relating to the internal audit activities,
- other functions that essential to meet the objectives of the internal audit in the Company.

To ensure systematic control and evaluation of the quality of the internal audit the Company developed and approved internal normative document defining the Internal Audit Assessment and Quality Enhancement Program, as well as the criteria and procedure of internal audit assessment.

In accordance with the Internal Audit Assessment and Quality Enhancement Program, the IAD staff perform procedures of continuous monitoring and quality control. Internal quality assessment is conducted on an annual basis, external quality assessment is carried out by external expert or group of experts and is conducted at least once every five years, or more often on the decision of the Supervisory Board (Audit Committee).

In 2017, on the decision of the Supervisory Board (Audit Committee) a preliminary independent external assessment of the performance of the internal audit was arranged and conducted with benchmarking performance of the IAD engaging independent consultants Ernst & Young LLC- Assessment and Advisory Services.

In 2018, in the context of the work on further improvement of the internal audit, an audit methodology of the Company's corporate governance and the resource model of internal audit were developed.

In accordance with the work schedule the following audit and organizational-methodological events took place in 2018:



¹⁰⁹ prepared in accordance with the corporate governance requirements set out in the Corporate Governance Code, approved by the decision of the Board of Directors of the Bank of Russia on March 21, 2014, the Listing Rules of the Moscow Exchange PJSC and on best practice in corporate governance and approved by the Supervisory Board on December 14, 2017 (Minutes # A01/266-III-P-HC)

Audits

- 1. Review of the procurement procedures for the acquisition of goods from a sole provider, originally declared as competitive, by examining the main phases of the procurement procedures.
- 2. Review of the procedures for the identification and disposal of non-core assets of ALROSA (PJSC) regarding the stock/shares and property, plant and equipment. The key directions of the review concerned the execution of the regulations, assessing the quality of non-core assets identification procedure at the level of structural units, allocation of powers and functions of the commission bodies, and adequacy of the incentives for the employees, when working with non-core assets.
- 3. Review of the business processes in the core activities of the structural unit of the Company – PU "Almazdortrans". The audit was conducted to assess the processes of reformatting a structural unit in a subsidiary and comprised the analysis of transportation aspect (transit, by-hour), cargo handling at the Lensky river port, repairs, employee incentives and some other aspects.
- 4. Examination of the structural units (Capital Construction Department, Mirninskoe Roads Department, Logistics Department) and the ALROSA-Spetsburenii LLC, a legal entity controlled by the Company.
- 5. Monitoring of the implementation of the follow-up measures to remedy the shortfalls and prevent violations detected in the course of inspection of separate lines of business of joint stock company PJSC ALROSA.
- 6. Assessment of the efficiency of the internal control and risk management system at the macro level.

Other activities of the IAD

In 2018, consulting project was completed to analyze expenditure under particular budget lines of KIMANG, LDA.

In accordance with the requirements of the law routine annual audits were arranged and conducted of financial-economic activities of 14 controlled and affiliated legal entities of the Company (PKO) to confirm the accuracy of PKO reporting and verify the actual status of the main control functions of the key business processes in PKO.

In the context of standardization and improvement of the quality of the audit in PKO, guidelines/requirements of JSC ALROSA (PJSC) on conducting the audit were developed and updated for the members of the audit committees.

In 2018, execution was checked of the Company management decisions on the results of monitoring remedial actions on earlier audits of particular business processes of ore mining and processing enterprises of the Company.

Monitoring the implementation of the action plan to enhance the performance of the Department

In accordance with the Internal Audit Assessment and Quality Enhancement Program, monitoring was conducted of the implementation of the action plan to enhance the performance of the IAD, developed upon the findings of the external assessment and aimed at achieving compliance with the requirements of international professional standards and best practices of internal audit. In General, 22 events were implemented of 40 in the action plan, and 18 are not yet due.

In 2018, the Internal Audit Department conducted 58 reviews and events focused on issues of organization and methodology, including 35 scheduled events. The share of unscheduled inspections and other events in the total number was 39%.

Upon instruction of the Company management the results of activities undertaken in 2018 were summed up, conclusions were drawn, shortcomings and risks were identified and documented; audit-based recommendations were developed to address shortcomings and irregularities and optimize the existing business processes.

INDEPENDENT/
EXTERNAL AUDITOR

Joint-stock company
"PricewaterhouseCoopers Audit" (JSC "PwC Audit")

INN 7705051102 , OGRN 1027700148431
Address: 10 UL. Butyrsky Val,
Moscow, 125047
Phone: (495) +7 967-60-00
Fax: +7 (495) 967-60-01

Procedures used in the selection of independent auditors and to ensure their independence and objectivity, information on the remuneration of independent auditors for audit and non-audit services

In 2018, there were no factors that could influence the auditor's independence from the Company, including significant interests linking the auditor (auditor's executives) with the Company (Company executives).

Up to 2012 the service of mandatory annual audit of consolidated financial statements prepared in accordance with the IFRS at the end of the year was procured on a non-competitive basis.

Starting from 2012 the service of mandatory audit of accounting (financial) reports prepared in accordance with the Russian law and consolidated financial statements prepared in accordance with the IFRS at the end of the year is procured through public tender.

Tender arranger

Executive body of the Company

Subject of the Tender

Starting from 2012 the service of mandatory audit of accounting (financial) reports prepared in accordance with the Russian law and consolidated financial statements prepared in accordance with the IFRS at the end of the year is procured through public tender.

Tender Objective

Identification of the audit organization, offering the best terms of mandatory audit of:

- accounting/financial statements of the Company prepared in accordance with Russian law,

Membership in the self-regulatory organizations of Auditors

Self-regulatory organization "Russian Union of Auditors" (Association)

JSC "PwC Audit" is included in the Register of Auditors and Audit Organizations SRO RSA under a primary registration entry number (ORNZ) 11603050547.

From September 21, 2009 to October 19, 2016 it was a member of the self-regulatory organization of auditors Non-commercial Partnership "Auditors Chamber of Russia," ORNZ 10201003683

- consolidated financial statements of ALROSA Group, prepared in accordance with IFRS.

Tender Commission

For the purpose of an open tender the Company instituted a tender commission. The Commission was composed of managers and specialists of the Company and representatives of the Federal Agency for State Property Management, the Ministry for Property Relations of the Republic of Sakha (Yakutia) and the Ministry of Finance of the Russian Federation.

Development and approval of the tender documentation

In 2016, the Company developed open tender documentation,¹¹⁰ which was agreed with the Federal Agency for State Property Management as the main shareholder.

Publication and posting of the notice on the tender and tender documentation

In 2016, the Notice on conducting a public tender and tender documentation were posted and published on the official website of Unified Informational System for Procurement www.alrosa.ru www.zakupki.gov.ru and the Company site www.alrosa.ru.

¹¹⁰ as required by Federal Law No. 44-FZ "On the Contract System for State and Municipal Procurement of Goods, Work, and Services" dated 5th April 2013 and Decree of the Government of the Russian Federation No.1085, dated November 28, 2013 "On Approval of the Rules for Assessment of Tender Applications, Final Bids for the Procurement of Goods, Works and Services for Government and Municipal Needs" and normative documents of the Company

Winning bidder

The winner became an audit organization scoring the best number of points. The Supervisory Board of the Company sought the approval of the winner from the Annual General Meeting of shareholders.

The audit comprises procedures for the purpose of obtaining auditor proof with respect to numeric data and information contained in the financial statements. The selection of procedures is based on the auditor's judgment, including the professional assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In the process of assessing the above-mentioned risks, the Auditor considers internal control system associated with the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control system. Additionally, the audit includes an assessment of the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the financial statements.

Auditor's remuneration, payable for the last completed financial year for which the auditor conducted an independent audit is determined by agreement between the auditor and the Company and for 2018 audit comprised:

- RUB 7.5 mln for auditing accounting/financial statements of the Company prepared in accordance with the Russian law, net of VAT
- RUB 27 mln for auditing consolidated financial statements of ALROSA Group, prepared in accordance with IFRS, net of VAT.

In 2018, JSC PwC Audit also performed the overall review of the financial statements of the Company prepared in accordance with the laws of the Russian Federation for the period from January 1 to June 30, 2018 and preparation of its opinion on the overall review worth RUB 1.829 mln, VAT including.

No payments for rendered auditor services are deferred or overdue.

Decision on the approval of the auditor to audit the statutory financial statements of PJSC ALROSA prepared in accordance with the Russian law, and the auditor for the statutory audit of the consolidated financial reporting of ALROSA Group, prepared in accordance with the IFRS for 2018, was passed by the Annual General Meeting of shareholders.

There are no participation shares of the Auditor (Auditor's executives) in the authorized (charter) capital (Unit trust) of the Company.

No loans have been extended to the Auditor (executives of the Auditor) by the Company

There are no close business relations (participation in the promotion of products (services), participation in joint business activities, etc.), or family relations.

No information about the Company's executives being executives of the Auditor is available.



INFORMATION DISCLOSURE SYSTEM

INFORMATION POLICY

ALROSA information policy is based on the following principles:

- regularity and timeliness
- accessibility,
- completeness and accuracy,
- a reasonable balance between the openness of the Company and protection of its commercial interests.

ALROSA pays great attention to raising its information activity and maintaining a high level of openness and transparency. The Company analyzes the information needs of its target audience thoroughly and strives to timely disclose important information.

Information disclosure channels

One of the main channels of communication is the official website of the Company at www.alrosa.ru, containing not only information and financial statements, but also detailed information about production, marketing, finance, corporate social responsibility of ALROSA, the global diamond market and industry organizations. Concurrently, information is posted on the English version of the website eng.alrosa.ru.

In 2018, the process of renovating the corporate website started, to be launched in 2019.

In addition to the corporate site, the Company uses Interfax site for mandatory disclosures as well as print media: Rossiyskaya Gazeta, Mirninsky Worker, Lensky Vestnik (Lena Gazette), Yakutia, Saha Sire.

| <i>The Company Status</i> | <i>Regulatory/statutory compliance</i> | <i>Disclosure Channel</i> | <i>Info / Audience</i> |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public joint-stock company | Federal Law “On Joint-Stock Companies” no. 208-FZ dated December 26, 1995 | Corporate Site http://www.alrosa.ru | <ul style="list-style-type: none">• Charter and main internal documents of the Company• information about material facts, affiliated parties,• information about securities issued by the Company, payment of dividends,• quarterly, annual and CSR reports• annual and interim financial reporting,• materials to the General Meetings of Shareholders and decisions taken at the meetings, as well as the decisions taken at the meetings of the Supervisory Board• news releases |
| The issuer of securities | <p>Federal Law “On the Market of Securities” no. 39-FZ dated April 22, 1995</p> <p>Regulation on the Disclosure of Information by Issuers of Securities (approved by the Bank of Russia on December 30, 2014, no. 454-P)</p> <p>Federal Law “On Counteracting Misuse of Insider Information and Market Manipulation” no. 224-FZ dated July 27, 2010</p> <p>The requirements of the Listing Rules of Moscow Exchange PJSC for issuers of Shares, included in the first level of quotation list of securities admitted for trading.</p> | <p>News line and Company page at Interfax Agency site http://www.e-disclosure.ru/portal/company.aspx?id=199</p> <p>Corporate Site, sub-section http://www.alrosa.ru/documents/information-disclosure/ Publications: Rossiyskaya Gazeta, Mirninsky Worker Lensky Vestnik Yakutia, Sakha sire</p> <p>Corporate site, subsection for investors and shareholders (versions in Russian and English) http://www.alrosa.ru/for-investors-and-shareholders/ and http://eng.alrosa.ru/investors</p> | <ul style="list-style-type: none">• statutory information disclosure,• disclosure of information to analysts, shareholders and representatives of the investment community in Russian and English in respect of the Company's performance, financial reporting, implementation of major investment projects and strategic priorities,• information in English for members of the investment community,• disclosure to analysts of investment banks. |

Protection of insider information

To prevent abuses in the form of misuse of insider information, the Company has enacted Regulation on Measures to Prevent the Use of Insider Information and (or) Manipulation of the Market In accordance with the Provision, insiders of the Company are obliged to take all measures in their power to protect and prevent the misuse and dissemination of insider information.

Subject to Federal Law "On Counteracting Misuse of Insider Information and Market Manipulation and on amendments to some legislative acts of the Russian Federation", ¹¹¹ persons with access to insider information of ALROSA, specified in the List of Information Related to Insider Information are required to notify of their transactions undertaken with securities of the Company and on entering in the contracts being derivative financial instruments where the price depends on the securities of the Company, in the manner prescribed by the legislation of the Russian Federation.

The Provision, the list of insider information and forms, as well as comments and explanations to complete the forms and notify the Company and the regulator are available on the website To Shareholders and Investors

¹¹¹ no. 224-FZ dated July 27, 2010

04

TO INVESTORS AND SHAREHOLDERS

PAID DIVIDENDS,
RUB BLN

82,2

2018

65,7

2017

15,4

2016

46%

TOTAL
SHAREHOLDER
RETURN

31%

MARKET CAP





SERGEY TAKHIEV

Head of Corporate Finance

"Our goal is to achieve a fair valuation of the Company, minimization of cost of capital and access to capital markets. We can only do this through an open and regular dialogue between the Company and the investment community, based on trust. We ensure full and timely disclosure of information about the Company, its results, strategies, as well as the situation in the diamond market. We are glad that our efforts have been appreciated by the shareholders of the Company, and the figures for the year 2018 prove this: capitalization of ALROSA has grown 31%, while growth in the stock market index stood at 12%. Total shareholder return for 2018 made 46% "

Track record

Sergey Takhiev has 14 years of experience in the metals and mining sector. He joined the team in 2018. Previously, he was Director of Investor Relations of NLMK Group, an International metallurgical company. During the period of his work in NLMK, the Group held leading positions in international rankings of public companies in the metallurgical and mining sector. In 2018 Sergey Takhiev topped the ranking of the best IR among metallurgical and mining companies according to the magazine Institutional Investor. He graduated from the Academy of National Economy (Master degree, majoring in financial management) and the program to top management at the business school INSEAD (France).

ALROSA'S KEY COMPETITIVE STRENGTHS

GLOBAL LEADERSHIP IN RESOURCES AND MINING

ALROSA is one of the largest diamond-producing companies in the world. Limited global diamond resource base, given the resource level of ALROSA, is sufficient for over 30 years of production.

PROFITABILITY

Business profitability exceeds the average for the industry, more than twofold. The Company consistently generates positive free cash flow.

STRONG MANAGEMENT TEAM

High managerial and industrial competence of the management team and members of the management bodies of ALROSA, ongoing investment in the development of the personnel, operating assets of the Company in the regions of its operation. In 2018, Sergei Ivanov was recognized as one of the best directors of the companies in the mining sector.

[Learn more about the Institutional Investor study](#)

CORPORATE GOVERNANCE

High standards and quality of corporate governance. In October of 2018, the Russian Institute of Directors upgraded ALROSA on the rating scale in the National Rating of Corporate Governance (NRCG®) to level 8 – Best practices of corporate governance.

[More on rating](#)

RESPONSIBLE BUSINESS

ALROSA is committed to sustainable development and international standards of corporate social responsibility. The Company features in the rankings FTSE4Good MSCI ESG, WWF Russia.

TRANSPARENT USE-OF-CAPITAL STRATEGY

Focus on the core business of the Company only. Investments into modernization of existing facilities and in projects with return of 20% and higher regular dividend payments from free cash flow.

HIGH RETURN FOR SHAREHOLDERS

ALROSA has been the world leader among the global companies by the growth of the total shareholder return from 2013 on. Return for 2018 amounted to 46%.

SHARE CAPITAL

AUTHORIZED CAPITAL

ALROSA authorized capital is divided into 7,364,965,630 (seven bln three hundred and sixty-four mln nine hundred sixty-five thd six hundred thirty) ordinary registered book-entry shares par value 50 kopecks (0.50 RUB) each. The authorized capital of the company amounts to 3,682,482,815 (three bln six hundred and eighty two mln four hundred eighty-two thd eight hundred and fifteen) RUB

OWNERSHIP

STRUCTURE

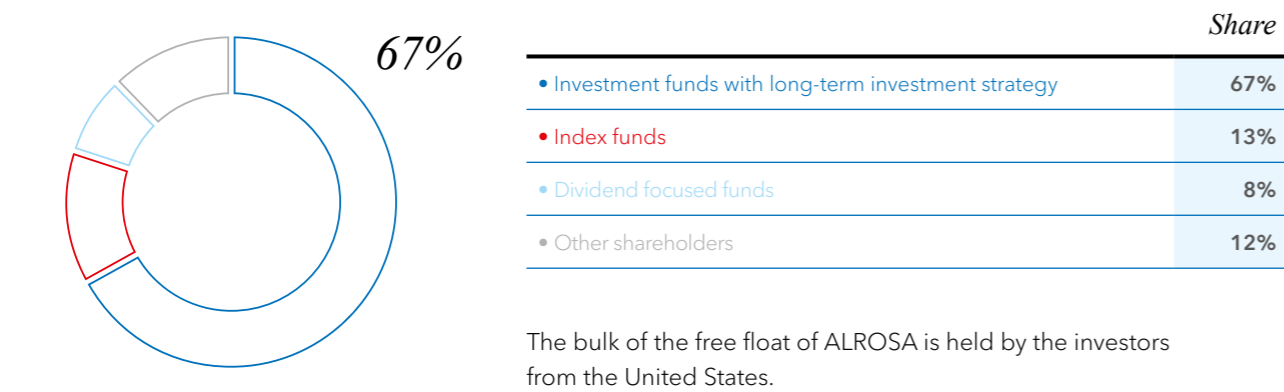
The Company's main shareholders are the Russian Federation (33%) and the Republic of Sakha (Yakutia) (25% stake). As of December 31, 2018 ALROSA'S free float shares make 34%, of which 29% is held by institutional investors, represented by over 320 minority shareholders-investment funds. 16% thereof is owned by 10 funds.

Ownership structure

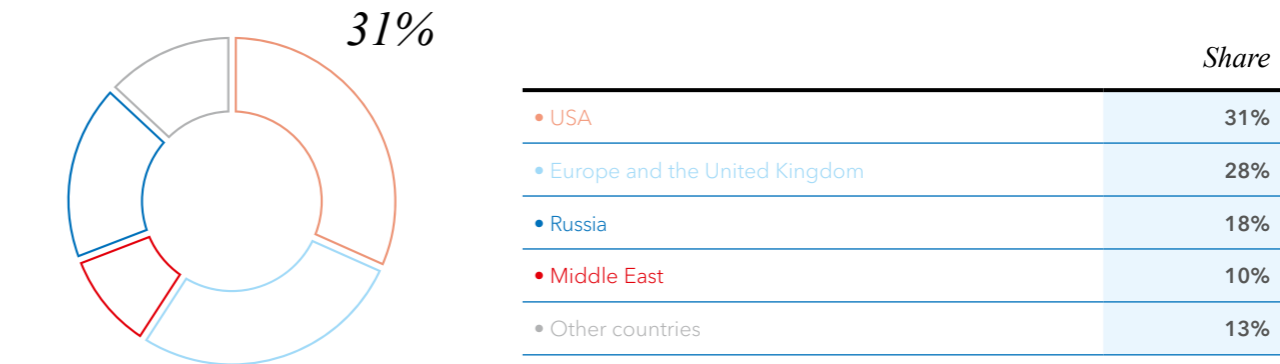


The analysis carried out in 2018 of a study on identification of security holders showed that the investment funds with the strategy of long-term investment account for 67% of the free float stock of the Company. Index funds account for 13%. Dividend-focused funds account for 8%. The minority shareholders of the Company with a strategy of speculative investing account for 12%.

Free-float Structure



Break-down of free float by geography



STOCK MARKET AND CAPITALIZATION

The Company's shares are traded on the Moscow Stock Exchange from 2011. At the end of 2018, ALROSA stock is included in the quotation list of the first level.

| Class of shares | Ordinary registered book-entry shares |
|------------------------------|---------------------------------------|
| Volume, pcs. | 7 364 965 630 |
| Issue number | 1-03-40046-N |
| Nominal value, RUB | 0,50 |
| Identification code (ticker) | ALRS |
| Traded from | 29.11.2011 |

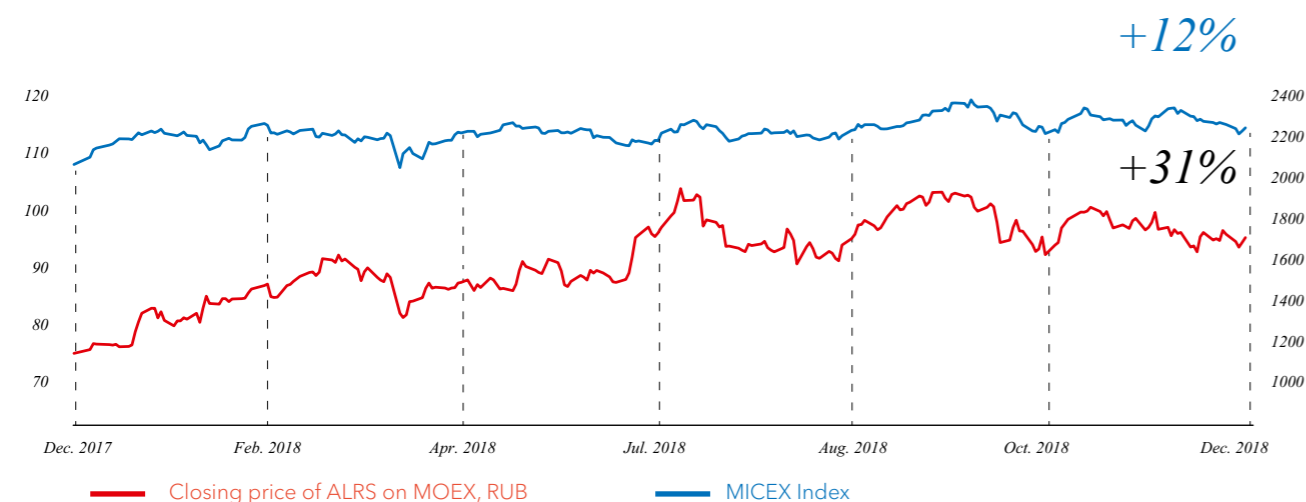
Average daily trading volume and dynamics, USD mln

| Indicators | 2016 | 2017 | 2018 |
|-----------------------------------------------------------|---------------|---------------|---------------|
| Average daily trading volume, USD mln | 13,0 | 21,6 | 18,0 |
| Minimal share price, RUB | 53,3 | 72,5 | 74,8 |
| Maximum share price, RUB | 99,5 | 108,6 | 107,9 |
| End-of-year share price, RUB | 97,4 | 75,1 | 98,6 |
| Shares in free float, pcs. | 2 502 161 810 | 2 502 161 810 | 2 502 161 810 |
| Shares in free float, %. | 33,9739 | 33,9739 | 33,9739 |
| End-of-year market capitalization, USD mln ¹¹² | 11 829 | 9 597 | 10 455 |
| End-of-year market capitalization, USD mln ¹¹³ | 717 568 | 552 814 | 726 333 |

Market capitalization growth is associated with the general improvement of the situation on the market for rough diamonds (in 2018, price index growth was about 4%), respective improvement in the financial performance of the Company, and implementation of a number of strategic initiatives aimed at efficiency, and concentration on core business (divestiture), as well as adoption of a new edition of the dividend policy.

^{112, 113} Market capitalization of the Company at the end of each reporting period, data from Moscow Exchange at CBR exchange rate on the last trading day

*In 2018, the share price of ALROSA grew by 31%;
the MICEX index grew by 12%*



In the reporting year from 1 January to 31 December, ALROSA's shares quotations growth showed positive dynamics (+31%), ahead of MICEX index growth by 19 p.p.

As of December 31, 2018 the shares of ALROSA are included in the calculation base of major Russian and foreign indexes.

| Index | Ticker Symbol | Weight in the index |
|-------------------------------------------|--------------------|---------------------|
| International indexes | | |
| MSCI Russia Index | MSCI Russia | 2,05% |
| The Moscow Stock Exchange Indexes | | |
| Blue-chip index | RTSSTD | 3,10% |
| Moscow Exchange Index и RTS Index | MICEXINDEXCF, RTSI | 2,52% |
| Index of metallurgy and mining industries | MICEX M&M, RTS mm | 14,72% |
| Broad market index | MICEXBMI | 2,14% |
| MICEX 10 Index | MICEX10INDEX | 10,00% |

DIVIDEND POLICY

In 2018, in order to enhance an investment attractiveness, a new version of the Regulations on the Dividend Policy of the Company was approved, setting the minimum dividend pay-out at 50% of net profit according to IFRS. The frequency of dividend payments was changed from annual to semiannual payment. The calculation of dividend was to be based on "free cash flow", deemed to be the cash flow from operating activities net of investment (CAPEX) in the main production. When preparing recommendations on dividend payments the level of the Company's debt load shall be taken into account.

On June 26, 2018 the Annual General Meeting of shareholders of the Company adopted a decision on payment of dividend by the results of the year 2017 in the amount of RUB 38.592 bln, or 50% of net profit according to IFRS.¹¹⁴

On September 30, 2018 an extraordinary general meeting of shareholders decided on payment of dividend in the first half of 2018 in the amount of RUB 43.674 bln, or 70% of free cash flow.

Regulation on the Dividend Policy is posted on the website in the section To Investors and Shareholders

14,4

RUB BLN

ACCRUED AND TRANSFERRED
TO THE FEDERAL BUDGET
OF THE RUSSIAN FEDERATION
AMOUNTED

| Dividend period | Source of payment (current profit/profit of previous years) | Class of share | Dividend payout per share RUB | Accrued total RUB, mln. | Including payout for the specified dividend period in the reporting period ¹¹⁵ , RUB mln. |
|-----------------|-------------------------------------------------------------|----------------|-------------------------------|-------------------------|------------------------------------------------------------------------------------------------------|
| 2012 | current profit | ordinaries | 1,11 | 8 175 | 8 153 |
| 2013 | current profit | ordinaries | 1,47 | 10 826 | 10 828 |
| 2014 | current profit | ordinaries | 1,47 | 10 826 | 10 824 |
| 2015 | current profit | ordinaries | 2,09 | 15 393 | 15 381 |
| 2016 | current profit | ordinaries | 8,93 | 65 769 | 65 688 |
| 2017 | (current profit/profit of previous years) | ordinaries | 5,24 | 38 592 | 82 238 |
| H1 2018 | current profit | ordinaries | 5,93 | 43 674 | |

¹¹⁴ Net profit according to IFRS is net profit determined in accordance with IFRS reporting of ALROSA as net income attributable to shareholders of PJSC ALROSA

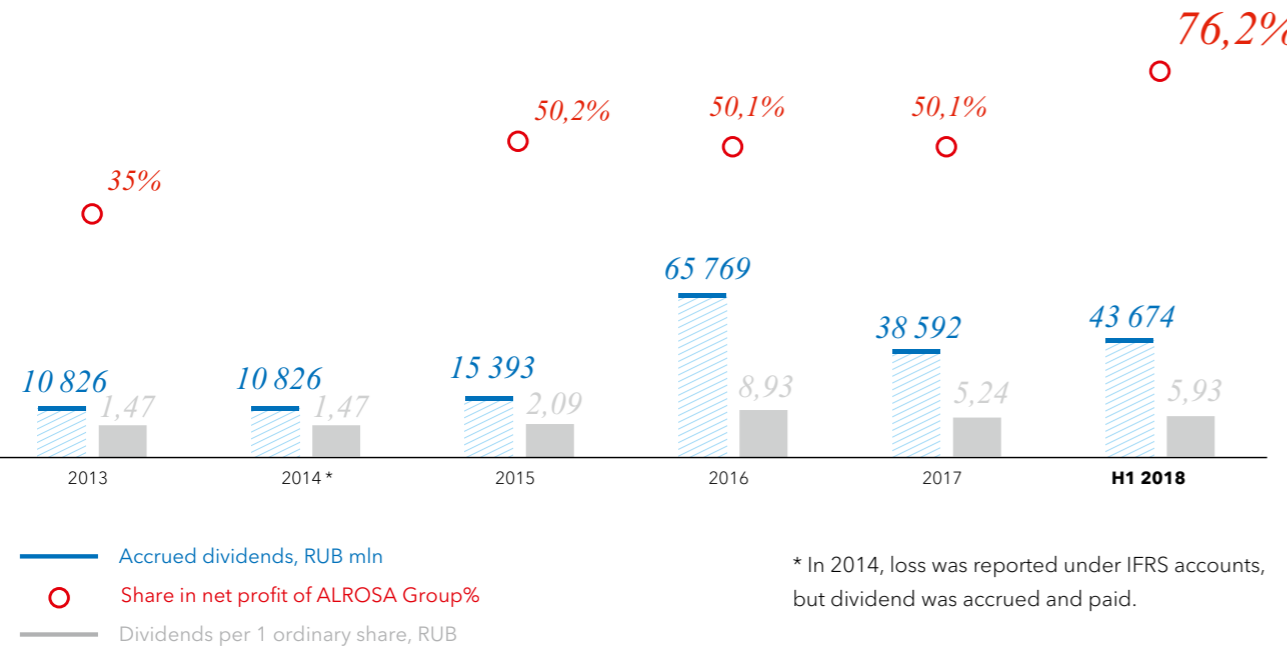
¹¹⁵ according to financial statements of PJSC ALROSA



By the end of 2018, the net profit of ALROSA Group under IFRS amounted to 89,217 bn, free cash flow was RUB 92,306 bln, including for the second half of 2018 RUB 30,260 bln, Indicators "Net debt/EBITDA" at the end of 2018 amounted to 0.4 H.

The Supervisory Board recommended the General meeting of shareholders to direct on payment of dividends for 2018 RUB 73,944 bln (including the earlier paid dividends for the first half of 2018), including RUB 30,270 bln for the second half of 2018.

Dynamics of dividend payments on the shares of the Company from 2013 to 2018



INTERACTION WITH INVESTORS AND SHAREHOLDERS

ALROSA carries out information-analytical interaction with the investment community, regularly providing data about the operational and financial performance of the Company, situation in the diamond market, as well as on the strategic initiatives of the Company.

The Company's investor and shareholder interaction activities conform to international practice and include the following:

- holding investor day
- organization of meetings with shareholders, potential investors and analysts, investment banks and companies
- Roadshows for shareholders and potential investors (non-deal road-show)

- study visits of shareholders and potential investors to the production sites,
- preparation of analytical presentations on performance of the Company according to IFRS
- preparation of presentation materials based on the results of the production operations,
- online-Conferences on the results of published IFRS financial statements,
- regular disclosure of information on corporate site in the section To Investors and shareholders.

| Event | World practice (number of events per year) | ALROSA (number of events in 2018) |
|---------------------------------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------|
| Meetings with shareholders and investors | 266 | 236 |
| Roadshow presentations for shareholders and investors | 7 | 8 |
| Study visits to the production sites | 4 | 2 |
| Preparation of analytical presentations on the performance of the Company according to IFRS | 4 | 4 |
| Audio-Conferences on the Company performance under IFRS | 4 | 4 |
| Preparation of analytical presentations on performance of the Company according to IFRS | 4 | 4 |

Following the world practice of interacting with the investment community ALROSA regularly arranges visits to production facilities in 2018, production facilities in the Arkhangelsk region were visited by analysts and portfolio managers of ten largest Russian and international investment funds and investment banks. They include Goldman Sachs, Bank of America Merrill Lynch, JP Morgan, HSBC, VTB Capital, April Capital and others. Representatives were interested in the med-term outlook on the production and content of diamonds in the ore, the possibility of increasing the volume of production, as well as measures to optimize costs. Investors praised the professionalism of Severalmaz PJSC management.

ALROSA FOR ESG INVESTORS

The Company conducts socially responsible business and assumes obligations of community development, environmental conservation and providing safe working conditions. ALROSA provides opportunities for professional growth, cares about the health of employees and their families.

ALROSA is committed to sustainable development and international standards of corporate social responsibility. The Company's achievements are appreciated by the ratings in the international rankings FTSE4Good,¹¹⁶ MSCI ESG¹¹⁷ and WWF Russia.¹¹⁸

In 2018, ALROSA entered the group of leaders by two indices of corporate sustainability, responsibility and transparency, maintained by the Russian Union of Industrialists and Entrepreneurs.¹¹⁹

The Company also ranks second in the final ranking of the Fundamental (environmental and energy) efficiency of 150 largest companies of Russia and Kazakhstan, working in the real sector of the economy.¹²⁰

ALROSA annually prepares socio-environmental reports posting them on the corporate website.

ALROSA'S Policy on ecology, social responsibility and industrial safety, as well as statistics of ESG indicators are presented in section **Sustainable Development**

ALROSA corporate governance system is presented in section **Corporate governance**

Socio-environmental reports for 2011-2018 are posted on our web site in Section **To Investors and Shareholders**

Analysts of investment banks, conducting fundamental equity analysis of ALROSA

| Investment bank | Analyst | Contact information |
|-------------------------------|----------------------|----------------------------------|
| Morgan Stanley | Dan Shaw | Dan.Shaw@morganstanley.com |
| VTB Capital | Dmitry Glushakov | dmitry.glushakov@vtbcapital.com |
| J.P. Morgan | Dominic O'Kane | dominic.j.okane@jpmorgan.com |
| Bank of America Merrill Lynch | Anton Fedotov | anton.a.fedotov@baml.com |
| Goldman Sachs | Nina Dergunova | nina.dergunova@gs.com |
| Citibank | Barry Ehrlich | barry.ehrlich@citi.com |
| Societe Generale | Sergey Donskoy | sergey.donskoy@sgcib.com |
| Sberbank CIB | Irina Lapshina | Irina_Lapshina@sberbank-cib.ru |
| Alfa Bank | Boris Krasnozhenov | bkrasnozhenov@alfabank.ru |
| Gazprombank | Natalia Sheveleva | natalia.sheveleva@gazprombank.ru |
| Renaissance Capital | Johann Pretorius | JPretorius2@rencap.com |
| BKC | Oleg Petropavlovskiy | OPetropavlovskiy@bcsgm.com |
| Aton | Andrey Lobazov | Andrey.Lobazov@aton.ru |
| SOVA Capital | Yuriy Vlasov | yuriy.vlasov@sovacapital.com |

INTERACTION WITH THE SELL - SIDE AND EXPANDING THE ANALYTICAL COVERAGE OF THE COMPANY

The number of analysts, reviewing the Company grew from 12 (at the beginning of the year 2018) to 14, which matches the average for comparable capitalization/sector companies, despite the reduction in the analytical coverage of the industry by two banks in 2018 (RBC Capital Markets and Credit Suisse).

Investor relations plan for 2019 includes the following IR activities:

- Investor day,
- participation in conferences of investment banks,
- Arranging a series of meetings of the Company with investors, including in Europe, UK and the United States,

- publishing four quarterly analytical reports on operational and financial performance of the Company,
- arranging visits to the Company's production assets,
- voluntary and statutory disclosure of information in accordance with the requirements of Russian regulators and the best Russian and international IR practices.

¹¹⁶ testifies to conformity to the global CSR standards
¹¹⁷ assesses the level of environmental impact, social responsibility and the quality of corporate governance of public companies
¹¹⁸ ALROSA ranks third in the ranking of environmental responsibility of mining companies in Russia, created on the initiative of the World Wildlife Fund (WWF) and the UNDP/GEF project/RF Ministry of Natural Resources
¹¹⁹ the tool of independent assessment of the Russian companies brought in the international base according to the ratings of sustainable development (GISR)
¹²⁰ annual rating of the Fundamental (environmental and energy) efficiency prepared by Interfax Group since 2011. Ratings are based on questionnaires completed by companies, or data from reports, tariff studies, public statements and from sites of companies, as well as from disclosable registries of bodies of executive power and some public organizations, for example, RSPP and WWF Russia

IR-calendar for 2019

| Date | Event | Format |
|------------|--------------------------------------------------------------------------------------------------------------------|-----------------|
| March 18 | Investor day | Conference call |
| April 23 | Meeting of the Supervisory Board – recommendation on payment of dividend by the results in the second half of 2018 | Meeting |
| May 17 | Announcement of financial results for the 1 quarter of 2019 | Conference call |
| June 26 | Annual general shareholders' meeting – announcement of dividend by the results for the second half of 2018 | Meeting |
| November 7 | Announcement of IFRS financial results for the 3d quarter of 2019 and 9 months of 2019 | Conference call |

More information about IR-events, as well as adding early calendar event notification is available on the site of ALROSA

FINANCIAL STATEMENTS

156 EBITDA
RUB bln

FREE CASH FLOW,
RUB BLN

111,4

2016

92,3

73,5

2017

2018

15%
NET PROFIT



INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Shareholders and Supervisory Council of Public Joint Stock Company ALROSA:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Public Joint Stock Company ALROSA (further the "Company" or PJSC ALROSA) and its subsidiaries (together – the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

AO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F: +7 (495) 967-6001, www.pwc.ru



Our audit approach

Overview



Overall Group materiality: Russian Roubles ("RUB") 6,000 million, which represents 5% of average profit before tax for the last three years.

- We conducted audit work at the parent company of the Group – PJSC ALROSA. In respect of the other Group entities, we performed audit procedures over significant financial statements line items and analytical procedures.
- The Group engagement team visited the divisions of PJSC ALROSA in Moscow and Mirny (Republic of Sakha (Yakutia)).
- Our audit scope addressed 94% of the Group's revenues and 75% of the Group's absolute value of underlying profit before tax and before adjustments to eliminate intragroup transactions.

The following area has been identified as a key audit matter:

- Impairment assessment of the Mir mine property, plant and equipment

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality RUB 6,000 million

How we determined it 5% of average profit before tax for the last three years



Rationale for the materiality benchmark applied

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. Since the pre-tax profit demonstrates significant volatility from period to period, we decided to average this benchmark over the last three years.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Impairment assessment of the Mir mine property, plant and equipment</i> | |
| Refer to Note 2. | |
| In August 2017, there was an accident at the Mir underground mine of the Mirny Mining and Processing Division of the Company; as a result, mining operations were suspended and, as of 31 December 2017, some assets were written off due to their further unserviceability. | Together with our valuation specialists, we reviewed the management's model of future cash flows from Mir underground mine. As part of our review, we performed the following procedures: |
| In 2018, having completed the exercise on assessing whether the mine operations could be recovered, the Group's management prepared preliminary technical and economic assessment for new mine infrastructure. The new project documentation does not provide for making use of some assets with the carrying amount of RUB 7,815 million; therefore, as of 31 December 2018, the Group recognised their impairment. | <ul style="list-style-type: none">- We reviewed underlying data for future cash flow forecasts that were used to calculate the value in use, including the planned amount of capital investments for the recovery of production and planned amount of future operating expenses by reconciliation them with the preliminary technical and economic assessment of Mir mine construction approved in 2018;- We made sure that the assets impaired in 2018, are not included in the preliminary technical and economic assessment of Mir mine construction by reconciling the list of impaired assets to the documentation; |
| Management plans to use the remaining mine assets with the carrying amount of RUB 5,215 million for production purposes. For the purpose of preparation the consolidated financial | <ul style="list-style-type: none">- We verified that the volume of C1 ore reserves (proven reserves according to Russian classification) and C2 ore reserves (prospective |



statements, the Group tested the remaining mine assets for impairment (based on the revised plans and new project) by calculating the value in use of the cash generating unit (CGU) in accordance with IAS 36 *Impairment of Assets* and comparing it with the carrying amount of the existing assets of the mine. The test has not identified the need for additional impairment of the existing assets of the mine as of 31 December 2018.

We focused on the matter due to materiality of the carrying amount of the assets included in this CGU, a high degree of uncertainty and judgements about the period when operations at Mir underground mine will resume as well as plans to use the existing assets.

Moreover, the management's assessment of the CGU's value in use implies the use of significant judgements and estimations of future performance, capital expenditures for mine recovery, projected volume of the ore's extraction, the exchange rate RUB/USD and discount rate.

reserves according to Russian classification), included into total volume of ore provided by the model, matches the volume of reserves approved by the State Reserves Commission. For the ore resources included in the model, we verified that the volume matching the data in the memorandum of the Company's geological department. We also obtained the management's confirmation of the accuracy of available preliminary information about resources and economical viability of additional exploration and mining of these resources. As a result of the above procedures we made sure that the future cash flows based on forecasted reserves and resources are highly probable;

- By reconciliation the provided model to the terms and conditions of the licence we made sure that the forecasted period for future cash flows complies with the production period set by the Company's mining licence, including the licence suspension period until 1 January 2024;

- We verified that the methodology underlying future cash flows forecast complies with IAS 36 *Impairment of Assets*, including the principle that the recoverable amount is determined based on the value in use, and other aspects;

- We verified that the price growth rate for rough diamonds is limited by the level of long-term inflation according to the forecast provided by an independent reputable analyst;

- We reviewed that there are no indication of future decrease of prices for rough diamonds according to the available long-term independent forecasts;

- We compared macroeconomic assumptions for producer price index (PPI), expected RUB/USD exchange rate and inflation in the model with forecasts of independent reputable market analysts and made sure that the model underlying assumptions are within the reasonable range.



- We verified the methodology of calculation the discount rate and its components;

- We identified the most sensitive assumptions to the future cash flows forecast model prepared by management, and analysed the results of testing for possible reasonable changes in these assumptions. The scope of our analysis of impairment test sensitivity included RUB/USD rate trend, ore extraction growth rate, capital expenditures and discount rate. We verified that information about the sensitivity analysis of the test results for the abovementioned assumptions was correctly disclosed in the consolidated financial statements.

We also focused on review the adequacy of disclosures in Note 2 to the financial statements in accordance with IAS 36 *Impairment of Assets*.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the industry in which the Group operates.

Based on our risk assessment, analysis of materiality of the Group entities' financial statements line items, we determined PJSC "ALROSA" as a material component of the Group and audited the financial information using ISA 600 *"Special Considerations – Audits Of Group Financial Statements (Including The Work Of Component Auditors)"*.

We determined the other entities of the Group as immaterial components, in respect of which we performed audit procedures over significant financial statements line items, and analytical procedures.

Other information

Management is responsible for the other information. The other information comprises the PJSC ALROSA's Annual Report for 2018 and Issuer's Report for the first quarter of 2019 (but does not include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

v



When we read the PJSC ALROSA's Annual Report for 2018 and Issuer's Report for the first quarter of 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is Mikhail Igorevich Buchnev.

AO PricewaterhouseCoopers Audit

15 March 2019

Moscow, Russian Federation

M.I. Buchnev, certified auditor (licence no. 01-000056), AO PricewaterhouseCoopers Audit

Audited entity: Public Joint Stock Company ALROSA

Registered by the Administration of Mirminsky district (ulus) of the Republic of Sakha (Yakutia) on 13 August 1992 under No. 1

Record made in the Unified State Register of Legal Entities on 17 July 2002 under State Registration Number 1021400967092

6, Lenin Street, Mirny, 678175, Republic of Sakha (Yakutia), Russia

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

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PJSC ALROSA

IFRS consolidated financial statements for the year ended 31 December 2018

(in millions of Russian roubles, unless otherwise stated)

Consolidated Statement of Financial Position

| | Notes | 31 December 2018 | 31 December 2017 |
|-----------------------------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Non-current Assets | | | |
| Goodwill | 5.2 | 1,439 | 1,439 |
| Property, plant and equipment | 8 | 234,873 | 236,589 |
| Investments in associates and joint ventures | 5.3 | 5,191 | 4,312 |
| Deferred tax assets | 18 | 4,785 | 3,837 |
| Available-for-sale investments | | - | 2,913 |
| Financial assets at fair value through profit or loss | 31 | 838 | - |
| Long-term accounts receivable | 10 | 9,316 | 10,165 |
| Total Non-current Assets | | 256,442 | 259,255 |
| Current Assets | | | |
| Inventories | 9 | 92,619 | 91,976 |
| Prepaid income tax | | 639 | 78 |
| Trade and other receivables | 10 | 22,271 | 29,637 |
| Bank deposits | 6 | 11,784 | - |
| Cash and cash equivalents | 7 | 27,437 | 7,381 |
| Non-current assets held for sale | 5.1 | - | 39,454 |
| Total Current Assets | | 154,750 | 168,526 |
| Total Assets | | 411,192 | 427,781 |
| EQUITY | | | |
| Share capital | 11 | 12,473 | 12,473 |
| Share premium | | 10,431 | 10,431 |
| Treasury shares | 11 | (264) | - |
| Retained earnings and other reserves | 11 | 224,976 | 243,921 |
| Equity attributable to owners of PJSC ALROSA | | 247,616 | 266,825 |
| Non-Controlling Interest | 29 | (39) | (338) |
| Total Equity | | 247,577 | 266,487 |
| LIABILITIES | | | |
| Non-current Liabilities | | | |
| Long-term debt | 12 | 64,974 | 58,694 |
| Provision for pension obligations | 16 | 11,638 | 16,017 |
| Other provisions | 14 | 5,586 | 5,462 |
| Deferred tax liabilities | 18 | 3,245 | 5,466 |
| Government grants | 15 | 2,873 | - |
| Other liabilities | 28 | 718 | - |
| Total Non-current Liabilities | | 89,034 | 85,639 |
| Current Liabilities | | | |
| Short-term loans and current portion of long-term debt | 13 | 41,687 | 34,734 |
| Trade and other payables | 17 | 21,835 | 22,259 |
| Income tax payable | | 828 | 2,853 |
| Other taxes payable | 18 | 8,585 | 6,506 |
| Dividends payable | | 146 | 149 |
| Guarantees issued | 27 | 1,500 | - |
| Liabilities of disposal group classified as held for sale | 5.1 | - | 9,154 |
| Total Current Liabilities | | 74,581 | 75,655 |
| Total Liabilities | | 163,615 | 161,294 |
| Total Equity and Liabilities | | 411,192 | 427,781 |

Approved for issue and signed on 15 March 2019 by the following members of management:

Sergey S. Ivanov
Chief Executive Officer

Alexey N. Filippovsky
Deputy Chief Executive Officer

The accompanying notes on pages 5 to 62 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PJSC ALROSA

IFRS consolidated financial statements for the year ended 31 December 2018
(in millions of Russian roubles, unless otherwise stated)



Consolidated Statement of Financial Position

| | Notes | 31 December 2018 | 31 December 2017 |
|-----------------------------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Non-current Assets | | | |
| Goodwill | 5.2 | 1,439 | 1,439 |
| Property, plant and equipment | 8 | 234,873 | 236,589 |
| Investments in associates and joint ventures | 5.3 | 5,191 | 4,312 |
| Deferred tax assets | 18 | 4,785 | 3,837 |
| Available-for-sale investments | | - | 2,913 |
| Financial assets at fair value through profit or loss | 31 | 838 | - |
| Long-term accounts receivable | 10 | 9,316 | 10,165 |
| Total Non-current Assets | | 256,442 | 259,255 |
| Current Assets | | | |
| Inventories | 9 | 92,619 | 91,976 |
| Prepaid income tax | | 639 | 78 |
| Trade and other receivables | 10 | 22,271 | 29,637 |
| Bank deposits | 6 | 11,784 | - |
| Cash and cash equivalents | 7 | 27,437 | 7,381 |
| Non-current assets held for sale | 5.1 | - | 39,454 |
| Total Current Assets | | 154,750 | 168,526 |
| Total Assets | | 411,192 | 427,781 |
| EQUITY | | | |
| Share capital | 11 | 12,473 | 12,473 |
| Share premium | | 10,431 | 10,431 |
| Treasury shares | 11 | (264) | - |
| Retained earnings and other reserves | 11 | 224,976 | 243,921 |
| Equity attributable to owners of PJSC ALROSA | | 247,616 | 266,825 |
| Non-Controlling Interest | 29 | (39) | (338) |
| Total Equity | | 247,577 | 266,487 |
| LIABILITIES | | | |
| Non-current Liabilities | | | |
| Long-term debt | 12 | 64,974 | 58,694 |
| Provision for pension obligations | 16 | 11,638 | 16,017 |
| Other provisions | 14 | 5,586 | 5,462 |
| Deferred tax liabilities | 18 | 3,245 | 5,466 |
| Government grants | 15 | 2,873 | - |
| Other liabilities | 28 | 718 | - |
| Total Non-current Liabilities | | 89,034 | 85,639 |
| Current Liabilities | | | |
| Short-term loans and current portion of long-term debt | 13 | 41,687 | 34,734 |
| Trade and other payables | 17 | 21,835 | 22,259 |
| Income tax payable | | 828 | 2,853 |
| Other taxes payable | 18 | 8,585 | 6,506 |
| Dividends payable | | 146 | 149 |
| Guarantees issued | 27 | 1,500 | - |
| Liabilities of disposal group classified as held for sale | 5.1 | - | 9,154 |
| Total Current Liabilities | | 74,581 | 75,655 |
| Total Liabilities | | 163,615 | 161,294 |
| Total Equity and Liabilities | | 411,192 | 427,781 |

Approved for issue and signed on 15 March 2019 by the following members of management:

Sergey S. Ivanov
Chief Executive Officer

Alexey N. Filippovsky
Deputy Chief Executive Officer

The accompanying notes on pages 5 to 62 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

PJSC ALROSA

IFRS consolidated financial statements for the year ended 31 December 2018
(in millions of Russian roubles, unless otherwise stated)



Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Notes | Year ended 31 December 2018 | Year ended 31 December 2017 |
|----------------------------------------------------------------------------|-------|--------------------------------|--------------------------------|
| Revenue | 19 | 293,870 | 269,706 |
| Income from government grants | 15 | 5,775 | 5,675 |
| Cost of sales | 20 | (126,541) | (133,910) |
| Royalty | 18 | (1,209) | (1,209) |
| Gross profit | | 171,895 | 140,262 |
| General and administrative expenses | 21 | (11,735) | (11,588) |
| Selling and marketing expenses | 22 | (4,606) | (3,019) |
| Other operating income | 23 | 5,383 | 15,379 |
| Other operating expenses | 24 | (33,842) | (41,951) |
| Operating profit | | 127,095 | 99,083 |
| Finance (costs) / income, net | 25 | (15,901) | (1,320) |
| Share of results of associates and joint ventures | 5.3 | 3,418 | 3,027 |
| Profit before income tax | | 114,612 | 100,790 |
| Income tax | 18 | (24,208) | (22,174) |
| Profit for the year | | 90,404 | 78,616 |
| Other comprehensive income: | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Remeasurement of pension obligations, net of deferred tax | 16.18 | (1,115) | (1,874) |
| Total items that will not be reclassified to profit or loss | | (1,115) | (1,874) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Currency translation differences, net of tax | | 177 | (72) |
| Change in fair value of available for sale investments | | - | 323 |
| Total items that may be reclassified subsequently to profit or loss | | 177 | 251 |
| Total other comprehensive loss for the year | | (938) | (1,623) |
| Total comprehensive income for the year | | 89,466 | 76,993 |
| Profit attributable to: | | | |
| Owners of PJSC ALROSA | | 89,217 | 77,075 |
| Non-controlling interest | 29 | 1,187 | 1,541 |
| Profit for the year | | 90,404 | 78,616 |
| Total comprehensive income attributable to: | | | |
| Owners of PJSC ALROSA | | 88,279 | 75,392 |
| Non-controlling interest | | 1,187 | 1,601 |
| Total comprehensive income for the year | | 89,466 | 76,993 |

| | | | |
|--------------------------------------------------------------------------------------------------------|----|-------|-------|
| Basic and diluted earnings per share for profit attributable to the owners of PJSC ALROSA (in Roubles) | 11 | 12.29 | 10.47 |
|--------------------------------------------------------------------------------------------------------|----|-------|-------|

The accompanying notes on pages 5 to 62 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

PJSC ALROSA

IFRS consolidated financial statements for the year ended 31 December 2018
(in millions of Russian roubles, unless otherwise stated)



Consolidated Statement of Cash Flows

| | Notes | Year ended 31 December 2018 | Year ended 31 December 2017 |
|-----------------------------------------------------------------|-----------|--------------------------------|--------------------------------|
| Net Cash Inflow from Operating Activities | 26 | 120,122 | 100,464 |
| Cash Flows from Investing Activities | | | |
| Purchase of property, plant and equipment | | (27,816) | (26,944) |
| Proceeds from sales of property, plant and equipment | | 903 | 377 |
| Sale of financial assets at fair value through profit or loss | | 1,433 | - |
| Acquisition of available-for-sale investments | | - | (1,266) |
| Prepayment for share in Catoca Mining Company Ltd | 10 | - | (8,350) |
| Interest received | | 1,912 | 3,653 |
| Proceeds from disposal of subsidiaries, net of cash disposed of | 5 | 30,801 | 500 |
| Cash transfer to deposit accounts | | (17,053) | - |
| Cash transfer from deposit accounts | | 5,455 | 28,570 |
| Dividends received from associates | | 1,124 | 1,188 |
| Insurance settlement from JSC Sogaz | 2 | 10,490 | - |
| Purchase of non-controlling interest of PJSC ALROSA-Nyurba | 5 | (12,000) | - |
| Government grants | | 2,938 | - |
| Net Cash Outflow used in Investing Activities | | (1,813) | (2,272) |
| Cash Flows from Financing Activities | 12 | | |
| Repayments of loans | | (41,221) | (90,205) |
| Loans received | | 41,871 | 49,067 |
| Interest paid | | (5,995) | (9,992) |
| Purchase of treasury shares | 11 | (14,077) | - |
| Dividends paid to non-controlling shareholders | | (9) | (1,707) |
| Dividends paid | | (80,739) | (65,706) |
| Net Cash Outflow used in Financing Activities | | (100,170) | (118,543) |
| Net Increase / Increase in Cash and Cash Equivalents | | 18,139 | (20,351) |
| Cash and cash equivalents at the beginning of the year | | 7,381 | 30,410 |
| Cash of assets held for sale | | - | (226) |
| Effect of exchange rate changes on cash and cash equivalents | | 1,917 | (2,452) |
| Cash and Cash Equivalents at the End of the Year | 7 | 27,437 | 7,381 |

The accompanying notes on pages 5 to 62 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PJSC ALROSA

IFRS consolidated financial statements for the year ended 31 December 2018
(in millions of Russian roubles, unless otherwise stated)



Consolidated Statement of Changes in Equity

| | Number of shares outstanding (units) | Attributable to owners of PJSC ALROSA | | | | | Non- controlling interest | Total equity | |
|--------------------------------------------------------------|-----------------------------------------------|---------------------------------------|------------------|--------------------|--------------------------------|----------------------|---------------------------------|-----------------|-----------|
| | | Share capital | Share premium | Treasury shares | Other reserves (note 11) | Retained earnings | | | |
| Balance at 1 January 2017 | 7,364,965,630 | 12,473 | 10,431 | - | (17,104) | 251,402 | 257,202 | (232) | 256,970 |
| Comprehensive income / (loss) | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 77,075 | 77,075 | 1,541 | 78,616 |
| Other comprehensive income / (loss) | - | - | - | - | (1,683) | - | (1,683) | 60 | (1,623) |
| Total comprehensive income / (loss) for the year | - | - | - | - | (1,683) | 77,075 | 75,392 | 1,601 | 76,993 |
| Transactions with owners | | | | | | | | | |
| Dividends (note 11) | - | - | - | - | - | (65,769) | (65,769) | - | (65,769) |
| Dividends of subsidiaries to non-controlling shareholders | - | - | - | - | - | - | - | (1,707) | (1,707) |
| Total transactions with owners | - | - | - | - | - | (65,769) | (65,769) | (1,707) | (67,476) |
| Balance at 31 December 2017 | 7,364,965,630 | 12,473 | 10,431 | - | (18,787) | 262,708 | 266,825 | (338) | 266,487 |
| Balance at 1 January 2018 | 7,364,965,630 | 12,473 | 10,431 | - | (18,787) | 262,708 | 266,825 | (338) | 266,487 |
| Effect of adoption of IFRS 9 (note 2) | - | - | - | - | (561) | (1,045) | (1,606) | - | (1,606) |
| Balance at 1 January 2018 adjusted | 7,364,965,630 | 12,473 | 10,431 | - | (19,348) | 261,663 | 265,219 | (338) | 264,881 |
| Comprehensive income / (loss) | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 89,217 | 89,217 | 1,187 | 90,404 |
| Other comprehensive loss | - | - | - | - | (718) | - | (718) | (220) | (938) |
| Total comprehensive income / (loss) for the year | - | - | - | - | (718) | 89,217 | 88,499 | 967 | 89,466 |
| Transactions with owners | | | | | | | | | |
| Dividends (note 11) | - | - | - | - | - | (80,736) | (80,736) | (9) | (80,745) |
| Purchase of treasury shares (note 11) | (156,059,800) | - | - | (264) | - | (13,813) | (14,077) | - | (14,077) |
| Change in ownership in subsidiaries (note 11) | - | - | - | - | (11,289) | - | (11,289) | (659) | (11,948) |
| Total transactions with owners | (156,059,800) | - | - | (264) | (11,289) | (94,549) | (106,102) | (668) | (106,770) |
| Balance at 31 December 2018 | 7,208,905,830 | 12,473 | 10,431 | (264) | (31,355) | 256,331 | 247,616 | (39) | 247,577 |

The accompanying notes on pages 5 to 62 are an integral part of these consolidated financial statements.

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GLOSSARY

| Abbreviation | Expansion |
|--------------|---------------------------------------------------------------------------------------------|
| SC | Stock Company |
| JSC | Joint-Stock Company |
| GDP | Gross Domestic Product |
| EGSM | Extraordinary General Shareholders' Meeting |
| MDE | Mining and Drilling Expedition |
| SCMR | State Commission on Mineral Reserves |
| MEP | Mining and enrichment plant |
| AGSM | Annual General Shareholders' Meeting |
| MC | Mining Company |
| EW | Exploration works |
| EE | Exploration Expedition |
| F&L | Fuels and Lubricants |
| HPP | Hydro-Power Plant |
| S&A | Subsidiaries and Associates |
| URLE | Unified Register of Legal Entities |
| SSE | Single sales entity |
| CJSC | Closed Joint-Stock Company |
| IKPI | Integral Key Performance Indicator |
| CGC | Corporate Governance Code |
| KPI | Key Performance Indicators |
| CSR | Corporate Social Responsibility |
| MinH&E RS(Y) | The Ministry of Housing and Communal Services and Energy of the Republic of Sakha (Yakutia) |
| MICEX | Moscow Interbank Currency Exchange |
| SME | Small and Medium Enterprises |
| IFRS | International Financial Reporting Standards |
| MTR | Material and Technical Resources |
| VAT | Value-Added Tax |
| CIP | Construction in Progress |
| R&PDW | Research& Production Development Works |

| Abbreviation | Expansion |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| R&D | Research and Development |
| NCA | Non-core Assets |
| RPE | Research and Production Enterprise |
| CGNR | Corporate Governance National Rating |
| OJSC | Open Joint-Stock Company |
| LLC | Limited Liability Company |
| CCM | Common Commercial Minerals |
| P&L | Profit and Loss Statement |
| SSC | Shared Service Centre |
| PJSC | Public Joint-Stock Company |
| RIA | Results of Intellectual Activity (intellectual deliverables or product) |
| RAS | Russian Accounting Standards |
| RF | Russian Federation |
| CAW | Construction and Assembly Works |
| RMS | Risk Management System |
| FS | Feasibility Study |
| IAD | Internal Audit Department |
| ETF | Electronic Trading Facility |
| DPA | Diamond Producers Association |
| EBITDA | Earnings Before Interest, Taxes, Depreciation and Amortization |
| Free-float | Shares in free float |
| IPO | Initial Public Offering |
| IR | Investor Relations |
| Road show | An element of practical expertise of an issuing company employed when issuing its securities (bonds, shares, etc.), including during initial public offering, a series of meetings with potential investors and analysts in the key cities of the world |
| ROE | Return on Equity, i.e. profitability of owned capital, a ratio of net profit for the period to the weighted average own capital (equity) |

CONTACT INFORMATION

HEAD OFFICE OF ALROSA (MOSCOW)

1/24 Ozerkovskaya Naberezhnaya, Moscow, 115184

Phone: (495) +7 620-92-50 +7 (495) 411-75-25

Fax: +7 (495) 411-75-15

Telex: 113258 "Almaz" RU

info@alrosa.ru

HEAD OFFICE OF ALROSA (MIRNY)

6 Lenina Street, Mirny,

Republic of Sakha (Yakutia), 678174,

Russian Federation

Phone: (41136) +7 3-00-30

Fax: +7 (41136) 3-04-51

mirinfo@alrosa.ru

APPENDICES

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1. Subsidiaries and Associates

Information about Subsidiaries and Associates, PJSC ALROSA as at December 31, 2018

| <i>Full corporate name</i> | <i>Country of registration/ location</i> | <i>Relationship</i> |
|--------------------------------------------------|----------------------------------------------|-----------------------|
| HIDROCHICAPA S.A. | Angola | Subsidiary (55%) |
| ALROSA Belgium NV | Belgium | Subsidiary (99.6%) |
| ALROSA Hong Kong Ltd. | Hong Kong | Subsidiary (100%) |
| ALROSA East DMCC | United Arab Emirates | Subsidiary (100%) |
| ALROSA USA Inc. | USA | Subsidiary (100%) |
| ALROSA OVERSEAS SA | Switzerland | Subsidiary (100%) |
| JSC ALROSA Air Company | Russia | Subsidiary (100%) |
| JSC Almazy Anabara | Russia | Subsidiary (99.9999%) |
| JSC ALROSA-Torg | Russia | Subsidiary (100%) |
| OJSC Vilyuiskaya HPP-3 | Russia | Subsidiary (99.7313%) |
| JSC Non-State Pension Fund Almaznaya Osen | Russia | Subsidiary (99.75%) |
| JSC Golubaya Volna Resort | Russia | Subsidiary (100%) |
| JSC ALROSA-Lena Shipping Company | Russia | Subsidiary (99.5617%) |
| JSC ALROSA-Gaz | Russia | Subsidiary (99.9995%) |
| ALROSA-Okhrana LLC | Russia | Subsidiary (100%) |
| ALROSA-Spetsbureniye LLC | Russia | Subsidiary (100%) |
| DIAMONDS ALROSA LLC | Russia | Subsidiary (100%) |
| Lensk Town Heat and Electric Networks Enterprise | Russia | Subsidiary (100%) |

| <i>Full corporate name</i> | <i>Country of registration/ location</i> | <i>Relationship</i> |
|--------------------------------------------|----------------------------------------------|----------------------------------------------------------|
| Heat and Water Supply Enterprise LLC | Russia | Subsidiary (100%) |
| PJSC ALROSA-Nyurba | Russia | Subsidiary (97.4878%) |
| PJSC Severalmaz | Russia | Subsidiary (99.8557%) |
| Sociedade Mineira de Catoca Limitada | Angola | Associate (32.8%) |
| CJSC MMC Timir | Russia | Associate (49%) |
| OJSC Almazny Mir | Russia | Associate (47,3677%) |
| KIMANG, LDA | Angola | Controlled by ALROSA OVERSEAS SA, Holding company 50% |
| ALROSA Israel Ltd. | Israel | Controlled by ALROSA OVERSEAS SA, Holding company 100% |
| COLLADE MANAGEMENT LIMITED | Cyprus | Controlled by ALROSA OVERSEAS SA, Holding company 100% |
| WARGAN HOLDINGS LIMITED | Cyprus | Controlled by ALROSA OVERSEAS SA, Holding company 100% |
| ALROSA FINANCE S.A. | Luxemburg | Controlled by ALROSA OVERSEAS SA, Holding company 100% |
| Sunland Trading S.A. | Switzerland | Controlled by ALROSA OVERSEAS SA, Holding company 100% |
| AA MERCHANTS DMCC | United Arab Emirates | Controlled by ALROSA OVERSEAS SA, Holding company 50% |
| JSC Northern Mining and Geological Company | Russia | Controlled by PJSC Severalmaz, Holding company 99.65% |
| Almazavtodor LLC | Russia | Controlled by PJSC Severalmaz, Holding company 49.82% |
| ALMAZ-Okhrana Center LLC | Russia | Controlled by ALROSA-Okhrana LLC, Holding company 99% |
| ALMAS LLC | Russia | Controlled by JSC Almazy Anabara, Holding company 98.99% |
| JSC IC Bourevestnik | Russia | Subsidiary (92.0764%) |

2. Local regulation

| Full corporate name | Country of registration/ location | Relationship |
|-------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------|
| Rough Diamond Scientific and Technological Center LLC | Russia | Controlled by JSC Innovation Center Bourevestnik, Holding company 46.23% |
| Yakutskaya generating company LLC | Russia | Controlled by JSC Almazy Anabara, Holding company 100% |
| Almaz Private Security Company LLC | Russia | Controlled by ALMAZ-Okhrana Center LLC, Holding company 98.01% |
| Helth center "Prometey" LLC | Russia | Subsidiary (100%) |
| Almazdortrans LLC | Russia | Subsidiary (100%) |
| ALROSA Business Service LLC | Russia | Controlled by DIAMONDS ALROSA LLC, Holding company 100% |
| Yakutskaya Grid Company LLC | Russia | Controlled by OJSC Vilyuiskaya HPP-3, Holding company 100% |
| Zarnitsa LLC | Russia | Controlled by ALROSA-Business Service LLC, Holding company 100% |
| ALROSA (ZIMBABWE) Limited | Zimbabwe | Controlled by ALROSA OVERSEAS SA, Holding company 100% |
| Nizhne-Lenskoe-Invest LLC | Russia | Controlled by JSC Almazy Anabara, Holding company 98.99% |
| Pokrov Cutting Plant LLC | Russia | Controlled by JSC Almazy Anabara, Holding company 69,74% |
| SGG S.A. | Luxemburg | Managing company |
| Intertrust B.V. | Netherlands | Managing company |
| Belserve Consultants Limited | Cyprus | Managing company |

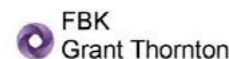
The following local (internal) regulatory documents of the Company serve as a basis for this annual report:

- Charter of PJSC ALROSA (as amended June 26, 2018) ¹¹⁷
- Corporate Governance Code of PJSC ALROSA
- Code of Corporate Ethics of PJSC ALROSA
- Regulation on the General Meeting of Shareholders of PJSC ALROSA (as amended January 11, 2018)
- Regulation on the Supervisory Board of PJSC ALROSA (as amended June 26, 2018)
- Regulation on the Audit Committee at the Supervisory Board of PJSC ALROSA
- Regulation on the HR and Remuneration Committee at the Supervisory Board of PJSC ALROSA
- Regulation on the Strategic Planning Committee at the Supervisory Board of PJSC ALROSA
- Regulation on Remuneration of the Members of the Supervisory Board of PJSC ALROSA
- Regulation on the Executive Board of PJSC ALROSA
- Regulations on the Auditing Committee of PJSC ALROSA
- Regulation on Remuneration and Compensations to the Members of the Auditing Committee of PJSC ALROSA
- Regulations on Remuneration of the President of PJSC ALROSA
- Regulation on Remuneration of the Members of the Executive Committee of PJSC ALROSA

- Regulation on the Corporate Secretary of PJSC ALROSA
- Information Policy of PJSC ALROSA
- Regulation on the Measures for Preventing Use of Insider Information and/or Market Manipulation in PJSC ALROSA
- Regulation on the Dividend Policy of PJSC ALROSA
- Regulation on the Company's Information Disclosure in PJSC ALROSA
- PJSC ALROSA Policy for Countering Corruption and Bribery
- Regulations on Internal Audit of PJSC ALROSA
- Risk Management Policy of PJSC ALROSA
- Environmental Policy of PJSC ALROSA
- Regulation on Occupational Health and Safety Management System of PJSC ALROSA
- Policy on Sustainable Development and Corporate Social Responsibility of PJSC ALROSA
- Quality Policy of PJSC ALROSA
- Information Security Policy of PJSC ALROSA

¹¹⁷ the internal documents approved (actualized) by the Company's governance bodies in 2017 are posted on the corporate website

3. Audit reports



Report on the assurance engagements by an independent expert

To Shareholders of PJSC ALROSA

We carried out a limited assurance engagement in relation to the implementation of the Long-Term Development Program of ALROSA Group for the period 2018 -2024 ("LTD" or "Program") for the year ended on December 31, 2018

PJSC ALROSA responsibility for preparing the meaningful performance of the LTD implementation

PJSC ALROSA shall be responsible to prepare the meaningful performance indicators of LTD implementation. Such responsibility includes the development, implementation, and maintenance of the internal control system in relation to preparing reliable information related to the implementation of the Long-Term Development Program of PJSC ALROSA free from any material misstatements due to fraud or error.

Our independence and quality control

We represent that we have complied with the independence requirement and all other ethical requirements of the the Rules for the Independence of Auditors and Audit Organizations and of Code of Ethics for Professional Auditors and Auditor Companies which conform to the Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board based on the fundamental principles of integrity, objectivity, professional competence, and due care, confidentiality, and professional conduct.

The audit organization applies the International Quality Control Standard 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements" and, thus, it applies the systemic quality control that includes the documented policy and procedures for compliance with ethical requirements, professional standards, and applicable laws and regulations.

Our responsibility

We are responsible to provide our conclusions on the task that ensures limited assurance related to the meaningful performance indicators of the LTD implementations based on conducted procedures and obtained evidence. We carried out our limited assurance engagement according to the International Standard on Assurance Engagements 3000 Revised, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". According to the above standard, this engagement was planned and carried out to obtain limited assurance that the meaningful performance of the LTD implementation contains no material misstatements.

We generated out evidence base related to the validity of the evaluated performance indicators relying on the criteria set out in the Audit Standard for the Long-Term Development Program Implementation of PJSC ALROSA, the Terms of Reference for the Audit of the Long-Term Development Program Implementation of PJSC ALROSA (Terms of Reference) approved by the Supervisory Board of PJSC ALROSA dated 11.12.2014 (Minutes No. A01/223-PR-NC).

To verify the actual LTD performance, we have conducted the following procedures:

- Verification of the availability of documented confirmation of the audited performance indicators;
- the cross validation of actual audited performance indicators by alternative sources of documented confirmation to identify any conflicting information related to their values;
- The verification of the actual performance indicators for their compliance with the PJSC ALROSA internal normative acts (methodologies) and the applicable laws of the Russian Federation;
- The assessment of the comparability of planned and actual indicators based on the scope of their generation and the applicable calculation methodology;
- Recalculation of actual indicators and verifying the correct usage of data sources used for the indicator calculation;

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Audit Report on the Long-Term Program Implementation in 2018 of ALROSA Group for the period 2018-2024. 3 of 103



- The assessment of compliance with the target indicators of the Program (the deviation of actual LTD implementation performance from the target Program indicators), and the review of reasons for established deviations.

Our procedures are based on our professional judgement and included requests, process surveillance, document inspection, analytical review procedures, the evaluation of the due quantitative assessment methods and approval of or reconciliation with the relevant data.

According to the Terms of Reference, to perform the audit procedures related to requests, we investigated the internal control system of PJSC ALROSA applicable to the quantitative assessment and reporting of LTD indicator for the purpose of developing procedures, rather than testing its operating efficiency (Appendix 4, Section 4).

The limited assurance engagement procedures are different in nature and less in scope than those applied to reasonable assurance engagements. Thus, the level of assurance obtained from the limited assurance performance is lower than the level that would be obtained from the reasonable assurance engagement. Therefore, we express no opinion related to reasonable assurance related to the meaningful performance of the LTD implementation of PJSC ALROSA in all material aspects according to the applicable criteria.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for the formation of our opinion.

Conclusions on the limited assurance engagement

Based on the procedures we have applied and evidence we have obtained, we identified no reasons to believe that the meaningful performance of the Long-Term Program Implementation of ALROSA Group for the period from 2018 to 2024 for the year ended on December 31, 2018, contains any misstatements, which can significantly affect the validity of audited indicators.

Head of assignment



I.O. Livkin
Executive Director of FBK LLC
Qualifying auditor's certificate
dated 31.03.2016 No. 06-000361
ORH3 21606020201

Date of assurance engagement is April 8, 2019

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4. Statistics on sales of rough and cut diamonds

Summary data on the sales of rough and cut diamonds by ALROSA Group

| | Contractual value, USD mln ¹¹⁸ | | | |
|------------------------------------------------------------------------|-------------------------------------------|---------|---------|----------|
| | 2016 | 2017 | 2018 | Est., % |
| Sales of diamonds | | | | |
| PJSC ALROSA | 3 164,2 | 2 945,1 | 3 107,8 | ↑ 5,5% |
| Domestic market | 426,5 | 364,8 | 477,5 | ↑ 30,9% |
| including Gokhran (the State Depository for Precious Metals of Russia) | 65,6 | 2,9 | – | – |
| Export | 2 737,7 | 2 580,4 | 2 630,4 | ↑ 1,9% |
| PJSC ALROSA-Nyurba | 646,6 | 678,8 | 690,7 | ↑ 1,7% |
| Domestic market | 47,2 | 36,5 | 43,7 | ↑ 19,7% |
| including Gokhran (the State Depository for Precious Metals of Russia) | – | – | – | – |
| Export | 599,5 | 642,3 | 647,0 | ↑ 0,7% |
| JSC Almazy Anabara | 431,7 | 402,2 | 459,5 | ↑ 14,2% |
| Domestic market | 0,8 | 1,8 | 1,7 | ↓ 7,7% |
| including Gokhran (the State Depository for Precious Metals of Russia) | – | – | – | – |
| Export | 430,9 | 400,4 | 457,8 | ↑ 14,3% |
| PJSC Severalmaz | 92,0 | 125,2 | 152,0 | ↑ 21,4% |
| Domestic market | 0,02 | 0,2 | 1,6 | ↑ 592,4% |
| including Gokhran | – | – | 0,4 | – |
| Export | 92,0 | 124,9 | 150,4 | ↑ 20,4% |
| ALROSA entities outside Russia | 57,5 | 18,6 | 1,7 | ↓ 90,6% |
| Domestic market | – | – | – | – |
| Export | 57,5 | 18,6 | 1,7 | ↑ 90,6% |
| Total | 4 392,1 | 4 169,9 | 4 411,7 | ↑ 5,8% |
| Domestic market | 474,4 | 403,3 | 524,5 | ↑ 30,0% |
| including Gokhran (the State Depository for Precious Metals of Russia) | 65,6 | 2,9 | 0,4 | ↓ 87,1% |
| Export | 3 917,6 | 3 766,6 | 3 887,3 | ↑ 3,2% |
| Sales of cut diamonds | | | | |
| Total | 122,3 | 96,9 | 95,3 | ↓ 1,6% |
| Export | 75,3 | 74,0 | 78,2 | ↑ 5,7% |
| Domestic market | 0,4 | 1,5 | 1,9 | ↑ 28,4% |
| ALROSA entities outside Russia | 46,6 | 21,4 | 15,2 | ↓ 29,4% |

¹¹⁸ herein and hereafter the data for 2016-2018 are presented in accordance with IFRS (net of intra-group turnover)

Sales of rough diamonds for ALROSA Group

| | Contractual value, USD mln | | | Est., % |
|------------------------------------------|----------------------------|----------------|----------------|---------------|
| | 2016 | 2017 | 2018 | |
| Total | 4 392,1 | 4 169,9 | 4 411,7 | ↑ 5,8% |
| Jewelry diamonds | 4 316,0 | 4 087,0 | 4 324,6 | ↑ 5,8% |
| including ALROSA entities outside Russia | 57,5 | 18,6 | 1,7 | ↓ 90,6% |
| Industrial diamonds¹¹⁹ | 76,1 | 82,9 | 87,1 | ↑ 5,2% |

Diamond export sales

| | Contractual value, USD mln | | | Est., % |
|----------------------------------------------|----------------------------|----------------|----------------|---------------|
| | 2016 | 2017 | 2018 | |
| Total | 3 917,6 | 3 766,6 | 3 887,3 | ↑ 3,2% |
| Jewelry diamonds | 3 848,0 | 3 688,7 | 3 805,7 | ↑ 3,2% |
| Market | 3 198,8 | 3 174,4 | 3 126,5 | ↓ 1,5% |
| ALROSA entities abroad | 57,5 | 18,6 | 1,7 | ↓ 90,6% |
| AYE (Almazyuvelexport) (contractual batches) | 221,6 | 134,8 | 224,3 | ↑ 3,2% |
| International auctions (+10.8) | 370,1 | 360,9 | 453,1 | ↑ 1,5% |
| Industrial diamonds | 69,6 | 77,9 | 81,5 | ↑ 4,7% |

Sales of jewelry diamonds at the external market by ALROSA Group¹²⁰

| | Contractual value, USD mln | | | Est., % |
|---------------------|----------------------------|----------------|----------------|---------------|
| | 2016 | 2017 | 2018 | |
| Total | 3 198,8 | 3 174,4 | 3 126,5 | ↓ 1,5% |
| Entities abroad | 3 127,4 | 3 145,9 | 3 090,6 | ↓ 1,8% |
| CIS Entities | 71,4 | 28,5 | 35,9 | ↑ 26,0% |
| Armenia | 32,1 | 15,2 | 8,1 | ↓ 46,5% |
| Republic of Belarus | 39,3 | 13,3 | 27,8 | ↑ 109,1% |

¹¹⁹ Hereinafter - diamond grinding powder including

¹²⁰ Net of sales of special size rough diamonds at international auctions

Sales of diamonds at International auctions (diamonds +10.8 carats)¹²¹

| | Contractual value, USD mln | | | Est., % |
|-----------------------|----------------------------|--------------|--------------|----------------|
| | 2016 | 2017 | 2018 | |
| Total | 371,4 | 364,5 | 463,2 | ↑ 27,1% |
| Enterprises in Russia | 1,3 | 3,6 | 10,0 | ↑ 177,6% |
| Entities abroad | 370,1 | 360,9 | 453,2 | ↑ 25,6% |

Domestic sales of rough diamonds by ALROSA Group

| | Contractual value, USD mln | | | Est., % |
|---------------------------------|----------------------------|--------------|--------------|----------------|
| | 2016 | 2017 | 2018 | |
| Total | 474,4 | 403,3 | 524,5 | ↑ 30,0% |
| Jewelry diamonds ¹²² | 468,0 | 398,3 | 518,9 | ↑ 30,3% |
| including diamonds +10.8 carats | 1,3 | 3,6 | 9,9 | ↑ 175,0% |
| Industrial diamonds | 6,5 | 5,0 | 5,6 | ↑ 12,8% |

Domestic sales of jewelry diamonds by ALROSA Group

| | Contractual value, USD mln | | | Est., % |
|--------------------------------------------------------------|----------------------------|--------------|--------------|----------------|
| | 2016 | 2017 | 2018 | |
| Total | 468,0 | 398,3 | 518,9 | ↑ 30,3% |
| Cutting enterprises | 402,4 | 395,4 | 518,5 | ↑ 31,1% |
| Gokhran (the State Depository for Precious Metals of Russia) | 65,6 | 2,9 | 0,4 | ↓ 87,1% |
| Plus, shipments to DIAMONDS ALROSA | 125,2 | 125,1 | 141,1 | ↑ 12,8% |

¹²¹ limit price of diamonds +10.8 carats is determined in accordance with the Procedure of Determining the Limit Value of Diamonds of Special Size of +10.8 Carats or More, enacted by RF Ministry of Finance No.14n dated January 22, 2015

¹²² Net of shipments to DIAMONDS ALROSA LLC

5. Non-core asset disposal

Disposal of non-core assets (NCA) is conducted in the Company in accordance with the principles and procedure of sale of NCA, set out in the Program of NCA Disposal of PJSC ALROSA.

On December 14, 2017, for the purpose of Directive of the Government of the Russian Federation 2016 and taking into account the Guidelines of the Federal Agency for State Property Management for Identification and Disposal of Non-Core Assets, the Supervisory Board of the Company approved the fifth version of the NCA Disposal Program of PJSC ALROSA.¹²⁹ The updated NCA Register includes 9 companies, 518 real estate facilities, and 59 assets under construction. Besides, the NCA Register is supplemented with Part 4, comprising 190 housing facilities.

In the first half of 2018, the Supervisory Board took two decisions on amending the NCA Disposal Program by modifying the NCA Register due to disposal of two objects since the beginning of 2018, and addition of other assets.¹³⁰

The latest version of the NCA Register¹³¹ subject to disposal by year 2021 (inclusive) included 7 business companies, 420 real estate objects, 32 objects under construction and 267 residential properties.

In December 2018, the Supervisory Board approved:¹³²

- a new (sixth) version of the NCA Disposal Program of PJSC ALROSA and the corresponding Register of NCA,
- Action plan on non-core assets disposal of PJSC ALROSA for the year 2019.

As a result, Disposal of non-core assets in 2018 resulted in:

Part 1 of NCA Register

participation discontinued in the authorized capital of three companies: Maretiom Investments Ltd., Velarion Investments Ltd. (book value of the financial investment in the authorized capital of RUB 56,122.2 mln, sale price RUB 30,300 mln) and OJSC ALROSA-Yakutia (book value of the financial investment in the authorized capital of RUB 2.5 mln, voluntary liquidation of the company). The aggregate book value of the financial investments in the authorized capital of the three companies amounted to RUB 56,124.7 mln, total sales price made RUB 30,300 mln.

Outside the NCA Registry participation discontinued in the authorized capital of Orel-ALROSA LLC. The financial investment in the authorized capital of the company amounting to RUB 20.5 mln was derecognized from the balance sheet of the Company due to the liquidation of the company.

Part 2 of NCA Register

181 property objects were derecognized from the balance sheet of the Company with the book value of RUB 2,732.4 mln, total loss from derecognition amounted to RUB 1,885.4 mln including:

- 75 objects sold for RUB 823.3 mln (book value RUB 1,404.3 mln)
- 80 objects liquidated (book value of RUB 1,278.4 mln)
- 21 object recognized in the share capital of the subsidiary company (book value of RUB 22.95 mln)
- 5 objects transferred gratis (book value of RUB 26.7 mln).

Part 3 of NCA Register

The Company carried loss of RUB 80.2 mln on sale of 37 disposals of construction in progress with book value of RUB 126.3 mln, derecognized on the balance

sheet. In case of no-sale the Company's loss would have amounted to RUB 267.8 mln (the cost of their dismantling would make RUB 141.5 mln, loss from derecognition being RUB 126.3 mln).

Part 4 of NPA Register

79 housing facilities were derecognized from the balance sheet of the Company with the book value of RUB 236.7 mln, total loss on balance sheet derecognition amounted to RUB 76.3 mln including:

- 60 objects sold for RUB 72.3 mln (book value RUB 116.1 mln)
- 16 objects disposed of through barter (book value of RUB 108.8 mln)
- 3 objects transferred gratis (book value of RUB 11.8 mln).

The quality and result of the NCA disposals are determined by objective difficulties affecting disposal period, prices and financial result of disposals, including:

- high degree of physical deterioration (in cold conservation physical deterioration accelerates),
- remote location (Far North),
- Special purpose of the assets (for example, oil refinery facilities in the city of Mirny),
- Functional specifics - industrial facilities located in a monocity,
- low market value of the objects as per the reports of independent appraisers,
- complete lack of demand or bids at depressed prices (below the appraised value of the object),
- low entrepreneurial activity in the region.

This results in a significant number of sales below residual or market value.

In 2018, the Company disposed of 301 NCA, their book value totaling 59,240.7 RUB mln, including sale of 174 objects (book value of 57,768.9 RUB mln), recognition in the share capital of the subsidiary company of 21 objects (book value of 23.0 RUB mln,) barter of 16 objects (book value of 108.8 RUB mln), and donation of 8 objects (book value of 38.5 RUB mln); 82 object were liquidated (book value of 1,301.5 RUB mln).

In 2018, the actual value of NCA disposed of by PJSC ALROSA totaled 31,241.7 RUB mln

¹²⁹ Minutes No. A01/266-IIP-HC dated December 21, 2017

¹³⁰ Minutes No. A01/ 271-IIP-HC dated May 3, 2018 and No. A01/273- IIP-HC dated June 25, 2018

¹³¹ Minutes No. A01/273- IIP-HC dated June 25, 2018

¹³² Minutes No.A01/285-IIP-HC dated December 17, 2018

Information on the disposal of non-core assets of PJSC ALROSA for 2018

| No. | No. in the Register | Asset description | Share in the Company in Share Capital, % | Account line where the asset was recognized as at the accounting date preceding sale of the asset | Bookkeeping accounts (considering analytics) reflecting income and expense on the asset disposal (91.1xxx/91.2xxx) | Asset book value, RUB thd | Net realizable value**, RUB thd | Difference of the actual realizable value and the asset book value, RUB thd | Cause of the difference |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Part 1. NCA Register in the form of controlled entities (shares/participation interest in the authorized capital) of economic entities) | | | | | | | | | |
| 1 | 6 | Velarion Investments Limited | 100,0% | 1242 | 9113421000/ 9123423000 | 12 051 131 | 14 867 513 | 2 816 382 | Sale through a public auction |
| 2 | 7 | Maretiom Investments Limited | 100,0% | 1242 | 9113421000/ 9123423000 | 44 071 078 | 15 432 487 | -28 638 591 | Sale through a public auction |
| | | | | | | Q1 Total | 56 122 209 | 30 300 000 | -25 822 209 |
| 3 | 2 | OJSC ALROSA-Yakutia | 50,851% | 1171 | 9127905000 / 9116600000 | 2 543 | 0 | -2 543 | The company is excluded from Uniform Register of Legal Entities by the registering body (MIFNS No. 5 in Sakha (Yakutia)) due to termination of business |
| | | | | | | Q2 Total | 2 543 | 0 | -2 543 |
| 4 | n/a | Orel-ALROSA LLC | 51,0% | 1171 | 9127905000 / 9116600000 | 20 534 | 0 | -20 534 | The company is excluded from Uniform Register of Legal Entities by the registering body (MIFNS No. 9 in Orlovskaya oblast (region)) due to liquidation by the determination of Arbitration Court on completing bankruptcy proceedings |
| | | | | | | Q3 Total | 20 534 | 0 | -20 534 |
| | | | | | | Q4 Total | 0 | 0 | 0 |
| | | | | | | Part 1 Total | 56 145 286 | 30 300 000 | -25 845 286 |
| Part 2. NCA Register in the form of real property | | | | | | | | | |
| | | | | | | Part 2 Total | 2 732 366 | 847 007 | -1 885 359 |
| Part 3. NCA Register in the form of construction in progress | | | | | | | | | |
| | | | | | | Part 3 Total | 126 304 | 46 062 | -80 242 |
| Part 4. NCA Register in the form of housing facilities | | | | | | | | | |
| | | | | | | Part 4 Total | 236 707 | 160 388 | -76 318 |
| 301 | | | | | | 12-month Total (Part 1, 2, 3, 4)** | 59 240 662 | 31 353 458 | -27 887 205 |
| * The actual realizable value of 4 apartments sold in Q2 (Registry numbers 37, 38, 40, 43) is adjusted in the 12-month data as the discount of 1/2 and 1/3 to the contract value was applied for years of employment with the Company, as well as the grade (to match the MVPortal) | | | | | | | | | |
| ** For the purposes of this Table, the total for actual realizable value includes the amounts recognized as income on the barter of the housing facilities asset, as well as the disposal amounts recognized as contributions to authorized capital. | | | | | | | | | |
| Note: | | | | | | | | | |
| | | | | | | Amounts recognized as contributions to authorized capital | 22 950 | 23 688 | 738 |
| | | | | | | Disposals through barter transaction | 123 094 | 72 892 | -50 202 |
| | | | | | | Total, net of barter transactions and authorized capital contributions | 59 094 618 | 31 256 878 | -27 837 740 |

6. Information about execution of the orders of the President and the Government of the Russian Federation

On innovative development

In 2018, the Government instructed the joint stock companies¹²³ included in the special list¹²⁴ and implementing the program of innovative development, to compare the level of their technological development and current values of key performance indicators (KPIs) to the level of development and indicators of leading foreign peer-companies, and submit to the Ministry for Economic Development and the federal executive body, coordinating the activities of the company, the results of the comparison of the technological development level, and their suggestions for adjustment of the program of innovative development and long-term development program and their suggestions on the composition and values of the integral KPI (IKPI) for 2019.

Given these requirements, on June 25, 2018 the Supervisory Board¹²⁵ instructed the Company management:

1. To ensure comparison of the level of technological development of PJSC ALROSA and current values of KPIs and the level of development and indicators of leading foreign peer-companies in accordance with "Methodological Recommendations on Comparison of the Level of Technological Development and KPI Values of Joint-Stock Companies with State Participation, Public Corporations, Public Sector Companies and Federal State Unitary Enterprises and the Development and Performance Indicators of Leading Peer-Companies", endorsed by the interdepartmental working group on the implementation of the priorities of innovative development at the Presidium of the Presidential Council on Modernization of Economy and Innovative Development of Russia.¹²⁶

2. Submit to the RF Ministry of Economic Development and the Ministry of Finance of the Russian Federation:

- results of the comparison of the level of technological development,
- proposals for amending the Program of Innovative Development and Long-term Development Program,
- proposals on the composition and integral values of KPI for 2019.

Upon execution of the instruction of the Supervisory Board, the information thereon was summarized and submitted to the RF Ministry for Economic Development¹²⁷ and the Ministry of Finance of the Russian Federation.¹²⁸ Proposals for 2019 target values for indicators comprising the IKPI were forwarded to the RF Ministry of Finance.¹²⁹

The inventory of intellectual property rights

In 2018, the Directive of the Government of the Russian Federation¹³⁰ obligated joint-stock companies, included in the special list¹³¹, to ensure inventory of rights to the products of intellectual activity (intellectual property) with a view to subsequent measures to secure identified products and associated rights that belong to these joint-stock companies, their legal protection and recognition of such rights on the balance sheet as intangible assets for subsequent introduction into economic turnover and, where necessary, valuation of the rights thereto.

In view of these requirements, the Supervisory Board¹³² instructed the management of the Company to ensure inventory of rights to the products of intellectual activity for subsequent measures to secure identified products and associated rights thereto, that belong to PJSC ALROSA, their legal protection and recognition of such rights on the balance sheet as intangible assets for subsequent introduction into economic turnover and, where necessary, valuation of the rights thereto.

On the strategy, long-term development program and long-term investment program of ALROSA Group

The Company priorities include, inter alia, defining strategic goals and strategic business risks, approval of long-term development program of ALROSA Group and raising long-term investments.

In 2013-2014, the Supervisory Board approved ALROSA Group Development Strategy and Long-term Development Program (LTD) to 2023, based on the analysis of the macroeconomic performance of the industry, including building a model of supply and demand in the diamond market to year 2023, on the study of the current state of ALROSA Group, existing capacities, resources and competencies.

Growth of existing and newly emerging internal and external challenges which will have a significant impact on the Company's development in the medium and long term, called for updating the Development Strategy and LTD. The main external challenges are the shift of consumer preferences in favor of alternative products and increasing offer of synthetic diamond jewelry. Key internal challenges are rising production cost on existing fields and the need to review key performance indicators as a result of stopping operation of the upscale asset - mine "MIR".

The directives of the Government of the Russian Federation¹³³ require that the Company make annual adjustments (update) to LTD and in accordance with the established procedure approve the Long-term Investment Program (LTIP) of ALROSA Group as a separate document.

In 2018, the work has been done to update the Development Strategy, LTD and LTIP for 2018-2030, including the analysis of the current status of the global rough and cut diamond market, current state and strategic directions of the Company's development, the mission, vision, goals and objectives were refined and key performance indicators adjusted. Additionally, growing strategic influence of the Company on the development of rough and cut diamond complex in the international markets was discussed, as well as additional measures for processing rough diamonds, increase in surplus-value of rough and cut diamond complex in the territory of the Russian Federation and the development of Eurasian diamond center.

On June 19, 2018 these documents were considered at the meeting of the Strategic Planning Committee at the Supervisory Board. In the course of the discussion, members of the Committee found it prudent to limit the planning horizon by year 2024 and the annual adjustment (updating) of LTD by 2018-2024, to specify some of its provisions,

and recommended that the Supervisory Board take into account the comments and approve the draft Development Strategy, LTD and LTIP for 2018-2024, and upon agreeing the documents with the relevant ministries and agencies submit respective proposals to the Supervisory Board in the third quarter of 2018.

On June 21, 2018 the Supervisory Board approved the draft Development Strategy, LTD and LTIP for the period of 2018-2024, and instructed the Company management to forward the respective proposals to the Supervisory Board in Q3 of 2018 subject to the results of the harmonization of the documents with the relevant ministries and departments.

On October 19, 2018 the Strategic Planning Committee at the Supervisory Board¹³⁴, having considered new versions of the Development Strategy, LTD and LTIP of ALROSA Group for 2018-2024 found it feasible to opt for the optimistic scenario of the above-mentioned documents and proposed that a Progress Report on implementation of the Program on Perfecting the System of Industrial Safety Management at PJSC ALROSA be presented when considering the Annual KPI Performance Report.

On November 15, 2018¹³⁵ the Supervisory Board approved the newly presented Development Strategy, LTD and LTIP of ALROSA Group for 2018-2024 taking into consideration recommendations of the Strategic Planning Committee.

¹²³ The RF Government Directive no. 3262 p-P13 dated April 27, 2018

¹²⁴ approved by the Order of the Government of the Russian Federation No. 91-r dated January 23, 2003

¹²⁵ Minutes No. A01/274-IIP-HC

¹²⁶ Minutes No.2 of September 19, 2017

¹²⁷ Outgoing No. A01-100-160/309 of October 31, 2018, Outgoing No. A01-700-2060/273 of November 29, 2018

¹²⁸ Outgoing No. A01-100-160/310 of October 31, 2018

¹²⁹ Outgoing No. A01-700-2060/274 of November 31, 2018

¹³⁰ No. 7050 p-P13 dated August 30, 2018 pursuant to the Order of the Government of the Russian Federation No. ISh-P 13-1925 dated April 5, 2018.

¹³¹ approved by the Order of the Government of the Russian Federation

No. 91-r dated January 23, 2003

¹³² Minutes No. A01/281-IIP-HC

¹³³ No. 4955p-P13 dated June 17, 2014

¹³⁴ Minutes No. 44

¹³⁵ Minutes No. A01/283-IIP-HC dated November 15, 2018

On the performance of the quality management system of PJSC ALROSA on the basis of the consolidated report on its functioning

In compliance with the directives of the Government of the Russian Federation¹³⁶ the Company developed the Regulation on the quality management system of PJSC ALROSA, in accordance with the Guidelines of the Federal Agency for State Property Management.¹³⁷

Regulation, approved by the decision of the Supervisory Board of November 19, 2015¹³⁸, stipulates the procedure and key requirements for establishing a quality management system, which should contribute to the achievement of strategic goals and focus on:

- increasing customer satisfaction and loyalty,
- raising the quality of products (services) and ensuring their competitiveness,
- reducing costs and raising efficiency in the use of all resources,
- optimization and perfecting management processes, both at the level of the Company and at the level of each of the participants in the system (subdivisions: NIGP, Institute «Jakutnioproalmaz», subsidiaries EDC ALROSA and DIAMONDS ALROSA).

The performance of the quality management system was confirmed by a certificate of conformity to requirements of international standard ISO 9001 "Quality management system. Requirements." The Certificate is a guarantee of quality and is perceived as an advantage for the Company by its customers and partners, including those overseas.

On the procedures for coordination of planning and program- and target-focused documents with the Ministry of the Russian Federation on the Development of the Far East

On December 21, 2018 pursuant to the directives of the Government of the Russian Federation,¹⁴⁰ the Supervisory Board¹⁴¹ approved the Procedures for Coordination of planning and program- and target-focused documents of PJSC ALROSA with the Ministry of the Russian

Federation on the Development of the Far East, including the update of the Procedures for Coordination of investment programs (plans) for infrastructure development, implemented by PJSC ALROSA in the territory of the Far East Federal District, with the Ministry of the Russian Federation on the Development of the Far East; it also instructed to ensure that the approved Procedures for Coordination be posted at the interagency portal for managing state property.

A summary report for year 2017 was prepared to analyze the functioning of the quality management system; in June 2018 the report was reviewed by the Supervisory Board. The report provides sufficient information and meets the requirements of the Regulation, which is confirmed by the expert opinion of the international body of certification of management systems AFNOR Rus LLC.¹³⁹

The report provides the analysis of the changing external and internal factors influencing the quality management system, customer satisfaction, quality of products and services, performance of the basic quality management system processes, improvements made on the basis of the analysis of results and the achievement of the goals and targets in respect of quality.

On June 22, 2018 the Supervisory Board [5] took note of the performance of the quality management system of PJSC ALROSA in the reporting year upon consideration of the report prepared for the top management of PJSC ALROSA to analyze the functioning of the quality management system in year 2017.

On transition to preferential use of domestic software

In 2018, the directive of the Government of the Russian Federation¹⁴² prescribed that the Supervisory Board consider the issue of the Company's transition to domestic software and adopt the decision providing, in accordance with the methodological recommendations on transition of State-owned companies on domestic software, including domestic Office software.

The Supervisory Board reviewed the matter on December 28, 2018¹⁴³ and instructed the Company to ensure that the necessary arrangements for the transition to preferential use of domestic software, including domestic Office software, be effected, including:

1.1. By March 1, 2019 to prepare and agree with ANO (creation of) "Centre of Competencies in the Area of Information and Communication Technologies" and submit for approval of the Supervisory Board an action plan for 2019-2021 on transition of PJSC ALROSA to preferential use of domestic software, defining:

- authorized officer not below the rank of Deputy CEO, responsible for the implementation of activities on transition to preferential use of domestic software
- organizational and technical measures to ensure transition to preferential use of domestic software within specified timelines,
- financial resources, including timelines, scope and sources of funding to ensure the transition to preferential use of domestic software

and determining KPIs in respect of transition to preferential use of domestic software.

1.2. Extending the Long-term Development Program of PJSC ALROSA by including measures facilitating transition to preferential use of domestic software within the import replacement measures.

1.3. Promotion of the above-stated approach in the subsidiaries, where the aggregate direct and/or indirect participation of PJSC ALROSA in their authorized capital is greater than 50%.

1.4. Ensuring submission of reports on the implementation of the present decision and plan to 2019-2021 to the Ministry of Digital Development, Communications and Mass Media of the Russian Federation on a quarterly basis not later than the tenth day of the month following the reporting quarter, by placing the report on the interdepartmental portal of public property management records.

¹³⁶ No. 3984p-P13 dated June 24, 2015

¹³⁷ approved by the Government of the Russian Federation in the framework of the implementation of the orders of the President of the Russian Federation of December 27, 2014 No. Pr-3013

¹³⁸ Minutes No. A01/237-PP-HC

¹³⁹ Representation of the French certification body AFNOR Certification in the CIS countries, Mongolia and Bulgaria

¹⁴⁰ No. 8860p-P13 of October 29 2018

¹⁴¹ Minutes No. A01/286-PP-HC

¹⁴² No. 10068p-P13 of December 6, 2018 pursuant to paragraph 4, section II of the Minutes of the meeting of the governmental Commission on the use of information technologies to improve the quality of life and conditions of doing business dated February 9, 2018 No. 1

¹⁴³ Minutes No. A01/287-PP-HC

7. Information about major transactions and interested party transactions

Information on major transactions

No major transactions (in accordance with Federal Law No. 208-FZ dated December 26, 1995 "On Joint Stock Companies" (ed. of December 27, 2018) large transactions involving acquisition, alienation or disposition of the property (either directly or indirectly (including through a loan, credit, mortgage, surety, acquisition of such number of shares or other issuance securities convertible to shares of a public company, which will lead to the emergence of a corporate obligation to make a binding offer, where the price or book value makes 25 per cent or more of the book value of the assets of the Company; a deal providing for an obligation to transfer the

property in temporary ownership and (or) use, or providing to a third party the right to use the results of intellectual activity or means of individualization on license terms, where the price or book value makes 25 or more per cent of the book value of the assets of the Company, determined according to accounting (financial) statements on December 31, 2018) were committed by the Company.

Information on interested party transactions

List of PJSC ALROSA transactions of 2018, recognized as transactions with interest in accordance with the Federal Law "On Joint-Stock Companies":

| <i>Counterparty Name</i> | <i>Contract</i> | <i>Major transaction terms</i> | <i>Contract amount in RUB equivalent RUB</i> | <i>Persons recognized as interested (parties) in the transaction</i> | <i>Management body authorizing the transaction Notice</i> |
|--------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| JSC Almazy Anabara | Contract on rendering services on sales of diamonds No. 1AA/E dated 09.01.2018 | Rendering services on sales of diamonds for export, including pre-sale preparation, from 09.01.2018 to 31.12.2018 | 1,00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC Almazy Anabara | Supplementary agreement No. 1 dated 02.07.2018 | Supplementary agreement No. 1 to Contract No. 1AA/E dated 09.01.2018 on amending cl. 2.1.4. of the Contract: changing the term of receipt of money (proceeds) for sold diamonds to the Company accounts from 120 calendar days to 15 calendar days. | - | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| PJSC ALROSA-Nyurba | Contract on rendering services No. 3AN/E dated 09.01.2018 | Rendering services on sales of diamonds for export, including pre-sale preparation, from 09.01.2018 to 31.12.2018 | 1,00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |
| PJSC ALROSA-Nyurba | Supplementary agreement No. 1 dated 02.07.2018 | Supplementary agreement No. 1 to Contract No. 3AN/E of 09.01.2018 on amending cl. 2.1.4. of the Contract: changing the term of receipt of money (proceeds) for sold diamonds to the Company accounts from 120 calendar days to 15 calendar days. | - | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |
| JSC Almazy Anabara | Contract on rendering services No. 2AA/VN dated 09.01.2018 | Rendering services on sales of diamonds in the domestic market, including pre-sale preparation, from 09.01.2018 to 31.12.2018 | 1,00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC Almazy Anabara | Supplementary agreement No. 1 dated 02.07.2018 | Supplementary agreement No. 1 to Contract No. 2AA/VN dated 09.01.2018 on amending cl. 2.1.3. of the Contract: changing the term of receipt of money (proceeds) for sold diamonds to the Company accounts from 120 calendar days to 15 calendar days. | - | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| PJSC ALROSA-Nyurba | Contract on rendering services No. 4AN/VN dated 09.01.2018 | Rendering services on sales of diamonds in the domestic market from 09.01.2018 to 31.12.2018 | 1,00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |

| <i>Counterparty Name</i> | <i>Contract</i> | <i>Major transaction terms</i> | <i>Contract amount in RUB equivalent RUB</i> | <i>Persons recognized as interested (parties) in the transaction</i> | <i>Management body authorizing the transaction Notice</i> |
|-------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| PJSC ALROSA-Nyurba | Supplementary agreement No. 1 dated 02.07.2018 | Supplementary agreement No. 1 to Contract No. 4AH/VN dated 09.01.2018 on amending cl. 2.1.3. of the Contract: changing the term of receipt of money (proceeds) for sold diamonds to the Company accounts from 120 calendar days to 15 calendar days. | - | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |
| PJSC Severalmaz | Contract on rendering services No. 6C/ VN dated 09.01.2018 | Rendering services on sales of diamonds in the domestic market from 09.01.2018 to 31.12.2018 | 1,00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| PJSC Severalmaz | Supplementary agreement No. 1 dated 02.07.2018 | Supplementary agreement No. 1 to Contract No. 6C/VN dated 09.01.2018 on amending cl. 2.1.3. of the Contract: changing the term of receipt of money (proceeds) for sold diamonds to the Company accounts from 120 calendar days to 15 calendar days. | - | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC ALROSA Air Company | Supplementary agreement No.1 dated 02.07.2018 | Supplement Agreement No. 1 to Loan Agreement No. 625 dated 28.12.2017 - an increase of the outstanding debt limit under the Loan Agreement from RUB 1,800 mln to RUB 2,800 mln. | 1,00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Notice No. KP01-800-813/49 dated 11.07.2018. |
| PJSC Severalmaz | Loan Agreement No.43 of 16.02.2018 (PJSC Severalmaz as Lender; PJSC ALROSA as Borrower) | Extending a special purpose loan with a set debt limit, repayment due 28.12.2020 | - | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| PJSC Severalmaz | Loan Agreement No.44 of 16.02.2018 (PJSC ALROSA as Lender; PJSC Severalmaz as Borrower) | Extending a special purpose loan with a set debt limit, repayment due 28.12.2020 | 1 000 000 000,00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC Almazy Anabara | Loan Agreement No.45 dated 16.02.2018 (PJSC ALROSA as Lender; JSC Almazy Anabara as Borrower) | Extending a special purpose loan with a set debt limit, repayment due 28.12.2020 | 4 500 000 000,00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC Almazy Anabara | Loan Agreement No.46 dated 16.02.2018 (JSC Almazy Anabara as Lender); PJSC ALROSA as Borrower) | Extending a special purpose loan with a set debt limit, repayment due 28.12.2020 | 4 500 000 000,00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC Almazy Anabara | Loan Agreement No.47 dated 16.02.2018 (PJSC ALROSA as Lender; JSC Almazy Anabara as Borrower) | Extending a special purpose loan with a set debt limit, repayment due 28.12.2020 | 7 000 000 000, 00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| PJSC Severalmaz | Loan Agreement No.3 dated 16.02.2018 (PJSC ALROSA as Lender; PJSC Severalmaz as Borrower) | Extending a special purpose loan due 27.12.2021 | 1,587,000,000.00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC ALROSA Air Company | Loan Agreement No.131 of 30.03.2018 (PJSC ALROSA as Lender; JSC ALROSA Air Company as Borrower) | Extending a special purpose loan with a set debt limit, repayment due 28.12.2020 | 1,800,000,000.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| DIAMONDS ALROSA LLC | Loan Agreement No.183 dated 27.04.2018 (PJSC ALROSA as Lender; DIAMONDS ALROSA LLC as Borrower) | Extending a working capital loan due 29.03.2019 | 15,000,000.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| JCS Ric Plus | Share sale and purchase agreement No.384 dated 19.07.2018 | PJSC ALROSA-Nyurba shares sale and purchase agreement JCS Ric Plus as Seller PJSC ALROSA as Buyer Aggregate amount payable by the buyer to the seller for 80 000 PCs. shares is RUB 12,000,000,000.00, payment due by 31.12.2018. | 12,000,000,000.00 | Member of the Supervisory Board 1 of the Company S.V. Mestnikov | Notice No. KP01-100-2702/8 dated 10.07.2018. |

| <i>Counterparty Name</i> | <i>Contract</i> | <i>Major transaction terms</i> | <i>Contract amount in RUB equivalent RUB</i> | <i>Persons recognized as interested (parties) in the transaction</i> | <i>Management body authorizing the transaction Notice</i> |
|---------------------------------|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| NSPF Almaznaya Osen, JSC | Supplement Agreement No.26 dated 24.05.2018 to Contract No.7-07 dated 07.05.2004, No.CD01-800-/360 | Refined calculation of the pension contributions on the basis of actual data as of 31.12.2017. | 1,511,551,473.84 | Company's Board member and member of the Board of Directors of the counterparty S.S. Ivanov | Supervisory Board |
| NSPF Almaznaya Osen, JSC | Supplement Agreement No.11 dated 24.05.2018 to Contract No.1/2013 dated 01.08.2013, No.CD01-800-/356 | Refined calculation of the pension contributions on the basis of actual data as of 31.12.2017. | 477,984,739.59 | Company's Board member and member of the Board of Directors of the counterparty S.S. Ivanov | Supervisory Board |
| JSC ALROSA Air Company | Contract on air cargo transportation service No.2018-12/GP dated 26.06.2018 | Provision of air cargo transportation service. Term of service provision from 18.06.2018 to 30.03.2019. | 927,816.89 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Contractor's agreement No.9-3C-1 dated 09.02.2018 | Drilling works and completion of filling hole No. 9 at the Internatsionalny mine | 66,585,087.00 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.1 to Contractor's agreement No.9-3C-1 | Supplement agreement on increasing the total amount under the Contractor's agreement No.9-3C-1 due to deteriorating geological conditions when drilling filling hole No. 9. | 21,196,707.00 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Contractor's agreement No.7-3C dated 01.07.2018 | Works on the recovery of filling hole No. 7 at the Internatsionalny mine. | 13,499,572.00 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Contractor's agreement No.4-3C dated 01.07.2018 | Works on the recovery of filling hole No. 4 at the Internatsionalny mine. | 11,949,849.00 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Contractor's agreement No.34 dated 30.01.2018 | Drilling works on upward drainage wells at the Udachny underground mine | 43,973,980.00 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.1 dated 17.10.2018 to Contractor's agreement No.34 dated 30.01.2018 | Supplement Agreement No.1 on increasing the total amount under the Contractor's agreement No. 34 in connection with an increased volume of work performed on drilling upward drainage wells and water circulation wells at the Udachny underground mine without extending the term of execution of works. | 15,390,888.00 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.2 dated 28.12.2018 to Contractor's agreement No.34 dated 30.01.2018 | Supplement Agreement No.1 on extending the term of execution of works to 30.04.2019 without increasing the volume of work performed and adjusting the total amount under Contractor's agreement No.34 | 260,862.51 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| JSC Almazny Anabara | Contract No.549-04.18 dated 16.04.2018 | Final finishing of main product of JSC Almazny Anabara | 28,600,828.20 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC Almazny Anabara | Supplement Agreement No.1 dated 12.10.2018 to Contract No.549-04.18 dated 16.04.2018 | Supplement Agreement No.1 on increasing the total value of service provided in connection with an increased volume of work performed. | 739,621.15 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC Almazny Anabara | Contract No.190-02.18 of 13.02.2018 | Services of warehouse storage of explosives warehouse storage term from 01.01.2018 to 31.12.2018. | 666 152,90 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |

| <i>Counterparty Name</i> | <i>Contract</i> | <i>Major transaction terms</i> | <i>Contract amount in RUB equivalent RUB</i> | <i>Persons recognized as interested (parties) in the transaction</i> | <i>Management body authorizing the transaction Notice</i> |
|---------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| ALROSA-Spetsbureniye LLC | Service contract No.1906/18 dated 19.06.2018 | Services of warehouse storage of explosives from 01.07.2018 to 31.12.2018. | 62,902.97 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| PJSC ALROSA-Nyurba | Contract No.3619 dated 25.01.2018 | Mining works for PJSC ALROSA-Nyurba. The term of rendering service from 01.01.2018 to 31.12.2018. | 19,909,009,843.20 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |
| PJSC ALROSA-Nyurba | Contract No.1/18 dated 09.01.2018 | Sorting, preliminary grading and preliminary valuation of raw diamonds. The term of rendering service from 01.01.2018 to 31.12.2018. | 48,813,569.76 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |
| JSC Almazy Anabara | Service contract No.600-04/18 dated 28.04.2018 | Sorting, storage and shipment of raw diamonds belonging to the Company. The Contract is valid to 31.12.2018. | 28,869,046.92 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC Almazy Anabara | Contract No.01/18-I dated 15.02.2018 | Purchase and sale of measuring equipment. The term of delivery (shipment) by 28.02.2018. | 605,852.00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC Almazy Anabara | Supplement Agreement No.1 dated 13.04.2018 to Contract No.01/18-I dated 15.02.2018 | Supplement agreement on changing the term of payment from 10 calendar days to 30 calendar days in the clause "Terms of Payment". | - | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| PJSC ALROSA-Nyurba | Non-residential premises lease No. 33 dated 27.02.2018. | Lease of non-residential premises. Term of lease: administrative building with extension from 01.03.2018 to 31.01.2019; box-garage from 01.03.2018 to 30.06.2018. | 4,062,769.87 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |
| PJSC ALROSA-Nyurba | Supplement Agreement No.1 dated 17.12.2018 to Contract No.33 dated 27.02.2018 | Supplement Agreement to Non-residential Premises Lease Contract on amending the clause on the lease price. | 6,179.85 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |
| ALROSA Belgium NV | Service contract No.37-3/18 dated 13.03.2018 | Providing organizational and technical services on holding diamond shows in Antwerp (Belgium). | RUB 8,918,119.87 USD 157,530.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA USA Inc. | Service contract No.100 dated 10.04.2018 | Providing organizational and technical services on holding diamond shows in New York (USA). | RUB 14,365,807.28 USD 245,270.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA East DMCC | Service contract No.94 dated 15.01.2018 | Providing organizational and technical services on holding diamond shows in Dubai (UAE). | RUB 11,748,403.57 USD 207,562.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Hong Kong Ltd. | Service contract No.95 dated 01.02.2018 | Providing organizational and technical services on holding diamond shows in Hong-Kong. | RUB 15,717,721.21 USD 279,754.40 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Belgium NV | Service contract No.36-2/18 dated 12.02.2018 | Providing organizational and technical services on holding diamond shows in Antwerp (Belgium). | RUB. 26,736,341.00, USD 459,610.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA USA Inc. | Service contract No.98 dated 19.02.2018 | Providing organizational and technical services on holding diamond shows in New York (USA). | RUB 676,264.80, USD 12,000.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Israel Ltd. | Service contract No.96 dated 15.02.2018 | Providing organizational and technical services on holding diamond shows in Ramat-Gan (Israel). | RUB 15,442,340.07 USD 268,143.20 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |

| <i>Counterparty Name</i> | <i>Contract</i> | <i>Major transaction terms</i> | <i>Contract amount in RUB equivalent RUB</i> | <i>Persons recognized as interested (parties) in the transaction</i> | <i>Management body authorizing the transaction Notice</i> |
|------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| ALROSA Belgium NV | Service contract No.97 dated 31.01.2018 | Providing organizational and technical services on holding diamond shows in Antwerp (Belgium). | RUB 4,251,126.53 USD 75,520.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Belgium NV | Service contract No.39-4/18 dated 09.04.2018 | Providing organizational and technical services on holding diamond shows in Antwerp (Belgium). | RUB 9,110,464.00 USD 157,530.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA East DMCC | Service contract No.99 dated 19.03.2018 | Providing organizational and technical services on holding diamond shows in Dubai (UAE). | RUB 11,933,611.14 USD 207,562.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA East DMCC | Service contract No.102 dated 10.05.2018 | Providing organizational and technical services on holding diamond shows in Dubai (UAE). | RUB 11,507,550.63, USD 182,640.40 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Hong Kong Ltd. | Service contract No.103 of 24.05.2018 | Providing organizational and technical services on holding diamond shows in Hong-Kong. | RUB 14,672,943.24 USD 238,218.40 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Belgium NV | Service contract No.46-7/18 dated 09.07.2018 | Providing organizational and technical services on holding diamond shows in Antwerp (Belgium). | RUB 9,943,545, 65, USD 157,530.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Belgium NV | Supplement Agreement No.1 dated 27.08.2018 to Contract No.46-7/18 of 09.07.2018 | Supplement Agreement on termination of service regarding one lot | 0.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Hong Kong Ltd. | Service contract No.106 dated 23.08.2018 | Providing organizational and technical services on holding diamond shows in Hong-Kong. | RUB 29,372,520.72, USD 434,400.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA USA Inc. | Service contract No.107 dated 06.09.2018 | Providing organizational and technical services on holding diamond shows in New York (USA). | RUB 20,538,840,00, USD 300,000.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Israel Ltd. | Service contract No.101 dated 19.04.2018 | Providing organizational and technical services on holding diamond shows in Ramat-Gan (Israel). | RUB 16,249,589.44, USD 263,989.60 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Belgium NV | Service contract No.40-5/18 dated 14.05.2018 | Providing organizational and technical services on holding diamond shows in Antwerp (Belgium). | RUB 9,725,177.56, USD 157,530.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Hong Kong Ltd. | Service contract No.42-5/18 dated 16.05.2018 | Providing organizational and technical services on holding diamond shows in Hong-Kong. | RUB 8,511,647.51, USD 137,470.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA East DMCC | Service contract No.41-5/18 dated 27.04.2018 | Providing organizational and technical services on holding diamond shows in Mumbai (India). | RUB 8,347,444.02, USD 133,340.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Israel Ltd. | Service contract No.104 dated 04.06.2018 | Providing organizational and technical services on holding diamond shows in Ramat-Gan (Israel). | RUB 15,129,745.56 USD 243,221.60 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Israel Ltd. | Service contract No.43-6/18 dated 08.06.2018 | Providing organizational and technical services on holding diamond shows in Ramat-Gan (Israel). | RUB 2,552,856.25, USD 41,300.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Belgium NV | Service contract No.48-8/18 dated 13.08.2018 | Providing organizational and technical services on holding diamond shows in Antwerp (Belgium). | USD 223,610.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |

| <i>Counterparty Name</i> | <i>Contract</i> | <i>Major transaction terms</i> | <i>Contract amount in RUB equivalent RUB</i> | <i>Persons recognized as interested (parties) in the transaction</i> | <i>Management body authorizing the transaction Notice</i> |
|------------------------------|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| ALROSA East DMCC | Service contract No.47-8/18 dated 08.08.2018 | Providing organizational and technical services on holding diamond shows in Mumbai (India). | RUB 4,611,279.23, USD 72,570.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA East DMCC | Supplement Agreement No.1 dated 21.09.2018 to Contract No.47-8/18 dated 08.08.2018 | Supplement Agreement on termination of service regarding one lot | 0.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Belgium NV | Service contract No.01A-2018 dated 10.09.2018 | Providing organizational and technical services on holding diamond shows in Antwerp (Belgium). | RUB 101,608,028.34, USD 1,471,970.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Hong Kong Ltd. | Service contract No.02N-2018 dated 11.09.2018 | Providing organizational and technical services on holding diamond shows in Hong-Kong. | RUB 16,859,967.74, USD 241,310.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA East DMCC | Service contract No.03D-2018 dated 10.10.2018 | Providing organizational and technical services on holding diamond shows in Dubai (UAE). | RUB 54,488,473.82, USD 820,570.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA East DMCC | Supplement Agreement No.1 dated 22.10.2018 to Contract No.2018 dated 10.10.2018 | Supplement agreement on amending clauses of the Service contract | 0.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Israel Ltd. | Service contract No.041-2018 dated 26.10.2018 | Providing organizational and technical services on holding diamond shows in and outside the territory of Israel. | RUB 57,721,132.99, USD 877,920.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| Diamonds ALROSA LLC | Supplement Agreement No.16 dated 28.12.2018 to Contract No.1-12 dated 19.01.2018 | Supplement Agreement to the Contract on production of diamonds | 0.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Hong Kong Ltd. | Service contract No.003/18 dated 15.02.2018 | Arrangement of cut diamond shows in the period from 27.02.2018 to 30.11.2018 in Hong Kong. | RUB 9,138,422.92, USD 158,681.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Belgium NV | Service contract No.004/18 dated 27.02.2018 | Providing organizational and technical services regarding arrangement of cut diamond shows in the period from 07.03.2018 to 30.10.2018 in Antwerp (Belgium). | RUB 30,353.81, USD 542.80 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| JSC Almazny Anabara | Contractor's agreement No.33-01.18 dated 15.01.2018 | Works on production of cut diamonds from rough natural diamonds. | 30,000,000.00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| ALROSA Israel Ltd. | Service contract No.005/18 dated 19.04.2018 | Provision of technical services on certification of cut diamonds in the Gemological Institute of America from 17.04.2018 to 30.11.2018 | RUB 726,336.02, USD 11,800.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Belgium NV | Service contract No.008/18 dated 28.04.2018 | Providing organizational and technical services regarding arrangement of cut diamond shows in the period from 10.05.2018 to 30.10.2018 in Antwerp (Belgium). | RUB 18,134.09, USD 289.10 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Belgium NV | Service contract No.009/18 dated 28.04.2018 | Providing organizational and technical services regarding arrangement of cut diamond shows in the period from 10.05.2018 to 30.10.2018 in Antwerp (Belgium). | RUB 5,329.20, USD 84.96 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |

| <i>Counterparty Name</i> | <i>Contract</i> | <i>Major transaction terms</i> | <i>Contract amount in RUB equivalent RUB</i> | <i>Persons recognized as interested (parties) in the transaction</i> | <i>Management body authorizing the transaction Notice</i> |
|---------------------------------|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| ALROSA Israel Ltd. | Service contract No.006/18 dated 26.04.2018 | Provision of technical services on certification of cut diamonds in the Gemological Institute of America from 23.04.2018 to 30.11.2018 | RUB 7,384,240.25, USD 119 584.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| JSC Almazy Anabara | Commission contract No.602-04.18 dated 28.04.2018. | Commission contract on making deals of sale of diamonds at auctions for remuneration | 1.00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| ALROSA USA Inc. | Service contract No.007/18 dated 08.06.2018 | Providing organizational and technical services regarding arrangement of cut diamond shows in New York (USA). The deadline for returning the cut diamonds to the Russian Federation is by 20.12.2020. | RUB 142,712,700.00 USD 2,308,800.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Hong Kong Ltd. | Service contract No.011/18 dated 30.07.2018 | Providing organizational and technical services regarding arrangement of cut diamond shows in Hong-Kong. The deadline for returning the cut diamonds to the Russian Federation is by 20.12.2020. | RUB 98,048,212.25, USD 1,556,998.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Israel Ltd. | Service contract No.010/18 dated 17.08.2018 | Providing organizational and technical services regarding arrangement of cut diamond shows in Ramat-Gan (Israel). The deadline for returning the cut diamonds to the Russian Federation is by 20.12.2020. | RUB 114,166,958.91, USD 1,706,705.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| PJSC ALROSA-Nyurba | Geological exploration contract No.3-U/18 of 19.02.2018. | Operational exploration within the mining lease on diamond pipe deposits Botuobinskaja Njurbinskaja, and diamond-placers Njurbinskaja and Botuobinskaja. The time-frame of the works is from 01.01.2018 to 31.12.2018. | 363,296,000.00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |
| JSC ALROSA Air Company | Supplement Agreement No.1 dated 18.12.2018 to Contract No.2018-09-ASP dated 27.12.2017 | Supplement agreement to the contract on the provision of air services - change in the amount of the contract. | 5,035,071.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Contract for performance of work No.1917 of 28.09.2018 | Performance of a complex of mining and drilling, hydrogeological and related works in the 2-nd half of 2018. Term of execution of works is from the date of conclusion of the contract to to 31.12.2018. | 1,382,315,978.42 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Notice No. KP01-100-1070-29/12 dated 13.09.2018 |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.6 dated 13.11.2018 to Contract of purchase and sale No.14 dated 15.01.2018 | Supplement Agreement to Contract of purchase and sale on changing the specification and contract amount increase. | 1,323,760.00 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Service contract No.12/2018 dated 28.04.2018 | Waste disposal services -(I) - (IV) hazard class. Term of services is from the moment of concluding the contract to 20.12.2018. | 70,881.11 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| JSC ALROSA Air Company | Supplement Agreement No.1 dated 01.02.2018 to Contract of purchase and sale No.940 dated 21.12.2017 | Supplement agreement to the contract for delivery of oil products on increasing the price due to correction of the needed volume and price for oil products. | 4,483,695.50 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| JSC ALROSA Air Company | Supplement Agreement No.3 dated 01.08.2018 to Contract of purchase and sale No.940 dated 21.12.2017 | Supplement agreement to the contract for release of oil products: on increasing the price due to correction of the needed volume and price for oil products. | 168,978,472.47 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |

| <i>Counterparty Name</i> | <i>Contract</i> | <i>Major transaction terms</i> | <i>Contract amount in RUB equivalent RUB</i> | <i>Persons recognized as interested (parties) in the transaction</i> | <i>Management body authorizing the transaction Notice</i> |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| JSC ALROSA Air Company | Supplement Agreement No.4 of 11.10.2018 to Contract of purchase and sale No.940 of 21.12.2017 | Supplement agreement to the contract for release of oil products: on decreasing the total amount of the contract (subject to Supplemental agreements ns 1,2,3,4) due to correction of the needed volume of fuel. | - 1,887,000.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| JSC ALROSA Air Company | Supplementary agreement No.1 of 07.09.2018. to to aviation services contract No. 2018-12/ASP of 29.12.2017. | Supplement agreement to the contract on the provision of air services: change in the amount of the contract. | - 1,391,677.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| JSC ALROSA Air Company | Service contract No.2018-01/TA dated 16.01.2018 | Cargo air transportation by plane Term of service provision: from 01.01.2018 to 31.12.2018. | 482,040,869.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| JSC ALROSA Air Company | Supplement agreement No.1 dated 28.05.2018. to aviation services contract No. 2018-01/TA of 16.01.2018. | Supplement agreement to the contract on the provision of aviation services: increasing the amount of the contract. | 7,131,905.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| JSC ALROSA Air Company | Supplement agreement No.2 dated 30.08.2018. to aviation services contract No. 2018-01/TA dated 16.01.2018. | Supplement agreement to the contract on the provision of aviation services: increasing the amount of the contract. | 23,414,858.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| JSC Almazy Anabara | Contract for processing and storing of cargo No. 6/04 dated 15.03.2018. | Processing and storage of explosive materials in the period from 01.01.2018 to 30.04.2018. | 141,418.70 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC ALROSA Air Company | Delivery contract No.6101030845 dated 10.12.2018. | Delivery of oil products, the term from 01.01.2019 to 31.12.2019 | - 1,653,682,720.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| JSC Almazy Anabara | Supplement Agreement No.2 dated 22.03.2018 to Contract No.08/2017 dated 16.01.2017 | Supplement agreement to the contract on storing, processing and release of oil products: making amendments to the contract due to an increase in the volume of oil products received, processed and released. | 59,470.96 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.9 dated 15.01.2018 to Contractor's construction agreement No.1CP-0709/15 dated 14.09.2015 | Supplement agreement to the contract for refinement and execution of additional volume of works and services with a reduction in the total amount of the Contractor's construction agreement. | -736,618,070.62 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.10 dated 15.05.2018 to Contractor's construction agreement No.1CP-0709/15 dated 14.09.2015 | Supplement agreement to the contract for refinement and execution of additional volume of works with a correction in the product unit price and reduction of a total amount of the Contractor's construction agreement. | -2,624,719.66 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.12 dated 08.10.2018 to Contractor's construction agreement No.1CP-0709/15 dated 14.09.2015 | Supplement agreement to the agreement on extension of the term of work execution, refinement of the volume of work, execution of additional general construction works and correction in the product unit price and reduction of the total amount of the agreement. | -5,025,768.21 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.13 dated 17.12.2018 to Contractor's construction agreement No.1CP-0709/15 dated 14.09.2015 | Supplement agreement to the agreement on extension of the term of work execution, execution of additional general construction works and reduction of the total contractual amount. | - 224,199,539.94 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |

| <i>Counterparty Name</i> | <i>Contract</i> | <i>Major transaction terms</i> | <i>Contract amount in RUB equivalent RUB</i> | <i>Persons recognized as interested (parties) in the transaction</i> | <i>Management body authorizing the transaction Notice</i> |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.11 dated 30.07.2018 to Contractor's construction agreement No.1CP-0709/15 dated 14.09.2015 | Supplement agreement to the agreement on extension of the term of work execution, refinement of the volume of work, execution of additional general construction works, correction in the product unit price and reduction of the total amount of the Contractor's construction agreement on drilling and blasting services. | -698,159.10 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.1 dated 01.11.2018 to Contract No.TP/17 of 13.04.2017 | Supplement agreement on refining the actual volume of fuel tanker service and volume of diesel fuel delivery with a decrease in the total contractual amount. | -6,254,577.92 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Contractor's agreement No.1 dated 17.05.2018 | Drilling exploratory wells at mine Aikhal (opening and mining down to -400 m). Term of execution of works: from 17.05.2018 to 25.09.2018. | 23,511,623.90 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| JSC ALROSA Air Company | Service contract No.2018-10/ASP dated 06.02.2018 | Rendering helicopter and plane aviation service. | 16,085,994.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| JSC ALROSA Air Company | Supplement Agreement No.1 dated 21.12.2018 to Contract No.2018-10/ASP of 06.02.2018 | Supplement agreement to the contract on the provision of aviation service: change in the amount of the contract due to change in the price of fuel and lubricants. | 286,945.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| JSC ALROSA Air Company | Supplement Agreement No.1 dated 13.07.2018 to Contract No.1 dated 28.12.2017 | Supplement agreement to the contract on making amendments to some clauses of Contract No.1 dated 28.12.2017. | 0.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| PJSC Severalmaz | Contract No.170-04-18-CA dated 28.04.2018 | Preparation of a technical project of developing diamond deposit named after M.V. Lomonosov. | 10,934,086.50 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC Almazy Anabara | Contractor's agreement No.1540/1-PD18 dated 26.03.2018 | Works on laying and maintenance of a winter automobile road (avtozimnik) connecting Good-Olenek-Saskylah-Jurjung-Khaya. | 236,663,339.56 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC ALROSA-Gaz | Agreement on gratuitous rendering educational services No.10-OP dated 24.01.2018 | Employee training service, effective from 30.01.2018 to 12.02.2018. | 149,529.60 | Company's Board members I.V. Sobolev | Supervisory Board |
| ALROSA East DMCC | Contract on rendering services No. 35C-1/18 dated 25.01.2018 | Providing organizational and technical services on holding diamond shows. The deadline for returning the cut diamonds to the Russian Federation is by 20.04.2018. | RUB 5,389,641.50, USD 95,580.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA East DMCC | Contract on rendering services No. 38-3/18 of 15.03.2018 | Providing organizational and technical services on holding diamond shows in UAE. The term for returning the cut diamonds to the Russian Federation is by 30.06.2018. | USD 132,895.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Hong Kong Ltd. | Service contract No.002/18 dated 31.01.2018 | Providing organizational and technical services on holding cut diamond shows in Hong-Kong. The term for returning the cut diamonds to the Russian Federation is by 20.12.2018. | USD 2,829.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |
| ALROSA Hong Kong Ltd. | Service contract No.001/18 dated 12.02.2018 | Providing organizational and technical services on holding cut diamond shows in Hong-Kong. The term for returning the cut diamonds to the Russian Federation is by 20.12.2018. | USD 8,286.00 | Company's Board member and member of the Board of Directors of the counterparty Yu.K.Okoyomov | Supervisory Board |

| <i>Counterparty Name</i> | <i>Contract</i> | <i>Major transaction terms</i> | <i>Contract amount in RUB equivalent RUB</i> | <i>Persons recognized as interested (parties) in the transaction</i> | <i>Management body authorizing the transaction Notice</i> |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| JSC Almazy Anabara | Contract No.549-04.18 dated 16.04.2018 | Works on finishing main products. Term of service provision: from 01.06.2018 to 31.12.2018. | 28,600,828.20 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| JSC Almazy Anabara | Service contract No.600-04.18 | Sorting, storage and shipment of raw diamonds belonging to the Company. Term of service provision: from 31.12.2018 to 31.12.2018. | 28,869,046.92 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| PJSC ALROSA-Nyurba | Supplement Agreement No.2 dated 28.06.2018 to Contract No.3721 dated 12.02.2018 | Supplement agreement to the contract of property lease: price increase (the rental) due to commissioning of a new object. | 2,550,983.00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Contract of purchase and sale of movable property №2 dated 25.06.2018. | Purchase and sale of vehicles. | 435,086,060.00 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| JSC ALROSA Air Company | Supplement agreement No.1 dated 28.05.2018. to Services contract No. 2018-01/EF dated 16.01.2018. | Supplement agreement to Services contract for cargo transportation service: changing contractual amount due to changed airport rates and prices for fuel and lubricants. | 7,131,905.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Service contract No.12/2018 dated 28.04.2018 | Waist decontamination service | 70,881.11 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.10 dated 15.05.2018 to Contractor's construction agreement No.1CP-0709/15 dated 14.09.2015 | Supplement agreement to the Contractor's construction agreement: clarification, execution of additional works and correction of the product unit price causing reduction of the total contractual amount without changing the term of the work execution. | -2,624,719.66 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Contract No.1906/18 dated 19.06.2018 | Warehouse storage of explosives for the period from 01.07.2018 to 31.12.2018 | 62,902. 97 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Contractor's agreement No.1 dated 17.05.2018 | Drilling of exploratory wells, the term of execution is from the conclusion of the contract to 25.09.2018. | 23,511,623.90 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| JSC ALROSA Air Company | Contract for air transportation No.2018-12/GP dated 26.06.2018 | Air transportation of the corporate cargo of the Company for a period from 18.06.2018 to 30.03.2019. | 927,816.89 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.1 dated 25.05.2018 to Contractor's agreement No.9 -3C-1 dated 09.02.2018. | Supplement agreement on increasing the total contractual amount due to deteriorating geological conditions when drilling filling hole. | 21,196,707.00 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |
| PJSC Severalmaz | Contract No.170-04-18-CA dated 28.04.2018 | Survey and exploration works, ending on 31.10.2018. | 10,934,086.50 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, I.V. Sobolev | Supervisory Board |
| PJSC ALROSA-Nyurba | Supplement Agreement No.3 dated 24.10.2018 to the Contract of property lease No.3721 dated 12.02.2018 | Supplement agreement to the contract of property lease: extending the term of lease by one month from 01.12.2018 to 31.12.2018 with respective increase of the lease amount. | 17,837,243.44 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |

| <i>Counterparty Name</i> | <i>Contract</i> | <i>Major transaction terms</i> | <i>Contract amount in RUB equivalent RUB</i> | <i>Persons recognized as interested (parties) in the transaction</i> | <i>Management body authorizing the transaction Notice</i> |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| PJSC ALROSA-Nyurba | Contract No.PD-2/17 dated 18.01.2018. | Carrying out necessary exploration works on the facilities Promyshlenny-5," 4-th line of placer Njurbinskaja and Monitoring Nakyn-5. Term of execution of works: from 01.01.2018 to 31.12.2018. | 540,117,000.86 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |
| PJSC ALROSA-Nyurba | Supplementary agreement No.1 dated 27.12.2018 to Contract No.PD-2/17 dated 18.01.2018. | Supplement agreement to the Contract for Carrying out necessary exploration works on the facilities Promyshlenny-5," 4-th line of placer Njurbinskaja and Monitoring Nakyn-5 on reducing the total contractual amount in connection with deferring part of the workload to 2019 due to the repair of the drilling rig. | -31,253,000.00 | Company's Board members and members of the Board of Directors of the counterparty S.S. Ivanov, A.N. Cherepnov | Supervisory Board |
| JSC ALROSA Air Company | Supplement Agreement No.4 dated 11.10.2018 to Contract No.940 dated 21.12.2017 | Supplement agreement to the contract for release of oil products: on decreasing the total amount of the contract due to correction to the volume of fuel. | -1,887,000.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| JSC ALROSA Air Company | Service contract No.2019-01/TA dated 20.12.2018 | Air transportation of cargo for the period from 01.01.2019 to 31.12.2019. | 530,372,567.00 | Company's Board member and member of the Board of Directors of the counterparty I.V. Sobolev | Supervisory Board |
| ALROSA-Spetsbureniye LLC | Supplement Agreement No.14 dated 29.12.2018 to Contractor's construction agreement No.1CP-0709/15 dated 14.09.2015 | Supplement agreement to the Contractor's construction agreement: clarification of scope of work due to reduction of the total contractual amount without changing the term of the work execution. | 267 243,10 | Company's Board member and member of the Board of Directors of the counterparty A.N. Cherepnov | Supervisory Board |

8. Report on Compliance with the Corporate Governance Code

Report of PJSC ALROSA on Compliance with the Corporate Governance Code Principles and Guidelines in 2018¹⁴⁴

| No. | Corporate Governance Principles | Criteria of assessment of compliance with the corporate governance principles | Status of compliance with Corporate Governance Principles | Explanation of any deviation from the criteria of assessment of compliance with the corporate governance principles |
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| 1.1 | The company should ensure equal and fair treatment of all its shareholders in the course of exercise by them of their rights to participate in the management of the company. | | | |
| 1.1.1 | The company should create most favourable conditions for its shareholders enabling them to participate in the general meeting and develop informed positions on issues on its agenda, as well as provide them with the opportunity to coordinate their actions and express their opinions on issues being discussed. | 1. The internal document of the Company approved by the general meeting of shareholders and governing the procedures of holding the general meeting is publicly available. 2. The Company provides an easy way of communication therewith, such as the hotline, email or Forum on the Internet that allows shareholders to express their views and to send questions on the agenda in preparation for the the general meeting. These actions were taken by the Company prior to each general meeting held in the reporting period. | compliant | |
| 1.1.2 | Procedures for notification of the general meeting and provision of materials for it should enable the shareholders to get properly prepared for participation therein. | 1. The notice of the general meeting of shareholders is posted (published) on the website at least 30 days prior to the date of the general meeting. 2. The notice on the general meeting specified the venue and documents required to access the premises. 3. The shareholders could access the information on who suggested the agenda and proposed nominees to the Board of Directors and the Auditing Committee of the Company. | compliant | |
| 1.1.3 | When preparing for and holding the general meeting, the shareholders could freely and timely receive information and materials thereon, put questions to the executive bodies and members of the Board of Directors of the Company and to communicate with each other. | 1. In the reporting period the shareholders were provided an opportunity of putting questions to the members of the executive bodies and the Board of Directors of the Company both before and in the course of the annual general meeting. 2. The position of the Board of Directors (including special opinions recorded in the minutes) on each issue of the agenda of the general meetings held in the reporting period was included in the materials to the general meeting of shareholders. 3. In the reporting period, when holding general meetings of shareholders the Company invariably provided access to the list of persons entitled to participate in the general meeting, starting from the date of its receipt by the Company, to all shareholders having the respective right. | compliant | |

¹⁴⁴ The form of the report is established by the Bank Russia (the Letter No. IN-06-52/8 of February 17, 2016)

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| 1.1.4 | There were no unjustified difficulties in the exercise of the shareholders' right to demand that a general meeting be convened, nominate candidates to the governance bodies or to place proposals on the agenda of the general meeting. | 1. In the reporting period, the shareholders could make proposals for inclusion in the agenda of the annual general meeting for a period of not less than 60 days after the end of the calendar year. 2. In the reporting period, no request for proposal on the agenda or nomination to the bodies of the Company was turned down due to misprints or other minor deficiencies in the shareholders' proposals. | compliant | |
| 1.1.5 | Each shareholder could freely exercise the right to vote, in the easiest and most convenient way. | The Company's internal document (internal policy) contains the provisions, whereby before the respective meeting is closed, every attendee of the general meeting may request a copy of the casting ballot filled in by him/her and certified by the counting board. | compliant | |
| 1.1.6 | The procedure of holding the general meeting, established by the Company, ensures an equal opportunity for all persons attending the meeting to voice their opinion and put their questions. | 1. In the reporting period, sufficient time to make reports on the agenda items and discuss these issues was provided at the general meeting of shareholders in the form of a meeting (the joint presence of shareholders). 2. Nominees to the governing and controlling bodies of the Company were available for questions at the shareholders meeting, where their nominations were put to vote. 3. When making decisions related to preparation and holding of general meetings of shareholders, the issue of using telecommunications to provide remote access to the shareholders to participate in general meetings was considered by the Board of Directors In the reporting period. | compliant | |
| 1.2 | Shareholders should have equal and fair opportunities to participate in the profits of the company by means of receiving dividends. | | | |
| 1.2.1 | The Company has developed and put in place a transparent and understandable mechanism for determining the amount of dividends and their payment. | 1. The Company has developed and disclosed the dividend policy, approved by the Board of Directors. 2. Where the dividend policy of the Company determines the amount of the dividend by reference to the financial statements of the Company, it is the Group's consolidated financial statements that shall be taken into account in the relevant provisions of the dividend policy. | compliant | |
| 1.2.2 | The Company does not decide on payment of dividend, where such a decision, even formally not breaching the limits set by the law, would be economically unfeasible or lead to false perception of the performance of the Company. | Dividend policy of the Company provides clear guidance on financial/economic circumstances in which the Company shall not pay dividend. | compliant | |
| 1.2.3 | The Company does not allow deterioration of the dividend rights of the existing shareholders. | In the reporting period, there were no actions taken by the Company that would deteriorate the dividend rights of the existing shareholders. | compliant | |
| 1.2.4 | The Company tries to rule out any other ways of obtaining profit (gain) at the expense of the Company by shareholders other than dividends and liquidation value distribution. | To prevent other ways of generating profit (gain) by shareholders at the expense of the Company other than dividend and liquidation value distribution, internal documents of the Company have set up controls that ensure timely identification and procedure for approval of transactions with parties affiliated (associated) with substantial shareholders (persons entitled to administer voting with voting shares), in cases where the law does not formally recognize such transactions as transactions with interest. | compliant | |

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| 1.3 | The system and practices of corporate governance should ensure equal terms and conditions for all shareholders owning shares of the same class (category) in a company, including minority and foreign shareholders as well as their equal treatment by the company. | | |
| 1.3.1 | The Company has created conditions for fair treatment to each shareholder by the Governance bodies and controlling persons, including inadmissibility of any abuse of the rights of minority shareholders by major shareholders. | In the reporting period, the procedures for managing potential conflicts of interest of major shareholders have proven to be effective, the Board of Directors paid proper attention to the conflicts between shareholders, if any. | compliant |
| 1.3.2 | The Company does not perform any acts which will or might result in artificial reallocation of corporate control therein. | In the reporting period, there have been no quasi-treasury shares, nor their participation in voting procedures. | compliant |
| 1.4 | The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner. | | |
| 1.4 | The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner. | Quality and reliability of the Company Registrar's operations of keeping the registry of security holders conform to the requirements of the Company and its shareholders. | compliant |
| 2.1 | The board of directors shall be in charge of strategic management of the company, determine major principles of and approaches to creation of a risk management and internal control system within the company, monitor the activity of the company's executive bodies, and carry out other key functions. | | |
| 2.1.1 | The Board of Directors is responsible for decisions related to appointment of members of executive bodies and their dismissal from their posts, including in connection with their failure to properly perform their duties. The Board of Directors also exercises control over the Company's executive bodies procuring that they act in accordance with the approved development strategy and the main directions of the Company's activity. | 1. The Board of Directors has the authority stipulated by the Charter of appointment, dismissal and determining the terms of contracts with the members of the executive bodies. 2. The Board of Directors has considered the report(s) of the sole executive body and members of the collective executive body on implementation of the Company's strategy. | compliant |
| 2.1.2 | The Board of Directors determine the key long-term targets of the Company's activity, evaluates and approves key performance indicators and principal business goals of the Company, evaluates and approves the strategy and business-plans in respect of its principal areas of operations. | In the period under review, issues were considered at the meetings of the Board of Directors related to the implementation and update of the strategy, approval of the financial and economic plan (budget) of the Company, criteria and indicators (including intermediate ones) of implementation of the strategy and business plans of the Company. | compliant |
| 2.1.3 | The Board of Directors determines the principles and approaches to the set-up of the risk management and internal control system of the Company. | 1. The Board of Directors has determined the principles and approaches to the set-up of the risk management and internal control system of the Company. 2. The Board of Directors has made assessment of the risk management and internal control system of the Company. | compliant |
| 2.1.4 | The board of directors should determine the company's policy on remuneration due to and/or reimbursement of costs incurred by its board members, members of its executive bodies and other key managers. | 1. The Company has developed and implemented the remuneration and/or compensation policy of the Company concerning the members of the Board of Directors, executive bodies and other top managers of the Company, approved by the Board of Directors. 2. In the reporting period, issues related to the abovementioned policy(ies) were considered at the meetings of the Board of Directors. | compliant |
| 2.1.5 | The board of directors should play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees. | 1. The Board of Directors plays a key role in preventing, identifying and eliminating internal conflicts between the Company's bodies, shareholders and employees. 2. The company has developed a system for identification of transactions involving conflict of interest, and a system of measures aimed at resolving such conflicts. | compliant |
| 2.1.6 | The board of directors should play a key role in procuring that the company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents. | 1. The Board of Directors approved regulations on information (disclosure) policy. 2. Persons responsible for the implementation of information policy of the Company have been defined. | compliant |
| 2.1.7 | The Board of Directors controls the practice of corporate governance in the Company and plays a key role in the major corporate events of the Company. | In the reporting period the Board of Directors considered an issue of the corporate governance practice in the Company. | compliant |

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| 2.2 | The board of directors should be accountable to the company's shareholders | | | |
| 2.2.1 | Information on the activities of the Board of Directors is disclosed and accessible to the shareholders. | 1. The Annual Report of the Company for the period under review includes information on attendance at meetings of the Board of Directors and committees by individual directors. 2. The Annual Report of the Company for the reporting period includes information on assessment of the work done by the Board of Directors in the period. | compliant | |
| 2.2.2 | The Chairman of the Board of Directors is accessible for communication with the shareholders of the Company. | A transparent procedure in the Company is in place that enables shareholders to put questions to the Chairman of the Board of Directors and express their position thereon. | compliant | |
| 2.3 | The board of directors should be an efficient and professional governing body of the company which is able to make objective and independent judgements and pass resolutions in the best interests of the company and its shareholders. | | | |
| 2.3.1 | Only persons with impeccable business and personal reputation should be elected to the board of directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of directors and to perform its functions efficiently | 1. The procedure, accepted by the Company for assessing efficiency of the work of the Board of Directors, also includes assessment of the professional qualification of the members of the Board of Directors. 2. In the reporting period, the Board of Directors (or its Nomination Committee) assessed candidates to the Board of Directors from the viewpoint of the required experience, knowledge, business reputation, absence of conflict of interest, etc. | partially compliant | The methods of assessment of the performance of the Supervisory Board and its committees, the Chairman, members of the Supervisory Board and Corporate Secretary of PJSC ALROSA also include assessment of the professional qualification of the members of the Supervisory Board (Minutes No. A01/221-ПР-НС). In the reporting period, an assessment was made of the work of the members of the Supervisory Board. No assessment of nominees was conducted. |
| 2.3.2 | Members of the Board of Directors are elected through transparent procedure allowing shareholders to receive information about the candidates, sufficient to get perception of their personal and professional qualities. | When arranging the general meetings of shareholders in the reporting period under review, where agenda included issues on election of the Board of Directors, the Company always submitted to the shareholders curriculum vitae of all nominees for the Board of Directors, the results of their assessment, conducted by the Board of Directors (or the Nomination Committee), as well as information on conforming to the criteria for independence, in accordance with recommendations 102-107 of the Code and the written consent of the nominees for election to the Board of Directors. | partially compliant | Materials of the Company for AGM and EGM comprised the curricula vitae of the nominees and their written consent for election to the Supervisory Board. |
| 2.3.3 | The Board of Directors is well balanced, including the qualifications of its members, their experience, knowledge and competencies, and enjoys the trust of shareholders. | In the context of the procedure for assessing the work of the Board of Directors in the reporting period, the Board of Directors examined their own needs in the area of professional qualifications, experience and business skills. | compliant | |
| 2.3.4 | The quantitative composition of the Board of Directors of the Company enables the most efficient organization of the activity of the Board of Directors, including manning the committees of the Board of Directors, it also ensures the possibility for significant minority shareholders of the Company to elect a candidate they vote for to the Board of Directors. | In the assessment of the Board of Directors, held during the period under review, the Board of Directors considered correspondence of the quantitative composition of the Board of Directors and the needs of the Company and interests of shareholders. | compliant | |
| 2.4 | The board of directors should include a sufficient number of independent directors. | | | |
| 2.4.1 | An independent director should mean any person who has required professional skills and expertise and is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. At this point it should be noted, that ordinarily a nominee (an elected member of the Board of Directors) related to the Company, major shareholder thereof, major counterparty or competitor of the Company or associated with the State cannot be regarded as independent. | In the reporting period, all independent members of the Board of Directors met the independence criteria specified in the recommendations 102-107 of the Code, or were recognized as independent by the decision of the Board of Directors | compliant | |

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| 2.4.2 | Candidates to the Board of Directors are assessed for meeting the independence criteria. Besides, the Company conducts a regular analysis of conformity of the independent members of the Board of Directors to the independence criteria. When carrying out such evaluation, substance should take precedence over form. | 1. In the reporting period, the Board of Directors (or its Nomination Committee) formed an opinion on independence of each nominee to the Board of Directors and presented the respective conclusion to the shareholders. 2. In the period under review, the Board of Directors (or its Nomination Committee) had at least one review of independence of the current members of the Board of Directors indicated by the Company as independent directors in the Annual Report. 3. The Company has developed procedures determining the required actions of a member of the Board of Directors in case of changing "independent" status, including obligation to duly notify the Board of Directors thereof. | compliant | |
| 2.4.3 | Independent directors shall make at least one third of the elected members of the Board of Directors. | Independent directors make no less than one third of the Board of Directors. | not compliant | The Annual General Meeting (June 26, 2018) and Extraordinary Meeting of shareholders (October 22, 2018) elected 4 independent directors. Shareholders are advised to elect not less than 5 independent directors. |
| 2.4.4 | Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions. | Independent directors (with no conflict of interests) conduct a pre-assessment of any major corporate actions bearing any possibility of the conflict of interests, the results of such assessment are presented to the Board of Directors. | compliant | |
| 2.5 | The chairman of the board of directors should help it carry out the functions imposed thereon in a most efficient manner. | | | |
| 2.5.1 | The board chairman should ensure that board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairman should also monitor fulfilment of decisions made by the board of directors. | 1. Chairman of the Board of Directors shall be an independent director, or a senior independent director shall be determined among the elected independent directors. 2. The role, rights and obligations of the Chairman of the Board of Directors (and, if applicable, of a senior independent director) are duly defined in the Company's internal documents. | compliant | |
| 2.5.2 | The board chairman should ensure that board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairman should also monitor fulfilment of decisions made by the board of directors. | The efficiency of the Chairman of the Board of Directors was assessed as part of the procedure for assessing efficiency of the Board of Directors in the reporting period. | compliant | |
| 2.5.3 | The chairman of the board of directors should take any and all measures as may be required to provide the board members in a timely fashion with information required to make decisions on issues on the agenda. | The duty of the Chairman of the Board of Directors to take measures to ensure due delivery of materials to the members of the Board of Directors on the issues standing on BoD meeting agenda is stipulated by the Company's internal documents. | compliant | |
| 2.6 | Board members must act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence | | | |
| 2.6.1 | Board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks. | 1. The internal documents of the Company stipulate, that a member of the Board of Directors shall notify the Board of Directors in case he/she has any conflict of interests in relation to any issue on the agenda of the meeting of the Board of Directors or any of its Committees before deliberation of the respective agenda issue is started. 2. The internal documents of the Company stipulate, that a member of the Board of Directors shall abstain from voting on any issue where he/she has a conflict of interests. 3. The Company has set up a procedure allowing the Board of Directors to seek professional consultations on the issues in its competence at the Company's expense.. | compliant | |

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| 2.6.2 | Rights and duties of board members should be clearly stated and documented in the company's internal documents. | The Company has adopted and published an internal document clearly defining the rights and obligations of the members of the Board of Directors. | compliant | |
| 2.6.3 | Board members should have sufficient time to perform their duties. | 1. The individual attendance rate at the meetings of the BoD and its committees, as well as the time spent on preparation for participation in the meetings were considered in the procedure of assessment of the Board of Directors In the reporting period. 2. The internal documents of the Company stipulate, that members of the Board of Directors shall notify the Board of Directors of their intent to join governance bodies of other entities (except controlled and associated entities of the Company), and of such appointment. | compliant | |
| 2.6.4 | All board members should have equal opportunity to access the company's documents and information. Newly elected board members should be provided with sufficient information about the company and work of its board of directors as soon as practicable. | 1. The internal documents of the Company stipulate, that members of the Board of Directors are entitled to access documents and make queries related to the Company and controlled entities, while the executive bodies of the Company must provide them with the respective information and documentation. 2. The Company has in place a formalized program of familiarization for newly elected members of the Board of Directors. | compliant | |
| 2.7 | Meetings of the board of directors, preparation for them, and participation of board members therein should ensure efficient work of the board. | | | |
| 2.7.1 | It is recommended to hold meetings of the board of directors as needed, with due account of the company's scope of activities and its then current goals. | The Board of Directors held at least six meetings in the reporting year. | compliant | |
| 2.7.2 | It is recommended to develop a procedure for preparing for and holding meetings of the board of directors and set it out in the company's internal documents. The above procedure should enable the shareholders to get prepared properly for such meetings. | The Company adopted an internal document determining the procedure of preparing for and holding meetings of the Board of Directors, also stipulating that a notice of such meetings be sent at least 5 days in advance. | compliant | |
| 2.7.3 | The form of the meeting of the Board of Directors should be determined depending on the importance of issues on the agenda of the meeting. Most important issues should be decided at the meetings held in person. | The Charter/ internal document of the Company stipulates, that the most important issues (listed in Recommendation 168 of the Code) must be considered at the personal attendance meetings. | compliant | |
| 2.7.4 | Decisions on most important issues relating to the company's business should be made at a meeting of the board of directors by a qualified majority vote or by a majority vote of all elected board members | The Company's Charter stipulates, the resolutions on the most important issues listed in Recommendation 170 of the Code must be adopted at the meeting of the Board of Directors by a qualified majority of at least three fourths of votes or by the majority of votes of all elected members of the Board of Directors. | compliant | |
| 2.8 | The board of directors should form committees for preliminary consideration of most important issues of the company's business. | | | |
| 2.8.1 | For the purpose of preliminary consideration of any matters of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors | 1. The Audit Committee consisting of independent directors has been set up by the Board of Directors. 2. The Company's internal documents determine the Audit Committee's objectives, including those listed in Recommendation 172 of the Code. 3. At least one independent director in the Audit Committee must have experience and expertise in preparation, analysis, assessment and audit of the accounting (financial) statements. 4. In the reporting period, the meetings of the Audit Committee were held at least quarterly. | compliant | |

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| 2.8.2 | For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who should not concurrently be the board chairman. | 1. The Board of Directors has set up the Remuneration Committee comprising independent directors only. 2. The Remuneration Committee is headed by an independent director not being the Chairman of the Board of Directors. 3. The Company's internal documents determine the Audit Committee's tasks, including those listed in Recommendation 180 of the Code. | partially compliant | The committee includes three independent directors and one non-executive director. Chairman of the committee is an independent director. Non-compliance in the committee's composition is the consequence of refusal of one of independent directors to be on the committee. To remedy this non-compliance, the committee plans to undertake awareness-raising exercise for the independent directors of the new composition of the Supervisory Board on the obligation of the Company to comply with the requirements of the Corporate Governance Code. Determined by Regulation on the HR and Remuneration Committee at the Supervisory Board of PJSC ALROSA. |
| 2.8.3 | For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the board of directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors. | 1. The Nomination Committee is set up by the Board of Directors (or its objectives stipulated by Recommendation 186 of the Code are implemented within another committee), comprising mainly independent directors. 2. The Company's internal documents determine the Nomination Committee's (or another committee with extended functions) tasks, including those listed in Recommendation 186 of the Code. | compliant | |
| 2.8.4 | Taking account of its scope of activities and levels of related risks, the company should form other committees of its board of directors, in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc. Additional committees either have been formed or are not deemed necessary (committee on strategy, corporate governance committee, ethics committee, risk management committee, budget committee, committee on health, safety and environment, etc.). | In the reporting period, the Board of Directors considered the consistency of the composition of its committees at the Board of Directors with the tasks and objectives of the Company business. Additional committees either have been formed or were not deemed necessary. | compliant | |
| 2.8.5 | The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due account of differing opinions. | 1. The Committees at the Board of Directors are headed by independent directors. 2. Internal documents (policies) of the Company stipulate that non-members of the Audit Committee, Nomination Committee and Remuneration Committee can attend the meetings of these committees only on invitation of the Chairman of the respective committee. | compliant | |
| 2.8.6 | The chairmen of the committees should inform the board of directors and its chairman of the work of their committees on a regular basis. | In the reporting period, the Chairmen of the Committees reported regularly on the work of their Committees to the Board of Directors. | compliant | |
| 2.9 | The board of directors should procure evaluation of quality of its work and that of its committees and board members. | | | |
| 2.9.1 | Evaluation of quality of the board of directors' work should be aimed at determining how efficiently the board of directors, its committees and board members work and whether their work meets the company's needs, as well as at making their work more intensive and identifying areas of improvement. | 1. Self-assessment or third-party assessment of the performance of the Board of Directors conducted during the period under review included assessment of the Committees, some members of the Board of Directors and the Board of Directors in general. 2. Self-assessment or third-party assessment results for the reporting period were considered at the in-person meeting of the Board of Directors. | compliant | |
| 2.9.2 | Quality of work of the board of directors, its committees and board members should be evaluated on a regular basis, at IEast once a year. To carry out an independent evaluation of the quality of the board of directors' work, it is recommended to retain a third party entity (consultant) on a regular basis, at IEast once every three years. | A third-party was engaged at IEast once to conduct independent assessment of the quality of work of the Board of Directors in the three preceding years. | compliant | |

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| 3.1 | The company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support of efficient work of its board of directors. | | |
| 3.1.1 | The corporate secretary should have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of the shareholders. | 1. The Company has adopted and made public an internal document - Regulation on Corporate Secretary. 2. Biographical information on the Corporate Secretary (CV) is made available on the website of the Company in the Internet and in the annual report, with the same level of detail as the members of the Board of Directors and executives. | compliant |
| 3.1.2 | The corporate secretary should be sufficiently independent of the company's executive bodies and be vested with powers and resources required to perform his/her tasks. | The Board of Directors approves appointment, dismissal and additional remuneration of the Corporate Secretary. | compliant |
| 4.1 | The level of remuneration paid by the company should be sufficient to enable it to attract, motivate, and retain persons having required skills and qualifications. Remuneration due to board members, the executive bodies, and other key managers of the company should be paid in accordance with a remuneration policy approved by the company. | | |
| 4.1.1 | It is recommended that the level of remuneration paid by the company to its board members, executive bodies, and other key managers should be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled, and duly qualified persons. The company should avoid setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above persons and that of the company's employees. | The Company has in place an internal document(s), i.e. a policy(ies) on remuneration of the members of the Board of Directors, executive bodies and other top managers, which clearly states the policy to remuneration of the abovementioned parties. | compliant |
| 4.1.2 | The remuneration policy of the Company was developed by the the Remuneration Committee and approved by the Board of Directors. With the support of the Remuneration Committee the Board of Directors oversees the implementation and practice of the Company's policy on remuneration and, if necessary, revises and makes adjustments to the policy. | In the reporting period, the Remuneration Committee considered the remuneration policy(ies) and practice of its implementation and, where necessary, presented respective recommendations to the Board of Directors. | compliant |
| 4.1.3 | The company's remuneration policy should provide for transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons. | The Company's remuneration policy(s) comprises transparent mechanisms for determining the amount of remuneration of the members of the Board of Directors, executive bodies and other top managers of the Company, it regulates all types of compensations, benefits and privileges provided to the abovementioned parties. | compliant |
| 4.1.4 | The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the board of directors, the executive bodies, and other key managers of the company. Such policy can form part of the company's policy on compensations. | The Remuneration Policy(ies) or other internal documents of the Company define the rules of compensation of expenses of the members of the Board of Directors, executive bodies and other top managers of the Company. | compliant |
| 4.2 | The system of remuneration of board members should ensure harmonization of financial interests of the directors with long-term financial interests of the shareholders. | | |
| 4.2.1 | The Company pays a fixed annual remuneration to the members of the Board of Directors. The Company does not pay a fee for participation in individual meetings of the Board of Directors or its Committees. The Company does not use any form of short-term incentives or additional financial incentives in respect of Board members. | The fixed annual remuneration was the only monetary form of remuneration of the members of the Board of Directors for their work on the Board of Directors in the reporting period. | compliant |
| 4.2.2 | Long-term ownership of shares in the company contributes most to aligning financial interests of board members with long-term interests of the company's shareholders. However, the company does not make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor should board members take part in the company's option plans. | Where the internal document(s), i.e. remuneration policy(ies) of the Company, stipulate allocation of the Company shares to the members of the Board of Directors, clear rules of holding the shares by the members of the Board of Directors must be laid out aimed at promoting long-term holding of such shares. | compliant |
| 4.2.3 | The company does not provide for any additional allowance or compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances. | The company does not provide for any additional allowance or compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances. | compliant |

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| 4.3 | The system of remuneration due to the executive bodies and other key managers of the company should provide that their remuneration is dependent on the company's performance results and their personal contributions to the achievement thereof. | | |
| 4.3.1 | Remuneration of the members of the executive bodies and other key managers of the Company is defined in such a way as to ensure a reasonable and justified ratio of the fixed and variable part of the remuneration, depending on the performance of the Company and personal (individual) employee's contribution to the final result. | <p>1. In the reporting period, annual performance indicators were approved by the Board of Directors and used in determining the variable part of the remuneration of members of the executive bodies and other key managers of the Company.</p> <p>2. In the latest examination of the system for remuneration of the members of the executive bodies and other top managers of the Company, the Board of Directors (the Remuneration Committee) ascertained that the Company applied an efficient ratio of the fixed and variable parts of the remuneration.</p> <p>3. The Company has in place a procedure ensuring return to the Company of bonuses improperly received by the members of the executive bodies and other top managers of the Company.</p> | compliant |
| 4.3.2 | The Company has introduced a program for long-term motivation of the members of the executive bodies and other top managers of the Company by the Company's shares (options or other derivatives on the Company shares as the basis asset). | <p>1. The Company has introduced a program for long-term motivation of the members of the executive bodies and other top managers of the Company by the Company's shares (options or other derivatives on the Company shares as the underlying asset).</p> <p>2. The program for long-term motivation of the members of the executive bodies and other top managers of the Company stipulates that the right of sale of shares and other financial instruments allocated within such program becomes exercisable not earlier than after three years from their allocation. Besides, the right to sell is conditional on achievement of certain performance indicators by the Company.</p> | compliant |
| 4.3.3 | The amount of severance pay (so-called "golden parachute") payable by the company in the event of early dismissal of an executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, should not exceed two times the fixed portion of his/her annual remuneration. | Compensation amount of (the "golden parachute") payable by the Company in the case of early termination of office of the members of the executive bodies or key manager on the initiative of the Company and in the absence of improper conduct on their part does not exceeds twice the fixed part of the annual remuneration. | compliant |
| 5.1 | The company should have in place an efficient risk management and internal control system designed to provide reasonable confidence that the company's goals will be achieved. | | |
| 5.1.1 | The board of directors determines the principles of and approaches to creation of the risk management and internal control system in the company. | Functions of management bodies and business units of the Company within the risk management and internal control system are clearly defined in the internal documents / the respective policy of the Company approved by the Board of Directors. | compliant |
| 5.1.2 | The company's executive bodies ensure the establishment and continuing operation of the efficient risk management and internal control system in the company. | The Company's executive bodies have ensured allocation of functions and powers in relation to risk management and internal control among the managers (heads) of business units and departments accountable to them. | compliant |
| 5.1.3 | The company's risk management and internal control system should enable one to obtain an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the company. | <p>1. The Company has approved the anticorruption policy.</p> <p>2. The Company provides an accessible way of informing the Board of Directors or the Audit Committee of the Board of Directors of any violations of the legislation, internal procedures or Code of Ethics of the Company.</p> | compliant |
| 5.1.4 | The Board of Directors of the Company takes the required measures to ascertain that the risk management and internal control system of the Company conforms to the principles and methods of its organization defined by the Board of Directors and efficiently operates. | In the reporting period, the Board of Directors made assessment of the risk management and internal control system of the Company. Information on the key results of the assessment are included in the Annual Report of the Company. | compliant |

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| 5.2 | To independently evaluate, on a regular basis, reliability and efficiency of the risk management and internal control system and corporate governance practices, the company arranges for internal audits. | | | |
| 5.2.1 | Internal audits are carried out by a separate structural division (IAD) created by the company or through engaging an independent third-party entity. The functional and administrative subordination of the internal audit unit are segregated. Functionally the internal audit unit reports to the board of directors. | To conduct internal audit, the Company established a specialized internal audit unit, functionally accountable to the Board of Directors or the Audit Committee, or an independent third party is engaged on the same accountability principle. | compliant | |
| 5.2.2 | The internal audit unit evaluates efficiency of the internal control and risk management system as well as corporate governance system. The company applies generally accepted standards of internal audit. | 1. In the reporting period, within the internal audit procedure, efficiency of the internal control and risk management system was assessed. 2. The Company applies generally accepted standards of internal control and risk management. | compliant | |
| 6.1 | The company and its activities should be transparent to its shareholders, investors, and other stakeholders. | | | |
| 6.1.1 | The Company has developed and implemented an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders. | 1. The Board of Directors of the Company approved the Company's information policy developed taking into account recommendations of the Code. 2. The Board of Directors (or one of its Committees) considered issues related to compliance of the Company with its information policy at least once within the reporting period. | partially compliant | The Company's information policy was approved by the Supervisory Board on December 23, 2015. There were no considerations of issues relating to the compliance with the information policy of the Company. Consideration of an issue related to compliance of the Company with the information policy is scheduled for 2019. |
| 6.1.2 | The Company discloses information on the system and practice of corporate governance in the Company, including information on compliance with the principles and recommendations of the Code. | 1. The Company discloses information on the system of corporate governance in the Company and general principles of corporate governance adopted in the Company, including on its website. 2. The Company discloses information on the composition of the executive bodies and the Board of Directors, independence of the members of the Board and their membership in the Committees of the Board of Directors (as defined in the Code). 3. If there is a person controlling the Company, the Company shall publish a memorandum of the controlling person concerning such person's plans on corporate governance in the Company. | compliant | |
| 6.2 | The company should disclose, on a timely basis, full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions. | | | |
| 6.2.1 | The Company discloses information following the principles of regularity, consistency and timeliness, as well as accessibility, accuracy, completeness and comparability of the disclosed data. | 1. The Company's information policy defines methods and criteria for identifying information that could have considerable impact on the valuation of the Company and the value of its securities and procedures, ensuring due disclosure of such information. 2. If the Company's securities are traded on any foreign regulated market, disclosure of any material information in the Russian Federation and in such markets is concurrent and equivalent throughout the accounting year. 3. Where non-resident shareholders hold a substantial stake of the Company's shares, throughout the accounting year information is disclosed not only in Russian but also in one of the most used foreign languages. | compliant | |
| 6.2.2 | The company is against using a formalistic approach to information disclosure; it discloses material information on its activities, even if disclosure of such information is not required by law. | 1. In the reporting period the Company made public its annual and semi-annual IFRS financial statements. The Annual Report of the Company for the reporting period includes annual financial IFRS statements along with the Auditor Opinion. 2. The Company discloses full information on the Company's capital structure in accordance with Recommendation 290 of the Code in its Annual Report and on the Company's website. | compliant | |

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| 6.3 | The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility. | | |
| 6.3.1 | The Company provides information and documentation upon shareholders' requests adhering to the principles of equal and unencumbered access. | The Company's information policy stipulates an unencumbered procedure of shareholders' access to information, including information on the entities controlled by the Company, on their request. | compliant |
| 6.3.2 | When providing information to its shareholders, the company should maintain a reasonable balance between the interests of individual shareholders and its own interests related to the fact that the company is interested in keeping confidential sensitive business information that might have a material impact on its competitiveness. | 1. In the reporting period there were no rejects of shareholders' information requests, or the rejects were motivated by the Company. 2. In some cases defined by the Company information policy, the shareholders are warned of the confidential nature of information and assume confidentiality obligations. | compliant |
| 7.1 | Any actions which will or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") should be taken on fair terms and conditions ensuring that the rights and interests of the shareholders as well as other stakeholders are observed. | | |
| 7.1.1 | Material corporate actions include reorganization of the Company, purchase of 30 or more percent of the voting shares of the Company (take-over), material transactions of the Company, increase or decrease of the authorized capital of the Company, listing or delisting of the Company's stock, as well as other actions that can lead to considerable change of the shareholders' rights or infringement on their interests. The Company's Charter includes a list of (criteria of identifying) transactions or other actions falling within material corporate actions, providing therein that decisions on any such actions fall within the jurisdiction of the Company's Board of Directors. | 1. The Company's Charter defines a list of transactions or other actions being material corporate actions and criteria for their identification. Decisions on material corporate actions are referred to the competence of the Board of Directors. In those instances, when execution of these corporate actions is directly referred to the competence of the general meeting of shareholders by law, the Board of Directors issues respective recommendations to the shareholders. 2. Material corporate actions include reorganization of the Company, purchase of 30 or more percent of the voting shares of the Company (take-over), material transactions of the Company, increase or decrease of the authorized capital of the Company, listing or delisting of the Company's stock, as well as other actions that can lead to considerable change of the shareholders' rights or infringement on their interests. | compliant |
| 7.1.2 | The Board of Directors plays a key role in making decisions and developing recommendations in relation to material corporate actions; the Board of Directors relies on the position of the independent directors of the Company. | The Company has in place a procedure for independent directors to state their position on material corporate actions before their approval. | compliant |
| 7.1.3 | When taking any material corporate actions which would affect rights or legitimate interests of the company's shareholders, equal terms and conditions should be ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company's shareholders. In such instances, the company should not only seek to comply with the formal requirements of law but should also be guided by the principles of corporate governance set out in this Code. | 1. Considering the specifics of the Company's business, the minimal criteria of referring its transactions to material corporate actions as determined by the Company's Charter are lower than those statutorily stipulated. 2. In the reporting period all material corporate actions were subject to pre-approval procedure. | compliant |
| 7.2 | The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due time enabling them to have influence on taking such actions, and that would also guarantee that the shareholder rights are observed and duly protected in the course of taking such actions. | | |
| 7.2.1 | Information about material corporate actions is disclosed with explanations concerning reasons for, conditions and consequences of such actions. | In the reporting period the Company duly and in detail disclosed information on material corporate actions, including reasons and terms of taking such actions. | compliant |
| 7.2.2 | Rules and procedures in relation to material corporate actions taken by the Company should be set out in its internal documents. | 1. The Company's internal documents provide for the procedure of engaging an independent appraiser to determine the value of the property disposed of or acquired under a large transaction or a transaction with interested party. 2. Internal documents of the Company provide for the procedure of engaging an independent valuator to determine the value of the purchase or sale of the Company shares. 3. Internal documents of the Company provide an extended list of grounds for recognizing members of the Board of Directors of the Company and other statutorily legitimate persons as interested parties in the framework of Company transactions. | compliant |

9. Report of the Auditing Committee

FINDINGS

of ALROSA Diamond Company (PJSC) Audit Commission at Conclusion of ALROSA Diamond Company (PJSC) AK «АЛРОСА» Financial and Operating Performance Audit for 2018

Moscow

April 11, 2019

The ALROSA Diamond Company (PJSC) Audit Commission elected by the annual General Meeting of ALROSA Diamond Company (PJSC) Shareholders on June 26, 2018, composed of:

Alexandr Alexeevich Pshenichnikov, Audit Commission Chairman, Deputy Director of Department of State Regulation in the Sphere of Production, Processing, Circulation of Precious Stones and Precious Metals of the Ministry of Finance of the Russian Federation,

Viktor Nikolaevich Poushmin, Deputy Audit Commission Chairman, Deputy Minister of Finance of the Republic of Sakha (Yakutia),

Anna Ivanovna Vassiljeva, Deputy Head of Department for Property of Industry, Transport, Communication and Financial Sector of the Ministry of Property and Land Relations of the Republic of Sakha (Yakutia),

Alexandr Sergeevich Vasilchenko, Deputy Director of the Corporate Management Department of the Ministry for Economic Development of the Russian Federation,

Konstantin Konstantinovich Pozdniakov, Dean of International Tourism, Sports and Hotel Business Faculty, Associate Professor of the Corporate Finances and Corporate Management Department, Associate Professor of the Management Department of the Financial University under the Government of the Russian Federation

conducted the annual inspection (hereinafter, the audit) of ALROSA Diamond Company (PJSC) (hereinafter, the Company) financial and operating performance for 2018.

The Audit was conducted in accordance with requirements of Federal Law dated December 26, 1995 No. 208-FZ "On Joint-Stock Companies", Company Charter, Regulation on Company Audit Commission, as well as accounting standards applicable in the Russian Federation.

The Audit was conducted in accordance with the ALROSA Diamond Company (PJSC) Financial and Operating Performance Audit Programme approved by the Audit Commission:

1. Analysis and inspection of the ALROSA Diamond Company (PJSC) financial and operating performance and annual accounting statements for 2018.
2. Net profit expenditure verification.
3. Inspection of the procedure for computing amounts, as well as correctness of calculation, distribution and transfer of dividends by ALROSA Diamond Company (PJSC).
4. Analysing outcomes of introducing key performance indicators of ALROSA Diamond Company (PJSC) and the top management, as well as coordination of implementing approved KPIs with the remuneration to ALROSA Diamond Company (PJSC) Supervisory Board members and management.
5. Random test of procurements conducted by ALROSA Diamond Company (PJSC) in 2018.
6. Analysis of ALROSA Diamond Company (PJSC) sales policy outcome at domestic and external markets in 2018.
7. Analysis of ALROSA Diamond Company (PJSC) operating, non-sale and management expenses.
8. Analysis of information on the course of ALROSA Diamond Company (PJSC) investment programme implementation.
9. Consideration and analysis of information on the course of implementing ALROSA Diamond Company (PJSC) Programme for Alienation of Non-Core Assets.

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10. Verification of performing instructions and directives of the President of the Russian Federation, the Government of the Russian Federation

11. Inspection and remedy of defaults/ performance of recommendations by ALROSA Diamond Company (PJSC), as reflected in previous acts/findings of the Audit Commission

12. Analysis of ALROSA Diamond Company (PJSC) compliance with prescriptions of inspection authorities (FTS of Russia, Accounts Chamber of the Russian Federation, General Prosecutor's Office of the Russian Federation, etc.).

13. Audit Commission Act according to outcomes of auditing ALROSA Diamond Company (PJSC) financial and operating performance for 2018, including recommendations on remedy of defaults detected.

The Audit Commission has considered the following documents made available by the Company:

1. Draft annual report of ALROSA Diamond Company (PJSC) (annexes) for 2018.
2. Auditor's report on accounting (financial) statements for 2018.
3. Company accounting (financial) statements for 2018: balance sheet marked by the tax inspectorate; profit and loss statement; statement of changes in equity; statement of cash flows; explanatory notes to accounting statements.
4. Order on accounting policies for 2018 for book purposes (in electronic format), order on accounting policies for 2018 for tax purposes (in electronic format).
5. Information on "Analysis of ALROSA Diamond Company (PJSC) Indicators According to 2018 Results" table layout.
6. Report on the generation, distribution and use of the Company net profit for 2018.
7. Report on paying Company taxes, dues and other mandatory payments for 2017- 2018.
8. Information on dividends distributed and paid for 2018.
9. Information on issues considered by the Company Supervisory Board and Management Board for 2018.
10. Notice of eliminating disadvantages revealed by the previous audit.
11. Register of credit agreements indicating the intended purpose, loan amount, interest rate, time to cash, security provided, redemption scheme broken down by the principal and interest (in electronic format).
12. Register of financial investments by their types: deposits, securities, contributions to charter capitals in other entities, loans extended to other entities, receivables acquired based on the assignment of right of demand enclosing confirming documents.
13. Consolidated budget of Company cash flows for 2018.
14. Register of agreements entered into by the Company in 2018 at a price over RUB 10 MIO (in electronic format).
- At Company Audit Commission members' separate request: copies of agreements, addenda thereto; copies of procurement documentation.
15. Report on executing the Programme for Alienation of Non-Core Assets in 2018.
16. Analytical statement on procurements in 2018.
17. Outcomes of Company sales policies at domestic and external markets in 2018.
18. Executive summary on Company import/export of rough and cut diamonds (in physical and monetary indicators), including exports under agency contracts.
19. Report on diamond production for ALROSA Group for 2017-2018 (broken down by enterprises, MPPs, deposits).
20. Report on diamond recovery, as estimated by the United Trading Organisation for ALROSA Group for 2017-2018 as per nomenclature OKPD (Russian Classification of Products by Economic Activities) 14.50.21.120 and OKPD 14.50.22.110 (broken down monthly, by licensees, in carats and US Dollars).
21. Consolidated budget of labour input for the Company for 2017-2018 broken down by business units (breakdown of number, payroll, average pay).
22. Report on the sponsor and charity support for 2018 with the register.

At Company Audit Commission members' separate request: copies of agreements, addenda thereto.

23. Company Internal Auditing Department plans and reports for 2018.

24. Outcomes of introducing the system of key performance indicators of ALROSA Diamond Company (PJSC) and the top management, as well as coordination of implementing approved KPIs with the remuneration to ALROSA Diamond Company (PJSC) Supervisory Board members and management.

25. Report on the progress in the implementation of ALROSA Diamond Company (PJSC) investment programme for 2018.

26. Information on ALROSA Diamond Company (PJSC) compliance with prescriptions of inspection authorities (FTS of Russia, Accounts Chamber of the Russian Federation, General Prosecutor's Office of the Russian Federation, etc.).

Between April 2 through 5, 2019, V.N. Poushmin and A.I. Vassiljeva, Audit Commission members, as well as specialists L.R. Makarova, Head of Mining and Processing Industry of the Ministry of Industry and Geology of the Republic of Sakha (Yakutia) and T.S. Sofronova, Head of Subsurface Use Branches' Income Department of the Ministry of Finance of the Republic of Sakha (Yakutia) got involved in the inspection, left to work with Company financial and operating performance documents to Mirny town.

In accordance with the production programme of ALROSA Diamond Company (PJSC) in 2018, Company mining units developed 47,568.4 thos. cub. m of mined rock (98.4% to 2017). Totally for the reporting year, Company enterprises extracted 18,909.3 thos. t (116.1% to 2017) of ore. Extraction of rough diamonds was 19,974.1 thos. carats of rough diamonds (83.0% to 2017) amounting to USD 2,344.7 MIO (82.9% to 2017). Decrease in indicators of extracting rough diamonds was stipulated by the change in the structure of processed raw products - basically, by "Mir" pipe ore and "Udachnaya" pipe open mining ore retirement from the concentration.

ALROSA Diamond Company (PJSC) proceeds of sale of products, works, services in 2018 amounted to RUB 219,801.6 MIO (109.9% to 2017), including sales of main products (rough and cut diamonds, microgrits) - RUB 196,465.4 MIO, exceeding the similar indicator of 2017 by 11.1% (RUB 176,799.2 MIO). The change is stipulated by:

- increase in sales of diamonds by USD 157.1 MIO (+RUB 9,139.9 MIO) and US Dollar rate strengthening against RUB (at actual sales of ALROSA Diamond Company (PJSC)) (+ RUB 10,433.5 MIO);
- increase in sales of microgrits by USD 1 MIO (+ RUB 61.1 MIO) and US Dollar rate strengthening against RUB (at actual sales of ALROSA Diamond Company (PJSC)) (+ RUB 20.5 MIO);
- decrease in sales of diamonds by USD 5.9 MIO (- RUB 344.1 MIO) and US Dollar rate strengthening against RUB (at actual sales of ALROSA Diamond Company (PJSC)) (+ RUB 355.3 MIO).

ALROSA Diamond Company (PJSC) net profits at 2018 year-end amounted to RUB 29,307.61 MIO, representing 170.95% against 2017 indicator (RUB 17,143.92 MIO).

Tax payments to budgets and extra-budgetary funds were made to the full extent in 2018 according to the actual charge and amounted to RUB 51,417.9 MIO exceeding the 2017 indicator by 2.1% or RUB 1,156.5 MIO.

In 2018, two General Meeting of Company Shareholders took place where resolutions were passed on the net profit distribution, for paying dividends inter alia:

1. Annual General Meeting of Shareholders - on 26.06.2018, minutes No. 37 - payment of dividends for 2017;
2. Extraordinary General Meeting of Shareholders - on 30.09.2018, minutes No. 38 - payment of dividends for half I of 2018.

According to activity outcomes **for 2017**, the annual General Meeting of Shareholders passed a resolution on directing for paying dividends:

- a part of net profits for 2017 in the amount of RUB 16,810.86 MIO.
- a part of retained profits of previous years of RUB 21,781.56 MIO,

being equivalent to paying dividends of RUB 5 (five) and 24 (twenty four) copecks per one outstanding registered ordinary share in ALROSA Diamond Company (PJSC) with a face value of 50 (fifty) copecks.

As of 31.12.2018 the total amount of dividends paid was RUB 38,548.27 MIO, including:

Russian Federation represented by the Federal Agency for State Property Management, RUB 12,745.37 MIO;

Ministry of Property and Land Relations of the Republic of Sakha (Yakutia), RUB 9,648.20 MIO;

Administrations of districts (uluses) of the Republic of Sakha (Yakutia), RUB 3,087.5 MIO;

- other shareholders, RUB 13,067.2 MIO.

According to activity outcomes **for the first half of 2018**, the extraordinary General Meeting of Shareholders passed a resolution on directing a part of net profits for the first half of 2018 for paying dividends in the amount of RUB 43,674.25 MIO, being equivalent to paying dividends of RUB 5 (five) and 93 (ninety three) copecks per one outstanding registered ordinary share in ALROSA Diamond Company (PJSC) with a face value of 50 (fifty) copecks.

As of 31.12.2018 the total amount of dividends paid was RUB 43,665.47 MIO, including:

Russian Federation represented by the Federal Agency for State Property Management, RUB 14,423.67 MIO;

Ministry of Property and Land Relations of the Republic of Sakha (Yakutia), RUB 10,918.67 MIO;

Administrations of districts (uluses) of the Republic of Sakha (Yakutia), RUB 3,494.09 MIO;

- other shareholders, RUB 14,829.04 MIO.

Dividends are paid otherwise then to the full extent owing to shareholders' failure to submit reliable and full information necessary for receiving dividends (wrong bank details, absence of bank details, wrong postal addresses, return of mail transfers).

Company annual audit at 2018 year-end in accordance with Russian accounting rules was conducted by the Company auditor, PricewaterhouseCoopers Audit Joint-Stock Company approved by the annual General Meeting of Company Shareholders on 26.06.2018, minutes No.37. The Company auditor confirms the reliability of accounting (financial) statements as of 31.12.2018, financial and operating performance outcomes and cash flows for 2018.

As a result of considering documents presented by the Company, the Audit Commission concluded that ALROSA Diamond Company (PJSC) financial and operating performance in 2018 was carried out in accordance with Russian Federation laws, the reliability and completeness of data in accounting (financial) statements is confirmed by the inspection conducted by sampling.

No facts of breaching procedures for keeping accounting, financial and tax reporting established by Russian Federation regulatory acts, as well as breaches of Russian Federation legal acts upon financial and operating performance carrying out were revealed.

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Audit Commission Chairman**A.A. Pshenichnikov****Audit Commission members:****V.N. Poushmin****A.I. Vassiljeva****A.S. Vasilchenko****K.K. Pozdniakov**

10. Information on investments with the expected return over 10% per annum

| <i>Subsidiary (Associate) (S&A)</i> | <i>Financial investment in Authorized capital of S&A as at December 31, 2018 (RUB thd)</i> | <i>Dividends accrued in 2018 (RUB thd)</i> | <i>Return on investment in 2018 per year</i> | <i>Investment purpose</i> |
|-----------------------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------|---------------------------|
| JSC Almazy Anabara | 4 413 967 | 4 918 250 | 111% | Profit generation |
| JSC ALROSA Air Company | 1 216 312 | 305 294 | 25% | Profit generation |
| JSC ALROSA-Lena Shipping Company | 137 826 | 18 466 | 13% | Profit generation |
| JSC IC Bourevestnik | 129 728 | 66 371 | 51% | Profit generation |
| Sociedade Mineira de Catoca Limitada | 34 080 | 3 030 922 | 8894% | Profit generation |
| ALROSA Hong Kong Ltd. | 8 527 | 64 112 | 752% | Profit generation |
| ALROSA Belgium NV | 3 193 | 7 529 | 236% | Profit generation |

11. Pending court proceedings

Information on Pending court proceedings of PJSC ALROSA in 2018

As of December 31, 2018, 8 pending cases for debt claims were under consideration of arbitration courts and general jurisdiction courts of various instances, where the Company acts as a respondent, in the amount of RUB 17, 210 454, 22.

As of December 31, 2018, 22 pending cases for debt claims were under consideration of arbitration courts and general jurisdiction courts of various instances, where the Company acts as a claimant, in the amount of RUB 619 972 163,15 .

12. Government support

Information about subsidies, their purpose, information on the use of funds as at the end of 2018

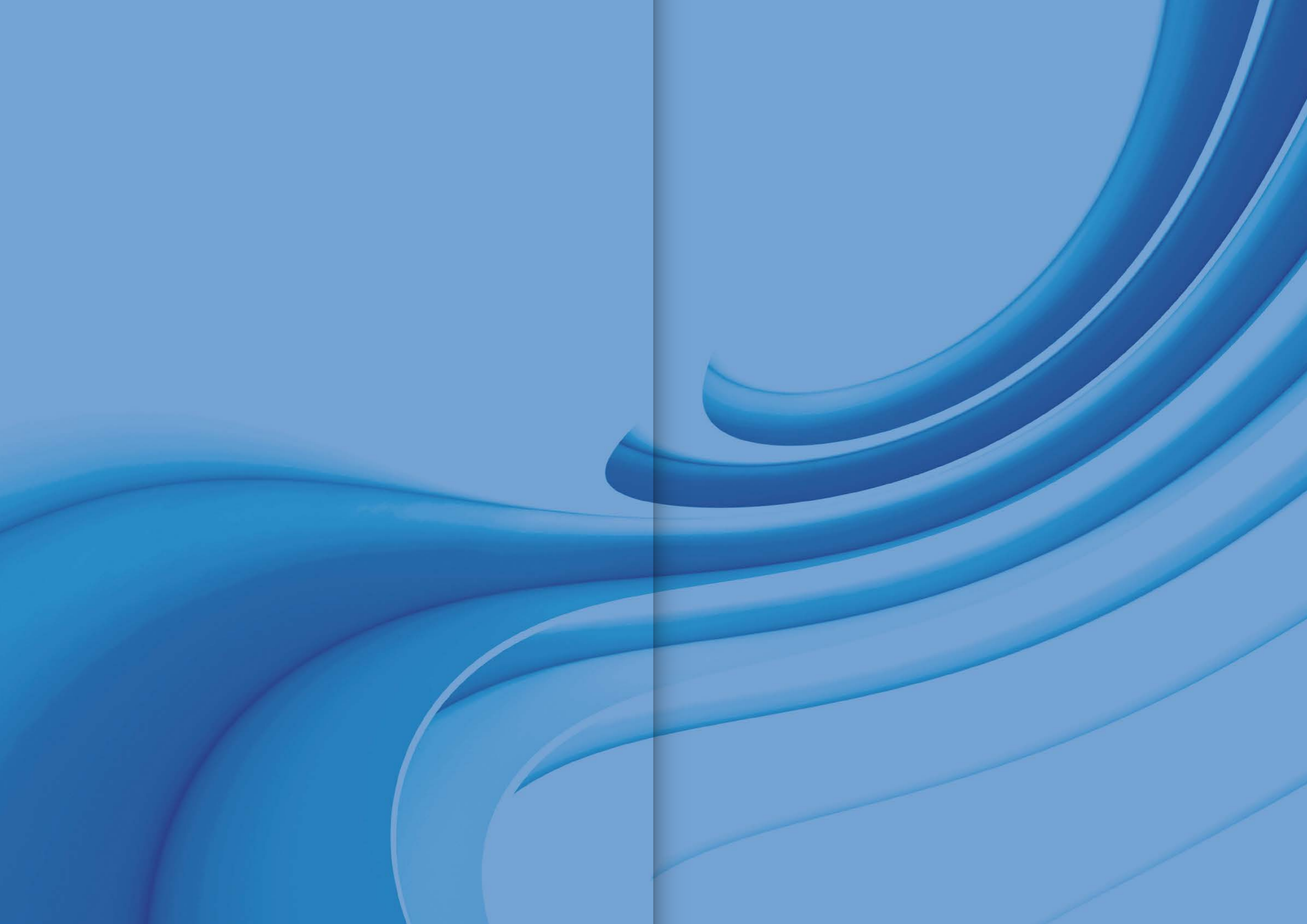
| Brief project description / subsidy allocation | Current status | Utilization of funds as of the end of the reporting period, RUB mln |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Payments from the budget of the Ministry for Development of the Russian Far East to reimburse expenses on the road construction Udachny - Verkhnyaya Muna automobile road. | In 2017, Investment Agreement was signed between PJSC ALROSA and the Ministry for Development of the Russian Far East entitling the Company to State support (free subsidies) within the framework of the Verkhne-Munskoe deposit in the amount of RUB 8,525 mln (Regulation of the Government of the Russian Federation No. 1339-P dated September 13, 2015). | 2 938,0 |
| Reimbursement of lost earnings and financing expenses resulting from the State regulation of tariffs when flying passengers on socially important routes of the Republic of Sakha (Yakutia) under the State program "Development of the Transport Complex of the Republic of Sakha (Yakutia). | Under the State program of the Republic of Sakha (Yakutia) "Development of the Transport Complex of the Republic of Sakha (Yakutia) for 2012 - 2019" approved by Order of the Head of the Republic of Sakha (Yakutia) No. 2079 dated May 28, 2013. | 26,45 |
| Development of regional passenger air transport in the territory of Russia and building the regional route network. Supported routes: Irkutsk-Polyarny-Irkutsk; Krasnoyarsk-Polyarny-Krasnoyarsk. | According to Regulation of the Government of the Russian Federation No.215 dated March 2, 2018 "Rules for Providing Subsidies from the Federal Budget to Air Transport Companies to Ensure Accessibility of Air Transport Services to the Population" (Agreement with FAAT No. 107-11-2018-037 dated March 30, 2018). | 147,49 |
| An agreement is signed on subsidies for reimbursement of lost earnings due to reduced utility tariffs to the organizations providing utility services to the population. | Subject to Order of the Ministry for Housing Utilities and Energy of the Republic Sakha (Yakutia) No.450 dated September 27, 2017 and No.135 dated April 6, 2018. | 1 473,0 |
| An agreement is signed on subsidies for reimbursement of lost earnings and financing of expenses incurred due to reduced utility tariffs to the organizations providing utility services to the population. | An agreement with the State Organization of the Republic of Sakha (Yakutia) «Agency for Subsidies» No.38-Y dated March 20, 2018 on subsidies for reimbursement of lost earnings due to reduced utility tariffs to the organizations providing utility services to the population. | 621,0 |

| Brief project description / subsidy allocation | Current status | Utilization of funds as of the end of the reporting period, RUB mln |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| An agreement is signed for reimbursement of income lost due to bringing prices (tariffs) for electricity (energy) to those planned for the next period of regulation of basic levels of prices (tariffs) for electricity (energy) in the the territory of the Far East Federal District. | | 3 454,0 |
| Subsidizing reimbursement of expenses on legal protection of results of intellectual activity and means of individualization. | Agreement between the Committee for industrial policy and Innovation of St. Petersburg and JSC Innovation Center Bourevestnik No.6 dated October 9, 2018. | 0,078 |
| Subsidy for partial compensation of interest expense on loans from PJSC VTB Bank in 2016-2018 for implementation of the investment project of construction of the research-and-production complex for development and production of equipment for the enrichment of diamond-bearing ores and production of analysis instruments. | An agreement on Federal budget subsidies from the for partial compensation of expenses on payment of interest on loans obtained in Russian credit institutions for implementation of the investment project No. 020-11-065, dated May 23, 201, 1.1 AA No. 2 to Agreement No. 020-11-065/2 dated November 16, 2018. | 66,69 |
| Providing subsidy as partial compensation of expenses on training, retraining and upgrading professional skill of the personnel. | Agreement between the Committee for industrial policy and Innovation of St. Petersburg and JSC Innovation Center Bourevestnik No.12 dated November 29, 2018. | 0,521 |
| Providing subsidies in partial compensation of expenses on the energy (sector) survey and (or) expenses on the procurement of energy-saving equipment in the framework of measures or implementation of programs on energy saving and energy efficiency. | Agreement between the Committee for industrial policy and Innovation of St. Petersburg and JSC Innovation Center Bourevestnik No.15 dated December 12, 2018. | 0,044 |

13. About the Company

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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Full name of the Company | PJSC ALROSA – Public Joint-Stock Company ALROSA |
| Number and date of issue of the certificate of state registration as a legal entity | Certificate No. 1 dated August 13, 1992 issued by the Administration of Mirny district of the Republic of Sakha (Yakutia) (Regulation No. 554 dated August 13, 1992) |
| Principal type of activity | According to the presentation on the types of economic activities under the Russian Classification of Economic Activities (OKVED OK 029-2001 KDES, ver. 1) the principal type of activity is diamond mining, code 14.50.22 (OKVED OK 029-2014 (KDES ver. 2) – 08.99.32) |
| Information on inclusion in the list of strategically important enterprises and strategically important joint stock companies | ALROSA is included in the list of strategically important enterprises and strategically important joint stock companies subject to Order of the President of the Russian Federation No.1009 dated August 4, 2004) |
| Authorized capital | 3,682,482,815 (three bln six hundred and eighty two mln four hundred eighty-two thd eight hundred and fifteen) RUB |
| Total number of shares | 7,364,965,630 (seven bln three hundred sixty-four mln nine hundred sixty-five thd six hundred thirty) pieces |
| Number of ordinary shares | 7,364,965,630 (seven bln three hundred sixty-four mln nine hundred sixty-five thd six hundred thirty) pieces |
| Nominal value of ordinary shares | 3,682,482,815 (three bln six hundred and eighty two mln four hundred eighty-two thd eight hundred and fifteen) RUB |
| State registration number of issue of ordinary (preference) shares and the date of their state registration | No.1-03-40046 dated August 25, 2011 |
| State registration number of additional issue of ordinary (preference) shares and the date of their state registration (if on the date of pre-registration of the Annual Report the registering body failed to cancel the individual number (code) of the additional issue of ordinary (preference) shares) | NONE |

| | |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quantity of (preference) shares | NONE |
| Nominal value of preference shares | NONE |
| Existence of a special right of the Russian Federation to participate in the Company management (golden share) | NONE |
| Full name of the Company Auditor | Joint-stock company "PricewaterhouseCoopers Audit" (JSC "PwC Audit") INN 7705051102 , OGRN 1027700148431 |
| Auditor address | Registered/postal address Address: 10 UL. Butyrsky Val, Moscow, 125047 Telephone: +7 (495) 967-60-00, +7 (495) 411-75-25 Fax: +7 (495) 967-60-01 |
| Dividend Amount paid to the Federal budget in the reporting period | Dividend Amount for 2017 and H1, 2018 accrued and paid to the RF federal budget makes RUB 27,169,036 thd |
| Dividends in arrears to the federal budget in the reporting period | Dividends in arrears to the federal budget as of December 31, 2018 – NONE |
| Allocation to the Company's reserve fund (RUB, % of net profit) | No allocations to reserve capital were made |
| Allocations to other funds of the Company (RUB, % of net profit) | No allocations to other funds were made |



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