

Substantiation of the size of dividends of PJSC ALROSA for the first half of 2019

The Regulations on the Dividend Policy of PJSC ALROSA (hereinafter the Company) approved by the Supervisory Board on June 24, 2019, determine the following conditions of payment of dividends to shareholders:

1) the Company has net profit and/or undistributed profits shown in the accounting (financial) statements prepared in accordance with the accounting legislation of the Russian Federation;

2) the current and projected value of the Net Debt¹ / EBITDA² indicator does not exceed 1.5;

3) there are no restrictions on the payment of dividends provided for by the legislation of the Russian Federation;

and the following principles of payment of dividends to shareholders:

1) payment frequency is twice a year:

- on the basis of the Company's operating results for the first half of the accounting year;
- on the basis of the Company's operating results for the accounting year (less earlier paid dividends for the first half of the accounting year);

2) the size of dividends is determined based on the free cash flow indicator value (cash flow from operating activities less cash flow allocated for the financing of capital investments determined under the IFRS, hereinafter referred to as the FCF) depending on the Net Debt / EBITDA indicator value:

- if the Net Debt / EBITDA indicator value at the end of the first half-year or year is less than 0.0, then the size of semi-annual dividend payments exceeds 100% of the FCF for the relevant half of the accounting year;

- if the Net Debt / EBITDA indicator value at the end of the first half-year or year corresponds to the range of 0.0-0.5 (exclusive of 0.5), then the size of semi-annual dividend payments is 100% of the FCF for the relevant half of the accounting year;

- if the Net Debt / EBITDA indicator value at the end of the first half-year or year corresponds to the range of 0.5-1.0 (exclusive of 1.0), then the size of semi-annual dividend payments is 70-100% of the FCF for the relevant half of the accounting year;

- if the Net Debt / EBITDA indicator value at the end of the first half-year or year corresponds to the range of 1.0-1.5, then the size of semi-annual dividend payments is 50 to 70% of the FCF for the relevant half of the accounting year.

3) the minimum value of dividend payments has been determined – the amount of funds allocated for the payment of dividends for the accounting year should be no less than 50% of the Company's net profit for the relevant year calculated under IFRS consolidated financial statements.

According to the Company's IFRS consolidated financial statements for the first half of 2019, the FCF amounted to RUB 28,258,000,000.00, the Net Debt/EBITDA ratio was 0.29x.

The Company's financial performance for the first half of 2019, as well as forecast indicators provided for by the Company's Consolidated Budget for 2019, allow the Extraordinary General Meeting of Shareholders to resolve to allocate 100% of the FCF for the first half of 2019 for the payment of dividends from the net profit of PJSC ALROSA for the

¹ Net debt is an indicator defined under IFRS Standards as the amount of debt obligations less cash and cash equivalents, and bank deposits as of each reporting date.

² EBITDA – earnings before interest, taxes and amortization of fixed assets and intangible assets determined under IFRS Standards for the previous 12 months.

first half of 2019. In absolute terms, the size of dividends to be paid for the first half of 2019 can amount, taking into account the rounding-up of the size of dividends per 1 share to a kopeck, to RUB 28,281,468,019.20, which is equivalent to dividend payments of 3 rubles 84 kopecks per one placed registered share of the Company with the face value of 50 kopecks.

The Company's net profit under RAS for the first half of 2019, which is the source of dividend payment, amounted to RUB 36,327,870,000.00 and is sufficient to pay the said amount of dividends.

Based on the foregoing, the Company's Supervisory Board recommended the Extraordinary General Meeting of Shareholders to resolve to pay dividends in the substantiated amount that corresponds to the Company's Regulations on the Dividend Policy.