Explanatory Note to
Item 10 of the Agenda of
the Annual General Meeting of
Shareholders of PJSC ALROSA

According to the applicable laws, the accounting (financial) statements of PJSC ALRPOSA (hereinafter – the Company) and the consolidated financial statements of ALROSA Group should be audited annually. For such an audit, independent auditors are engaged on a competitive basis .

In 2016, the Company arranged 2 open tenders:

- Open tender to win a contract for mandatory year-end 2016-2018 audit of accounting (financial) statements of PJSC ALROSA prepared according to the Russian laws;
- Open tender to win a contract for mandatory year-end 2016-2018 audit of consolidated financial statements of ALROSA Group prepared according to International Financial Reporting Standards (IFRS).

These tenders were held as per the Federal Law No. 208-FZ On Joint Stock Companies dated December 26, 1995, No. 307-FZ On Auditing Activities dated December 30, 2008, No. 40-FZ On the Contract System in the Procurement of Goods, Works, Services for State and Municipal Needs dated April 5, 2013, and the Decree of the RF Government No. 1085 On Approval of Regulations on Assessment of Bids, Final Offers of Participants of Procurement of Goods, Works, Services for State and Municipal Needs dated November 28, 2013, and Cl. 20.2 of the Company's Articles of Association.

The Company's auditors shall be approved by the General Meeting of Shareholders on an annual basis (Cl. 10 Art. 48, Cl. 2 Art. 86 of the Federal Law On Joint Stock Companies, Par. c) Cl. 11.3.1.1 of the Company's Articles of Association).

Upon the preliminary recommendation of the Auditing Committee under the Company's Supervisory Board, the Supervisory Board considered the matter on February 7, 2018, and recommends that the Company's Annual General Meeting of Shareholders:

- Approves AO PricewaterhouseCoopers Audit as the auditor of PJSC ALROSA for 2018 being the winner of the open tender for a contract for mandatory year-end 2016-2018 audit of accounting (financial) statements of PJSC ALROSA prepared according to the Russian laws;
- Approves AO PricewaterhouseCoopers Audit as the auditor of PJSC ALROSA for 2018 being the winner of the open tender for a contract for mandatory year-end 2016-2018 audit of consolidated financial statements of ALROSA Group prepared according to the IRFS.

Considering the abovementioned, the "Approval of the Auditors of PJSC ALROSA" is submitted for approval of the Annual General Meeting of Shareholders of the Company.