

Explanatory Note to Item 1 of the Agenda of the Annual General Meeting of Shareholders PJSC ALROSA

Key performance indicators of ALROSA in 2019

In 2019, ALROSA Group maintained its position of the world leader in natural diamond production in physical terms — the production volume amounted to 38.5 million carats. The increased production in the reporting year (+5% against 2018) was mainly due to the achievement of full production capacity at Verkhne-Munskoe deposit and implementation of the project aimed at upgrading operational effectiveness at Nyurba Mining and Processing Division.

In 2019, the global diamond market faced the “ideal storm”, a combination of factors drastically aggravating the demand: tightening credits for Indian’s diamond manufacturing sector, the U.S.-China trade wars, loss of purchasing power in Asia caused by weakening of national currencies, excess rough diamond stock at the cutting sector and reducing necessary polished diamond stock at retailers due to the industry consolidation and growing Internet sales. As a result, total rough diamond sales market decreased by 23%, which affected the sales of all diamond producers. The volume of sales of main products by ALROSA Group declined by 26% and amounted to USD 3,335 following the results of 2019. The weakening of ruble against US dollar slightly mitigated the reduction in sales, which resulted in a decrease of ALROSA Group revenue, taking into account income from subsidies, by 21% against 2018 totaling RUB 238.2 billion.

In the reporting year, ALROSA Group continued the implementation of its strategy aimed at preserving the productive potential, gaining status of a recognized leader in the diamond mining industry, carrying out non-core assets disposal program, maintaining and expanding the resource base in Russia and Africa. The Group started and implemented projects of operational efficiency enhancement, automation and introduction of digital technologies, continued its efforts to optimize the number of administrative and supporting personnel, and reforming the geological surveying complex. It helped limit the growth of specific production costs per 1 m³ of mining operations within 2018, and the growth of non-production costs within 3%.

One of the milestones in 2019 was that Kristall Production Corporation, Smolensk factory, the largest diamond manufacturer in Europe, became part of ALROSA Group. The designed 2020-2022 three-year development strategy for the cutting complex and the integration plan for Kristall Production Corporation are aimed at increasing operational efficiency and improving financial performance of this business sector.

As expected, ALROSA’s financial performance in 2019 was under the pressure of external factors. EBITDA reduced by 31% to RUB 107.1 billion, EBITDA margin decreased by 7 percentage points to 45%.

In line with its strategic plans, ALROSA continues the construction and maintenance of its production facilities. Capital investments of ALROSA Group (under IFRS) in 2019 amounted to RUB 20 billion. In 2019, ALROSA proceeded with investing in geological exploration. The reserve increment totaled 2.9 million carats.

In 2019, ALROSA Group managed to generate the free cash flow of RUB 47.6 billion. The debt load is within the target level: the Net Debt/EBITDA indicator as of the end of the year was 0.74. In October, the Company declared dividends for the first half-year of 2019 in the amount of 100% of the free cash flow for this period – RUB 28.3 billion, or RUB 3.84 per share.

Key targets set for ALROSA Group for 2019 have been fulfilled.

On April 17, 2020, the Audit Committee under the Supervisory Board of PJSC ALROSA preliminary considered and recommended the Supervisory Board to preliminary approve the Annual Report of the Company for 2019.

On April 21, 2020, the Supervisory Board preliminary approved the Annual Report of PJSC ALROSA for 2019 and decided to submit it for approval by the Company’s Annual General Meeting of Shareholders.

Considering the above, the Annual Report of PJSC ALROSA for 2019 is submitted for approval by the Annual General Meeting of Shareholders.

Explanatory Note to Item 2 of the Agenda of the Annual General Meeting of Shareholders PJSC ALROSA

Accounting (financial) statements of PJSC ALROSA (hereinafter – the Company) are formed in accordance with the existing legislation of the Russian Federation.

The accounting records of the Company are maintained according to the Federal Law On Accounting and the associated Accounting Regulations adopted by the decrees of the Ministry of Finance of Russia.

The Accounting Policy of the Company for the purpose of accounting (hereinafter – the Accounting Policy) is based on the following basic assumptions:

- ringfenced assets – assets and obligations of the Company are detached from property and obligations of the owners of the Company and assets and obligations of other organizations;

- continuity of business – the Company is planning to continue its activity in the future and does not have intention to and need for liquidation or significant business reduction and, consequently, obligations will be satisfied in due course;

- consistency in applying the accounting policy – established Accounting Policy is applied consistently from one reporting year to another;

- time certainty of facts of economic activity – facts of economic activity of the Company are referred to such reporting period (and, consequently, are reflected in the accounting records) where they occurred regardless of the actual time of receipt or payment of funds associated with these facts.

The Accounting Policy of the Company ensures compliance with the requirements of completeness, prudence, priority of substance over form, consistency and rationality.

Methods of accounting, established in the Company when forming the Accounting Policy, are applied by all the branches, representative offices and structural subdivisions of the Company, regardless of their location.

Comprehensive integrated SAP ERP-based system is used for online accounting, record of availability and movement of all assets and liabilities, recognition of commercial operations of branches, representative offices and divisions of the Company in the accounts and generating accounting (financial) statements of the Company.

The auditor's report signed by the auditors of AO PricewaterhouseCoopers Audit on February 10, 2020, based on the results of the audit of the Company's financial status, confirms that the Company's accounting (financial) statements fairly, in all material respects, reflect the Company's financial condition as of December 31, 2019, its financial performance and cash flow for 2019 according to the accounting principles established in the Russian Federation.

The analysis of forms of the Company's accounting (financial) statements for 2019 ANALYSIS OF THE BALANCE SHEET

As of December 31, 2019, the balance sheet currency totals RUB 509,451 million, and decreased by RUB 20,766 million (by 4%) as compared to the previous year.

The balance sheet **Assets**: non-current assets decreased by RUB 56,790 million to RUB 340,011 million, current assets increased by RUB 36,024 million to RUB 169,440 million.

Main changes in the assets are as follows:

- ✓ fixed assets and interest-bearing investments – decrease by RUB 9,970 million (by 4%) to RUB 226,985 million, including:

- commissioning of new fixed assets – increase of value by RUB 19,535 million, disposal of property, plant and equipment – decrease by RUB 26,008 million (RUB 5,519 million and RUB 20,489 million, respectively),

- decrease in value of incomplete construction by RUB 3,497 million to RUB 17,309 million, commissioning of facilities of completed capital construction – to RUB 16,394 million.

- ✓ finance investments – decrease by RUB 5,576 million (by 3%), out of which decrease by RUB 23,319 million, this decrease is connected with the revaluation down to the market value of shares listed on the market (PJSC ALROSA-Nyurba);

increase by RUB 18,063 million is connected with the placing by the Company of available cash assets in short-term deposits for RUB 11,622 million, and granting of loans to subsidiaries for RUB 6,441 million.

✓ inventory stock – increase by RUB 17,643 million (by 30%), out of which the increase of rough diamonds, polished diamonds, diamond grinding powder value – by RUB 16,275 million (43%).

✓ accounts receivable – decrease by RUB 10,852 million (by 38%), including the amount of repaid debts of JSC Kristall Production Corporation RUB 4,201 million, decrease in the debt of affiliated and controlled companies by RUB 4,916 million, the overdue debt in total debt amounted to RUB 17 million.

✓ cash – decrease by RUB 14,189 million (by 57%), including decrease by RUB 14,895 million in deposit accounts.

The balance sheet **Liabilities**:

The Company's **liabilities** increased by RUB 11,110 million (6%) to RUB 208,241 million, including:

✓ borrowed assets increased by RUB 16,528 million to RUB 133,180 million, the decrease is also due to obtaining long-term loans from JSC UniCreditBank, JSC Bank Intesa and JSC ALFA-BANK of RUB 28,745 million, influence of positive foreign exchange differences by RUB 12,300 million.

✓ deferred tax liabilities decreased by RUB 3,011 million to 29,488 million.

the Company's **equity** decreased by RUB 31,875 million (by 10%) to RUB 301,210 million, including:

✓ undistributed profit decreased by RUB 30,254 million for the following reasons:
net profit for 2019 + 26 664 + RUB 26,664 mln

payments made according to the resolutions of the General Meeting of Shareholders RUB (58,551) million

previously declared and unclaimed dividends restored + RUB 14 mln

increase in the value of retired fixed assets is transferred from the capital surplus and change in the accounting method + RUB 1,619 mln

✓ revaluation of circulating assets – (RUB 1,621 mln).

The main source of the Company's fixed assets in 2019 is equity, absolute value of which (net assets) has decreased since the beginning of the year by RUB 31,825 million (by 9.5%) to RUB 304,112 million.

ANALYSIS OF PROFIT AND LOSS STATEMENT

Proceeds from sale of products, works, services for 2019 decreased, as compared to 2018, by RUB 59,544 million (by 27%) and amounted to RUB 160,258 million. The proceeds decreased due to the change in the volume, structure and price of sold rough diamonds.

Proceeds from sale of natural rough diamonds, polished diamonds and diamond grinding powders amounted to RUB 131,842 million, share in total sales – 82.3%, decreased by RUB 64,623 million (by 33%) as compared to 2018.

The cost of sold products, works, services, commercial and administrative expenses, as compared to 2018, decreased by RUB 7,831 million (by 7%) and amounted to RUB 105,219 million.

Other income and expenses for 2019 – loss in the amount of RUB 23,800 million, increase in profit, as compared to the previous year, by 46,734 million (in 2018 loss was RUB 70,534 million).

The Company's **net profit** for 2019 amounted to RUB 26,664 million, decrease by RUB 2,644 million (by 9%) as compared to the previous reporting period.

ANALYSIS OF STATEMENT ON CHANGE IN EQUITY

The Company's equity for 2019 decreased by RUB 31,875 million to RUB 301,210 million.

The reserve fund is RUB 737 million (0.2% of the total equity) and is generated from net profit according to the Articles of Association and is intended for covering losses, redemption of bonds and repurchase of shares of the Company where no other funds are available, and may not be utilized for any other purpose.

The Company's **authorized capital** is formed according to the Articles of Association and amounted to RUB 3,682 million (1% of the total amount of equity).

The Company's authorized capital is divided into 7,364,965,630 ordinary registered shares with par value of 50 kopecks each.

The authorized capital is fully paid-up, in 2019 the Company did not announce any additional issue of shares, placement of bonds or any other issue of securities.

The Company's **capital surplus** – RUB 102,689 million (34% of the total amount of equity).

Decrease in the amount of the revaluation of non-current assets by RUB 1,619 million occurred due to transfer of revaluation surplus (markdown) on retired fixed assets from the capital surplus to retained profit.

The capital surplus (without revaluation) is RUB 50,041 million and consists mostly of share premium from additional issue of the Company's shares in 2008.

Undistributed profit – RUB 194,101 million (64,4% of the total amount of equity).

ANALYSIS OF STATEMENT OF CASH FLOW

Cash flow from operating activities in 2019:

cash received – RUB 169,672 million, including RUB 167,736 million from sale of products, goods, works, services;

cash paid – RUB 137,916 million, including RUB 49,323 million – payment to suppliers (contractors) for materials, works, services, RUB 36,652 million – related to employee compensation, RUB 25,407 million – tax payment, RUB 7,908 million – profit tax payment.

Cash flow from investing activities in 2019:

cash received – RUB 121,004 million, including RUB 92,143 million – repayment of loans granted, sale of debt securities, RUB 22,286 million – dividend, interest under debt financial investments and similar interest participation in other companies, RUB 4,187 million – sale of non-current assets (except for financial investments), RUB 1,570 million from sale of shares in other companies (stakes).

cash paid – RUB 135,665 million, including RUB 16,909 million – acquisition, creation, modernization, reconstruction and preparation for use of non-current assets, RUB 5,509 million – acquisition of shares in other companies (stakes), RUB 113,228 million – acquisition of debt securities, providing loans to others.

Cash flow from financial activities in 2019:

cash received – loans in the amount of RUB 212,114 million,

cash paid – RUB 241,912 million including payment of dividends and other profit distribution to owners – RUB 58,466 million, due to repayment of loans – RUB 183,446 million.

Result of cash flow for the reporting period – RUB (12,704) million.

The balance of cash and cash equivalent as of the beginning and the end of the reporting period – RUB 24,894 million and RUB 10,705 million, respectively.

Free cash flow – as a result of cash flow from operating activities less payments for acquisition, creation, modernization, reconstruction and preparation for use of non-current assets for 2019 is RUB 14,846 million (2018 – RUB 62,858 million).

ACCRUAL AND PAYMENT OF TAXES, DUTIES, CHARGES AND DIVIDENDS

In 2019, the amount of assessed and paid taxes, duties, charges (hereinafter – taxes) and insurance premium is RUB 39,873 million and RUB 40,285 million, respectively.

As compared to 2018, the amount of paid taxes and insurance premium decreased by RUB 11,133 million (21.6%).

Paid in 2019:

✓ The budget of the Republic of Sakha (Yakutia) received RUB 22,306 million, that is RUB 7,134 million less than in 2018.

✓ The federal budget received RUB 2,432 million, including VAT – RUB 620 million.

✓ Non-budget funds, local and other budgets received RUB 15,547 million, which is RUB 872 million lower compared to the previous year.

The breakdown of taxes, duties and charges paid in 2019:

Name	2019		2018		Increase (decrease) to 2018	
	RUB mln.	%	RUB mln.	%	RUB mln.	%
Mineral extraction tax (rough diamonds)	12,298	30.5%	7,519	14.6%	4,779	63.5%
Profit tax	8,360	20.8%	22,501	43.8%	-14,141	-62.8%
Property tax	3,696	9.2%	4,039	7.9%	-343	-8.5%
Personal income tax	5,011	12.5%	5,090	9.9%	-79	-1.5%
Insurance premium	9,805	24.3%	9,802	19.0%	3	0.0%
VAT	620	1.5%	1,993	3.9%	-1,373	-68.9%
Other taxes, charges	495	1.2%	474	0.9%	21	4.3%
Total:	40,285	100.0%	51,418	100.0%	-11,133	-21.6%

Dividend paid:

Name of a budget	For 2019 (based on the results of 2018)		For 2018 (based on the results of 2017)		Decrease 2019 to 2018	
	RUB mln.	%	RUB mln.	%	RUB mln.	%
Russian Federation represented by the Federal Agency for State Property Management	9,997	33.0	12,745	33.0	2,748	0.0
Republic of Sakha (Yakutia) represented by the Ministry of Property and Land Relations of the Republic of Sakha (Yakutia)	7,567	25.0	9,648	25.0	2,081	0.0
Administrations of the municipalities of the Republic of Sakha (Yakutia)	2,422	8.0	3,087	8.0	665	0.0
Others	10,252	34.0	13,068	34.0	2,816	0.0
Total:	30,238	100	38,548	100	8,310	0.0
Per 1 share	4.11		5.24			

Name of a budget	Interim for 2019 (based on the results of the first half-year 2019)	
	RUB mln.	%
Russian Federation represented by the Federal Agency for State Property Management	9,340	33.0
Republic of Sakha (Yakutia) represented by the Ministry of Property and Land Relations of the Republic of Sakha (Yakutia)	7,070	25.0
Administrations of the municipalities of the Republic of Sakha (Yakutia)	2,263	8.0
Others	9,582	34.0
Total:	28,255	100
Per 1 share	3.84	

On April 17, 2020, the Audit Committee under the Supervisory Board preliminary considered the specified matter and recommended the Supervisory Board to propose to the Annual General Meeting of

Shareholders of PJSC ALROSA to approve annual accounting (financial) statements of PJSC ALROSA for 2019.

On May 6, 2020, the Supervisory Board of the Company resolved to propose to the Annual General Meeting of Shareholders of PJSC ALROSA to approve annual accounting (financial) statements of PJSC ALROSA for 2019.

Based on the above, annual accounting (financial) statements of PJSC ALROSA for 2019 shall be submitted for approval by the Company's Annual General Meeting of Shareholders.

Explanatory Note to Items 3-5 of the Agenda of the Annual General Meeting of Shareholders PJSC ALROSA

In accordance with the Regulations on the Dividend Policy of PJSC ALROSA (hereinafter the Company), approved by the Supervisory Board of the Company on June 24, 2019, following the results of the Company's performance for the first half of 2019, on September 30, 2019, the Company's shareholders approved (Minutes of the Extraordinary General Meeting of Shareholders No. 41 dd. September 30, 2019) the dividend payout in the amount of RUB 28,281,468,019.20, which is an equivalent of dividend payout in the amount of 3 (three) rubles 84 (eighty-four) kopecks per one placed registered share of the Company with the face value of fifty (50) kopecks. The dividends paid amounted to 100.08% of the free cash flow (hereinafter the FCF) for the first half of 2019 and exceeded the 50% value of the IFRS net profit for the first half of 2019.

In accordance with the Company's IFRS consolidated financial statements for 2019 (the auditor's opinion was presented on March 6, 2020), the FCF amounted to RUB 47,586,000,000.00, including RUB 19,328,000,000.00 for the second half of 2019; the IFRS net profit for 2019 amounted to RUB 62,730,000,000.00, the Net Debt/EBITDA ratio was 0,7x.

The Regulations on the Dividend Policy of PJSC ALROSA determine the following conditions of payment of dividends to shareholders:

- 1) the Company has net profit and/or undistributed profit 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 Debt/EBITDA 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 (FCF) indicator value (cash flow from operating activities less cash flow allocated for the financing of capital investments determined under the IFRS) 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.

The Company's financial performance in 2019 and the estimated figures under the Company's Consolidated Budget for 2020 enable the Supervisory Board to recommend the General Meeting of Shareholders to pass a resolution to allocate 100% FCF for the second half of 2019 for the payment of dividends. In absolute terms, the size of dividends to be paid for the second half of 2019 can amount, taking into account the rounding-up of the size of dividends per 1 share to a kopeck, to RUB 19,369,859,606.90, which is equivalent to dividend payments of 2 (two) rubles 63 (sixty-three) kopecks per one placed registered share of the Company with the face value of 50 (fifty) kopecks. Considering the dividends paid for the first half of 2019, the total amount of dividends can equal RUB 47,651,327,626.10, which is an equivalent of 100.14% of the FCF for 2019 and exceeds the 50% value of the IFRS net profit amounting to RUB 31,365,000,000.00.

In accordance with Clause 2.1 of the Company's Regulations on the Dividend Policy, dividends shall be paid from the net profit and/or undistributed profit recognized in the accounting (financial) statements made under the accounting laws of the Russian Federation. According to the accounting (financial) statements (the auditor's report of February 10, 2020), the Company's net profit for 2019 amounted to RUB 26,664,462,000.00, the undistributed profit of prior years (as of January 1, 2020) amounted to RUB 167,436,725,000.00, the aggregate of which is sufficient for the dividend payout amounting to RUB 47,651,327,626.10.

On May 6, 2020, the Company's Supervisory Board resolved to recommend the Annual General Meeting of Shareholders to pass a resolution on the distribution of profit following the results of 2019 and the undistributed profit of prior years, including the amount of dividends on the shares of PJSC ALROSA and the payment procedure thereof under the draft resolution.

Explanatory Note to Item 6 of the Agenda of the Annual General Meeting of Shareholders PJSC ALROSA

The remuneration to members of the Company's Supervisory Board is paid on the ground of a decision of the General Meeting of Shareholders. The amount of remuneration paid is determined by a decision of the General Meeting of Shareholders of the Company.

The Regulations on Remuneration to Members of the Supervisory Board of PJSC ALROSA stipulate that the remuneration (basic and additional remuneration) shall not be paid to:

- the chairperson and members of the Supervisory Board who are recognized as public servants or municipal officials as per the applicable laws of the Russian Federation;
- the chairperson and members of the Supervisory Board holding a public office of the Russian Federation, public office of a constituent entity of the Russian Federation, a municipal office, an office with a state service of a constituent entity of the Russian Federation or an office with a municipal service (hereinafter referred to as the public offices and the state service offices);
- members of the Supervisory Board who are at the same time the sole executive body or a member of the collective executive body of the Company.

Thus, according to the Regulations, the remuneration (basic and additional) may be paid only to professional attorneys and independent directors that are members of the Company's Supervisory Board.

The remuneration to members of the Supervisory Board is calculated in accordance with the Regulations on Remuneration to Members of the Supervisory Board of PJSC ALROSA.

The remuneration shall be paid for the participation in the work of the Supervisory Board (basic remuneration) and for the functions of the chairman of the Supervisory Board, senior independent director, and for the chairmanship of and (or) membership in its committees (additional remuneration).

The remuneration of each member of the Supervisory Board for participation therein is calculated based on the total number of meetings of the Supervisory Board held during the previous corporate year as of March 31 this year, and the number of meetings of the Supervisory Board attended by such a member.

The additional remuneration for membership and (or) chairmanship in the Supervisory Board committees is calculated for each committee separately. The amount of a premium payable to each member of a committee for the membership and (or) chairmanship in the committees under the Supervisory Board is calculated based on the total number of meetings of the Committee held during the previous corporate year as of March 31 this year, and the number of meetings of the Committee attended by such a member.

In corporate year 2019-2020, the Supervisory Board of the Company consisted of the following professional attorneys and independent directors to whom the remuneration shall be paid:

1. Maria Vladimirovna GORDON;
2. Sergei Yefimovich DONSKOY;
3. Andrey Ivanovich DONETS;
4. Kirill Alexandrovich DMITRIEV;
5. Andrey Vilievich KARKHU;
6. Dmitry Vladimirovich KONOV;
7. Galina Maratovna MAKAROVA;
8. Oleg Romanovich FEDOROV.

Given the structure of the members' involvement in the Supervisory Board's activities as well as their additional duties of a senior independent director related to the management of the Supervisory Board committees and membership therein, the total remuneration is RUB 64,948,214.

On April 21, 2020, the HR and Remunerations Committee under the Supervisory Board considered this matter preliminarily and recommended the Supervisory Board to approve it. On May 13, 2020, the Supervisory Board recommended the Annual General Meeting of Shareholders to pass a resolution on the payment of remuneration for the work in the Supervisory Board of PJSC ALROSA to the members of the Supervisory Board who are non-public servants for corporate period (year) 2019-2020 in the amount and in the manner determined under the Regulations on Remuneration to Members of the Supervisory Board of PJSC ALROSA.

Explanatory Note to Item 7 of the Agenda of the Annual General Meeting of Shareholders of PJSC ALROSA

The remuneration to the members of the Company's Auditing Committee is paid on the ground of a decision of the General Meeting of Shareholders. The amount of remuneration paid is recommended by the Supervisory Board and determined by a decision of the General Meeting of Shareholders.

According to the Regulations on Remuneration and Compensations to Members of the Auditing Committee of PJSC ALROSA, the remuneration may be paid to members of the Auditing Committee for participation in the work of the Auditing Committee and performance of additional duties related to chairing the Auditing Committee.

The remuneration shall not be paid to the chairperson and members of the Auditing Committee who are public servants or municipal officials under the applicable laws of the Russian Federation and to the chairperson and members of the Auditing Committee payments to whom by commercial entities are limited or banned by the applicable laws.

In the corporate year 2019-2020, the Auditing Committee of the Company consists of 5 elected members, 2 of them are public servants; 2 – were partly public servants in the specified period and sent relevant notifications about termination of their status of public servants; 1 – was not a public servant throughout the corporate year.

Thus, Konstantin Konstantinovich Pozdnyakov, Alexander Sergeevich Vasilchenko, and Viktor Nikolaevich Pushmin have the right to receive remuneration for their work as members of the Auditing Committee.

The actual amount of remuneration for each member of the Auditing Committee shall be calculated by the chairperson of the Auditing Committee and shall be considered preliminarily at the meeting of the Supervisory Board.

Considering the structure of involvement of the members of the Auditing Committee in its work, the total amount of remuneration is RUB 2,954,757.

On April 21, 2020, the HR and Remunerations Committee under the Supervisory Board considered this matter preliminarily and recommended the Supervisory Board to approve it. On May 13, 2020, the Supervisory Board recommended the Annual General Meeting of Shareholders to pass a resolution on the payment of remuneration for work in the Auditing Committee of PJSC ALROSA to the members of the Auditing Committee – non-public servants for 2019-2020 corporate period (year) in the amount and in the order established in accordance with the Regulations on Remuneration and Compensations to Members of the Auditing Committee of PJSC ALROSA.

Explanatory Note to Items 8, 9 of the Agenda of the Annual General Meeting of Shareholders PJSC ALROSA

Members of the Supervisory Board of PJSC ALROSA (hereinafter referred to as the Company) and members of the Auditing Committee of the Company are elected on an annual basis, and this matter falls within the competence of the General Meeting of Shareholders of the Company (sub-clauses 4 and 9, Clause 1, Article 48 of the Federal Law On Joint Stock Companies).

On March 20, 2020, the Supervisory Board of the Company considered the candidates proposed by the Company's shareholders in due time and resolved to add them to the list of nominees to the Supervisory Board and the Auditing Committee to be elected at the Annual General Meeting of Shareholders.

On May 6, 2020, in accordance with Clause 7, Article 53 of the Federal Law On Joint Stock Companies, the Supervisory Board of the Company resolved to add the candidates to the list of nominees to be elected to the Supervisory Board of the Company.

Considering the above, the Company's General Meeting of Shareholders is requested to elect members of the Company's Supervisory Board and the Auditing Committee for the 2019-2020 corporate year.

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 ALROSA (hereinafter – the Company) and the consolidated financial statements of ALROSA Group should be audited annually. For such an audit, an independent auditor is engaged on a competitive basis.

In pursuance of the Federal Laws dd. December 26, 1995 No. 208-FZ On Joint Stock Companies, dd. December 30, 2008 No. 307-FZ On Audit, dd. July 27, 2010 No. 208-FZ On Consolidated Financial Statements, and in accordance with Clause 20.2 of the Articles of Association of PJSC ALROSA (hereinafter the Company), in 2019, in accordance with the procedure established by the Federal Law

dd. April 5, 2013 No. 44-FZ On the Contract System of the Federal and Municipal Procurement of Goods, Works, and Services, the Company held an open tender in electronic form “For the right to conclude a contract for mandatory year-end 2019-2021 audit of accounting (financial) statements of PJSC ALROSA prepared according to the Russian laws and consolidated financial statements of ALROSA Group prepared according to International Financial Reporting Standards (IFRS)”.

The Company entered into a three-year (2019–2021) contract with the winner of the open tender in electronic form, AO PricewaterhouseCoopers Audit: contract dd. May 17, 2019, No.163.

Pursuant to this contract, in terms of the parties’ obligations regarding the mandatory audit for the period from January 1, 2020 to December 31, 2020, these provisions shall take effect upon approval of the Company’s auditor for 2020 by the Company’s Annual General Meeting of Shareholders.

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).

On May 6, 2020, the Company’s Supervisory Board following the preliminary recommendation of the Audit Committee of the Supervisory Board of the Company dd. April 17, 2020, considered this matter and resolved to recommend the Annual General Meeting of Shareholders of the Company to approve AO PricewaterhouseCoopers Audit as the statutory auditor of PJSC ALROSA for the mandatory auditing of accounting (financial) statements of PJSC ALROSA, prepared in accordance with the Russian laws, and consolidated financial statements of ALROSA Group, prepared in accordance with the International Financial Reporting Standards, based on the results of 2020.