

# ANNUAL REPORT



**ALROSA**

2015



ALROSA\* is a Russian Group of diamond mining companies that occupies a leading position in the industry and has the largest rough diamond reserves in the world. The Group accounts for one third of the reserves and more than a quarter of the production of the global rough diamonds market. The key areas of activity, comprising the focus of the major strategic efforts of the Group, are deposits exploration, mining, processing and sales of rough diamonds.

The core activities of ALROSA Group are concentrated in two regions of the Russian Federation, namely the Republic of Sakha (Yakutia) and the Arkhangelsk Region, as well as on the African continent, in Angola, Botswana and Zimbabwe.

The majority of ALROSA Group revenue comes from selling rough diamonds. Rough diamonds are sold under long-term agreements to Russian and foreign diamond cutting companies. The rough diamond segment accounts for about 90% of the total Group revenue.

*\*For the purpose of this Annual Report, ALROSA Group means PJSC ALROSA and its subsidiaries.*

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## ADDRESS BY THE CHAIRMAN OF THE SUPERVISORY BOARD



Dear Shareholders,

In 2015, ALROSA once again cemented its status as the largest successful diamond mining company, accounting for 30% of the global market and reaffirmed its position as the global leader in rough diamond production.

ALROSA's development strategy is focussed on rough diamond exploration and production. Over the past few years, the Company has been annually investing over RUB 30 bn in development. During this time, large-scale production facilities such as the second processing plant and Karpinskogo-1 pipe of Lomonosov MPD, Mir and Udachny underground mines, and the Botuobinskaya pipe in Yakutia have been constructed and put into operation. The Investment Program implemented by the Company and the new technologies introduced today provide a return in the form of production growth, which contributes to consolidating the status of ALROSA as the largest producer.

The ALROSA development strategy includes not only leadership in

rough diamond production but also an active participation in the development of the entire industry. Rough diamond market conditions in 2015 were difficult, but ALROSA managed to adapt to the new conditions and promptly react to the changes. The Company asserted its position as a responsible industry leader and took a number of measures aimed at restoring the market balance and ensuring its future stability.

The Company actively participates in the work of industry-specific organizations. In 2015, ALROSA became one of the initiators for establishing the Diamond Producers Association, an organization founded with the aim of renewing marketing initiatives for the promotion of polished diamonds.

In 2016, for the first time in history, an ALROSA representative will chair the World Diamond Council, a key industry-specific organization. ALROSA showed growth of the basic financial indicators and concluded the year with a net profit of RUB 32 bn in accordance with IFRS. Modest debt burden and stable cash flow confirm the sound financial condition of the Company, its ability to perform its obligations in full and in a timely manner and pay dividends to shareholders.

The Company continues to improve the corporate governance system, adhering to the best practices. In April 2015, ALROSA adopted a new revision of the Corporate Governance Code developed in

accordance with recommendations from the Bank of Russia. The Corporate Governance Code is aimed at ensuring the possibility of exercising rights and protecting interests of shareholders, transparency of the management processes, professional and ethical responsibility of managers at all levels and control of financial and economic activities. The operational and financial performance that ALROSA demonstrates today confirms the efficiency of the development model selected by the Company.

I am confident that further implementation of the strategy will make it possible for ALROSA Group to continue consolidating its leading position on the rough diamond market, ensuring stable production growth, revenue increase, improvement of the investment attractiveness and shareholder value growth.

I thank all ALROSA Group employees for their professional competence and constructive work.

*Chairman of the Supervisory  
Board of PJSC ALROSA*

*Anton Germanovich SILUANOV*

## ADDRESS BY THE PRESIDENT



Dear Shareholders,

In 2015, ALROSA continued to consolidate the leading position on the global market. The Company share in the global rough diamond production grew to 30%. Despite the difficult macroeconomic situation and market conditions, in 2015 the Company produced solid financial results, attaining record figures for a number of indicators. ALROSA is successfully implementing the approved long-term development strategy and is confident about the future.

### **Leadership in diamond production**

In 2015, ALROSA Group enterprises produced 38.3 mn carats of rough diamonds, which is a 6% growth compared to 2014. This growth was achieved due to the development projects that have been funded by ALROSA in recent years, namely the Karpinskogo-1 pipe at Lomonosov MPD and the Mir and Udachny underground mines in Yakutia. Due to the production growth, ALROSA maintained a leading position in the industry in terms of the volume of rough diamonds extraction and

increased its global market share to 30%.

The past year was marked by the introduction and establishing of a new deposit. In the spring of 2015, ALROSA started mining rough diamonds from Botuobinskaya pipe of Nyurba MPD. It is the first new pipe in Yakutia to be put into operation in ten years. In 2015, Botuobinskaya yielded about 1 mn carats of rough diamonds for the Company and in the future this figure is set to increase to about 2 mn carats per year.

The Company continues to construct underground mines. In 2015, in accordance with forecasting, Mir underground mine reached a production capacity of 750 thousand tons of ore and is set to reach a production capacity of 1 mn tons in 2016. The Udachny underground mine, which was put into operation in summer 2014, is expanding its capacity and preparing to launch a second start-up facility. Together with the production from the Aikhal and Internatsionalny underground mines, in 2015, underground mines produced 9.5 mn carats or about 25% of ALROSA production volume, and this figure will reach 35% once all the enterprises reach their projected capacity.

The capital investments of ALROSA Group in 2015 totalled RUB 36.9 bn. The majority of this amount, about RUB 25.7 bn, was allocated to the construction of production facilities, including RUB



12.2 bn for underground mines. ALROSA invested a further RUB 8.6 bn in the technical upgrading and replacement of worn-out equipment.

In the long term, stable operations are not possible without the replacement of the mineral resource base. In 2015, ALROSA continued to make significant investments in geological exploration, which amounted to RUB 6.3 bn. Company geologists work actively on reserve replacement and discovery of new promising deposits. The geological exploration works performed in 2015 contributed to a 43.6 mn increase in ALROSA reserves, which amounted to 1.108 bn carats in accordance with the Russian classification system. ALROSA specialist efforts led to the discovery of a promising new kimberlite field in Western Yakutia, of which geological exploration will commence in 2016. The Company is successfully implementing innovative geological exploration methods, such as airborne electromagnetic surveying, georadar surveying and 3D seismic exploration.

### **Consolidation of the market position**

The last year was a difficult one for the global rough and polished diamonds market. A slowing of economic growth in the world's major economies and a general drop in raw material prices resulted in a weakening in demand for polished diamonds and diamond cutting enterprises having to confront the problem of large unsold gem stocks. In order to stabilize the situation, ALROSA

decided to decrease prices for rough diamonds by 15% and reduce sales volumes. The measures taken have already yielded results, and since the beginning of 2016 we can see signs of market revival.

The established sales system based on long-term contracts once again proved to be effective under these conditions guaranteeing the Company and customers a stable supply volume and protection against price volatility. In 2015, 66% of rough diamonds were sold through these contract types. During 2015, the number of long-term ALROSA customers grew from 47 to 54, including a number of long-term contracts for the supply of technical-grade diamonds.

In 2015, ALROSA was actively engaged in international activities aimed at protecting the Company interests in the world arena and effective development of the global rough and polished diamonds industry together with foreign partners. An important measure of strengthening customer demand for polished diamonds using marketing initiatives was the establishment of the Diamond Producers Association that united the seven biggest diamond mining companies.

ALROSA also interacted with partners within the framework of the World Diamond Council (WDC), a unified representative structure of the global rough and polished diamonds industry in the Kimberley Process, which is an intergovernmental initiative aimed at protection of the market from conflict diamonds. The Company actively contributed to finalizing the internal structure



and governing mechanisms as well as building the strategy of further development of the WDC to make it meet the current industry-specific circumstances and new challenges. In October 2015, Andrey Polyakov was the first ALROSA representative in history to be elected Vice President of the WDC.

Despite the market conditions and impact of macroeconomic factors, ALROSA produced strong financial results in 2015. Depreciation of the Russian rouble against the US dollar made it possible for the Company to compensate the negative effect of the sales reduction, and, as a result, ALROSA revenue in accordance with IFRS grew by 8% and reached RUB 224.5 bn. In 2015, the Company earned RUB 32.2 bn of net profit in accordance with IFRS, whereas in the previous year it recorded a loss.

The continuous efforts to cut costs and increase operating efficiency made it possible for ALROSA to attain record figures of EBITDA (RUB 118.5 bn) and EBITDA profitability (53%).

### **Social responsibility**

ALROSA maintains a high level of corporate social responsibility. Decent salary level and the welfare of employees and their family members remain among the priorities of the Company social policy. In 2015, ALROSA ensured an average salary growth of 5.2% in accordance with the Collective Agreement. Since January 1, 2016, the salary indexation amounted to another 6.6%, which compensated the average annual inflation level

in the country. The Company also continues its implementation of corporate programs for employees, including residential construction, pension, culture, sports and healthcare programs.

ALROSA contributes to the stable social and economic development of the regions in which the Company operates through the allocation of significant funds to social infrastructure facilities donating to child welfare facilities as well as to scientific, educational, sporting and cultural institutions. ALROSA social expenditures in 2015 amounted to about RUB 6 bn.

ALROSA places great emphasis on protecting the environment. About RUB 3.5 bn was allocated in 2015 for the implementation of the Comprehensive Environmental Protection Program.

### **Development prospects**

The production and financial performance in 2015 proves the efficiency of the development strategy selected by ALROSA. The Company accumulated a significant amount of mineral resources, invested significant funds in production development and developed a successful sales system based on long-term contracts. I am confident that ALROSA has the means to continue consolidating its leading position on the global rough diamond market, and we will do our best to achieve this goal.

In 2016, ALROSA will continue to develop production. The Company is beginning development of new deposits in the Verkhne-Munskoe ore field and Zarya pipe. These are quite challenging deposits with low diamond content, but

we are confident that experience of ALROSA specialists will make efficient mining of these pipes possible. The Company also faces a task of improving the energy efficiency of the operating facilities, switching vehicles to using gas fuel and introducing new technologies. ALROSA will continue to dispose of non-core assets, cut costs and improve the organizational structure of the company.

We are also seeing promising opportunities for sales development. Long-term contracts will remain the basis of the ALROSA sales policy, and the Company will strive to increase the number of long-term customers to ensure sales stability. The growth of customer numbers will also be encouraged through opening a rough and polished diamonds trading floor in Vladivostok with a focus on customers from the Asia-Pacific region. The Company is also introducing automated rough diamond sorting and optimizing the software for boxes formation to increase sales efficiency.

ALROSA will continue active cooperation with industry-specific organizations and the global community to develop the rough and polished diamond markets and consolidate ALROSA's position in the world arena.

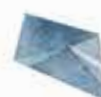
I believe that the measures being taken will make it possible for ALROSA to unleash its full potential, raise its status on the global market, increase its capitalization and attractiveness for investors.

On behalf of the Executive Committee, I sincerely thank the shareholders of the Company, the

Governments of the Russian Federation and the Republic of Sakha (Yakutia), members of the Supervisory Board and all our business partners for their trust and support.

*President of PJSC ALROSA*

*Andrey Vyacheslavovich ZHARKOV*



# KEY EVENTS

## 2015

*ALROSA started mining the Botuobinskaya pipe of the Nyurba MPD. In the future, after reaching the design capacity of 400 thousand tons of ore, Botuobinskaya will yield over 2 mn carats of rough diamonds per year.*

*Within the framework of implementation of the non-core assets disposal program, ALROSA sold its 84.7% participation interest in CB MAK-Bank (LLC) to Expobank LLC, 100% participation interest in Nikonovka LLC to CJSC Geostroysnab and 100% participation interest in ALROSA-VGS LLC to OJSC Almazzolotokomplekt; M & Diamond LLC was liquidated by the Mongolian registration authority.*

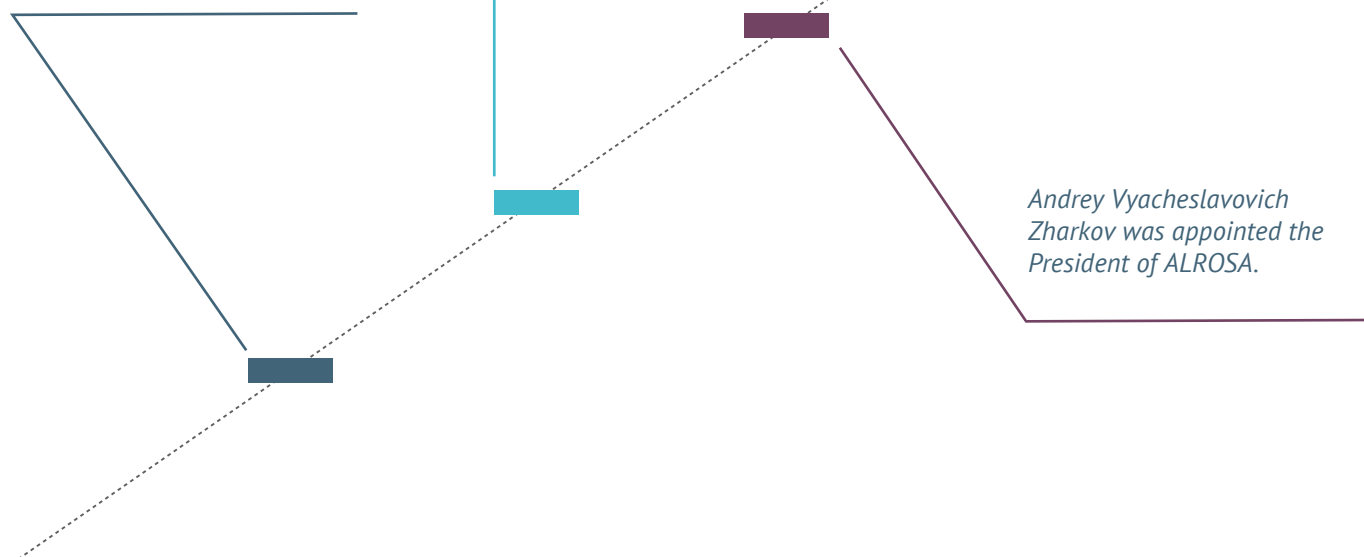
*The ALROSA Executive Committee approved the Udachny MPD development program that stipulates commencement of open pit mining of Verkhne-Munskoe and Zarya deposits.*

*ALROSA redeemed bonds totalling RUB 10 bn.*

*On June 25, 2015, an annual General Meeting of Shareholders of PJSC ALROSA was held in the town of Mirny. In the course of the voting, shareholders adopted a resolution to allocate RUB 10.826 bn for payment of dividends based on results of 2014, which amounts to RUB 1.47 per one ordinary share with a par value of 50 kopeks and is similar to the amount of payments made in the previous year.*

*ALROSA and Israel Diamond Exchange signed a Memorandum of Understanding aimed at strengthening the cooperation and developing the diamond industry in Russia and Israel.*

*ALROSA compiled a list of long-term customers for the contract period of 2015-2017.*



*Andrey Vyacheslavovich Zharkov was appointed the President of ALROSA.*

*The ALROSA Supervisory Board approved the budget for 2016.*

*ALROSA held in Moscow a general meeting of participants of the World Diamond Council.*

*ALROSA started introduction of pillar mining at the Aikhal underground mine. The new method will make it possible to cut prime cost of the ore produced as well as reduce the cost of mining operations.*

*ALROSA redeemed exchange bonds amounting to RUB 10 bn.*

*ALROSA was given a 7+ rating for Developed Corporate Governance Practice, based on the scale of the National corporate governance rating.*

*ALROSA, in the capacity of co-founder, joined the Diamond Producers Association, the first organization in the history of the global diamond industry to unite the leading diamond mining companies.*

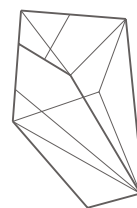
*ALROSA finished open pit mining of the Udachnaya pipe, one of the oldest kimberlite pipes in Western Yakutia. Since mining began in 1967, the pipe has yielded an estimated USD 80 bn worth of rough diamonds. From 2016, solely underground mining will be used at the Udachnaya pipe.*

*Anton Germanovich Siluanov, Finance Minister of the Russian Federation, headed the ALROSA Supervisory Board.*

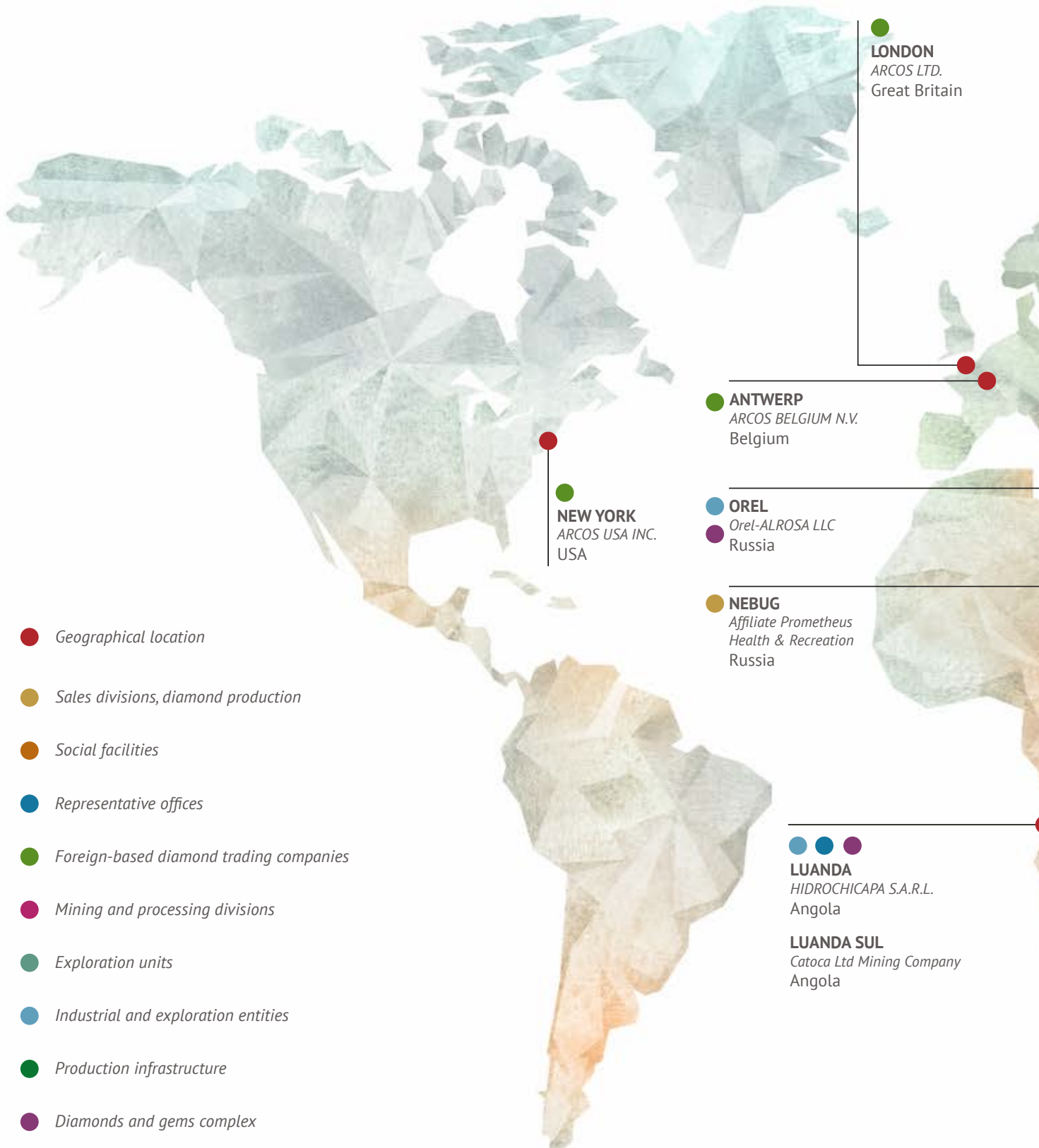
*ALROSA repaid a bank loan of USD 85 mn ahead of schedule.*



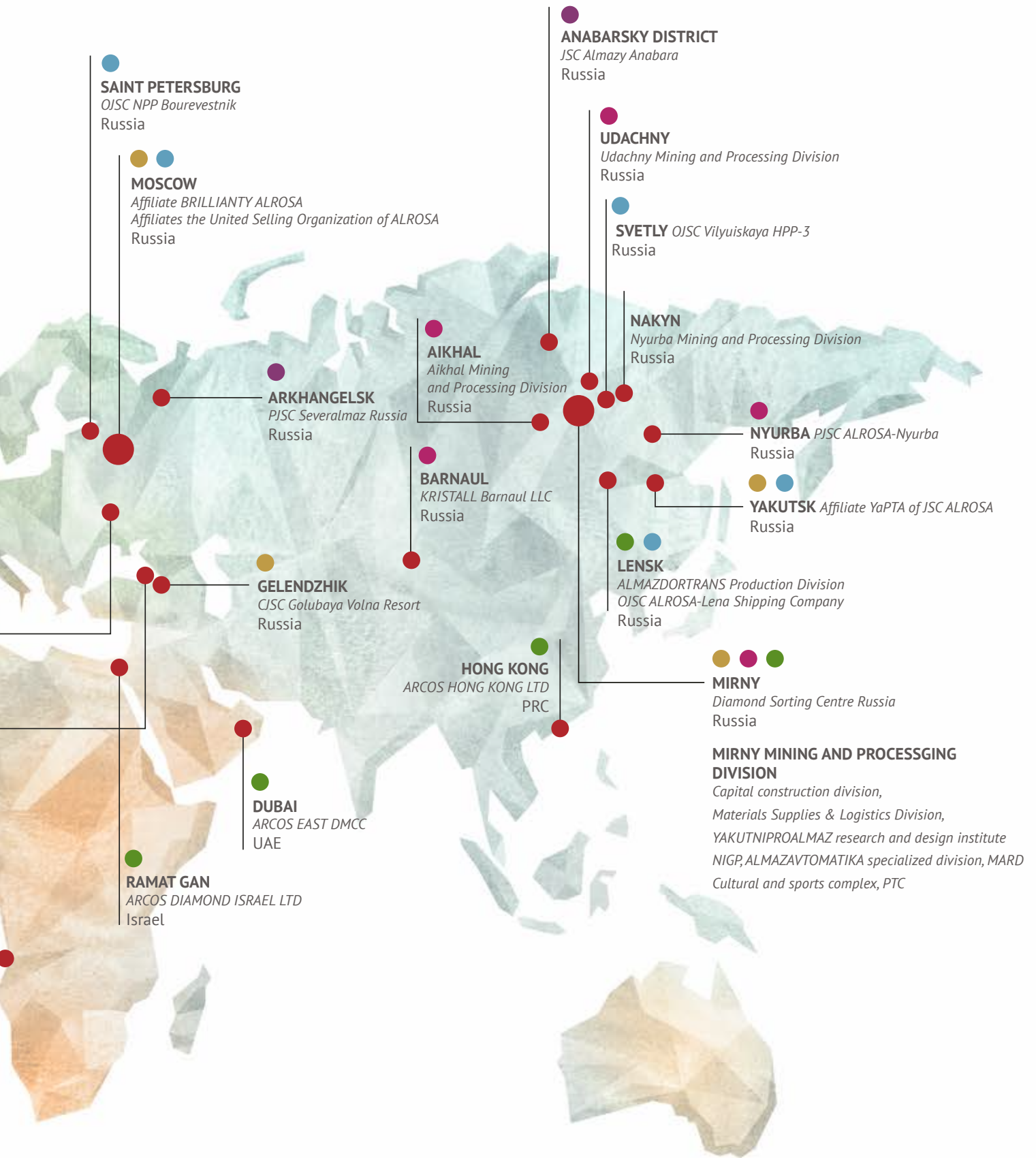
# STRATEGIC OVERVIEW



# GEOGRAPHIC REACH







## 1.1. ABOUT THE COMPANY

### COMPANY DEVELOPMENTAL HISTORY

#### 1957

Yakutalmaz complex of enterprises was established. Processing plant No.1 produced the first technical-grade diamonds

#### 1960

Aikhal pipe was discovered

#### 1966

Processing plant No. 3 in the town of Mirny produced rough diamonds for the first time

#### 1967

Udachny mine was created, processing plant No. 11 produced rough diamonds for the first time

#### 1975

Yubileynaya pipe was discovered

#### 1976

First priority facilities of Udachny MPD were put in operation

#### 1978

Mirny Exploration Expedition was established

#### 1986

Aikhal Mining and Processing Division was established

#### 1991

Mirny Mining and Processing Division was established

#### 1992

ALROSA Closed Joint Stock Company was established

#### 1997

The plant of Catoca Ltd. Mining Co., a joint mining venture, in the Republic of Angola produced the first diamonds

#### 2003

Putting in operation processing plant No. 16 at Nyurbinskaya pipe.

Commencement of operations of Nyurba MPD

#### 2005

PJSC Severalmaz started mining diamonds in the Arkhangelsk Region.

#### 2009

Launch of Mir underground mine. Commencement of stripping works at Karpinskogo-1 pipe in the Arkhangelsk Region

#### 2011

ALROSA Joint Stock Company is reorganized into an Open Joint Stock Company. ALROSA shares began floating in the financial market. An Agreement on Social and Economic Development was concluded with the Republic of Sakha (Yakutia)

#### 2012

ALROSA production development plan until 2021 was approved. Botuobinskaya kimberlite pipe mining commenced

#### 2013

The third priority facilities of Aikhal underground mine were put in operation. Nizhne-Lenskoe became an enterprise of ALROSA Group. ALROSA shares were placed on the Moscow Stock Exchange

#### 2014

ALROSA commissioned the second priority facilities of the processing plant of PJSC Severalmaz

#### 2015

Commencement of mining Botuobinskaya pipe of Nyurba MPD. Finishing of open pit mining of Udachnaya pipe

## BUSINESS MODEL

ALROSA Group operates in a competitive environment and interacts with a big number of counterparties. In accordance with the strategic priorities, the Company mainly directs its efforts to production and sales of rough diamonds, improvement of efficiency, consolidation of leadership and sustainable development.

Competitive advantages of the ALROSA Group business model are:

- leadership in terms of production and reserves;
- developing industry;
- good quality assets;
- stable financial position;
- experienced team.

*Detailed information on subsidiaries and affiliates is given in Appendix 6.1.*

### **GEOLOGICAL EXPLORATION**

Amakinskaya Exploration Expedition  
Mirny Exploration Expedition  
Botuobinskaya Exploration Expedition

### **MINING AND PROCESSING DIVISIONS**

Aikhal Mining and Processing Division  
Mirny Mining and Processing Division  
Nyurba Mining and Processing Division  
Udachny Mining and Processing Division

### **SORTING, EVALUATION, SALE**

The United Selling Organization of ALROSA Branch  
Yakutsk Diamond Trading Enterprise (YaPTA)  
Diamond Sorting Centre

### **DIAMOND CUTTING**

BRILLIANTY ALROSA Branch  
Kommeral Company

### **DIAMOND MINING SUBSIDIARIES**

PJSC Severalmaz  
PJSC ALROSA-Nyurba  
JSC Almazy Anabara  
JSC Nizhne-Lenskoe

### **DIAMOND MINING JOINT VENTURES**

Catoca Ltd. Mining Company

### **DIAMOND CUTTING SUBSIDIARIES**

OREL ALROSA LLC  
OJSC Almazny Mir Kristall Barnaul LLC

### **DIVISIONS OF PRODUCTION INFRASTRUCTURE**

### **SOCIAL FACILITIES**

## GROUP STRUCTURE

### SALES DIVISIONS, DIAMOND PRODUCTION

Kommeral Company  
BRILLIANTY ALROSA Branch  
Yakutsk Diamond Trading Enterprise (YaPTA)  
Diamond Sorting Centre  
The United  
Selling Organization  
of ALROSA Branch



### KEY BUSINESS ASSETS

Mining and Processing Divisions (MPD):  
Aikhal  
Nyurba  
Udachny  
Exploration subdivisions (exploration expeditions):  
Mirny  
Botuobinskaya  
Amakinskaya



### REPRESENTATIVE OFFICES AND AFFILIATES

ALROSA in Orel  
ALROSA in Yakutsk  
ALROSA in Moscow  
ALROSA in Luanda, the Republic of Angola



### DIVISIONS OF PRODUCTION INFRASTRUCTURE

Mirny Aviation Enterprise  
Mirny Automobile Roads Division (MARD)  
Capital Construction Division (CCD)  
Geo-Scientific Research Enterprise (NIGP)  
Almazavtomatika Specialized Division  
Almazdortrans Production Division  
Material Supplies & Logistics Division (MSLD)  
Yakutniiproalmaz Research and Design Institute

### SOCIAL FACILITIES

Medical Center  
Cultural and Sports Complex  
Housing and Public Utilities Division (HPU)  
Heat and Water Supply Enterprise (HWSP)  
Agricultural Farm Noviy  
Almazny Kray TV and Radio Broadcasting Company  
HR Training Center (PTC)  
Prometheus Health & Recreation Centre



### SUBSIDIARIES AND AFFILIATES

Rough and polished diamonds complex (6)  
Industrial and exploration entities (6)  
Credit, insurance, social entities (1)  
Foreign subsidiaries (6)



## 1.2. COMPANY POSITION IN THE INDUSTRY

### PRINCIPAL COMPETITORS AND MARKET SHARE

The principal competitors of ALROSA on the global diamond market are De Beers, Rio Tinto, Dominion Diamond and Petra Diamonds, all of whom together, according to Kimberley Process statistics, account for about 70% of the global supply. Diamond production by these companies in 2015 grew by 2% compared to 2014. In 2015, ALROSA Group production increased by 6% compared to 2014 and amounted to 38.3 mn carats. In accordance with its strategy, the Company reasserted its dominant position amongst the world's leading diamond mining companies.

De Beers is a private diamond mining company, the only company comparable with ALROSA Group in terms of production. De Beers mines diamonds from deposits in Botswana, RSA, Canada and Namibia. In 2015, De

Beers produced 28.7 mn carats of rough diamonds.

Rio Tinto is a public diversified mining company engaged in exploration, production and processing of natural resources. In 2015, Rio Tinto produced 17.4 mn carats of rough diamonds.

Dominion Diamond is a public company engaged in rough diamond mining. Diamond production by Dominion Diamond in 2015 from Diavik deposit amounted to 2.6 mn carats.

Petra Diamonds is a public diamond mining company developing diamond deposits in RSA and Tanzania. In 2015, Petra Diamonds produced 3.2 mn carats of rough diamonds.

In 2015, ALROSA Group accounted for approximately 30% of the global rough diamond production in terms of volume.

**ALROSA Group production in 2015 increased by**

**6%**

**compared to 2014 totalling 38.3 mn carats**

### DIAMOND MINING BY PRINCIPAL COMPETITORS, *mn carats*

| <i>Company</i>            | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>% compared to 2014</i> |
|---------------------------|-------------|-------------|-------------|---------------------------|
| ALROSA                    | 36.9        | 36.2        | 38.3        | 105.8 %                   |
| De Beers                  | 31.2        | 32.6        | 28.7        | 88.0 %                    |
| Rio Tinto                 | 31.2        | 32.6        | 17.4        | 125.2 %                   |
| Dominion Diamond (Diavik) | 2.9         | 2.9         | 2.6         | 89.7 %                    |
| Petra Diamonds            | 3.1         | 3.1         | 3.2         | 103.2 %                   |
| <b>TOTAL</b>              | <b>90.1</b> | <b>88.7</b> | <b>90.1</b> | <b>101.6 %</b>            |

*Source: quarterly reports of the companies*

# KEY PERFORMANCE INDICATORS 2015

*Percentage share of diamond production*

+3.5%

95%  
Russian

30%  
in the world

+5.8%

38.3 mn carats  
*diamond mining*

- 24.1%

30.1 mn carats  
*sales of rough diamonds*

973 mn carat  
*JORS resources*

1,107.9 mn carat  
*SRC of the Russian Federation resources*  
*(as of 01.01.2015) +0.2%*

97%

*of sales - diamonds of gem quality*

1.03 carats per ton  
*average content of diamonds*

**+5.2%**

3,967 mn

*diamond mining*

**-29.9%**

3,437 mn

*sales of diamonds*

**43.6 mn carats**

*increase of resources in the SRC RF*

*ALROSA develops*

**26**

*placer  
deposits*

**16**

*kimberlite  
pipes*

**6,305 mn RUB**

*expenditure on geological  
exploration*

**+4.3%**

**36,854 mn RUB**

*capital investments*

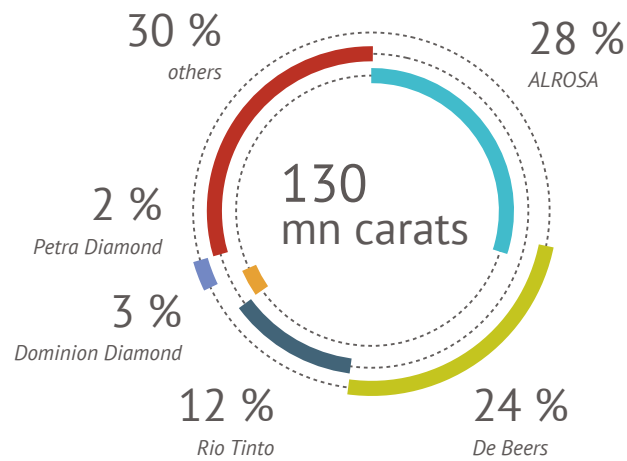
**-4.6%**

**1,397 mn RUB**

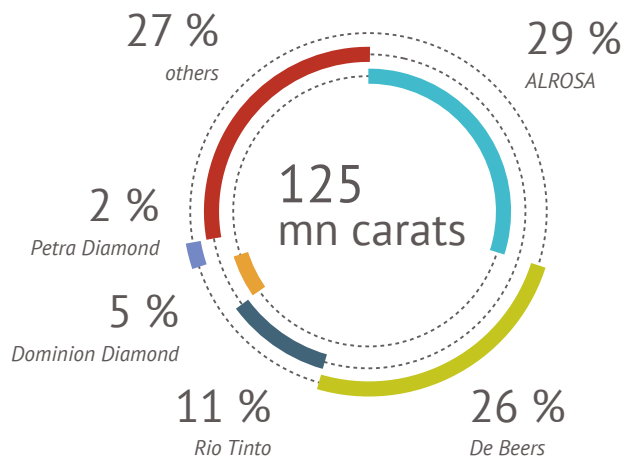
*import substitution for the equipment*

## MARKET SHARES OF THE LEADING DIAMOND MINING COMPANIES IN CARATS

2013\*

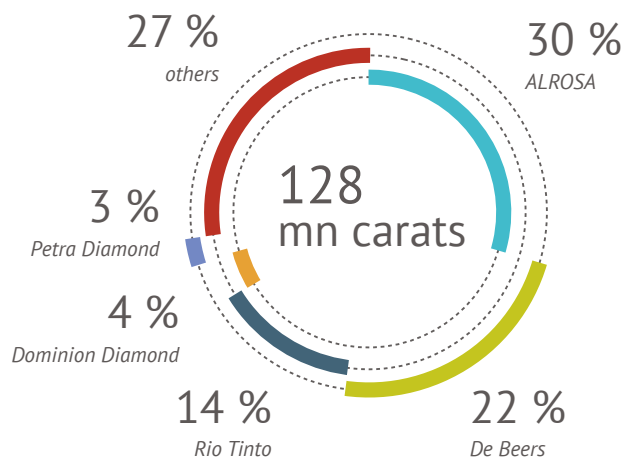


2014\*





## 2015\*\*



*\*Source: quarterly reports of the companies, Kimberley Process statistics*

*\*\*The evaluation is based on actual data of the main rough diamond mining companies for 2015 and estimated production volumes of other producers*

In 2015, the leading diamond mining companies repeatedly reduced the target production figures planned at the beginning of the year due to an unfavourable market situation: De Beers from 31 mn carats down to 29 mn carats; Rio Tinto from 20 mn carats down to 17 mn carats; Dominion Diamond from 6 mn carats down to 5 mn carats. Rough diamond production

growth in 2015 by 2% was due to Rio Tinto's increased production at the Argyle underground mine (from 9 mn carats in 2014 to 13 mn carats in 2015). According to preliminary estimates, in terms of value, global rough diamond production in 2015 amounted to USD 14 bn, which is a 12% decrease compared to 2014 (USD 15 bn in 2014).

## EXPORT AND IMPORT STATISTICS OF THE MAIN SALES CENTRES

The largest global trade centres accounting for the major sales of natural rough diamonds are Belgium and India. Analysis of the statistics of foreign trade in rough diamonds in the aforementioned countries is indicative of the nature of global demand for rough diamonds.

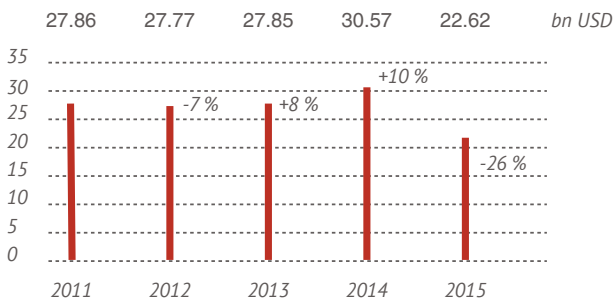
Based on results of 2015, Belgian foreign trade in rough diamonds amounted to USD 22,617 mn, which is 26% less than in 2014.

Based on results of 2015, rough diamonds import to India, the

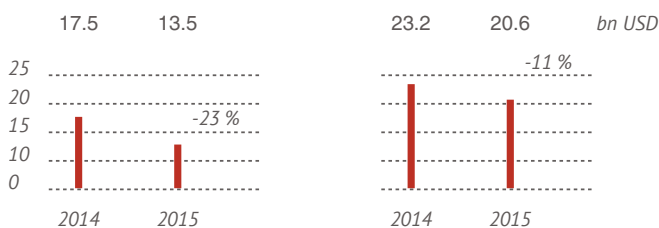
dominating global polished diamonds producer, amounted to USD 14 bn, which is 23% less than in 2014. The decrease in rough diamonds consumption by diamond cutting enterprises reflects the decreased market activity. The volume of rough diamond exports from India in 2015 decreased to USD 21 bn, which is 11% less than this figure in 2014. That the rough diamond import rate is exceeding the rough diamond export decrease rate is indicative of selling polished diamonds from the earlier accumulated reserves.

Source:  
the Antwerp  
World Diamond  
Centre statistics

### BELGIAN FOREIGN TRADE IN ROUGH DIAMONDS



### FOREIGN TRADE TRANSACTIONS IN ROUGH AND POLISHED DIAMONDS IN INDIA



Import of rough diamonds to India

Export of polished diamonds from India

## PRICE AND VOLUME DYNAMICS OF THE GLOBAL ROUGH AND POLISHED DIAMOND MARKET

Prices for polished diamonds lowered in 2015 for all the categories. In accordance with Rapaport (RapNet Diamond Index, RAPI) report and based on results of 2015, prices for polished diamonds decreased by 13% for 0.3-carat diamonds and by 15% for 0.5-carat diamonds, whereas prices for larger size diamonds weighing 1.0 and 3.0 carats decreased by 6% and 15%, respectively.

Reduction of demand for polished diamond jewellery led to accumulation of stock by retail companies in China and diamond cutting companies.

Based on results of monitoring of the global diamond market situation, in January-September 2015, ALROSA management took decisions on the gradual lowering of prices of the Company products. As a result, by the end of 2015, rough diamond prices were decreased by 15%, which is similar to the prices effective as of the beginning of 2011.

During 2015, the prices for rough diamonds of other diamond mining companies also showed a negative trend: prices for the diamonds sold by De Beers decreased by 15% by the end of 2015 compared to the beginning of the year, and Petra Diamonds recorded a price decrease in diamonds of 9-10%. In 2015, the biggest diamond mining companies, which collectively account for over 50% of the global diamond production, in addition to lowering prices, restricted supply of rough diamonds to the market in order to stabilize the diamond market and lower the level of the stock at the disposal of Indian diamond cutting enterprises. In 2015, ALROSA decreased rough diamond sales to 30 mn carats, which is 24% less than in 2014. De Beers's sales of rough diamonds in 2015 amounted to 19.9 mn carats, which is 39% less than in 2014.

**30**  
mn carats  
rough diamond  
sales in 2015

## SALES OF DIAMOND JEWELLERY

In 2015, the main tendency on the global diamond jewellery market was the continuous shift of the tourist flow from Hong Kong and Macao to Europe and Japan. It was caused by depreciation of the yen and euro against the Hong Kong dollar (it is linked to the US dollar) and, as a consequence, emergence of a price gap between European and Asian markets. Consumer confidence decrease put additional pressure on demand in China, which led to reduction in sales of luxury commodities, including diamond jewellery.

**The leading diamond jewellery consuming countries are the USA, China and India, whose share in the world consumption of diamond jewellery is**

**about 60%, while the USA accounts for about 30% of the global consumption.**

The main macroeconomic factors that determine the demand for diamond jewellery are the growth in personal disposable income and, mainly for China and India, the number of middle-class households (with the annual income exceeding USD 10,000). These factors are directly connected to the GDP growth rate.

## GDP GROWTH RATES OF THE COUNTRIES BEING PRIMARY CONSUMERS OF DIAMOND JEWELLERY IN 2014-2015, %

| <i>Company</i> | <i>2014</i> | <i>2015</i> |
|----------------|-------------|-------------|
| Global*        | 2.6         | 2.4         |
| USA**          | 2.4         | 2.4         |
| China***       | 7.3         | 6.9         |
| India****      | 7.2         | 7.6         |

\*Source: *The World Bank. January 2016*

\*\* Source: *U.S. Bureau of Economic Analysis*

\*\*\* Source: *National Bureau of Statistics of China*

\*\*\*\*Source: *The Ministry of Statistics and Programme Implementation (India)*



# 1.3. COMPANY MISSION AND STRATEGY

## MISSION AND STRATEGIC PRIORITIES OF ALROSA GROUP

### MISSION

The global diamond mining industry leader that persistently implements long-term interests of shareholders due to efficient use of the mineral resource base

### STRATEGIC PRIORITY

**Focus on rough diamond mining, the most profitable component of the value chain**

ALROSA intends to focus on the core activities, namely exploration, mining and sale of rough diamonds.

Income from the sale of non-core assets will be used to invest in core activities and reduce the debt of the Company.

**Preservation and expansion of the mineral resource base through geological exploration in Russia and Africa**

ALROSA continuously investing in prospecting and exploration works. The focus is on Africa and Russia being the two regions that have, in the opinion of the Group, the highest commercial diamond deposit discovery potential. ALROSA will also improve effectiveness of development of the existing producing deposits.

**Increasing productivity through innovation and improvement of production processes**

ALROSA pays great attention to innovative development and use of new technologies aimed at improvement of the operating efficiency and, as a consequence, profitability of the business. The Company actively optimizes costs at all stages of production. The measures taken by the Group include procurement optimization, use of standards to improve labour

productivity, introduction of integrated management reporting and reduction of the inventory turnover rate.

**Compliance with high standards of environmental and industrial safety, social responsibility and corporate governance in the regions where the Company operates**

ALROSA traditionally carries out a series of activities aimed at supporting the personnel and creating conditions for professional development of specialists, ensuring safe working conditions and compliance with performance environmental standards.

The Company will continue to provide socially orientated services in the regions where it operates by creating jobs, paying taxes, fees and dividends to the budgets of constituent entities of the Russian Federation.

**Consolidation of the status of the leader of the diamond industry with a flawless reputation among customers**

ALROSA takes successive steps aimed at expanding the loyal and reliable customer base and establishing its reputation as a customer-oriented business partner. The Group will continue its efforts to liberalize and improve the diamond sales regulation regime.

The Company also intends to actively promote the ALROSA brand and encourage the growth of the Company's influence in the diamond industry.

In the reporting period the Company continued to operate in accordance with the goals and in the areas specified in the Long-Term Development Program of the ALROSA Group until 2023 approved by the Supervisory Board on December 11, 2014 (Minutes No. A01/223-ПП-НС). Successful implementation of the Program will make it possible for the ALROSA Group to consolidate the leading position on the rough diamond market and ensure sustainable long-term production and revenue growth as well as an increase

in the shareholder value. No changes in the Long-Term Development Program of ALROSA Group until 2023 were made in the reporting period.

*Информация о результатах аудиторской проверки Долгосрочной программы развития Группы АЛРОСА до 2023 года представлена в Приложении 6.3.*

## ALROSA GROUP 2015 TARGETS ACHIEVEMENT STATUS

### PRIORITY TARGET

### ACHIEVEMENT STATUS

Consolidating the leading position on the world diamond mining market

Rough diamond production by ALROSA Group is 38.26 mn carats. Botuobinskaya deposit production is 250 thousand tons  
Ore production at Mir underground mine is 783 thousand tons  
PJSC Severalmaz rough diamond production is 1.95 mn carats.

Preservation and expansion of the raw materials base

ALROSA Group reserves growth is 43.57 mn carats.

Increasing productivity through innovation and improvement of production processes

The actual volume of funding the Innovation Development and Technological Upgrade Program of PJSC ALROSA in 2015 amounted to RUB 2,040.7 mn.

In 2015, PJSC ALROSA introduced 27 scientific and technical developments and received 11 title protection documents for utility models and inventions with expected economic performance of RUB 560 mn.

Improvement of financial and economic efficiency

Corporate and exchange bonds amounting to RUB 20 bn were redeemed, a loan amounting to USD 85 mn was repaid ahead of schedule. PJSC ALROSA credit portfolio as of the end of the reporting year totals at USD 3,040 mn.

There was received financing from the budget for maintenance of non-core facilities amounting to RUB 1.23 bn.

In order to improve efficiency of managing cash flows of ALROSA Group, Treasury operations were switched to a Joint Treasury format.

The proportion of contracts concluded with manufacturers and dealers amounted to 93% of the value of the procurement procedures performed.

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Improving corporate governance

Implementation of the non-core assets disposal program:

- withdrawal from participation in CB MAK-Bank (LLC), Nikonovka LLC, Suntartseolit LLC, ALROSA-VGS LLC;
- liquidation of M&Diamond LLC.

Implementation of the program of reforming the residential development division:

- transfer from balance sheets of PJSC ALROSA divisions to the authorized capital of Mirny Town Housing Enterprise LLC of the property necessary for maintenance of the housing stock;
- establishment of a Management company on the basis of Mirny Town Housing Enterprise LLC, a subsidiary company;
- transfer of PJSC ALROSA participation interest in Mirny Town Housing Enterprise LLC to municipalities of Mirny district including the transfer of the responsibility for maintenance of the housing stock.

Implementation of the program of reforming the housing and utility division:

- consolidation of the public utility division to form ALROSA Heat and Water Supplying Division, a single resources supply division; establishment of Heat and Water Supply LLC, a subsidiary company, on the basis of the heat and power supplying division.

Within the framework of reorganization of the non-state pension fund:

- activities aimed at changing the type of ownership of Almaznaya Osen Non-State Pension Fund were completed.
- 

## ALROSA GROUP PLANS FOR 2016

### 1. Maintenance of production potential:

- Mir underground mine reaching the design capacity of 1 mn tons;
- putting into operation the second start-up section of Udachny underground mine;
- putting into operation the second stage of the fifth start-up section of Internatsionalny underground mine.

### 2. Improvement of the corporate governance structure:

- implementation of the Non-core Assets Disposal Program;
- reorganization of the residential and public utility division and diamond cutting and polishing division of PJSC ALROSA.

### 3. Development of the mineral resource base in the most promising regions:

- PJSC ALROSA – to obtain the right for exploration and production of rough diamonds at deposits of the Group.

### 4. Development of sales and marketing activities:

- introduction of the system of annual adjustment of rough diamonds offering;
- launch of a generic marketing program for polished diamonds;
- approval of a new revision of the Regulations on selection and sale of validation batches of natural rough diamonds.

### 5. Improvement of economic efficiency:

- update of the Innovation Development and Technological Update Program of PJSC ALROSA.



## FULFILING THE KEY PERFORMANCE INDICATORS

As per the instructions of the President and the Government of the Russian Federation, PJSC ALROSA developed and in December 2014 the Supervisory Board approved the list, calculation method and target figures of the key performance indicators (KPIs) of ALROSA Group until 2023.

The main purpose of introducing the KPIs is translating the long-term plans and strategies of ALROSA Group into specific operational management indicators. Such indicators make it possible to appraise the current status, form a basis for taking long-term and medium-term managerial decisions, as well as to develop a motivational system linking interests of individual employees and the Group as a whole.

In 2015, the key performance indicators of ALROSA Group were integrated into

the effective system of motivation for the management establishing a direct dependence of the amount of remuneration of the sole executive body and members of the collegial executive body of the Company on the level of achieving the KPI targets approved by the shareholders.

The respective additions/amendments to the Regulations on remuneration to the President of PJSC ALROSA and the Regulations on remuneration to members of the Executive Committee of PJSC ALROSA were approved by the Supervisory Board in December 2014. New revision of the documents that takes into account the practice of implementing the KPIs system was approved by the Supervisory Board in November 2015.

### KEY PERFORMANCE INDICATORS IN 2013-2015 AND FORECAST FOR 2016

| Indicator   | UoM      | 2013  | 2014  | 2015  |         | %           |
|---|----------|-------|-------|-------|---------|-------------|
|   |          |       |       | plan  | actual  | of the plan |
| <i>Financial and economic indicators</i>  |          |       |       |       |         |             |
| Market return per share   | %        | 32    | 46    | *     | -14     | —           |
| Dividend flow growth  | RUB mn   | 5,011 | 2,013 | >0    | 5,450** | —           |
| Adjusted EBITDA profitability   | %        | 41    | 45    | 50    | 53      | 105.8%      |
| Return on equity (ROE)  | %        | 22    | -11   | 24    | 22      | 92.5%       |
| Return on equity (ROE) without taking into account the negative impact of the exchange rate differences in 2015 | %        | 22    | -11   | 24    | 32      | 132.1%      |
| Net profit  | RUB bn   | 32    | -17   | 35    | 32      | 92.0%       |
| Net profit without taking into account the negative impact of the exchange rate differences in 2015             | RUB bn   | 32    | -17   | 35    | 49      | 138.9%      |
| <i>Industry-specific indicators</i>   |          |       |       |       |         |             |
| Revenue from sales of core products   | USD mn   | 4,945 | 5,045 | 3,400 | 3,554   | 104.5%      |
| Rough diamond production  | mn carat | 36.9  | 36.2  | 38.2  | 38.3    | 100.2%      |
| Share of the cost of sales in the sales revenue   | %        | 49    | 48    | 42    | 42      | 99.2%       |

\*The relative change in the market return per PJSC ALROSA share is more than the relative annual MICEX index growth (in case of MICEX index growth) and less than the relative annual MICEX index fall (in case of MICEX index fall)

\*\*Value of the indicator was estimated based on RUB 15 bn dividend forecast, which is 50% of the total net profit of ALROSA Group for 2015 calculated on the basis of consolidated financial statements prepared in accordance with IFRS (clause 6.3 of the Regulations on the dividend policy of PJSC ALROSA).

## BONUS CANCELLATION REASONS

| Indicator                               | UoM         | 2013 | 2014 | 2015  |        |
|---|-------------|------|------|-------|--------|
|   |             |      |      | plan  | actual |
| Lost Time Injury Frequency Rate (LTIFR) | coefficient | 0.1  | 0.07 | ≤ 0.1 | 0.08   |
| Net debt/adjusted EBITDA                | coefficient | 1.9  | 1.9  | ≤ 2.0 | 1.7    |

Based on results of 2015, all the target values of the key performance indicators of ALROSA Group set by shareholders of PJSC ALROSA were achieved with the exception of the following indicators: market return per share, return on equity and net profit.

A significant slowdown in rough diamond market activity and a drop in the global demand for rough diamonds in 2015 led to a 30% reduction of sales of the main products of the ALROSA Group. Due to the impact of these factors, the Company stock quotes, despite the positive dynamics of +4.2% compared to 2014, turned out to be slightly worse than the market in general (-14.3% compared to Micex Index).

Deviations from the target values of return on equity and net profit indicators is caused by the result of revaluation of the credit portfolio denominated in US dollars as a consequence of the devaluation of the Russian rouble.

The Supervisory Board of PJSC ALROSA based on analysis of the macroeconomic situation made a decision on assessing the status of achievement of the target values of the key performance indicators of ALROSA Group for 2015 excluding the negative impact of the exchange rate differences that occurred due to depreciation of the Russian rouble against the US dollar.

No changes in the system of the key performance indicators of PJSC ALROSA were made in 2015.

The KPIs system of ALROSA Group fully meets requirements of the Guidelines on application of key performance indicators by public corporations, state-owned companies, state unitary enterprises and business entities with a share of the registered capital owned by the Russian Federation or a constituent entity of the Russian Federation totalling over fifty percent developed by the Ministry of Economic Development of the Russian Federation.



## 1.4. ACTIVITY OVERVIEW

### RESERVES AND GEOLOGICAL EXPLORATION

#### ALROSA GROUP

Regeneration of the mineral resource base is one of the main strategic objectives of ALROSA Group. In 2015, ALROSA Group balance reserves

according to the standards of the State Reserves Committee of the Russian Federation as of 01.01.2016 amounted to 1,107,902.3 thousand carats\*.

**1 107 902,3  
thousand  
carats**

**ALROSA Group  
balance reserves  
according the State  
Reserves  
Committee of the  
Russian Federation**

#### RESERVES ACCORDING TO THE STANDARDS OF THE STATE RESERVES COMMITTEE OF THE RUSSIAN FEDERATION, THOUSAND TONS

| Company            | 01.01.2014         | 01.01.2015         | 01.01.2016         |
|--------------------|--------------------|--------------------|--------------------|
| PJSC ALROSA        | 703,478.2          | 688,359.6          | 680,057.5          |
| PJSC ALROSA-Nyurba | 172,405.0          | 166,341.3          | 179,037.1          |
| JSC Almazy Anabara | 35,755.7           | 33,507.1           | 32,686.9           |
| JSC Nizhne-Lenskoe | 4,862.6            | 8,694.8            | 9,471.8            |
| PJSC Severalmaz    | 210,346.0          | 208,607.5          | 206,649.0          |
| <b>TOTAL</b>       | <b>1,126,847.5</b> | <b>1,105,510.3</b> | <b>1,107,902.3</b> |

Every year the ALROSA Group strives to ensure that the reserves growth should be equal to the production volume. Reserves and prognostic resources growth of the ALROSA Group based on results of the works completed in 2015 amounted to 43.6 mn carats. The reserve replacement ratio of the ALROSA Group in 2015 amounted to 113.9%.

In 2015, geological exploration works were carried out by structural subdivisions of PJSC ALROSA (Amakinskaya Exploration Expedition, Botuobinskaya Exploration Expedition, Mirny Geological Exploration Expedition and

Geo-Scientific Research Enterprise) and subsidiaries (PJSC ALROSA-Nyurba, PJSC Severalmaz, JSC Almazy Anabara and JSC Nizhne-Lenskoe).

The geological exploration budget of ALROSA Group in 2015 amounted to RUB 6,305.1 mn (RUB 6,042.9 mn in 2014). Expenditures on geological exploration works increased by 4.3% compared to 2014.

The mining and exploration budget in 2015 amounted to RUB 1,213 mn (RUB 1,144.3 mn in 2014). The costs of mining and exploration works increased by 6% compared to 2014.

**43,6  
mn carats**

**ALROSA Group  
reserves and  
prognostic resources  
growth**

*\*The reserves do not include the deposits that are being prospected.*

## LICENSES

ALROSA Group owns 178 licenses as of 01.01.2016.

### LIST OF ALROSA GROUP LICENSES AS OF 01.01.2016

| <i>License</i>  | <i>Number of licenses</i> |
|---|---------------------------|
| Geological survey   | 2                         |
| Geological survey for common commercial minerals                            | 11                        |
| Geological survey, exploration and production of common commercial minerals | 1                         |
| Geological survey, exploration and production of diamonds                   | 6                         |
| Geological survey and production of diamonds                                | 4                         |
| Geological survey, exploration and production of iron ore                   | 4                         |
| Geological survey and production of raw hydrocarbons                        | 1                         |
| Geological survey, exploration and production of raw hydrocarbons           | 1                         |
| Exploration and production of common commercial minerals                    | 76                        |
| Exploration and production of diamonds                                      | 27                        |
| Gas production  | 1                         |
| Gas and gas condensate production   | 1                         |
| Other activities**  | 26                        |
| Geological survey for diamonds  | 17                        |
| <b>TOTAL</b>  | <b>178</b>                |

ALROSA Group owns

# 27

licenses for exploration and production of diamonds<sup>1</sup>

\*CCM – common commercial minerals;

\*\* Other activities: underground water abstraction, waste water injection, drainage brine injection, mineralized industrial water injection, shaft and drainage water and industrial effluents injection, therapeutic mud exploration and production, underground potable water extraction, incidental harvesting of fossil ivory, exploration and production of dolerites, production of underground fresh water, exploration and production of sand, geological survey for evaluating the possibility of industrial effluents injection, exploration and production of sand, exploration and production of peat.

## EVENTS IN THE SPHERE OF LICENSING ALROSA GROUP ACTIVITIES IN 2015

Extension of validity and update of 6 licenses for exploration and production of rough diamonds at the main deposits of the Company:

- The obtaining of a ЯКУ 04113 КП license for geological survey, exploration and production of rough diamonds at Eyekitsky prospect for JSC Almazy Anabara.

- JSC Almazy Anabara won two bids for the right to use the subsoil for geological survey, exploration and production of rough diamonds:

at the subsoil Ochuos Creek plot, the right tributary of the Anabar River (license obtained on 13.08.2015); for the Lyaseger-Yuryakh deposit, the left tributary of the Mayat River (obtaining the license is planned for Q2, 2016).

- 3 licenses were obtained, namely ЯКУ 04553 КП, ЯКУ 04554 КП and ЯКУ 04555 КП, for geological survey, prospecting and evaluation of diamond deposits at Syuldyukarsky-1, Syuldyukarsky-2 and Syuldyukarsky-3 prospects for PJSC ALROSA.

*Detailed information on ALROSA Group licenses is given in Appendix 6.11.*

## PJSC ALROSA

### RESERVES ACCORDING TO THE STANDARDS OF THE STATE RESERVES COMMITTEE OF THE RUSSIAN FEDERATION, THOUSAND TONS

| <i>Company</i>  | <i>01.01.2014</i> | <i>01.01.2015</i> | <i>01.01.2016</i> |
|---|-------------------|-------------------|-------------------|
| <b>Total diamond reserves of the producing deposits</b> | <b>674,712.6</b>  | <b>662,128.6</b>  | <b>630,359.9</b>  |
| MIRNY MINING AND PROCESSING DIVISION                    | 204,746.2         | 201,220.9         | 194,051.6         |
| Mir pipe  | 142,897.4         | 141,190.4         | 138,495.9         |
| Internatsionalnaya pipe                                 | 49,725.5          | 48,886.4          | 44,679.9          |
| Vodorazdelniye galechniki                               | 4,903.9           | 4,869.8           | 4,842.2           |
| Irelyakh River placer deposit                           | 2,364.3           | 1,786.1           | 1,673.1           |
| Gorny site  | 4,855.1           | 4,488.2           | 4,360.5           |
| UDACHNY MINING AND PROCESSING DIVISION                  | 271,489.6         | 270,651.2         | 254,751.9         |
| Udachnaya pipe  | 220,071.1         | 219,409.7         | 216,974.6         |
| Zarnitsa pipe   | 51,418.5          | 51,241.5          | 36,772.6          |
| Marginal diluvial placer deposit                        | 0.0               | 0.0               | 109.5             |
| Piropovy Creek placer deposit                           | 0.0               | 0.0               | 895.2             |
| AIKHAL MINING AND PROCESSING DIVISION                   | 198,476.8         | 190,256.5         | 181,556.4         |
| Yubileynaya pipe  | 152,937.8         | 146,681.5         | 139,296.0         |
| Aikhal pipe   | 43,622.6          | 41,662.1          | 40,493.0          |
| Komsomolskaya pipe                                      | 1,916.4           | 1,912.9           | 1,767.4           |
| <b>Total diamond reserves for primary deposits</b>      | <b>662,589.3</b>  | <b>650,984.5</b>  | <b>618,479.4</b>  |
| <b>Total diamond reserves for placer deposits</b>       | <b>12,123.3</b>   | <b>11,144.1</b>   | <b>11,880.5</b>   |
| <b>Total reserves for deposits in preparation</b>       | <b>6,889.6</b>    | <b>8,047.0</b>    | <b>32,236.7</b>   |
| Solur-Vostochnaya placer deposit                        | 6,889.6           | 6,889.5           | 6,889.5           |
| Piropovy Creek placer deposit                           | 0.0               | 1,048.0           | 0.0               |
| Marginal diluvial placer deposit                        | 0.0               | 109.5             | 0.0               |
| Dalnyaya pipe   | 0.0               | 0.0               | 9,710.5           |
| Maiskaya pipe   | 0.0               | 0.0               | 15,338.4          |
| Maiskaya placer deposit                                 | 0.0               | 0.0               | 298.3             |
| <b>Total diamond reserves for technogenic deposits</b>  | <b>9,859.8</b>    | <b>10,331.5</b>   | <b>10,082.7</b>   |
| Tailing dumps of processing plants No. 2, 3             | 8,541.1           | 8,541.1           | 8,541.1           |
| Tailing dump of processing plant No. 5                  | 448.1             | 236.5             | 119.2             |
| Dredge dumps  | 647.6             | 1,330.9           | 1,199.4           |
| Tailing dump of processing plant No. 11                 | 223.0             | 223.0             | 223.0             |
| <b>Total rough diamond stock reserves</b>               | <b>9,367.5</b>    | <b>5,363.5</b>    | <b>5,100.2</b>    |
| <b>Total rough diamond reserves for special dumps</b>   | <b>2,648.7</b>    | <b>2,489.0</b>    | <b>2,278.0</b>    |
| <b>TOTAL</b>  | <b>703,478.2</b>  | <b>688,359.6</b>  | <b>680,057.5</b>  |

In 2015, geological exploration works were carried out in 8 districts of the Yakutia diamondiferous province: Sredne-Markhinsky, Muno-Tyungsky, Daldyno-Alakitsky, Morkokinsky, Ygyattinsky,

Malo-Botuobinsky, Verkhne-Oleneksky and Nizhne-Oleneksky.

The works aimed at geological survey of the subsoil and financed from its own funds were held under 22 licenses at 47

prospects, including:

- exploration works under 7 licenses at 7 prospects;
- prospecting and prospecting and appraisal works under 15 licenses at 16 prospects;
- comprehensive airborne geophysical surveys and airborne geophysical surveys at 1:10000 and 1:5000 scales of 4 prospects;
- thematic works at 20 prospects.

In the reporting period geological exploration was completed at 10 prospects.

In order to ensure growth of reserves and prognostic resources, exploration was carried out at the producing fields as well as at the fields being prepared for production. In particular:

- works on the exploration of deep horizons of Internatsionalnaya (stage 1 down to 1,050 horizon) and Aikhal kimberlite pipes were continued;
- exploration works at Verkhne-Munskoe diamond deposit and Zarya pipe were completed, a report on the calculation of diamond reserves and a feasibility report on permanent exploration conditions (Feasibility Report on Exploration Conditions) were drawn up, both of which were submitted to the State Reserves Commission for the state expert appraisal;
- a report on calculation of reserves and a feasibility report on permanent exploration conditions for Dalnyaya pipe and Maiskoe deposit was approved by the State Reserves Commission;
- a report on the calculation of diamond reserves and a feasibility report on permanent exploration conditions for the Zarnitsa pipe were approved by the State Reserves Committee.

Implementation of contracted drilling for exploration of deep horizons of Internatsionalnaya and Aikhal deposits as well as for prospecting purposes (Verkhne-Chukusky-2 and Pravoberezhny-2 prospects) continues. The volume of contracted drilling amounted to 15,213 linear meters or 9% of the total drilling volume.

PJSC ALROSA reserves growth in 2015 amounted to 25.35 mn carats.

The following operations were performed within the framework of scientific support

of geological exploration works:

- prognostic estimation of the diamondiferous territories in the western part of Yakutia and north-western part of the Russian Federation;
- improvement of the local forecast methods and experimental and methodological testing of modern prospecting technologies (geophysical, drilling, mineral analysis);
- comprehensive study of rough diamonds and kimberlites of the deposits being explored.

For the purpose of increasing the geological exploration effectiveness the Company continues developing and introducing modern diamond deposits prospecting and exploration technologies and methods:

- experimental 3D seismic exploration fieldwork was conducted at prospects of the Nakyn kimberlite field and anomalous zones in which to perform verification drilling were delineated;
- an airborne versatile time domain electromagnetic survey was performed in Malo-Botuobinsky, Ygyattinsky and Sredne-Markhinsky diamondiferous districts, covering 15,163 linear kilometres;
- a project aimed at introducing aeromagnetic gradiometry measurements and georadar sounding technology was implemented.

The following activities were carried out in Africa in 2015:

- work into the zoning of the territories in Angola, Botswana and Zimbabwe continues based on prospecting of work conditions and evaluation of their diamondiferous potential, providing the basis for recommendations on the direction of further geological exploration;
- work on the processing and analysis of satellite images of the West African diamondiferous subprovince as well as the collection and analysis of materials on location such as the characteristics of kimberlite bodies and fields of West African diamondiferous subprovince was completed. Work into the zoning of the West African diamondiferous subprovince territory based on the prospecting of work conditions continues;

– prospecting works for diamond deposits were performed at licensed areas of Sunland Minerals JV (Botswana) and KIMANG JV (Angola);

– results on the works performed by geological exploration and diamond mining companies in Zimbabwe and

Namibia were monitored, and new information was gathered on the diamond mining industry of Angola, Botswana and Sierra Leone.

# 50,4

mn carats

reserves growth  
is planned for  
2016

| Budget                               | 2014   | 2015    | 2016 plan |
|--------------------------------------|--------|---------|-----------|
| Geological exploration works, mn RUB | 4891.8 | 4 775.2 | 4 899.0   |
| Mining and exploration works, mn RUB | 1078.6 | 881.9   | 1 078.0   |

## PJSC ALROSA GEOLOGICAL EXPLORATION PLANS

In 2016, PJSC ALROSA will carry out geological exploration works in nine districts of the Yakutia diamondiferous province: **Sredne-Markhinsky, Munotyungsky, Daldyno-Alakitsky, Morkokinsky, Ygyattinsky, Malo-Botuobinsky, Nizhne-Oleneksky, Verkhne-Oleneksky and Prilensky.**

50.4 million carats of reserves growth is planned for 2016 through the exploration of the Zarya deposit and further exploration of Aikhal and Verkhne-Munskoe deposits.

In 2016, in the Yakutia diamondiferous province, detailed prospecting works to discover diamond deposits in the areas where mining and processing plants operate will be continued, in addition to small and medium scale prospecting works within the underexplored areas to discover new kimberlite fields. The scope of detailed scale works

(evaluation works and large-scale prospecting) and regional works (medium and small scale prospecting) will be approximately equal.

The geological exploration budget includes introduction of contact drilling (exploration of deep horizons of Internatsionalnaya and Aikhal deposits and prospecting drilling at Pravoberezhny-2 and Verkhne-Chukusky-2 prospects). Innovative prospecting methods will continue to be introduced in order to improve exploration efficiency.

In 2016, works aimed at evaluating the diamondiferous potential of Angola, Botswana and Zimbabwe will be carried out for the purpose of organization of geological exploration for discovery of primary and placer diamond deposits by joint ventures with ALROSA's participation.



## PJSC ALROSA-NYURBA

### RESERVES ACCORDING TO THE STANDARDS OF THE STATE RESERVES COMMITTEE OF THE RUSSIAN FEDERATION, THOUSAND TONS

| <i>Company</i>                           | <i>01.01.2014</i> | <i>01.01.2015</i> | <i>01.01.2016</i> |
|--|-------------------|-------------------|-------------------|
| <b>Total in-situ reserves by deposit</b> | 168,158.4         | 162,919.3         | 174,431.0         |
| Botuobinskaya pipe                       | 93,021.3          | 93,021.3          | 99,796.0          |
| Nyurbinskaya pipe                        | 49,876.7          | 44,637.6          | 48,550.6          |
| Botuobinskaya placer                     | 562.8             | 562.8             | 456.6             |
| Nyurbinskaya placer                      | 24,697.6          | 24,697.6          | 25,627.8          |
| <b>Total stock reserves</b>              | 4,246.6           | 3,422.0           | 4,606.1           |
| <b>TOTAL</b>                             | <b>172,405.0</b>  | <b>166,341.3</b>  | <b>179,037.1</b>  |

In 2015, PJSC ALROSA-Nyurba carried out, at its own expense, geological exploration works at primary diamond deposits within the license areas, namely the Nyurbinskaya and Botuobinskaya pipes and similarly named placer deposits genetically related to them.

The following types of works were carried out in the reporting period:

- monitoring surveys aimed at studying regime, dynamics and resources of underground and surface waters in the area of location of Botuobinskaya and Nyurbinskaya diamondiferous kimberlite pipes and in the adjacent areas to evaluate the condition of the environment exposed to natural and technogenic factors;
- prospecting works for primary and placer diamond deposits and verification that there are no ore bodies within the boundaries of the sites intended for construction of infrastructure facilities

of Nakyn diamond mining enterprise;  
 – a report on the exploration results of the Nyurbinskaya pipe deep horizons in 2007-2013 was prepared accompanied by a calculation of reserves of Botuobinskaya and Nyurbinskaya pipes and the associated similarly named placers. The diamond reserves were approved by the State Reserves Commission (11.26 mn carats);

– evaluation works were carried out on the third phase of Nyurbinskaya buried placer.

In 2016, there will be continued prospecting works for diamond deposits within Nakyn kimberlite field and evaluation works on the third phase of Nyurbinskaya buried placer. Moreover, there will be continued monitoring of groundwater regime and regime monitoring of atmospheric precipitation and superficial water for environmental purposes.

| <i>Budget</i>                        | <i>2014</i> | <i>2015</i> | <i>2016 plan</i> |
|--------------------------------------|-------------|-------------|------------------|
| Geological exploration works, mn RUB | 393,7       | 403,1       | 393,0            |

## JSC ALMAZY ANABARA

### RESERVES ACCORDING TO THE STANDARDS OF THE STATE RESERVES COMMITTEE OF THE RUSSIAN FEDERATION, THOUSAND TONS

| <i>Company</i>                           | <i>01.01.2014</i> | <i>01.01.2015</i> | <i>01.01.2016</i> |
|--|-------------------|-------------------|-------------------|
| <b>Total in-situ reserves by deposit</b> | <b>35,755.7</b>   | <b>33,505.4</b>   | <b>32,685.2</b>   |
| Mayata flanks placer                     | 114.5             | 10.0              | 10.0              |
| Morgogor placer                          | 1,240.9           | 974.2             | 626.2             |
| Pravoberezhya Morgogora placer           | 1,241.7           | 1,165.7           | 1,067.6           |
| Kholomolokh placer                       | 1,419.9           | 1,419.9           | 1,419.9           |
| Istok placer ISTOK                       | 1,367.0           | 1,154.9           | 932.9             |
| Ebelyakh River placer                    | 26,826.1          | 25,759.4          | 24,016.3          |
| Gusiny Creek placer                      | 3,545.6           | 2,814.5           | 2,070.2           |
| Olom Creek placer                        | 0.0               | 206.8             | 206.8             |
| Khara-Mass River placer                  | 0.0               | 0.0               | 2,335.3           |
| <b>Total stock reserves</b>              | <b>0.0</b>        | <b>1.7</b>        | <b>1.7</b>        |
| <b>TOTAL</b>                             | <b>35,755.7</b>   | <b>33,507.1</b>   | <b>32,686.9</b>   |

In 2015, JSC Almazny Anabara performed geologic exploration works at its own expense in Anabarsky, Kuonamsky and Prilensky diamondiferous districts.

The following works were carried out in the reporting period:

- the first stage exploration works aimed at revaluation of the terrace placer of the Ebelyakh River deposits (Priustievoi and Nizhny prospects) were completed, a report containing current placer diamond reserves estimation was submitted to the Territorial Committee for Natural Reserves of the State Committee of the Republic of Sakha (Yakutia), the second stage exploration works (Nizhny and Verkhny prospects) commenced;
- based on results of the performed exploration works, a report on calculation of reserves and a feasibility report on permanent exploration conditions for Khara-Maskaya area was approved by the State Reserves Commission (diamond reserves growth amounted to 2.33 mn carats);
- a prospecting and evaluation works

program for diamond placers in the basins of the Malaya Kuonamka and Maspaky Rivers for 2015-2017 was developed and approved, geological exploration fieldwork was launched;

- a license for the Ochous prospect (right tributary of the Anabar River) was obtained in Q3 2015, a diamonds prospecting, evaluation and exploration program to be implemented within the subsoil plot including Ochous placer in 2015-2017 was developed and approved, geological exploration fieldwork was launched in Q4 2015;

- a license for Eyekitsky prospect was obtained in Q1 2015, a prospecting and evaluation works program for primary and placer diamond deposits in the basin of the Eyekit River in 2015-2018 was developed and approved, geological exploration fieldwork was launched in Q3 2015.

Mining and exploration works were carried at two deposits, namely Gusiny Creek and Pravoberezhie of the Morgogor River (Khotugu-Balagannakh Creek placer).

| <i>Budget</i>                        | <i>2014</i> | <i>2015</i> | <i>2016 plan</i> |
|--------------------------------------|-------------|-------------|------------------|
| Geological exploration works, mn RUB | 4891.8      | 4 775.2     | 4 899.0          |
| Mining and exploration works, mn RUB | 1078.6      | 881.9       | 1 078.0          |

## JSC NIZHNE-LENSKOE

### RESERVES ACCORDING TO THE STANDARDS OF THE STATE RESERVES COMMITTEE OF THE RUSSIAN FEDERATION, THOUSAND TONS

| <i>Company</i>   | <i>01.01.2014</i> | <i>01.01.2015</i> | <i>01.01.2016</i> |
|--|-------------------|-------------------|-------------------|
| <b>Total in-situ reserves by deposit</b>                     | <b>4,824.4</b>    | <b>8,646.3</b>    | <b>9,449.4</b>    |
| Molodo placer (Molodo prospect and Verkhnee Molodo prospect) | 0.0               | 0.0               | 392.3             |
| Molodo placer  | 1,639.6           | 896.8             | 2,453.2           |
| Billyakh placer  | 980.5             | 0.0               | 0.0               |
| Verkhny Billyakh placer                                      | 161.2             | 621.5             | 0.0               |
| Billyakh tributaries placers                                 | 1,156.3           | 915.3             | 524.5             |
| Khara-Mas placer   | 60.3              | 60.3              | 0.0               |
| Talakhtakh placer  | 82.5              | 866.1             | 793.1             |
| Bolshaya Kuonamka placer                                     | 0.0               | 5,286.3           | 5,286.3           |
| <b>Total stock reserves</b>                                  | <b>38.2</b>       | <b>48.5</b>       | <b>22.4</b>       |
| <b>TOTAL</b>   | <b>4,862.6</b>    | <b>8,694.8</b>    | <b>9,471.8</b>    |

In 2015, JSC Nizhne-Lenskoe performed geologic exploration works at its own expense in Anabarsky, Kuonamsky and Prilensky diamondiferous districts.

The following works were carried out in the current period:

- there was completed detailed exploration of Verkhnee Molodo prospect of the Molodo River placer, the geological report was approved by the Territorial Committee for Natural Reserves of the State Committee of the Republic of Sakha (Yakutia);
- in Q3 2015 an exploration works program for the Molodo placer rough diamond deposit in 2015-2018 was developed and approved;
- exploration mining works were started in Q4 2015 within the promising areas;
- there were continued exploration mining works with the processing of bulk

samples carried out at the prospects of the Bolshaya Kuonamka placer terraces, in the valley of the Bolshaya Kuonamka River and at its right tributary, the Nebaibyt River;

- there were continued exploration mining works with the processing of bulk samples carried out at the placers of the Billyakh River tributaries, namely Tiglikit, Rogaty, Vetvisty, Meridionalny and Lazurny Creeks.

Mining and exploration works were carried out in the Prilensky diamondiferous area at Verkhnee Molodo prospect, as well as in the Anabarsky diamondiferous area at tributaries of the Billyakh River, to clarify the structure of the placers, quantity and quality of the sands and diamonds contained in the sands, mining conditions and technological properties of mineral raw materials.

| <i>Budget</i>                        | <i>2014</i> | <i>2015</i> | <i>2016 plan</i> |
|--------------------------------------|-------------|-------------|------------------|
| Geological exploration works, mn RUB | 371.8       | 482.8       | 472.7            |
| Mining and exploration works, mn RUB | 85.4        | 103.2       | 144.0            |

## PJSC SEVERALMAZ

### RESERVES ACCORDING TO THE STANDARDS OF THE STATE RESERVES COMMITTEE OF THE RUSSIAN FEDERATION, THOUSAND TONS

| <i>Company</i>                           | <i>01.01.2014</i> | <i>01.01.2015</i> | <i>01.01.2016</i> |
|--|-------------------|-------------------|-------------------|
| <b>Total in-situ reserves by deposit</b> | <b>209,572.1</b>  | <b>207,462.2</b>  | <b>205,131.1</b>  |
| Arkhangelskaya pipe                      | 54,403.5          | 52,852.5          | 51,776.1          |
| Karpinskogo-1 pipe                       | 32,579.6          | 32,020.7          | 30,766.0          |
| Karpinskogo-2 pipe                       | 16,100.0          | 16,100.0          | 16,100.0          |
| Pionerskaya pipe                         | 51,990.0          | 51,990.0          | 51,990.0          |
| Lomonosov pipe                           | 52,218.0          | 52,218.0          | 52,218.0          |
| Pomorskaya placer                        | 2,281.0           | 2,281.0           | 2,281.0           |
| <b>Total stock reserves</b>              | <b>773.9</b>      | <b>1,145.3</b>    | <b>1,517.9</b>    |
| <b>TOTAL</b>                             | <b>210,346.0</b>  | <b>208,607.5</b>  | <b>206,649.0</b>  |

In 2015, PJSC Severalmaz carried out, at its own expense, prospecting, exploration and mining and exploration works in the Arkhangelsk Region.

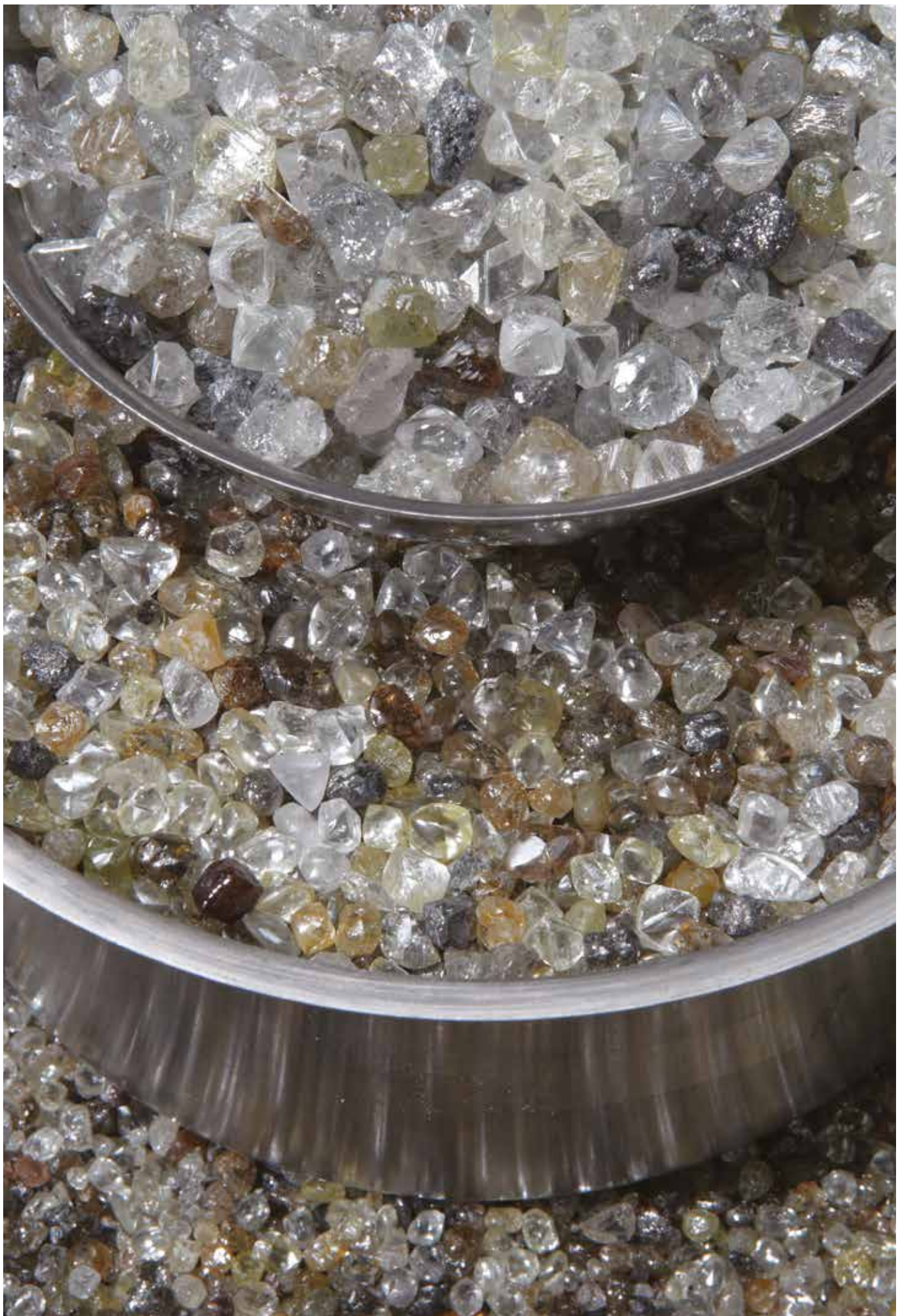
The following works were carried out in the reporting period:

- prospecting works at Svetlinsky, Otugsky, Brusovitsky and Kodinsky prospects (promising magnetic anomalies were verified with drilling, kimberlite bodies were discovered);
- a report on calculation of diamond reserves and a feasibility report on permanent exploration conditions for the northern group of pipes, namely the Pionerskaya and Pomorskaya of the Lomonosov deposit was approved by the Department of Subsoil Use for the North-western Federal District (diamond reserves growth amounted to 3.04 mn carats).

In 2016, prospecting works will be continued at Svetlinsky prospect. Based on results of the early works, the preparation of design and estimate documentation is planned for the prospecting and evaluation of primary deposits within Chernoozerskaya area, Yuzhny prospect and mining lease of the Lomonosov deposit. Exploration works are also planned at four sand and gravel mixture deposits, which is supposed to increase reserves by 0.3 mn cubic metres.

In 2015, there were continued operational exploration works at Arkhangelskaya and Karpinskogo-1 pipes to update data on the location of commercial ore inter-block contacts, diamond content and composition of kimberlites.

| <i>Budget</i>                        | <i>2014</i> | <i>2015</i> | <i>2016 plan</i> |
|--------------------------------------|-------------|-------------|------------------|
| Geological exploration works, mn RUB | 164.8       | 167.0       | 192.4            |
| Mining and exploration works, mn RUB | 163.1       | 189.3       | 207.5            |



# DIAMOND MINING AND ORE PROCESSING

## ROUGH DIAMOND PRODUCTION BY THE ALROSA GROUP

In accordance with the Long-Term Development Program approved in 2014, the ALROSA Group focused on a mono-product business strategy. According to results of 2015, the strategic targets set beforehand contributed to an increase in rough diamond production in volume terms by 5.7% to 38.3 mn carats, despite

the difficult macroeconomic situation. In terms of value, the production figure grew by 5.2% compared to 2014 and amounted to USD 3,966.7 mn. The ALROSA Group fully achieved the key targets for 2015, namely in production, marketable products and recovery.

| Company                      | UoM             | 2013     | 2014     | 2015     |
|------------------------------|-----------------|----------|----------|----------|
| Rough diamond production     | thousand tons   | 36,011.5 | 31,645.1 | 34,436.5 |
| Rough diamond processing     | thousand tons   | 36,042.6 | 35,921.9 | 37,114.3 |
| Rough diamond extracted      | thousand carats | 36,913.9 | 36,212.2 | 38,260.5 |
|                              | mn USD          | 3,065.2  | 3,770.7  | 3,966.7  |
| Product yield per ton of ore | carat/ton       | 1.02     | 1.01     | 1.03     |

**Rough diamond production grew by**  
**5.7%**  
**to 38.3 mn carats**

Rough diamond production growth in 2015 was achieved basically due to the general 3.3% growth in ore (sand) processing by the ALROSA Group mainly owing to Mirny MPD, Udachny MPD

and PJSC Severalmaz's performance. The average diamond content in the processed ore remained the same as in 2014 (1.03 carats per ton).

## MINING DIVISIONS OF THE ALROSA GROUP

Six mining and processing divisions are responsible for diamond mining in the ALROSA Group. Four of them, namely Udachny, Aikhal, Mirny and Nyurba, are part of PJSC ALROSA.

The other two, namely JSC Almazny Anabara

(including production and processing facilities of JSC Nizhne-Lenskoe) and PJSC Severalmaz, are subsidiary companies.

Each mining and processing division comprises one or more deposits, processing facilities and equipment stock.



## AIKHAL MINING AND PROCESSING DIVISION

Aikhal MPD accounted for 32% of ALROSA Group production in 2015.

Aikhal Mining and Processing Division mines diamonds at the following prospects:

- Yubileynaya pipe. Open pit mine. Development commenced in 1985. Open pit depth as of the end of 2015 is 370 metres;
- Aikhal pipe. Underground mine. Underground mining commenced in 2005.

Open pit depth as of the end of 2015 is 305 metres;

– Komsomolskaya pipe. Open pit mine. Development commenced in 2000. Open pit depth as of the end of 2015 is 337 metres.

Aikhal MPD comprises processing plant No. 8 (capacity of 1.7 mn tons per year) and processing plant No. 14 (capacity of 10.0 mn tons per year).

**32%**  
share of Aikhal  
MPD in ALROSA  
Group production

### ROUGH DIAMOND PRODUCTION: AIKHAL MINING AND PROCESSING DIVISION

| Company                      | UoM             | 2013     | 2014     | 2015     |
|------------------------------|-----------------|----------|----------|----------|
| Rough diamond production     | thousand tons   | 8,650.0  | 7,635.0  | 7,254.0  |
| Rough diamond processing     | thousand tons   | 9,817.0  | 9,478.0  | 9,141.0  |
| Rough diamonds extracted     | thousand carats | 12,087.7 | 12,565.3 | 12,322.2 |
|                              | mn USD          | 947.3    | 1,309.9  | 1,338.6  |
| Product yield per ton of ore | carat/ton       | 1.23     | 1.33     | 1.35     |

In 2015, a scheduled reduction of the ore processing volume was made at Aikhal MPD:

- by 123 thousand tons at the Komsomolskaya pipe;
- by 63 thousand tons at the Aikhal pipe;
- by 151 thousand tons at the Yubileynaya pipe.

Processing plant No. 14 of Aikhal MPD showed growth in the production of main and marketable products compared to

2014 owing to the processing of ore from the Yubileynaya pipe with higher diamond content. In addition, during the reporting year, works on the implementation of dense-medium separation modules with the capacity of 75 tons per hour were continued at processing plant No. 14. The equipment was put into operation in November 2015.

Processing plant No. 8 underwent preventive repairs from January 11, to June 15, 2015.



## MIRNY MINING AND PROCESSING DIVISION

Mirny MPD accounted for 18% of ALROSA Group production in 2015.

Mirny MPD mines diamonds at the following prospects:

- Internatsionalnaya pipe. Underground mine. Underground mining commenced in 1999. Open pit depth as of the end of 2015 is 315 metres;
- Mir pipe. Underground mine. Underground mining commenced in 2009.

Open pit depth as of the end of 2015 is 525 metres;

- Vodorazdelniye Galechniki placer;
- Irelyakh placer;
- Gornoe placer;
- the technogenic deposit Tailing dump of Processing Plant No. 5.

Mirny MPD comprises processing plant No. 3 (capacity of 2 mn tons per year).

**18%**  
share of Mirny  
MPD in ALROSA  
Group production

## ROUGH DIAMOND PRODUCTION: MIRNY MINING AND PROCESSING DIVISION

| <i>Company</i>               | <i>UoM</i>      | <i>2013</i> | <i>2014</i> | <i>2015</i> |
|------------------------------|-----------------|-------------|-------------|-------------|
| Rough diamond production     | thousand tons   | 5,073.3     | 4,922.5     | 5,873.7     |
| Rough diamond production     | thousand tons   | 5,079.4     | 4,902.8     | 5,706.2     |
| Rough diamonds extracted     | thousand carats | 7,361.1     | 6,088.5     | 6,908.3     |
|                              | mn USD          | 953.4       | 1,041.3     | 1,117.6     |
| Product yield per ton of ore | carat/ton       | 1.45        | 1.24        | 1.21        |

In 2015, Mirny MPD increased ore processing:

- by 166.0 thousand tons at Mir pipe;
- by 40.9 thousand tons at Internatsionalnaya pipe;

The implementation of automated sorting in sorting unit-2 additionally increased the processing volume by 190 thousand tons.

Ore production at Mir underground mine in 2015 amounted to 783 thousand tons. In 2015, preparation of the production facilities and full analysis of operations at Mir mine were completed, which confirms its readiness to reach the design capacity in terms of ore production of 1 mn tons in 2016.

The works on completion of the third stage of the technical upgrade of processing plant No. 3 continued due to the fact that the required performance targets of the toothed roll crusher were not achieved. The complaint is being discussed with the supplier of the crusher and a set of measures is being developed to achieve the required targets.

Processing plant No. 3 showed growth in production of main and marketable products compared to 2014 owing to changes in the feedstock structure (increased proportion of ore from Mir and Internatsionalnaya pipes and a decrease in feedstock from placers and technogenic deposits).



## UDACHNY MINING AND PROCESSING DIVISION

Udachny MPD accounted for 11% of ALROSA Group production in 2015.

Udachny MPD mines diamonds at the following prospects:

- Udachnaya pipe. Open pit mine, underground mine. Development commenced in 1971. Open pit depth as of the end of 2015 is 640 metres. Underground mining commenced in 2014;

- Zarnitsa pipe. Open pit mine. Development commenced in 1999. Open pit depth as of the end of 2015 is 90 metres. Design depth is 200 metres;

- Dellyuvialnaya placer;
- Piropovy Creek placer.

Udachny MPD comprises processing plant No. 12 (capacity of 12 mn tons per year).

**11%**  
share of Udachny  
MPD in ALROSA  
Group production

## ROUGH DIAMOND PRODUCTION: UDACHNY MINING AND PROCESSING

| Company                      | UoM             | 2013    | 2014    | 2015    |
|------------------------------|-----------------|---------|---------|---------|
| Rough diamond production     | thousand tons   | 5,889.0 | 1,882.3 | 4,128.0 |
| Rough diamond production     | thousand tons   | 5,825.1 | 4,814.1 | 5,377.0 |
| Rough diamonds extracted     | thousand carats | 4,891.6 | 3,679.1 | 4,297.3 |
|                              | mn USD          | 391.0   | 364.1   | 417.9   |
| Product yield per ton of ore | carat/ton       | 0.84    | 0.76    | 0.80    |

In 2015, Udachny MPD increased ore processing:

- by 172.9 thousand tons owing to the establishment of the second priority facilities at the Udachny underground mine;

- by 872 thousand tons owing to the establishment of Piropovy Creek, a new placer deposit.

In Q1 2015, sands treatment commenced at Piropovy Creek, a new placer deposit of

Udachny MPD. Treatment of the placer deposit sands was not performed in Q3 2015 in accordance with the production plan. Construction of an all-season road to Verkhne-Munskoe ore field commenced on November 1, 2015. In 2015, works on the plant technical re-equipment project continued, which included the introduction of two dense-medium separation modules with the capacity of 110 tons per hour.

## NYURBA MINING AND PROCESSING DIVISION

Nyurba MPD accounted for 20% of ALROSA Group production in 2015.

Nyurba MPD mines diamonds at the following prospects:

- Nyurbinskaya pipe, Nyurbinskaya placer. Open pit mine. Development commenced in 2001. Open pit depth as of the end of 2015 is 300 metres. Design depth is 450 metres.

- Botuobinskaya pipe, Botuobinskaya placer. Open pit mine. Development commenced in 2012. Open pit depth as of the end of 2015 is 92 metres. Design depth is 580 metres.

Nyurba MPD comprises processing plant No. 15 (capacity of 0.5 mn tons per year) and processing plant No. 16 (capacity of 1.4 mn tons per year).

**20%**  
share of Nyurba  
MPD in ALROSA  
Group production

## ROUGH DIAMOND PRODUCTION: NYURBA MINING AND PROCESSING DIVISION

| Company                      | UoM             | 2013    | 2014    | 2015    |
|------------------------------|-----------------|---------|---------|---------|
| Rough diamond production     | thousand tons   | 1,526.0 | 1,350.0 | 1,965.0 |
| Rough diamond production     | thousand tons   | 2,040.0 | 2,000.0 | 2,040.0 |
| Rough diamonds extracted     | thousand carats | 7,406.8 | 7,362.9 | 7,509.6 |
|                              | mn USD          | 421.1   | 545.0   | 603.3   |
| Product yield per ton of ore | carat/ton       | 3.63    | 3.68    | 3.68    |

In 2015, Nyurba MPD increased rough diamond production through:

- putting the Botuobinskaya pipe and the similarly named placer into operation as well as processing sands from the placer deposits with a higher diamond content

(the average diamond content in ore is 2.5 carats more than in the Nyurbinskaya pipe);

- continued works on the expansion of the Nyurbinsky open pit mine.

## JSC ALMAZY ANABARA

JSC Almazny Anabara accounted for 9% of ALROSA Group production in 2015. JSC Almazny Anabara mines diamonds at the following prospects:

- Morgogor placer;
- Istok placer;
- Ebelyakh placer;
- Gusinaya placer.

**9%**  
share of Almazny  
Anabara in  
ALROSA Group  
production

## ROUGH DIAMOND PRODUCTION BY JSC ALMAZY ANABARA

| Company                            | UoM             | 2013    | 2014    | 2015    |
|------------------------------------|-----------------|---------|---------|---------|
| Rough diamond production           | thousand tons   | 6,951.0 | 6,015.0 | 5,082.0 |
| Rough diamond production           | thousand tons   | 6,750.0 | 5,604.0 | 5,222.0 |
| Rough diamonds extracted           | thousand carats | 2,521.3 | 3,059.5 | 3,308.9 |
|                                    | mn USD          | 180.2   | 195.0   | 176.2   |
| Product yield per 1 cub. m of sand | carat/cub. m    | 0.75    | 1.09    | 1.27    |

In 2015, JSC Almazny Anabara increased rough diamond production through the replacement of the depleted low

diamond content placers at flanks of Mayat placer with more productive sands of Ebelyakh placer.

## JSC NIZHNE-LENSKOE

JSC Nizhne-Lenskoe accounted for 5% of ALROSA Group production in 2015. JSC Nizhne-Lenskoe mines diamonds at the following prospects:

- Molodo placer;
- Billyakh placer;
- tributaries of Billyakh placer (Shlikhovoi Creek prospect);
- Talakhtakh placer.

**5%**  
share of Nizhne-Lenskoe in ALROSA Group production

## ROUGH DIAMOND PRODUCTION BY JSC NIZHNE-LENSKOE

| Company                            | UoM             | 2013    | 2014    | 2015    |
|------------------------------------|-----------------|---------|---------|---------|
| Rough diamond production           | thousand tons   | 6,162.0 | 6,230.0 | 5,880.0 |
| Rough diamond production           | thousand tons   | 5,338.0 | 5,814.0 | 5,640.0 |
| Rough diamonds extracted           | thousand carats | 2,009.8 | 1,818.0 | 1,964.0 |
|                                    | mn USD          | 140.2   | 197.4   | 185.3   |
| Product yield per 1 cub. m of sand | carat/cub. m    | 0.75    | 0.63    | 0.70    |

In 2015, JSC Nizhne-Lenskoe increased rough diamond production owing to a higher average diamond content in the processed sands:

- 0.25 carats per cub. m at tributaries of

Billyakh placer;

- 0.07 carats per cub. m at Molodo placer;
- the recently-established Talakhtakh placer.

## PJSC SEVERALMAZ

PJSC Severalmaz accounted for 5% of ALROSA Group production in 2015.

PJSC Severalmaz mines diamonds at the following prospects:

- Arkhangelskaya pipe. Open pit mine. Development commenced in 2005. Open pit depth as of the end of 2015 is 135 metres. Design depth is 324 metres.
- Karpinskogo-1 pipe. Open pit mine. Development commenced in 2009. Open pit depth as of the end of 2015 is 98 metres. Design depth is 262 metres.

PJSC Severalmaz comprises processing plant No. 1 module No. 1 (capacity of 1 mn tons per year) and processing module No. 2 (capacity of 3 mn tons per year).

In 2015 PJSC Severalmaz showed growth in ore processing owing to the processing plant reaching the design capacity of 4 mn tons of ore per year, in part due to putting module No. 2 of the processing plant into operation and commencement of production at the Karpinskogo-1 pipe.

**5%**  
share of Severalmaz in ALROSA Group production

## ROUGH DIAMOND PRODUCTION BY PJSC SEVERALMAZ

| Company                      | Ед.<br>изм.     | 2013    | 2014    | 2015    |
|------------------------------|-----------------|---------|---------|---------|
| Rough diamond production     | thousand tons   | 1,760.2 | 3,610.3 | 4,253.8 |
| Rough diamond production     | thousand tons   | 1,1930  | 3,309.0 | 3,988.1 |
| Rough diamonds extracted     | thousand carats | 635.7   | 1,638.9 | 1,950.2 |
|                              | mn USD          | 32.0    | 118.1   | 127.7   |
| Product yield per ton of ore | carat/ton       | 0.53    | 0.50    | 0.49    |

## SALES OF DIAMOND PRODUCTS AND MARKETING SYSTEM

### SORTING AND VALUATION

All the rough diamonds mined from deposits of the Company are sent to Diamond Sorting Centres in the cities of Mirny and Arkhangelsk<sup>1</sup>, where their preliminary sorting and insurance valuation take place. For final sorting and valuation rough diamonds are sent to the United Selling Organization (the USO of ALROSA) that has sorting centres in three cities, namely Moscow, Mirny and Yakutsk.

Rough diamonds classification stipulates that sorting be based on over 8,000 criteria. Any crystal is characterized based on 4 classification criteria: size, shape, quality and colour. Rough diamonds valuation is based on the effective schedule of prices of the Ministry of Finance of the Russian Federation.

After undergoing initial valuation, rough diamonds proceed to the batching stage. All the sorted rough diamonds (except for the rough diamonds over 10.80 carats) are packaged in boxes and offered up for

sale on domestic and external markets. Initial valuation of rough diamonds of over 10.80 carats is based on determining the rough diamond value through expert evaluation of the polished diamonds able to be made from it. Each such diamond is tracked separately in the single integrated rough diamonds tracking system.

Technical-grade diamonds that are considered unfit for jewellery manufacturing fall under separate categories. Some technical-grade diamonds are used for producing diamond powders that are widely used in various industries and in medicine.

**In 2015, the Company started introducing a new generation of automated equipment for rough diamond sorting based on all the classification criteria, namely size, shape, quality and colour.**

The sorting system of PJSC ALROSA is certified by the authorized standardization bodies and meets national and international standards.

<sup>1</sup> Until mid-2015, PJSC Severalmaz products were sorted and valued at the State Precious Metals and Gems Repository



## SALE OF DIAMOND PRODUCTS

2015 was marked by a decreased demand in the industry, with a high level of rough and polished diamonds stock, a lowering of prices for rough and polished diamond products, a reduction of available credit resources and a load decrease within the diamond cutting sector.

Total sales from rough and polished diamond products of the ALROSA Group in 2015 amounted to USD 3,554.4 mn,

which is 29.5% less than sales of 2014 (USD 5,045 mn).

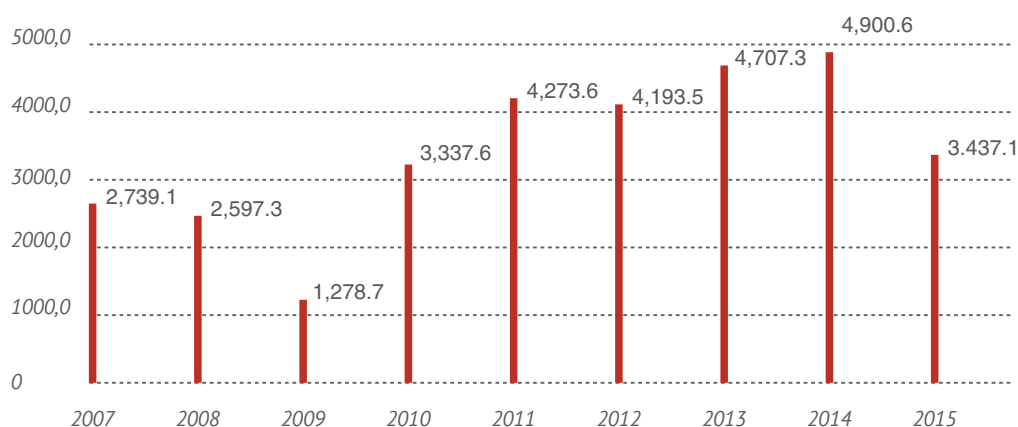
In 2015, the ALROSA Group sold rough diamonds worth USD 3,437.1 mn (-29.9% compared to 2014).

Physical rough diamond sale volumes of ALROSA Group in 2015 decreased by 24.1% compared to 2014 and amounted to 30 mn carats.

**3 554,4  
mn USD**

**total sales  
of rough and  
polished  
diamonds by  
ALROSA Group in  
2015**

## ROUGH DIAMOND SALES BY ALROSA GROUP\*, MN USD



*\* without sale to State Depository for Precious Metals and shippings for own production of polished diamonds*

Weak demand in the rough diamond market in 2015 affected the pricing dynamics of ALROSA Group. The decrease in sale prices for the full diamonds assortment as of the end of 2015 amounted to 15.2%.

In 2015, the ALROSA Group gem and technical-grade diamonds sales structure changed due to changes in market demand. In terms of value, sales in 2015 amounted to USD 3,336.7 mn (-29.8% compared to 2014) for

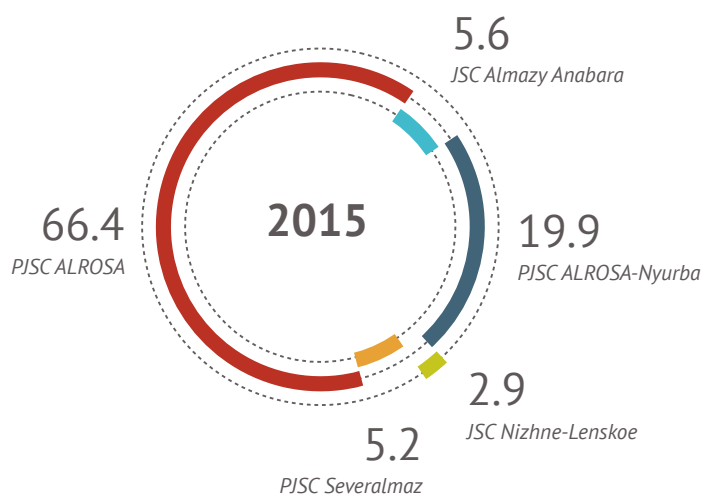
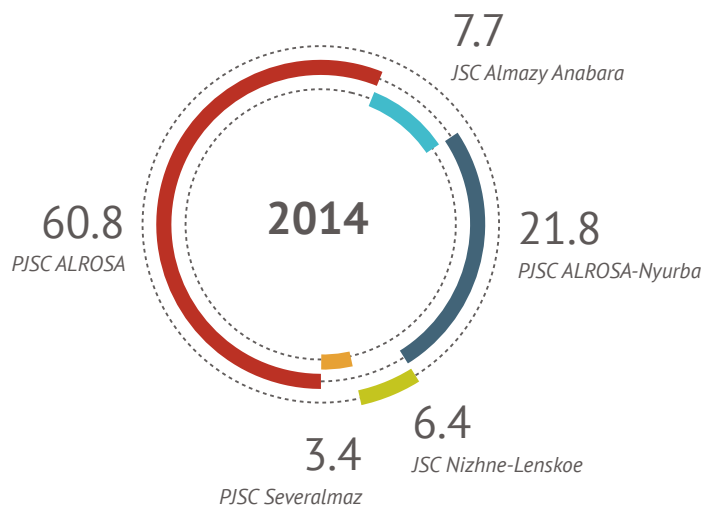
gem quality diamonds and USD 100.4 mn (-31.1% compared to 2014) for technical-grade diamonds.

Changes in the rough diamond sales structure affected the dynamics of average rough diamond sale prices of the ALROSA Group. Compared to 2014, prices decreased by 7.6%.

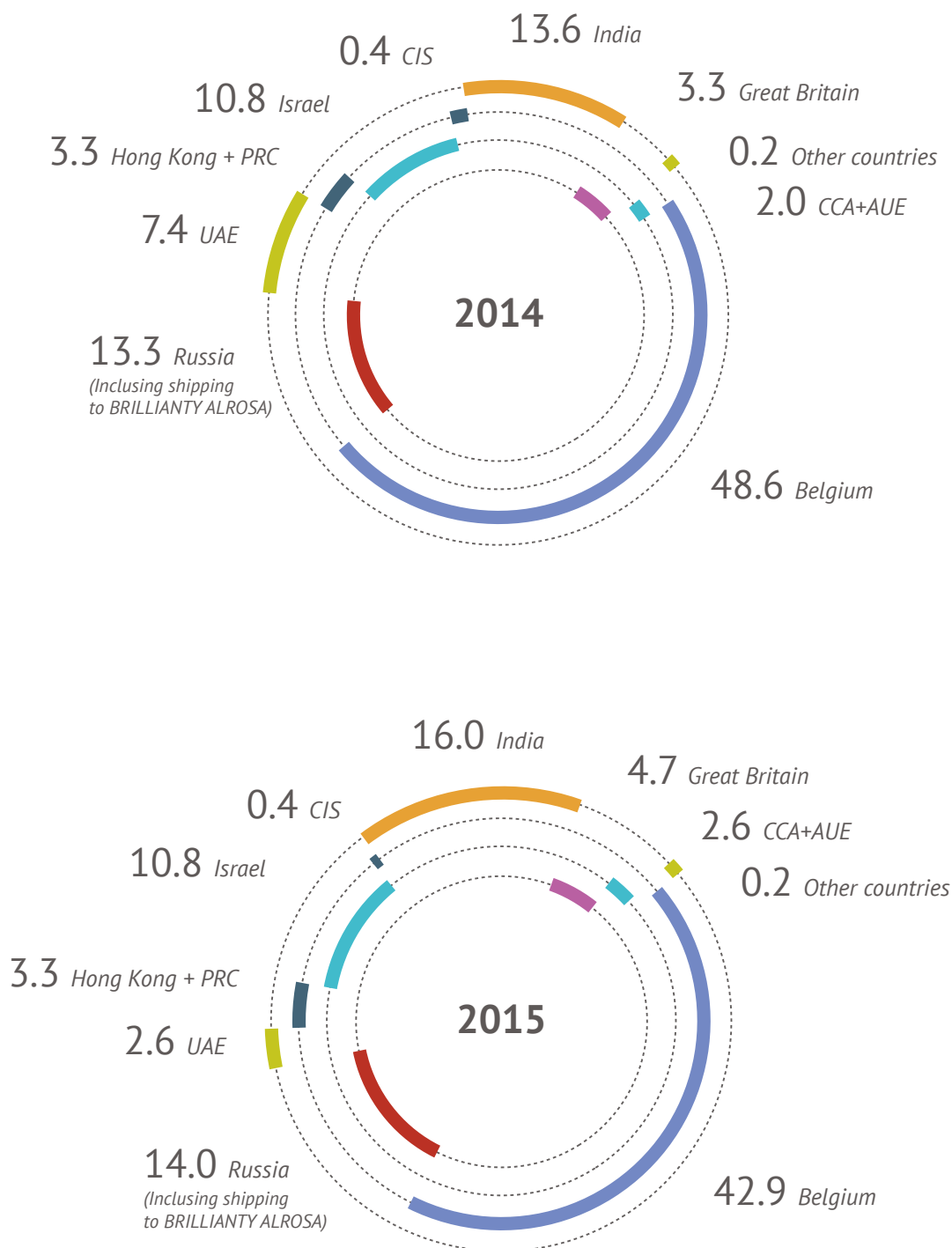
In the reporting year, the ALROSA Group embarked on direct rough diamond sales in India (Special Notified Zone, Mumbai).

**In 2015, ALROSA  
Group launched  
direct rough  
diamond sales  
in India**

ROUGH DIAMOND SALES STRUCTURE OF ALROSA GROUP IN CARATS, %



GEOGRAPHICALLY SEGMENTED STRUCTURE OF ALROSA GROUP ROUGH DIAMOND SUPPLY BY VALUE\*, %



\*without taking into account supplies to the State Precious Metals and Gems Repository of the Russian Federation

In 2015, the majority of the products was sold by ALROSA under long-term rough diamond supply contracts (66%). In 2015, ALROSA successfully entered into some long-term contractual agreements with clients for the new contract period of 2016-2018 and continued with its endeavours to attract new customers

with testing through spot sales and opportunities for signing new long-term agreements. As of the end of December 2015, the number of customers that entered into long-term agreements for the supply of rough diamonds totals 54, including 3 technical-grade diamonds supply contracts.

## MARKETING SYSTEM

In 2015, the ALROSA Group developed ALROSA ALLIANCE, a partnership program for long-term customers, aimed at consolidating the Company's reputation on international markets. The Program demonstrates compliance of its participants with high business conduct standards, business ethics and governance at all levels of the supply chain. For the purpose of further ALROSA ALLIANCE promotion, the Company participated in the largest international industry exhibitions:

- The JCK Show Las Vegas;
- The Hong Kong International Diamond, Gem & Pearl Show;
- The Hong Kong Jewellery & Gem Fair.

PJSC ALROSA took part in the opening of the Special Notified Zone at Bharat Diamond Bourse aimed at facilitating the procedure for conducting displays, auctions and sales of rough diamonds in India. In December 2015, in order to test the duty free import and export system, the Company held the first exhibition of rough diamonds of ALROSA Group.

In 2015, ALROSA entered into discussion and negotiations with the leading global jewellery product retail networks on the possibility of creating joint programs to promote rough and polished diamond products of Russian origin on the key sales markets.

## ROUGH DIAMOND CUTTING AND SALES OF POLISHED DIAMONDS

### DIAMOND CUTTING

The diamond cutting and polishing division of ALROSA Group is one of the largest polished diamond producers in Russia.

**The cutting and polishing division includes three enterprises: the BRILLIANTY ALROSA branch located in Moscow, Kristall Barnaul LLC and Orel-ALROSA LLC. Enterprises in Barnaul and Orel process rough diamonds of small and medium size.**

The BRILLIANTY ALROSA branch processes large rough diamonds including rough diamonds of especially large sizes.

Within the framework of the Long-Term Development Program of the ALROSA Group and for the purpose of optimizing the non-core assets, a decision was taken to focus only on large size gems and to develop the accompanying marketing elements.

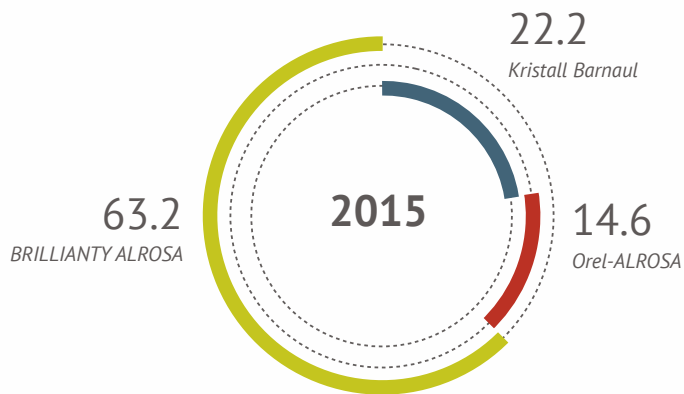
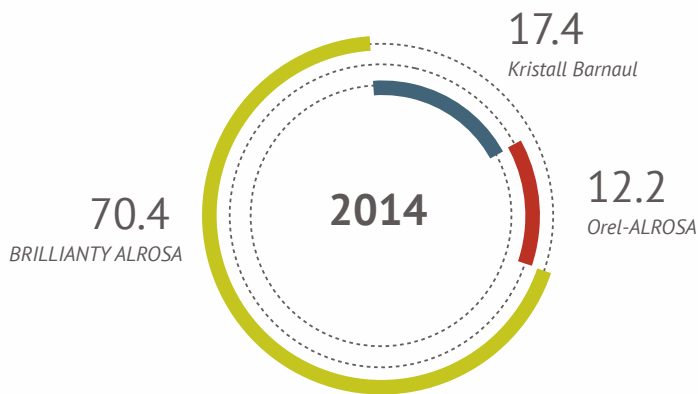
For optimization purposes, ALROSA is carrying out the works aimed at separating the diamond cutting and polishing division to make it a subsidiary while also developing direct supplies of polished diamonds via long-term contracts to global producers of polished diamond jewellery.



Following the development trend of world diamond mining companies, the ALROSA Group settled on a development strategy, namely the

focus on rough diamond mining, it being the most profitable element in the production and sales chain of the diamond mining industry.

### SHARES OF THE ENTERPRISES ENGAGED IN THE PRODUCTION OF POLISHED DIAMONDS IN 2014-2015 BY VALUE, %



## SALES OF POLISHED DIAMONDS

In 2015, PJSC ALROSA sold polished diamonds worth USD 117.34 mn, which is 18.8% less than the same figure in 2014. Foreign currency efficiency (in excess of the contract price of polished diamonds over the selling price of the rough diamonds) amounted to 1.02 (1.03 in 2014).

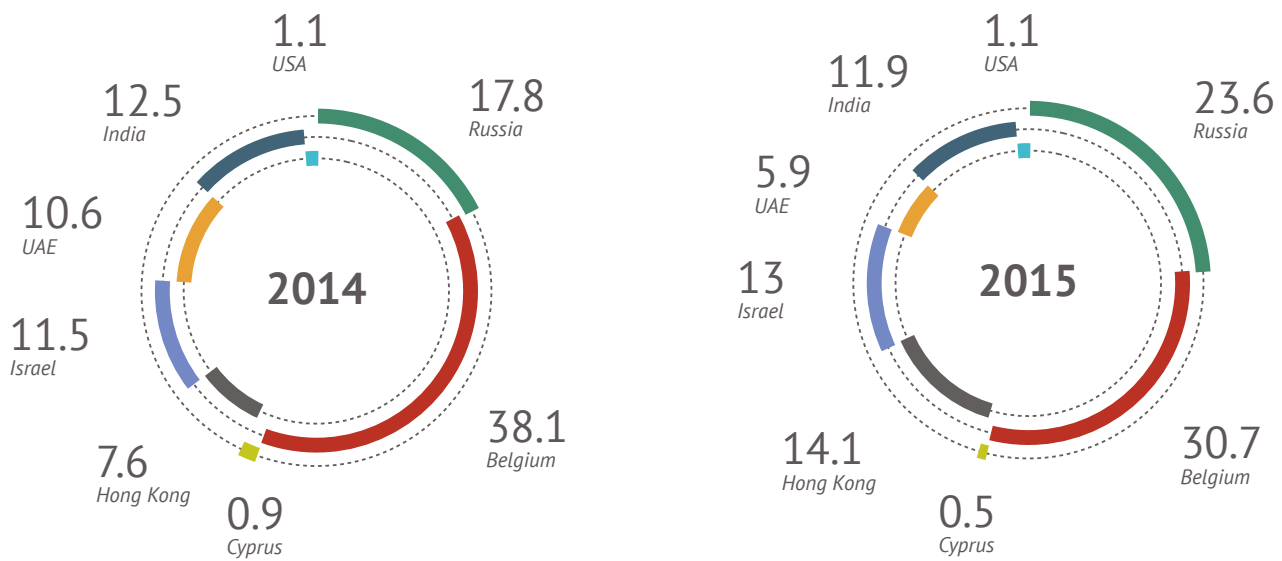
In 2015, 46 companies representing major world diamond trading centres purchased products of the BRILLIANTY ALROSA branch. The majority of polished diamonds is sold on the international

market. Polished diamond sales in the Russian market based on results of 2015 amounted to USD 570 thousand (including retail sales of certified polished diamonds). During the same period in 2014, the sales on the domestic market amounted to USD 1.55 mn.

**The products offered by the branch were purchased on the Russian Federation domestic market by 14 jewellery companies from three cities: Moscow, Yekaterinburg and Barnaul.**

**46**  
companies  
purchased  
products of  
BRILLIANTY  
ALROSA in 2015

## GEOGRAPHICALLY SEGMENTED POLISHED DIAMOND SALES BY ALROSA GROUP IN 2014-2015 BY VALUE, %



## INTERNATIONAL ACTIVITIES

In May 2015, on the initiative of PJSC ALROSA, De Beers and Rio Tinto Diamonds, the seven biggest diamond mining companies of the world established the Diamond Producers Association (DPA) in order to unite efforts to resolve issues faced by the diamond mining industry. ALROSA became the first company in the history of the global diamond industry to unite rough diamond producers. ALROSA

also interacted with partners within the framework of the World Diamond Council (WDC), a unified representative structure of the global rough and polished diamonds industry, occupying a supervisory role in the Kimberley Process, which is an intergovernmental initiative aimed at preventing conflict diamonds from entering international trade channels.

The Company actively contributed to finalizing the internal structure and governing mechanisms as well as building the strategy of further development of the WDC after its reform to make it meet the current industry-specific circumstances and new challenges. In October 2015, ALROSA hosted an annual General meeting of WDC participants in Moscow.

In 2015, the Company signed a Memorandum of Understanding with the Israel Diamond Exchange that stipulates, among other things, the free exchange of information and joint

efforts to prevent synthetic gems from appearing on the natural diamond market, as well as cooperation in the sphere of creation of transparent rough and polished diamond supply chains.

In line with the aim of strengthening cooperation in the rough and polished diamonds industry and bilateral interstate cooperation, ALROSA participated in the work of intergovernmental commissions composed of representatives from the Russian Federation, Angola, Armenia, Zimbabwe, Israel, India, Namibia, UAE and RSA.

## FURTHER ACTIVITIES

ALROSA Group activities not involving diamond mining fall into 4 main categories:

- **transport enterprises:** airline services, transportation services, services in transport terminals, ports, airports;
- **socially oriented** enterprises in the regions in which the Company operates, namely residential buildings, sport and cultural facilities, cinema theatres, theatres and other social infrastructure facilities;
- **gas enterprises:** the sale and production of gas;
- **other companies:** trading companies and companies that provide printing services.

In 2015, ALROSA systematically continued the disposal of non-core assets in accordance with the Program (second revision) approved by the Supervisory Board of the Company on December 11, 2014 (Minutes No. A01/223-ПП-НС dated 16.12.2014).

The Program defines objectives and tasks concerning the disposal of non-core assets, criteria of classifying assets as non-core, requirements to the Register of Non-Core Assets, key events (actions) that can be implemented by the Company with regard to non-core assets and the

procedure for monitoring implementation of the Program.

The main areas of the Program comprise reduction of the costs associated with funding of non-core and ineffective assets, termination of participation in non-core subsidiaries, optimization of the production technology infrastructure of the Company, which contributes to the Company capitalization growth in general.

The Program includes a detailed description of methods for the sale of non-core assets; it specifies the sequence of sales actions. It outlines the criteria of granting the applicants a permission to participate in the sales, procedure for determining the winners, time frame of certain sales stages. It includes articles describing in detail the information support of sales and requirements to the documents to be provided by sales participants. The amendments are based on provisions of Federal Law No. 178-ФЗ On Privatization of State and Municipal Property dated 21.12.2001.

In 2015, the total revenue of the Group from non-core activities (for all the segments except for the rough diamond segment) amounted to RUB 23.3 bn or 10.4% of the total revenue.

**23,3  
bn USD**

**total revenue of  
ALROSA Group  
from non-core  
activities in 2015**

# PROCUREMENT, INVESTMENTS AND INNOVATIONS

## PJSC ALROSA IN THE SPHERE OF PROCUREMENT COMPANY PROCUREMENT PRIORITIES

1. Ensuring transparency of procurement procedures.
2. Increase in the proportion of publicly competitive procurement procedures.
3. Participation in the Russian Federation Government programmes aimed at expanding the access of small and medium-sized businesses to Company procurement initiatives.
4. E-procurement development. Creation of the Company's own electronic procurement platform, automation of procurement processes.

## ACTUAL PROCUREMENT ACTIVITIES

The main feature in supplying production facilities of PJSC ALROSA with materials and equipment is their remoteness from the main transportation routes in the territory of the Republic of Sakha (Yakutia). The major part of materials and equipment is delivered by water transport during the navigation period of the Lena River (May to October).

In order to ensure the timely delivery of materials and equipment, enterprises of the Company are supplied using the Company's own transportation and procurement facilities comprising the Materials and Equipment Supply Division, Almazdortrans division (transit motor transport), an airline with its own fleet of planes and helicopters,

river port in the town of Lensk and storage facilities with terminals.

In volume terms, materials and equipment delivery in 2015 amounted to 431.8 thousand tons. The cost of materials and equipment amounted to RUB 31,583 mn.

The major part of procurement activities in 2015 (97% of the total value of the agreements concluded) took place between manufacturers and their official dealers.

Warehouse stock of materials and equipment as of the end of the reporting period (including the materials being transported and advance payments) amounted to RUB 16,821.5 mn (based on supplier prices).

## PROCUREMENT STRUCTURE

In the reporting year, the Company made significant progress in improving transparency and effectiveness of procurement activities. The consolidated economic impact amounted to RUB 5,400 mn or 9% of the total procurement amount. The proportion of public procurement procedures, including e-procurement, amounted to 82% of the total volume of procurement procedures performed.

In 2015, the Company devoted significant attention to developing partnership relations with small and medium-sized businesses and

increasing their proportion in the total number of procurement procedure participants. By the end of the reporting period the proportion of purchases from small and medium-sized businesses in the total number of contracts secured by the Company reached 53%, three times greater than the planned target. Based on results of 2HY 2015, the proportion of preferential purchases from small and medium-sized businesses amounted to 7.8% against the target figure of 5%.

The Company developed and introduced its own electronic procurement platform

(ALROSA EPP) providing the full range of procurement activities management tools from purchase request to delivery of the product. Today all the structural and separate subdivisions of the Company use ALROSA EPP for their procurement activities. The development plan includes the connection of the subsidiaries and affiliates to ALROSA EPP. In addition,

in order to facilitate access for procurement activity participants, including small and medium-sized businesses, to procurement activities of the Company, from 2015 onwards ALROSA EPP will be integrated with the two leading electronic trading facilities, namely *fabrikant.ru* and United electronic market place JSC.

**5 400  
mn RUB**

**economic impact  
from optimization  
of procurement  
activities**

## PJSC ALROSA PROCUREMENT STRUCTURE IN 2013-2015

| Activity   | Number,<br>pcs. | Share in<br>the total<br>volume of<br>purchases,<br>% |      |       |        |    |       |        |     |
|--|-----------------|---|------|-------|--------|----|-------|--------|-----|
|  |                 | Cost,<br>mn RUB                                       | 2013 | 2014  | 2015   |    |       |        |     |
| Year   |                 |   |      |       |        |    |       |        |     |
| Open invitation to tender                                  | 1,294           | 23,087  | 56   | 1,347 | 28,945 | 59 | 1,782 | 36,673 | 67  |
| E-Procurement  | 2,259           | 4,885   | 12   | 2,834 | 6,244  | 13 | 3,569 | 8,617  | 16  |
| Open invitation to tender                                  | 480             | 4,106   | 9    | 196   | 3,207  | 7  | 22    | 510    | 0.9 |
| Non-public request for proposals<br>from the sole supplier | 728             | 9,372   | 22   | 627   | 10,304 | 20 | 350   | 9,130  | 16  |
| Small purchases (invoice)                                  | 8,073           | 558.8   | 1    | 7,715 | 491    | 1  | 6,136 | 294.8  | 0.1 |
| Non-competitive without<br>procurement procedures*         | 1,252           | 29,530  |      | 1,327 | 10,837 |    | 1,618 | 7,918  |     |

\*these contracts are concluded without conducting procurement procedures or the resolution of a procurement management department (contracts with subsidiaries and affiliates based on fixed prices, loan agreements, credit facility agreements, agreements concluded)

## IMPORT SUBSTITUTION PROGRAM

The Company systematically implements an import substitution strategy for procurement activities. 121 nomenclature items of imported equipment worth RUB 1,397 mn were actually replaced in 2015 with their substitutes manufactured

in Russia and member countries of the Customs Union. The major part of the replaced products included loading machinery, pumping equipment, dump trucks.

### IMPORT SUBSTITUTION PROGRAM OF PJSC ALROSA FOR 2013-2015

| Country of origin                                 | Cost,<br>bn RUB | Share in the<br>total volume<br>of purchases,<br>% |      |       |      |       |
|---|-----------------|--|------|-------|------|-------|
|   |                 | 2013   | 2014 | 2015  |      |       |
| Russian equipment and technology                  | 5.49            | 60   | 6.19 | 58    | 7.79 | 76    |
| Foreign equipment and technology                  | 3.69            | 40   | 4.36 | 42    | 2.5* | 24    |
| Average US dollar to Russian rouble exchange rate |                 | 31.84  |      | 38.40 |      | 60.98 |

\*without taking into account the exchange rate differences

Procurement activities of PJSC ALROSA are regulated by the Federal Law 223-Φ3 On the purchase of goods, works and services by certain types of legal entities dated 18.07.2011, regulations of the Government of the

Russian Federation, the Regulations on procurement activities of PJSC ALROSA and other internal regulatory documents of the Company. (Regulations on procurement activities of PJSC ALROSA)

**In 2015,  
investments in  
non-financial  
assets of ALROSA  
Group totalled  
36 854,2  
mn RUB**

## ALROSA GROUP INVESTMENTS

The long-term Investment Program of ALROSA Group defines the priority areas of activities that contribute to accomplishment of the rough diamond production plan and achievement of production and financial goals in accordance with the approved development strategy.

**The main goals of the Investment Program are sustainable development and shareholder value growth. The main areas of the investment program are construction of underground mines including replenishment of production assets and capacities, development of new open pits and maintenance of capacity of the existing open pits,**

**technical upgrade and replacement of worn-out equipment, construction and renovation of the regional infrastructure facilities, investments in the R&D, technology related works and geological exploration.**

In total in 2015, investments (capital investments) in non-financial assets of ALROSA Group\* totalled RUB 36,854.2 mn (RUB 38,621.1 mn in 2014) including RUB 25,668.0 mn of investments in construction (RUB 27,216.0 mn in 2014), RUB 8,653.4 mn of investments in technical upgrade and replacement of worn-out equipment (RUB 8,846.3 mn in 2014) and RUB 2,532.9 mn of other capital investments (RUB 2,558.8 mn in 2014).

\*The data on ALROSA Group capital investments is presented in accordance with RAS

## CAPITAL INVESTMENTS OF ALROSA GROUP\* BASED ON RAS, MN RUB

| Company   | 2013            | 2014            | 2015            | % compared to 2014 |
|---|-----------------|-----------------|-----------------|--------------------|
| <b>Construction:</b>  | <b>29,335.7</b> | <b>27,216.0</b> | <b>25,668.0</b> | <b>94.3%</b>       |
| Investments in underground mines  | 10,708.2        | 14,058.8        | 12,150.7        | 86.4%              |
| Other core production facilities  | 13,522.2        | 7,362.9         | 6,089.2         | 82.7%              |
| Ancillary production facilities   | 4,627.3         | 4,993.9         | 6,744.7         | 135.1%             |
| Facilities for social purposes  | 478.0           | 800.5           | 683.4           | 85.4%              |
| <b>Technical upgrade and replacement of worn-out equipment</b>  | <b>8,756.4</b>  | <b>8,846.3</b>  | <b>8,653.4</b>  | <b>97.8%</b>       |
| <b>Other capital expenditures:</b>  | <b>4,542.8</b>  | <b>2,558.8</b>  | <b>2,532.9</b>  | <b>99.0%</b>       |
| Prospecting assets (geological exploration)   | 801.0           | 2,185.7         | 2,014.3         | 92.2%              |
| R&D   | 258.4           | 170.9           | 242.4           | 141.8%             |
| Other non-current assets (acquisition of fixed assets, construction work currently in progress, housing construction) | 3,483.5         | 202.2           | 276.2           | 136.6%             |
| <b>TOTAL capital investments of ALROSA Group</b>  | <b>42,634.9</b> | <b>38,621.1</b> | <b>36,854.2</b> | <b>95.4%</b>       |

PJSC ALROSA made

**76%**

ALROSA Group investments in non-financial assets

\*For the purpose of this section, the ALROSA Group comprises PJSC ALROSA and 37 subsidiaries and affiliates of the Company in accordance with the list approved by the Order On preparation of the Annual Report of PJSC ALROSA and ALROSA Group for 2015 dated 11.12.2015.

## PJSC ALROSA INVESTMENTS

In accordance with results of 2015, PJSC ALROSA made the major part (about 76%) of ALROSA Group investments in non-financial assets: RUB 27,899.4 mn (RUB 28,049.1 mn in 2014) including RUB 20,288 mn of investments in construction

(RUB 19,738.6 mn in 2014), RUB 6,644.7 mn of investments in technical upgrades and replacement of worn-out equipment (RUB 7,200.1 mn in 2014) and RUB 966.7 mn of other investments (RUB 1,110.4 mn in 2014).

## CAPITAL INVESTMENTS OF PJSC ALROSA BASED ON RAS, MN RUB

| Construction:                            | 2013            | 2014            | 2015            | % compared to 2014 |
|--|-----------------|-----------------|-----------------|--------------------|
| <b>Construction:</b>                     | <b>18,042.6</b> | <b>19,738.6</b> | <b>20,288.0</b> | <b>102.8%</b>      |
| Investments in underground mines         | 10,708.2        | 14,058.8        | 12,150.7        | 86.4%              |
| <i>newly created facilities</i>          | 8,865.3         | 11,538.0        | 6,782.8         | 58.8%              |
| <i>maintenance of current facilities</i> | 1,842.9         | 2,520.8         | 5,367.9         | 212.9%             |
| Other core production facilities         | 3,548.6         | 1,546.3         | 2,327.9         | 150.5%             |
| Ancillary production facilities          | 3,308.1         | 3,333.7         | 5,127.1         | 153.8%             |
| Facilities for social purposes           | 477.7           | 799.8           | 682.3           | 85.3%              |

|   |                 |                 |                 |              |
|---|-----------------|-----------------|-----------------|--------------|
| <b>Technical upgrade and replacement of worn-out equipment</b>  | <b>7,125.9</b>  | <b>7,200.1</b>  | <b>6,644.7</b>  | <b>92.3%</b> |
| <b>Other expenditures of capital nature:</b>  | <b>3,782.5</b>  | <b>1,110.4</b>  | <b>966.7</b>    | <b>87.1%</b> |
| Prospecting assets (geological exploration)   | 546.3           | 975.6           | 664.5           | 68.1%        |
| R&D   | 153.7           | 126.8           | 198.1           | 156.2%       |
| Other non-current assets (acquisition of fixed assets, construction work currently in progress, housing construction) | 3,082.5         | 8.0             | 104.2           | 1,302.5%     |
| <b>TOTAL capital investments of PJSC ALROSA</b>   | <b>28,951.0</b> | <b>28,049.1</b> | <b>27,899.4</b> | <b>99.5%</b> |

**The key 2015 investments in core production comprised:**

- **the construction of the Udachny underground mine (capital investments amounted to RUB 6,782.8 mn);**
- **maintenance of the existing capacities of Mir, Internatsionalny and Aikhal underground mines (capital investments amounted to RUB 5,367.9 mn).**

Investments in other production related facilities include construction of a biological treatment unit in the town of Lensk and sewage treatment facilities in the settlement of Aikhal and city of Udachny. In 2015, a water purification plant was installed at the Aikhal settlement as well as a wash water pumping station with tanks in the town of Mirny, while renovation of the sewage pumping station was also completed at Mirny airport. In addition, in the reporting year an ionizing radiation sources storage facility was established in the town of Mirny.

The major part of the funds appropriated for construction of the facilities not used for production purposes was allocated for construction of housing facilities for 340 people and completion of the construction and opening in Q3 2015 of a kindergarten for 240 children in the town of Mirny.

The major part of the capital investments in technical upgrade and replacement of worn-out equipment was allocated accordingly: RUB 3,938.4 mn to mining and processing divisions (59.3% of the total investments), RUB 843.1 mn to procurement enterprises (12.7%) and RUB 696.0 mn to transport enterprises (10.5%).

In implementing the technical upgrade and replacement of worn-out equipment

plan in 2015, the following tasks were accomplished:

- worn-out utility vehicles were replaced and the basic mining machinery used for open pit mining in Aikhal and Nyurba MPDs was updated;
- self-propelled mining machinery for underground mines of Aikhal and Mirny MPDs was updated;
- installation of the mill was completed and it was subsequently put into operation; the process flow of processing plant No. 12 of Udachny MPD was upgraded;
- the installation and launch of two medium dense separation modules at processing plant No. 14 of Aikhal MPD was completed;
- 35 X-ray fluorescence separators and 4 X-ray separators were put into operation;
- a crushing and sorting unit for supplying crushed rock to Mirny production site was put into operation;
- washing plant No. 2 at Vodorazdelniye Galechniki mine of Irelyakhskaya placer was put into operation.



## INVESTMENTS OF SUBSIDIARIES AND AFFILIATES

Based on results of 2015, subsidiaries and affiliates of ALROSA Group account for about 24% of the total capital investments in non-financial assets, which totalled RUB 8,954.9 mn (RUB 10,572 mn in 2014) including RUB 5,380 mn of investments in construction (RUB 7,477 mn in 2014),

RUB 2,008.7 mn of investments in the technical upgrade and replacement of worn-out equipment (RUB 1,646.2 mn in 2014) and RUB 1,566.2 mn worth of other capital investments (RUB 1,448.4 mn in 2014).

**ALROSA Group subsidiaries and affiliates accounted for**

**24%**

**of the Group's total capital investments in non-financial assets**

### CAPITAL INVESTMENTS OF ALROSA GROUP SUBSIDIARIES AND AFFILIATES BASED ON RAS, MN RUB

| <i>Company</i>  | <i>2013</i>     | <i>2014</i>    | <i>2015</i>    | <i>% compared to 2014</i> |
|---|-----------------|----------------|----------------|---------------------------|
| <b>Construction:</b>  | <b>11,293.1</b> | <b>7,477.4</b> | <b>5,380</b>   | <b>72.0%</b>              |
| Core production facilities  | 9,973.6         | 5,816.6        | 3,761.3        | 64.7%                     |
| Ancillary production facilities   | 1,319.2         | 1,660.2        | 1,617.6        | 97.4%                     |
| Facilities for social purposes  | 0.3             | 0.7            | 1.1            | 157.1%                    |
| <b>Technical upgrade and replacement of worn-out equipment</b>  | <b>1,630.5</b>  | <b>1,646.2</b> | <b>2,008.7</b> | <b>122.0%</b>             |
| <b>Other capital expenditure:</b>   | <b>760.3</b>    | <b>1,448.4</b> | <b>1,566.2</b> | <b>108.1%</b>             |
| Prospecting assets (geological exploration)   | 254.7           | 1,210.1        | 1,349.8        | 111.5%                    |
| R&D   | 104.7           | 44.1           | 44.3           | 100.5%                    |
| Other non-current assets (acquisition of fixed assets, construction work currently in progress, housing construction) | 401             | 194.2          | 172.1          | 88.6%                     |
| <b>TOTAL capital investments of all subsidiaries and affiliates of the Group</b>                                      | <b>13,683.9</b> | <b>10,572</b>  | <b>8,954.9</b> | <b>84.7%</b>              |

In 2015, the diamond mining companies' share in the total capital investments of the Group amounted to 15%. Investments of JSC Almazy Anabara, JSC Nizhne-Lenskoe, PJSC ALROSA-Nyurba and PJSC Severalmaz based on results of 2015 totalled RUB 5,523.7 mn (RUB 8,543.0 mn in 2014).

Capital investments in gas assets (OJSC ALROSA-Gas, CJSC Geotransgaz, LLC Urengoy Gas Company) in the reporting

year amounted to RUB 2,224.4 mn (RUB 1,189.7 mn in 2014). In 2015, the share of investments by gas producing companies in the total capital investments of the Group amounted to 6%.

Investments in non-financial assets by the remaining enterprises and other companies of the Group amounted to RUB 1,189.6 mn (RUB 838.6 mn in 2014) or 3% of the total capital investments.

## INNOVATIVE DEVELOPMENT

The Program of Innovation Development and Technological Upgrade for 2011-2018 was approved by the Supervisory Board of the Company (Minutes No. 212 dated 24.04.2014). Currently, an updated version for 2016-2023 is being developed.

An optimal option for the Group under the existing circumstances is the one that includes leadership in those segments of diamond mining industry where competitive advantages lie or can be gained quickly through the implementation of Russian inventions and developments.

Significant attention is given annually to the development of inventions and rationalization activity. In 2015, PJSC ALROSA introduced 27 scientific and technical developments and received 11 title documents for utility models and inventions.

The strategic areas of the Innovation Development and Technological Update Program are:

- improvement of enterprise operational activity efficiency;
- development of new rough diamond mining technologies;
- creation and implementation of cost-effective development technologies for low-grade and technogenic deposits and the deposits in remote areas away from the centres with a developed infrastructure;
- improvement of geological exploration efficiency;
- energy saving and energy efficiency;
- ecology and environmental protection;
- introduction of integrated information and communication systems;
- automation of technological processes;
- introduction of new materials and technologies in design and construction.

Main projects of the Innovative Development Program:

- introduction of innovative methods of airborne geophysical prospecting for diamonds;
- introduction of the X-ray separation of diamonds;
- carrying out research on determining the content of low luminescent, non-luminescent and undetectable

- diamonds in diamondiferous products falling under -50+5 mm size category;
- testing of an experimental electric pulse kimberlite disintegration unit;
- the technology surrounding the enriching of the poor content ore using the method of comparative spectral analysis of the intensity of the carbon characteristic radiation line;
- detection of rough diamonds inside a piece of rock applying the method of dual-energy X-ray absorptiometry using high energy electromagnetic quanta;
- development and manufacturing of a fully-fledged separator prototype for automatic separation and one-by-one extraction of rough diamonds from concentrates of diamondiferous minerals with dimensions of (-5+1);
- introduction of unique rough diamond sorting machines.

**27**  
**scientific and  
technical  
developments  
introduced in  
2015**



## FUNDING OF THE INNOVATION DEVELOPMENT PROGRAM

The actual volume of funding the Innovation Development and Technological Upgrade Program of PJSC ALROSA in 2015 amounted to RUB 2,100.4 mn (RUB 2,040.7 mn in 2014). The funding

was reduced compared to the previous year mainly due to a transition to the stage of introduction/implementation of the key innovation projects, which entails a reduction in capital expenditure.

### FUNDING OF THE INNOVATION DEVELOPMENT PROGRAM, MN RUB

| <i>Company</i>   | <i>2014</i>     | <i>2015</i>     |
|--|-----------------|-----------------|
| Funding of research and development  | 673.76          | 874.3           |
| Capital investments  | 1,334.13        | 748.29          |
| Other investments for the purchase of materials, software and services with a view to implementing technological innovations | 519.80          | 298.77          |
| Cost of targeted training at the premises of HEIs*   | 22.66           | 36.44           |
| Expenses associated with marketing and organizational innovations, international cooperation                                 | 143.56          | 82.92           |
| <b>TOTAL</b>   | <b>2,693.91</b> | <b>2,040.72</b> |

\*HEI – higher education institutions

## KEY PERFORMANCE INDICATORS OF THE INNOVATION DEVELOPMENT PROGRAM

As a result of the innovation program implementation, the planned figures of

the key performance indicators of PJSC ALROSA for 2015 were achieved.

| <i>Indicator</i>  | <i>2014</i> | <i>2015</i>       |
|---|-------------|-------------------|
| <b>1. Research funding and goal achievement indicators</b>  |             |                   |
| R&D funding, % of the revenue   | 0.36        | 0.40 <sup>1</sup> |
| Number of R&D projects developed and integrated into production process, pcs.   | 28          | 27                |
| <b>2. Technological leadership indicators</b>   |             |                   |
| The number of patents and other intellectual property protection documents for the year, pcs. (received by PJSC ALROSA)                             | 13          | 11 <sup>2</sup>   |
| The number of patents and other intellectual property protection documents for the year, pcs. (OJSC Research and Production Enterprise Bourestvnik) | 23          | 13                |
| <b>3. Innovation efficiency indicators</b>  |             |                   |
| Innovation efficiency indicator, RUB/RUB  | 0.48        | 1.17 <sup>3</sup> |
| R&D introduction effectiveness indicator, RUB/RUB   | 1.40        | 1.94 <sup>3</sup> |

#### 4. Environmental friendliness indicators

|   |        |                  |
|---|--------|------------------|
| CO emissions from stationary sources, thousand kg                                     | 3,007  | 2,790            |
| CO emissions from mobile sources, thousand kg   | 1,247  | n/a <sup>4</sup> |
| Water extraction from the storage reservoir for needs of PJSC ALROSA, thousand cub. m | 24,350 | 24,606           |
| <b>5. Energy efficiency indicator</b>   |        |                  |
| Energy consumption in GJ per carat of mined products                                  | 0.334  | 0.323            |
| <b>6. Labour productivity indicator</b>   |        |                  |
| Revenue per employee involved in core activities, mn RUB                              | 12.21  | 11.22            |

<sup>1</sup> Only PJSC ALROSA own funds amounting to RUB 740.19 mn, which is 0.40% of the actual revenue and 0.42% of the target revenue, were taken into account when calculating the R&D funding/results ratio;

<sup>2</sup> Currently 3 patent applications and 2 applications for obtaining other intellectual property protection documents have been submitted for approval, on which preparation commenced in 2015;

<sup>3</sup> Predicted figure. It is calculated based on information about the expected economic impact from introduction of innovations;

<sup>4</sup> Due to the absence of methods for determining CO emissions from mobile sources approved at the statutory level in the Russian Federation, pursuant to letter of the Ministry of Natural Resources and Environment of the Russian Federation No. 12-47/5413 On payment for the adverse effect from mobile sources dated March 10, 2015, no monitoring of CO emissions from mobile sources was performed in 2015.

The Company won several awards for its innovative solutions:

- Science and Technology Prize awarded by the Government of the Russian Federation to a specialist group of the Company for the creation and large-scale commercial introduction of the systems of underground diamond deposits development under the extreme conditions of the cryolithic zone of Yakutia;
- Diploma of Merit awarded by the National Association of Design Engineers and Surveyors in the most innovative project contest for the category The Best Design in the Education Sector for the design of a kindergarten with an innovative natural lighting system for 240 children in the town of Mirny;
- Diploma of Merit and the title of The Best Research Institution in Russia 2015 awarded to the Yakutniproalmaz Institute

based on results of the National Contest, 100 Best Enterprises and Organizations of Russia.

In the coming years, the technological segment of the innovation program will evolve in the following directions:

- a gradual shift of the Company focus from local issues solved through the use of standard materials and technical means (modernization, introduction of foreign machinery and equipment) to specific long-term issues that require an individual innovative approach and possess high economic potential;
- gradual growth in trust of the innovative corporate system, increase in intensity of the innovation processes;
- increased expenditure on funding research that will open the door for innovative development and ensure the Company's ability to compete in rough diamond mining on a global level.

# FINANCIAL RESULTS FOR 2015

## FINANCIAL PERFORMANCE FOR 2015

The current review of the financial results is based on the consolidated financial statements of the ALROSA Group prepared in accordance with IFRS for 2015. In 2015, the Company demonstrated better financial results compared to 2014 despite a lower demand for rough diamond products and the consequent reduced sales in

carats. The favourable foreign currency market conditions contributed to increased profitability of the Company in the reporting year. The total debt burden of the Company denominated in US Dollars decreased by the end of 2015 and, consequently, the net debt to EBITDA ratio remained in a comfortable position.

**The Company demonstrated better financial results compared to 2014**

## CONSOLIDATED KEY FINANCIAL INDICATORS

The consolidated revenue increased by 8.4% per annum and amounted to RUB 224.5 bn compared to RUB 207.2 bn in 2014.

EBITDA increased by 26% compared to 2014 amounting to RUB 118.5 bn, the EBITDA margin increased from 45.3% to 52.8%. The net profit amounted to RUB 32.2 bn compared to the net loss of RUB 16.8 bn in 2014. The reasons for the indicators' growth included foreign

currency market conditions that positively impacted sales and the Company controls on expenditure.

The net cash flow decreased by 2% compared to 2014 and reached RUB 41.3 bn as a result of the decreased cash flow from operating activities of the Company. Net debt/EBITDA indicator decreased from 1.9 as of the end of 2014 to 1.7 as of December 31, 2015.

| <i>Indicator</i>       | <i>2014</i> | <i>2015</i> | <i>% compared to 2014</i> |
|------------------------|-------------|-------------|---------------------------|
| Sales revenue, mn RUB  | 207,159     | 224,524     | 108.4%                    |
| Cost of sales, mn RUB  | - 99,334    | - 93,240    | 93.9%                     |
| EBITDA, mn RUB         | 93,857      | 118,498     | 126.3%                    |
| EBITDA margin, %       | 45.3        | 52.8        | 7.5 pp                    |
| Net profit, mn RUB     | - 16,832    | 32,192      | –                         |
| Net income margin, %   | -8.1        | 14.3        | 22.4 pp                   |
| Net cash flow, mn RUB  | 42,059      | 41,300      | 98.2%                     |
| Net debt/EBITDA, times | 1.9         | 1.7         | -0.2                      |

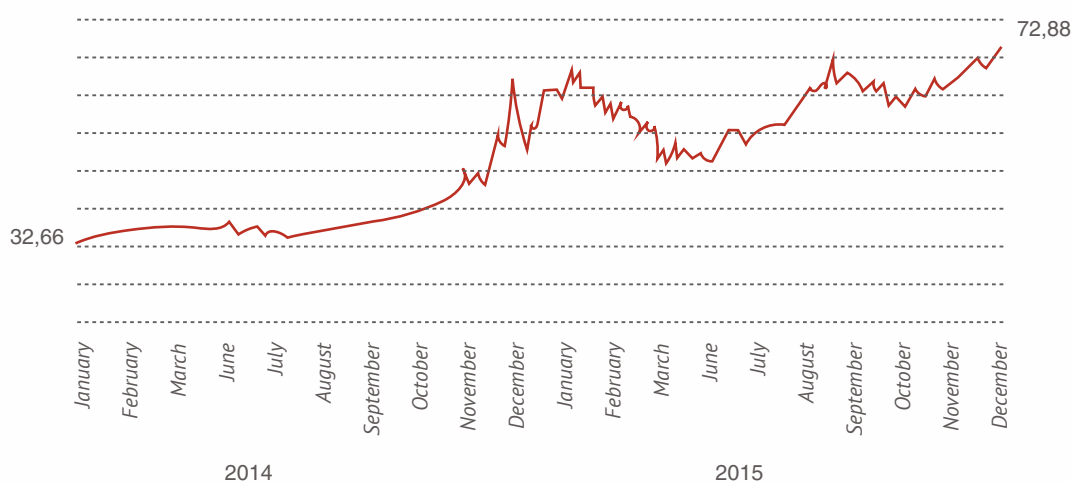
**8,4%**  
consolidated  
revenue growth

## CONSOLIDATED REVENUE STRUCTURE

The consolidated Group revenue growth by 8% in 2015 compared to 2014 was achieved mainly due to the increased income from export rough diamond sales. Reduction of physical sale volumes in carats and lowering of prices for rough

diamonds was compensated by the foreign currency market conditions that were favourable toward export sales. The annual average exchange rate of the US dollar to the Russian rouble grew from 38.4 in 2014 to 61.0 in 2015.

## US DOLLAR TO RUSSIAN ROUBLE EXCHANGE RATE CHANGES IN 2014-2015\*



\*Source: the Central Bank of the Russian Federation, not including weekends and public holidays

## CONSOLIDATED REVENUE STRUCTURE, MN RUB

| Indicator             | 2014           | 2015           | % compared to 2014 |
|-----------------------|----------------|----------------|--------------------|
| Sales of diamonds     | 184,065        | 201,242        | 109.3%             |
| Sales of gas          | 6,797          | 6,343          | 93.3%              |
| Transport             | 4,884          | 5,671          | 116.1%             |
| Social infrastructure | 4,995          | 4,014          | 80.4%              |
| Other                 | 6,418          | 7,254          | 113.0%             |
| <b>TOTAL</b>          | <b>207,159</b> | <b>224,524</b> | <b>108.4%</b>      |

Rough diamonds sales share in the consolidated revenue grew insufficiently to 90% in the reporting year compared to 89% in 2014. In terms of value,

gem-quality diamonds accounted in 2015 for 92% of sales, which is the same as in 2014.

## COST PRICE

The cost of sales based on results of 2015 decreased by 6.1% compared to 2014 and reached RUB 93.2 bn. Prime cost of production grew by 22.6% compared

to 2014 mainly due to increased MET and increased payroll, fuel, power and materials expenditures.

### PRIME COST BY COST ELEMENT, MN RUB

| <i>Indicator</i>                                      | <i>2014</i>   | <i>2015</i>    | <i>% compared to 2014</i> |
|---|---------------|----------------|---------------------------|
| Salary, payroll taxes and other payments to employees | 34,279        | 40,253         | 117.4%                    |
| Amortization  | 18,452        | 19,096         | 103.5%                    |
| Mineral Extraction Tax                                | 14,697        | 23,323         | 158.7%                    |
| Fuel and power  | 13,686        | 17,610         | 128.7%                    |
| Materials   | 9,569         | 12,098         | 126.4%                    |
| Services  | 5,138         | 5,748          | 111.9%                    |
| Transport   | 2,474         | 2,118          | 85.6%                     |
| Other   | 1,058         | 1,568          | 148.2%                    |
| <b>TOTAL production cost</b>                          | <b>99,353</b> | <b>121,814</b> | <b>122.6%</b>             |
| Changes in rough diamond, ore and sand reserves       | -898          | -29,832        | 3,322.0%                  |
| Prime cost of diamonds for resale                     | 879           | 1,258          | 143.1%                    |
| <b>TOTAL cost of sales</b>                            | <b>99,334</b> | <b>93,240</b>  | <b>93.9%</b>              |

Mineral Extraction Tax expenses grew by RUB 8.6 bn compared to 2014 mainly due to depreciation of the Russian rouble against the US dollar and rough diamond production growth.

Payroll expenditures in 2015 grew almost by RUB 6 bn compared to 2014 mostly due to salary indexation within inflation limits as well as due to the work scope increase caused by commencement of mining at the Karpinskogo-1 pipe and Udachnaya pipe underground mine.

The cost of fuel and power grew by about RUB 3.9 bn compared to 2014 mainly due to commencement of production at the underground mine of Udachnaya pipe and at Botuobinskaya and Karpinskogo-1 pipes.

Expenses on materials grew by RUB 2.5 bn compared to 2014 mainly due to scheduled maintenance at processing plant No. 8 as well as due to increased production at Karpinskogo-1 pipe and placer deposits.

## EBITDA

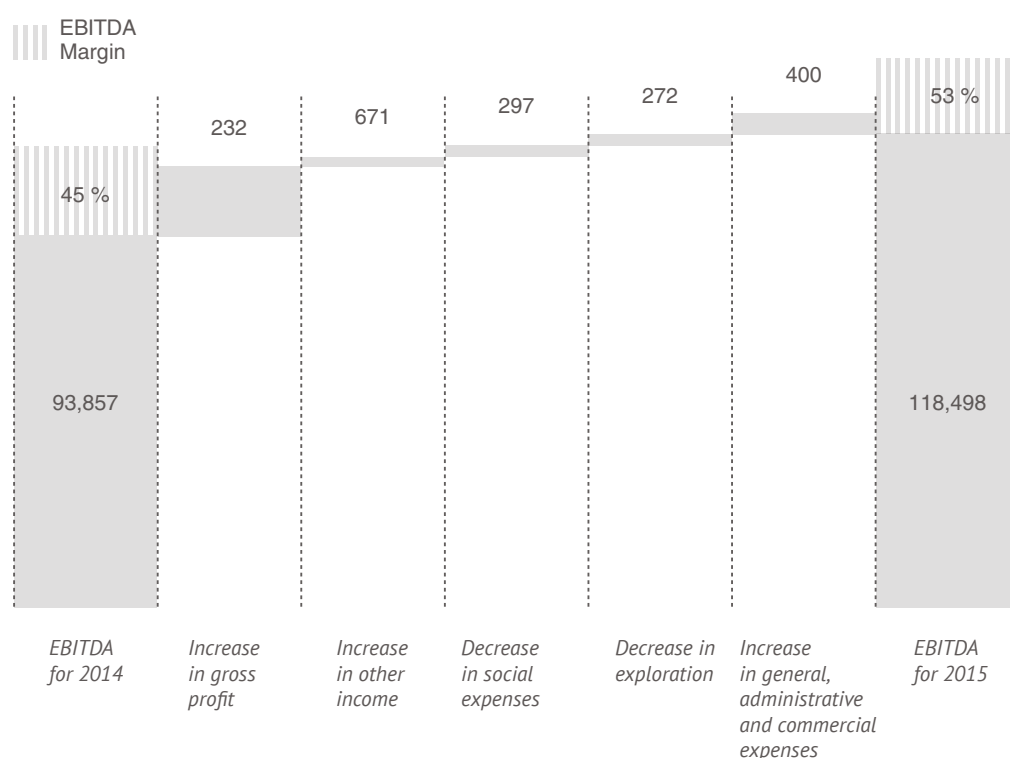
General and administrative expenses, business expenses and other operating income/expenditures changed insignificantly in 2015 compared to 2014. The total general and administrative and commercial expenses against the revenue decreased from 6.1% in 2014 down to 5.8% in 2015.

EBITDA increased by 26% compared to 2014 amounting to RUB 118.5 bn in 2015. The main factor that affected the indicator growth was increased gross profit. EBITDA profitability increased by 7.5 pp from 45.3% in 2014 to 52.8% in 2015.

## EBITDA ANALYSIS

| <i>Indicator</i>  | <i>2014</i> | <i>2015</i> | <i>% compared to 2014</i> |
|---|-------------|-------------|---------------------------|
| Operating profit, mn RUB  | 74,376      | 97,169      | 130.6%                    |
| Amortization, mn RUB  | 18,883      | 19,268      | 102.0%                    |
| Positive exchange rate differences pertaining to operating activities, mn RUB | - 3,011     | - 2,007     | 66.7%                     |
| Loss from the fixed assets retirement and write-off, mn RUB                   | 3,472       | 3,848       | 110.8%                    |
| Result from subsidiary divestiture, mn RUB                                    | 137         | 220         | 160.6%                    |
| EBITDA, mn RUB  | 93,857      | 118,498     | 126.3%                    |
| EBITDA margin, %  | 45.3        | 52.8        | 7.5 pp                    |

## EBITDA CHANGES ANALYSIS, MN RUB





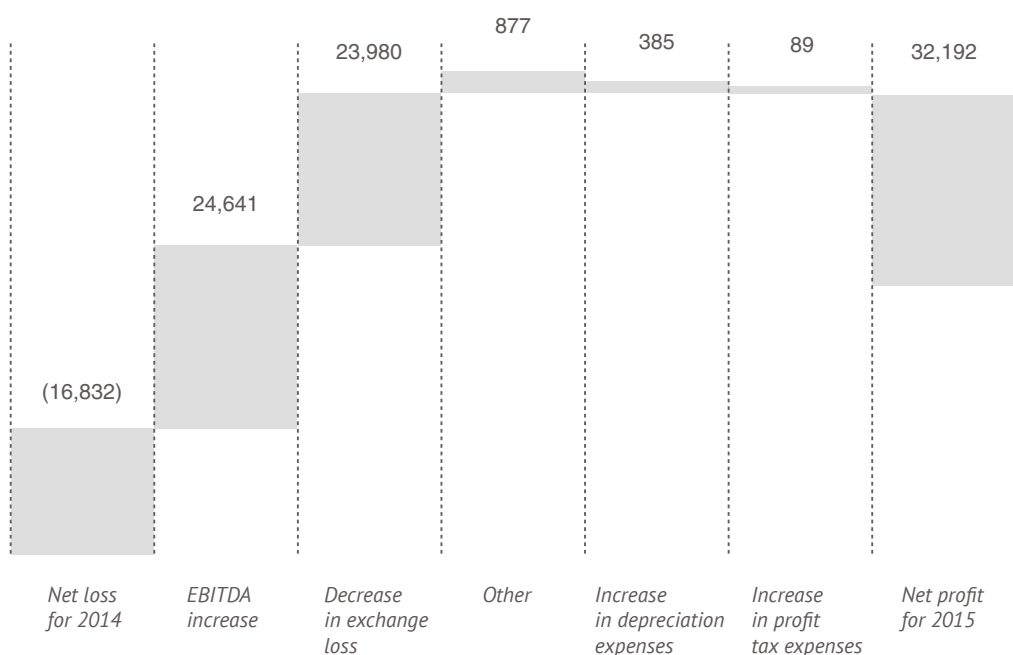
## NET PROFIT

Financial expenditures based on results of 2015 decreased by 30.2% compared to 2014 and amounted to RUB 58.5 bn. The main reason for the financial expenditures reduction was the decrease in losses from the exchange rate differences from RUB

73.8 bn in 2014 down to RUB 48.9 bn in the reporting year.

The consolidated net profit amounted to RUB 32.2 bn in 2015 compared to the net loss of RUB 16.8 bn in 2014.

## NET PROFIT CHANGES ANALYSIS, MN RUB



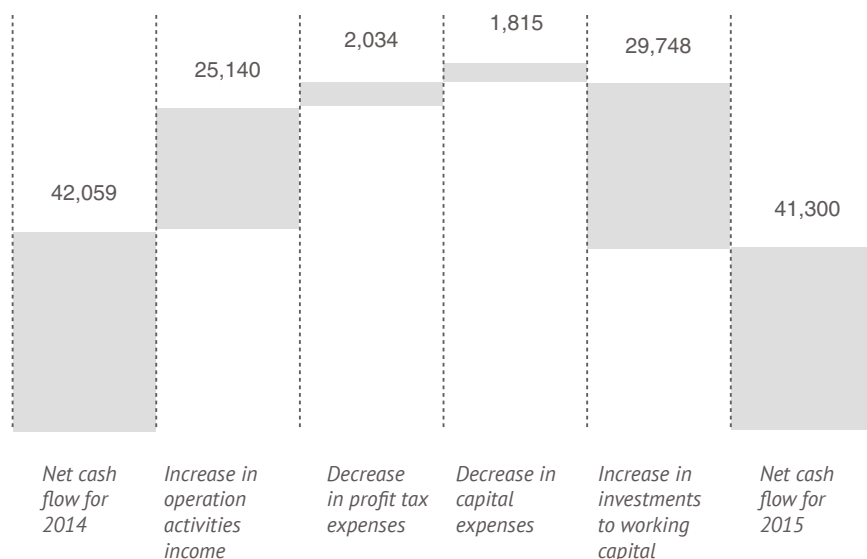
## CASH FLOW

| Indicator  | 2014    | 2015    | % compared to 2014 |
|--|---------|---------|--------------------|
| Net cash flow from operating activities before changes in working capital and tax payments, mn RUB | 94,840  | 119,980 | 126.5%             |
| Investments in working capital, mn RUB   | -4,346  | -34,094 | 784.5%             |
| Income tax paid, mn RUB  | -12,379 | -10,345 | 83.6%              |
| Net receipts from the core activities, mn RUB  | 78,115  | 75,541  | 96.7%              |
| Acquisition of fixed assets, mn RUB  | -36,056 | -34,241 | 95.0%              |
| Net cash flow, mn RUB  | 42,059  | 41,300  | 98.2%              |

The net cash flow in the reporting year almost did not change compared to 2014 due to the fact that the working capital growth was compensated for by the increased operating income.

Working capital growth in 2015 was achieved mainly due to the increased rough diamond stock in connection with slowdown of activities on the global rough diamond market.

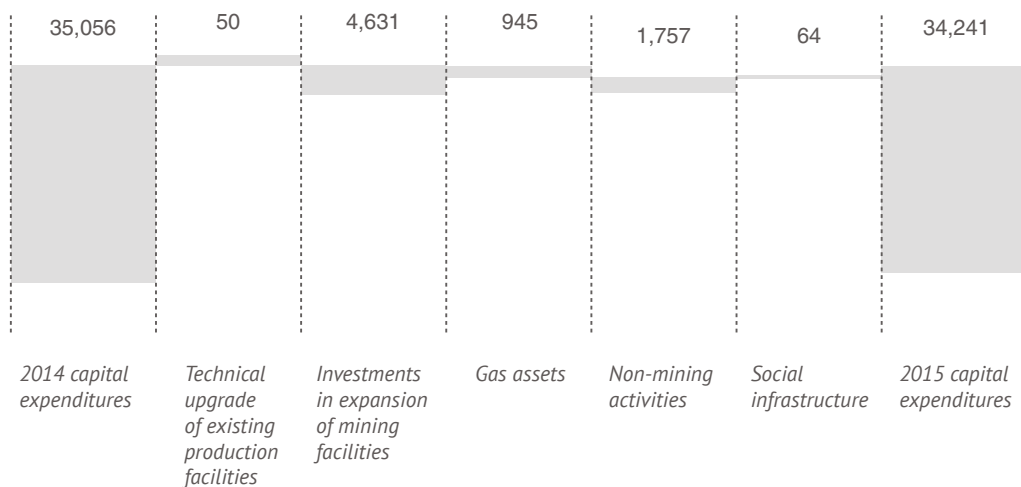
## NET CASH FLOW CHANGES ANALYSIS, MN RUB



## CAPITAL EXPENDITURES (CAPEX)

In 2015, total capital expenditure amounted to RUB 34.2 bn. decreased by 5% compared to 2014 and

## CAPITAL EXPENDITURES CHANGES ANALYSIS, MN RUB



## CAPITAL EXPENDITURES

|      | 2015   | 2016   | 2017  | 2018  | 2019 | TOTAL               |
|------|--------|--------|-------|-------|------|---------------------|
| 2015 | 16,934 | 9,491  | 2,013 | 5,041 | 762  | <b>TOTAL 34,241</b> |
| 2016 | 16,884 | 14,122 | 1,068 | 3,284 | 698  | <b>TOTAL 36,056</b> |

A reduction of investments in expansion of production capacities compared to 2014 was due to the launching of the

production facilities at the Botuobinskaya pipe, Udachny underground mine and PJSC Severalmaz.

## CAPITAL INVESTMENTS IN EXPANSION OF MINING FACILITIES, MN RUB

| <i>Indicator</i>                       | <i>2014</i>   | <i>2015</i>  | <i>% compared to 2014</i> |
|--|---------------|--------------|---------------------------|
| Mir underground mine                   | 1,356         | –            | –                         |
| Aikhal underground mine                | 767           | –            | –                         |
| Udachny underground mine               | 7,852         | 6,537        | -16.7%                    |
| Botuobinskaya pipe                     | 1,512         | –            | –                         |
| PJSC Severalmaz                        | 2,634         | 1,547        | -41.3%                    |
| Verkhne-Munskoe deposit and Zarya pipe | –             | 1,407        | –                         |
| <b>TOTAL</b>                           | <b>14,122</b> | <b>9,491</b> | <b>-32.8%</b>             |

## LIQUIDITY AND FINANCIAL STABILITY

The total debt as of December 31, 2015 grew by 13.2% compared to last year and amounted to RUB 223.2 bn. Increase of the total debt in roubles occurred due to depreciation of the Russian rouble against the US dollar in the reporting year. The total debt denominated in foreign currency decreased by 12.6% compared to the end of 2014 and amounted to USD 3,062 mn.

In 2015, the Company redeemed corporate and exchange bonds worth RUB 20 bn and repaid part of the credit portfolio worth USD 85 mn ahead of schedule. Thus, as of December 31, 2015, practically 100% of the Group liabilities comprised the debts denominated in US dollars, while as of December 31, 2014 the foreign currency borrowings to rouble borrowings ratio was 90% to 10%.

*The exchange rate as of 31.12.2015 is RUB 72.88 to USD 1.*

*The exchange rate as of 31.12.2014 is RUB 56.26 to USD 1*

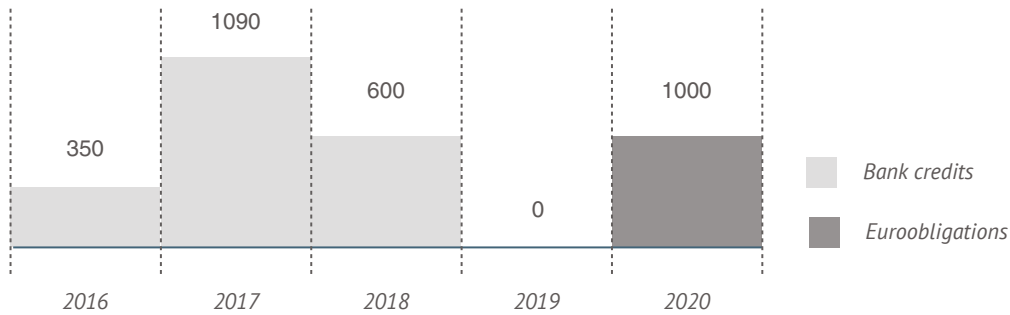
## CONSOLIDATED DEBT PORTFOLIO ANALYSIS

| <i>Company</i>           | <i>31.12.2014</i> | <i>31.12.2015</i> | <i>% compared to 2014</i> |
|--------------------------|-------------------|-------------------|---------------------------|
| Long-term part, mn RUB   | 176,358           | 197,467           | +12.0%                    |
| Short-term part, mn RUB  | 20,802            | 25,692            | +23.5%                    |
| Total debt, mn RUB       | 197,160           | 223,159           | +13.2%                    |
| % of the long-term part  | 89%               | 88%               | -1 pp                     |
| Total debt, mn USD       | 3,504             | 3,062             | -12.6%                    |
| Net debt, mn RUB         | 175,467           | 202,656           | +15.5%                    |
| Total debt/EBITDA, times | 2.1               | 1.9               | -0.2x                     |
| Net debt/EBITDA, times   | 1.9               | 1.7               | -0.2x                     |

The debt portfolio structure did not change significantly in terms of the principle liabilities repayment schedule. The long-term borrowing share decreased

slightly to 88% as of December 31, 2015 (compared to 89% as of December 31, 2014).

## LOANS AND LIABILITIES REPAYMENT SCHEDULE, MN USD



Floating and fixed interest rate borrowings ratio altered from 17% to 83% as of December 31, 2014 and from 20% to 80% as of December 31, 2015.

The weighted average interest rate on the received credits and loans as of December 31, 2015 amounted to 5.8% (compared to 6.1% as of December 31, 2014).



# RISK MANAGEMENT

## RISK MANAGEMENT SYSTEM

The risk management system is a process comprising continuous identification, monitoring, analysis and consideration of risks in the current operating activities and investment projects planning. The risks that can affect the achievement of strategic and operational goals of the Company are taken into consideration first and foremost.

In 2015, the Supervisory Board adopted a resolution approving a new revision of the Regulations on risk management of PJSC ALROSA and the Risk management policy of PJSC ALROSA.

The aforementioned documents

determine the structure and procedure for organization of the risk management system of the Company including its principles, goals and tasks in the area of risk management, unified terminology, key elements of the risk management system, functions and roles of participants in the risk management process, key stages of the risk management process and tasks of the participants.

The main goal of the risk management system of ALROSA Group is minimizing impact of adverse internal and external factors on results of activities. The Company manages the following types of risks:

**In 2015, Supervisory Board adopted a resolution approving a new version of the Regulations on risk management of PJSC ALROSA and the Risk management policy of PJSC ALROSA**

## KEY RISK GROUPS

### External environment risks – difficult to manage

### Internal environment risks - manageable

|                                      |                      |         |                   |             |                            |                     |
|--------------------------------------|----------------------|---------|-------------------|-------------|----------------------------|---------------------|
| Country-specific and region-specific | Regulatory and legal | Social  | Industry-specific | Financial   | Corporate governance risks | Production-specific |
| Macroeconomic                        | Political            | Natural |                   | Technogenic |                            |                     |

| Risk groups                          | Major risk factors  | Possible consequences   | Main risk management mechanisms   |
|--------------------------------------|---|---|---|
| Country-specific and region-specific | <p>Business activities of ALROSA in the Russian Federation, on which sanctions were imposed</p> <p>The majority of assets of the Group are located in the Republic of Sakha (Yakutia), a geographically remote region with severe climatic conditions.</p> <p>The sales companies and Catoca Ltd. Mining Co., an associated diamond mining company, operate under foreign jurisdictions</p> | <p>Decrease in foreign investments</p> <p>Complexity of the transport scheme for delivering materials and equipment and supplying energy to key the production facilities</p> <p>Reduction of profitability of investments in foreign assets. Restrictions on activities on international markets</p> | <p>Interaction with governmental agencies of the Russian Federation</p> <p>Establishment of a reliable transport scheme to deliver materials and equipment in Yakutia</p> <p>Ensuring availability of backup power and heat supply sources</p> <p>Monitoring of changes in legislation and the political regime of foreign states</p> |

|                      |  |  |  |
|----------------------|--|--|--|
| Regulatory and legal | <p>Law compliance obligations</p> <p>Changes in foreign exchange, tax, customs and other legislation</p> <p>Monopolistic position in the rough diamond market of Russia</p>                                    | <p>Deterioration in the financial condition of the Group</p> <p>Political and economic costs</p>         | <p>Monitoring and strict compliance with the legislation in all areas of activity of the Group</p> <p>Constructive dialogue with regulators on issues concerning interpretation of legislation</p> <p>Development and obtaining approval from the Federal Anti-Monopoly Service (FAS) of public procedures for working with buyers</p>                                   |
| Social               | <p>Working conditions, including natural and climatic conditions</p> <p>Specifics of the mining industry</p>   | <p>Insufficient production staff and qualified personnel</p>   | <p>Implementation of HR policy aimed at attracting and retaining qualified personnel, timely and high-quality training, development, adaptation of the personnel, formation of a pool of qualified candidates.</p> <p>Following social partnership principles based on a collective agreement</p> <p>Meetings of the management with the Company labour collectives.</p> |
| Macroeconomic        | <p>Macroeconomic changes affecting consumers' welfare</p> <p>Fluctuations in demand for the product</p> <p>Changes in prices for products of the Company</p> <p>Changes in foreign currency exchange rates</p> | <p>Production volume decrease</p> <p>Reduction of demand for diamond jewellery</p> <p>Loss of profit</p> | <p>Price regulation based on analysis and monitoring</p> <p>Formation of the sales system on the basis of long-term contracts</p> <p>Interaction with governmental agencies of the Russian Federation</p> <p>Interaction with international industry-specific organizations</p>  |
| Political            | <p>Changes in the politics of the country</p>  | <p>Restricted access to foreign capital</p>  | <p>State support in obtaining loans</p>  |

|                            |  |  |  |
|----------------------------|--|--|--|
| Natural                    | <p>Seasonal flood and flooding</p> <p>Forest fires</p>   | <p>Production process stoppage</p>   | <p>Activities aimed at floodwater diversion</p> <p>Blaster teams and explosive materials, motor vehicles and aircrafts</p> <p>Equipping all the machinery operating in forests with spark arresting devices and fire extinguishing appliances</p> <p>Establishing a firefighting reserve for extinguishing forest fires</p> <p>Conclusion of an agreement with the Forestry Department of the Republic of Sakha (Yakutia) for the lease of automotive, tractor and bulldozer machinery</p> |
| Industry-specific          | <p>Limited global rough diamond stock</p> <p>Emergence of cost-effective methods of producing synthetic gem-quality diamonds</p>                                   | <p>Production volume decrease</p> <p>Reduction of demand for diamond jewellery</p> <p>Actual product price increase rates lagging behind anticipated rates</p> <p>Loss of profit</p> | <p>Implementation of a comprehensive set of measures in the following areas:</p> <ul style="list-style-type: none"> <li>– Exploration and prospecting works</li> <li>– Development of deposits with a lower diamond content</li> <li>– Construction, establishment and refinement of the performance of the underground mines meet the planned figures</li> </ul>  |
| Financial                  | <p>US dollar to Russian rouble exchange rate fluctuations</p> <p>Credit risk</p> <p>Liquidity risk</p>   | <p>Lower profits in roubles</p>  | <p>Development of mechanisms for hedging exchange rate risks using financial instruments</p>   |
| Corporate governance risks | <p>Plans concerning privatization, share capital restructuring</p> <p>Range and areas of activities of the Group</p> <p>Complex projects requiring investments</p> | <p>The materialization of these risks may cause a wide range of negative effects, from failure of individual production programs to complete business ineffectiveness</p>            | <p>Implementation of corporate governance mechanisms to avoid a conflict of interest</p> <p>Ensuring equal access for shareholders to information on the Company operations</p> <p>Preliminary analysis, discussion and preparation at the Supervisory Board meeting of the agenda items for an annual General Meeting of Shareholders</p>   |

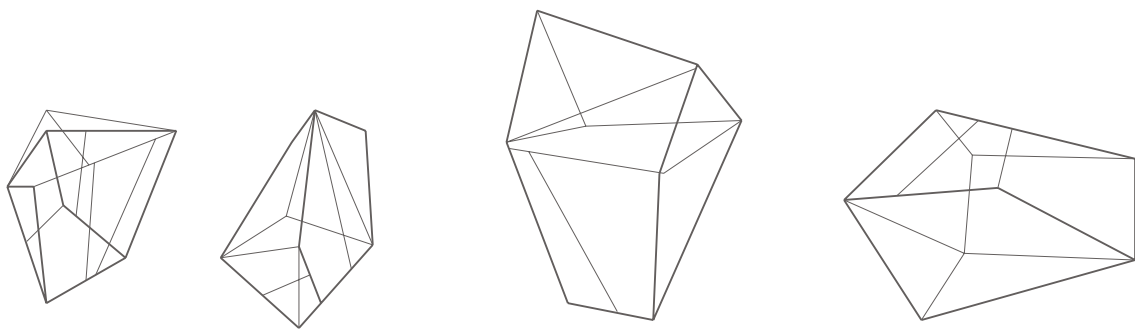
|                     |  |  |   |
|---------------------|--|--|---|
|                     |  |  | <p>Interaction with governmental agencies</p> <p>System processes for improving the organizational structure</p> <p>Development and improvement of business processes, intercorporate regulatory system</p>   |
| Production-specific | <p>Mining and geological features of deposits</p> <p>Open-pit mining and underground mining</p> <p>High level of equipment wear and tear</p> <p>Hazardous production facilities of the Group</p> | <p>Failure of production programs in the current period and in the long run</p> <p>Failure to comply with the planned diamond production parameters, loss of profit</p> <p>Harm caused to life and health</p> <p>Reparable and irreparable harm to the environment, local ecosystems</p> | <p>Technical upgrade and replacement of worn-out equipment</p> <p>Servicing of equipment and machinery in accordance with the timetable of the scheduled preventative repair works and quality assurance</p> <p>Implementation of environmental policy measures</p> <p>Corporate environmental monitoring system</p> <p>Preliminary evaluation of the possible consequences and development of environment protection measures at the design stage</p> <p>Comprehensive system of occupational safety and labour protection management, including public liability insurance for damage caused to the environment</p> |
| Technogenic         | <p>Flooding at underground production facilities</p> <p>Collapse of open pit walls and mine openings</p> <p>Fires</p>  | <p>Production process stoppage</p>   | <p>Double reserve capacity of the main water removal unit against the maximum inflow as well as additional tanks for accumulating water in mine workings</p> <p>Systems of permanent monitoring of the rock massif condition. Continuous enhancement of mine workings using modern methods and means. Emergency Response Plans</p> <p>Preventive maintenance, replacement of obsolete fire detection and suppression units with modern ones, testing of internal and external water supply</p>  |







# CORPORATE GOVERNANCE AND SECURITIES



## 2.1. CORPORATE GOVERNANCE ROLE AND PRINCIPLES

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

The Supervisory Board of PJSC ALROSA hereby reaffirms the commitment of the Company to follow the corporate governance principles specified in the Corporate Governance Code recommended in the Bank of Russia letter dated 10.04.2014. PJSC ALROSA intends to continue its efforts to introduce the key principles and recommendations from the Corporate Governance Code in activities of the Company.

### CORPORATE GOVERNANCE ROLE

Adherence to high corporate governance standards is one of the strategic priorities of the Company. Ensuring shareholder value growth in the long-term perspective is impossible without comprehensive protection of rights and interests of all shareholders. Thus, the management of PJSC ALROSA pays a lot of attention to the corporate governance: it takes into account best international practices, legislative requirements and peculiarities of its shareholding structure.

In April 2015, based on resolution of the Supervisory Board, the Company adopted a new revision of the Corporate Governance Code that ensures:

- entitlement of shareholders to exercise their rights;
- the protection of shareholder interests;
- management processes transparency;
- professional and ethical responsibility of managers at all levels;
- control of financial and economic activities.

The Code was developed in accordance with recommendations from the Bank of Russia.

Moreover, PJSC ALROSA voluntarily assumed obligations in the sphere of corporate relations additional to the ones required by the effective legislation. The Company reaffirms:

- the intention to adhere to the standards and requirements of Russian legislation and of the applicable foreign and international legislation, including in the sphere of corporate laws, anti-corruption laws, and security market laws, as well as to adhere to the main principles

of the Russian Corporate Governance Code and international standards and recommendations;

- commitment to ensuring compliance with standards and requirements of the effective legislation and best corporate governance practices and business ethics in operations of its subsidiaries and affiliates;

- requirement for employees and members of governing bodies to be well aware of and strictly adhere to provisions of the Code.

An agreement with the Russian Institute of Directors was concluded for independent assessment of the Company in the sphere of corporate governance. On March 31, 2015, the Company was given a National Corporate Governance rating of 7 out of 10 for Developed corporate governance practice. On October 12, 2015, the rating was increased to 7+, Developed Corporate Governance Practice.

The rating reflects the opinion of experts on the degree of compliance of the Company corporate governance practices with the Corporate Governance Code approved by the Government of the Russian Federation and the Bank of Russia. The rating is also an indicator of the Company reliability, as well as a tool for improving the corporate governance practice and contributes to increasing the confidence of shareholders and investors.

**In April 2015, based on resolution of the Supervisory Board, the Company adopted a new version of the Corporate Governance Code**

## “ROAD MAP”

For the purpose of introducing provisions of the Corporate Governance Code, the Supervisory Board of PJSC ALROSA approved the Action Plan (Road Map) on March 20, 2015.

Within the framework of implementation of the Action Plan (Road Map) the following were approved:

- **New revision of the Corporate**

### **Governance Code of PJSC ALROSA;**

- **Charter of PJSC ALROSA;**
- **Regulations on the General Meeting of Shareholders of PJSC ALROSA;**
- **Regulations on the Supervisory Board of PJSC ALROSA;**
- **Regulations on the Executive Committee of PJSC ALROSA.**

## CORPORATE GOVERNANCE PRINCIPLES

### **In the sphere of safeguarding rights of shareholders and equal conditions for shareholders:**

- right of shareholders to take part in management of the Company via decision making on the most important issues concerning activities of the Company;
- giving all shareholders an equal and fair opportunity to participate in the profit of the Company through receipt of dividends;
- ensuring equal conditions for all shareholders and their fair treatment by the Company;
- ensuring that shareholders have the possibility of unhindered and easy disposal of their shares;
- ensuring that all shareholders of the Company receive effective protection if their rights are violated.

### **In the sphere of organization and support of the work of the Supervisory Board:**

- performance by the Supervisory Board of strategic management of the Company, determination of the main principles of and approaches to organization of a risk management and internal control system in the Company, control of activities of executive bodies of the Company as well as performance by the Supervisory Board of other key functions;
- accountability of the Supervisory Board to shareholders of the Company;
- effectiveness and professional competence of the Supervisory Board as

a governing body of the Company, the ability of the Supervisory Board to make objective independent judgements and take decisions that meet the interests of the Company and its shareholders;

- having a sufficient number of Independent Directors on the Supervisory Board;
- ensuring an effective functioning of the Supervisory Board in the process of its convocation and conduct of meetings (voting in absentia), preparation for them and participation in them of members of the Supervisory Board;
- establishment by the Supervisory Board of committees for preliminary consideration of the most important issues concerning activities of the Company.

### **In the sphere of organization and support of the work of the Corporate Secretary:**

- the ensuring by the Corporate Secretary of an effective on-going interaction with the shareholders, coordination of the Company activities on protection of rights and interests of the shareholders and support of effective work of the Supervisory Board.

### **In the sphere of development and implementation of the system of remuneration of members of the Supervisory Board and executive bodies:**

- ensuring a fair level of remuneration paid by the Company to attract, motivate and retain the persons with the competence and expertise that the



Company requires;

- integration into the system of remuneration of executive bodies and other key managers of the Company of the principle that remuneration depends on the Company performance results and their personal contribution to achieving these results.

**In the sphere of organization and functioning of the risk management and internal control system:**

- establishment in the Company of a wellfunctioning system of risk management and internal control aimed at ensuring a reasonable confidence in achieving the goals set for the Company;
- carrying out a Company internal audit to ensure systematic independent

evaluation of reliability and effectiveness of the risk management and internal control system and corporate governance practices.

**In the sphere of disclosure of information on the Company:**

- transparency of the Company and its activities for shareholders, investors and other stakeholders;
- timely disclosure of complete, up-to-date and reliable information on the Company to provide the grounds for taking reasonable decisions by shareholders and investors;
- provision by the Company of information and documents upon request of shareholders in accordance with the principle of equal and unhindered access.

**COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The report on compliance with principles and recommendations of the Corporate Governance Code was developed and prepared in accordance with recommendations of the Bank of Russia No. IH-06-52/8 On Disclosure

in the Annual Report of a Public Joint Stock Company Report on Compliance with Principles and Recommendations of the Corporate Governance Code dated 17.02.2016.

*Detailed information on compliance with principles and recommendations of the Corporate Governance Code is given in Appendix 6.11.*

**SELF-EVALUATION OF THE CORPORATE GOVERNANCE QUALITY**

| No. | Components   | Number of issues | Weight of the component in the total score, % | Actual points | Maximum points | Compliance level |
|-----|--|------------------|---|---------------|----------------|------------------|
| 1   | Rights of shareholders                               | 22               | 14  | 72            | 79             | 91.1             |
| 2   | Board of Directors                                   | 56               | 37  | 157.5         | 202            | 78.0             |
| 4   | Executive management                                 | 5                | 7   | 28            | 38             | 73.7             |
| 5   | Transparency and disclosure of information           | 15               | 25  | 103           | 135            | 76.3             |
| 6   | Risk management, internal control and internal audit | 16               | 11  | 44            | 63             | 69.8             |
| 7   | Corporate social responsibility, business ethics     | 6                | 6   | 19            | 31             | 61.3             |
| 8   | <b>TOTAL</b>   | <b>120</b>       | <b>100</b>                                    | <b>423.5</b>  | <b>548</b>     | <b>77.3</b>      |

## MAJOR TRANSACTIONS AND INTERESTED PARTIES TRANSACTIONS

Resolutions on approval of major transactions and interested party transactions are adopted in PJSC ALROSA in accordance with the Federal Law On Joint Stock Companies:

– 287 interested party transactions were approved in the reporting period;

– no major transactions whose value amounts to 25 and more percent of the book value of the Company assets, determined based on the data contained in accounting statements as of 31.12.2015, were entered into by the Company.

*Detailed information on major transactions and interested party transactions is provided in Appendix 6.10.*

## 2.2. CORPORATE GOVERNANCE STRUCTURE

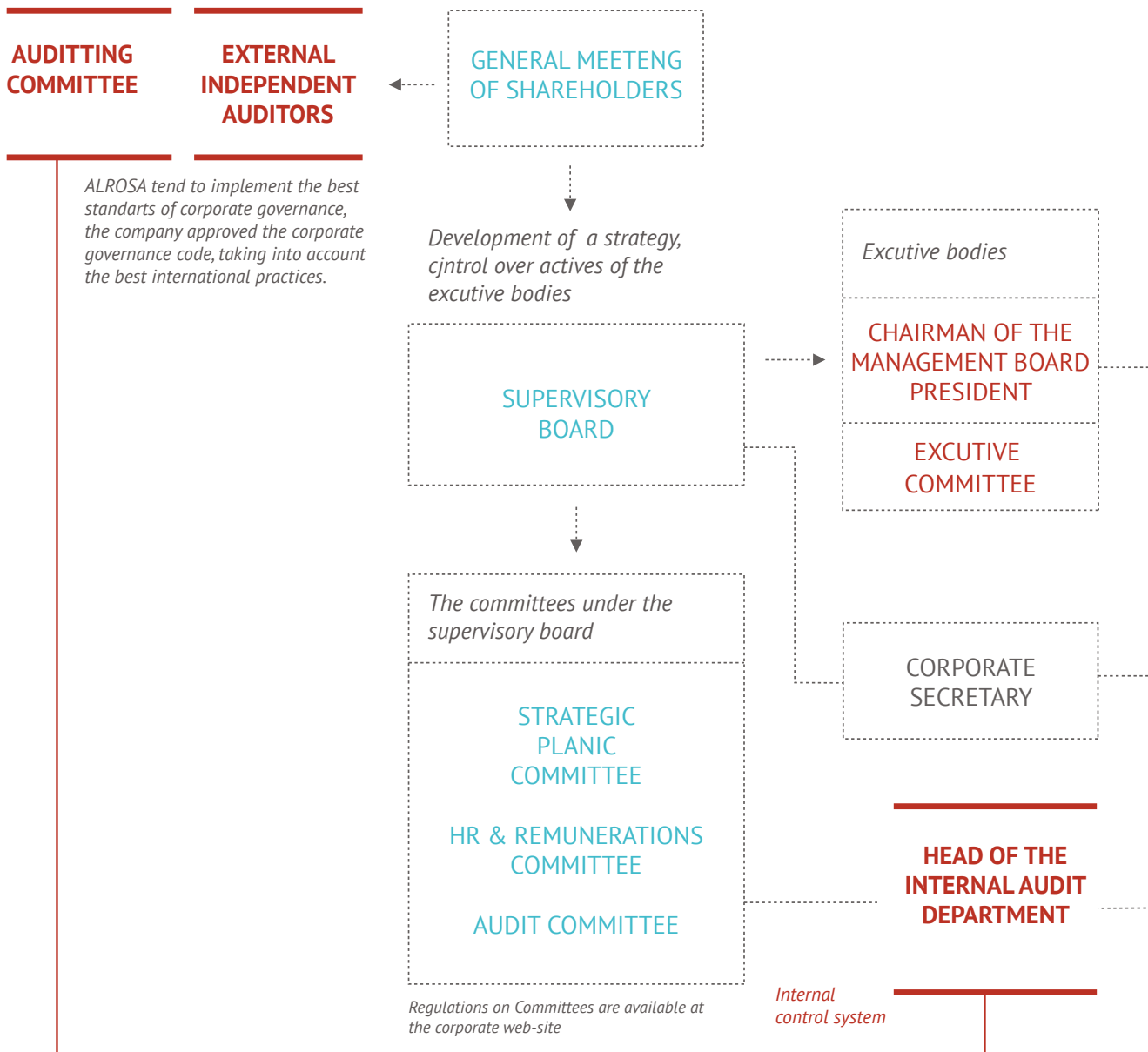
The corporate governance system of the Company is an elaborate organizational structure of governing and control bodies with a clear interaction mechanism.

General Meeting of Shareholders is the supreme governing body of the Company. The Supervisory Board exercises strategic management and controls activities of the Executive Committee that allow for the day-to-day management of the Company. The President of the Company (sole executive body) is the Chairman of the Executive Committee.

The Supervisory Board has three committees: the Strategic Planning Committee, the HR and Remunerations Committee and the Audit Committee. Activities of the committees are aimed at improvement of the efficiency and quality of work of the Supervisory Board.

The Company has in place an effective internal and external control system: two independent auditors, the Auditing Committee and the Internal Audit Department.

External control bodies



**GOVERNING BODIES' COMPETENCE**

| Governing body                  | Competence  |
|---------------------------------|---|
| General Meeting of Shareholders | <p>Issues on the agenda, resolutions on which were adopted by a three-quarter majority of shareholders voters:</p> <ul style="list-style-type: none"> <li>- amendments and additions to the Charter of PJSC ALROSA;</li> <li>- Company reorganization;</li> <li>- Company liquidation;</li> <li>- determination of the number, nominal value, category (type) of authorized shares and rights associated with these shares;</li> <li>- increase in the Company authorized capital through the placement of additional shares;</li> <li>- approval of major transactions;</li> <li>- request for delisting of shares and (or) issuable securities converted</li> </ul> |



into shares.

Issues on the agenda, resolutions on which were adopted by a simple majority of shareholder voters:

- election of members of the Supervisory Board of the Company;
- early termination of powers of members of the Supervisory Board of the Company;
- election of members of the Company Auditing Committee;
- early termination of Company Auditing Committee member powers;
- approval of the Company auditor;
- approval of annual reports of the Company;
- approval of the annual accounting reporting;
- distribution of profit and loss of the Company based on results of the financial year;
- payment (announcement) of dividends;
- determination of the procedure for conducting a General Meeting of Shareholders;
- share splitting and consolidation;
- increase and decrease in the authorized capital of the Company;
- participation in financial and industrial groups, associations;
- approval of interested party transactions;
- the conducting by the Auditing Committee of an audit of financial and economic activities of the Company;
- approval of internal documents that regulate activities of the Company bodies;
- determination of remuneration and (or) compensation for the expenses to members of the Supervisory Board of the Company;
- remuneration or compensation for the expenses of members of the Auditing Committee of the Company;
- other issues concerning the General Meeting of Shareholders pertaining to the Federal Law On Joint Stock Companies.

#### Supervisory Board

Resolutions adopted by a voting majority of members of the Supervisory Board:

- determination of priority areas of the activities of the Company including the attraction of long-term investments;
- convocation of annual and extraordinary General Meetings of Shareholders of the Company;
- approval of the agenda of the annual General Meeting of Shareholders;
- determining the date by which the list of persons entitled to participate in the General Meeting of Shareholders is to be finalized;
- formation of the executive bodies of the Company, determination of the term of office of the sole executive body (President) and members of the collegial executive body (Executive Committee), early termination of their powers, determination of the amount of remuneration and compensation to the President and members of the Executive Committee of the Company;
- determination of the amount of payment for services of the auditor;
- recommendations on the amount of remuneration or compensation payable to members of the Auditing Committee;
- recommendations on the amount of dividends on the shares as well as determination of the date on which the persons eligible for dividends will be defined;
- use of the reserve fund and other funds of the Company;
- approval of internal documents of the Company except for the internal documents that fall within the competence of the General Meeting of Shareholders;
- establishment of divisions and opening of representative offices of the Company;
- approval of the Registrar of the Company and the terms and conditions of the agreement with the Registrar as well as termination

- of the agreement;
- approval of reports on results of emissions (additional emissions) of the Company securities;
- election and termination of powers of the Corporate Secretary;
- other issues stipulated by the Federal Law On Joint-Stock Companies.

Resolutions that are adopted by a three-quarter voting majority of members of the Supervisory Board:

- election of the Chairman of the Supervisory Board;
- establishment of committees of the Supervisory Board of the Company, election of members to committees of the Supervisory Board of the Company;
- recommendations to executive bodies of the Company on any issues concerning activities of the Company.

#### Audit Committee

The main goal of establishing the Committee is the improvement of efficiency and quality of the Supervisory Board work in terms of controlling financial and economic activities of the Company through provisional consideration and development of recommendations for the Supervisory Board in relation to the issues falling within the competence of the Committee in the following areas:

- financial statements;
- risk management and internal control procedures;
- external independent audit, internal audit;
- zero tolerance for unscrupulous actions of the Company employees and third parties;
- risks associated with the full disclosure and transparency of information.

#### Human Resources and Remunerations Committee

The main goals of the Committee are:

- improvement of efficiency and quality of the Supervisory Board work and resolutions adopted by it through provisional consideration of the issues concerning formation of effective and transparent remuneration practices and development of recommendations for the Supervisory Board;
- preparation and submission of recommendations to the Supervisory Board of the Company for adopting resolutions within key areas of the human resources policy of the Company with a view to consolidating the composition and improving the effectiveness of the Supervisory Board and remuneration to the Supervisory Board and the Executive Committee members, the President of the Company and other Company officials, whose list is specified by the Supervisory Board.

#### Strategic Planning Committee

The main reason for establishing the Committee is the improvement of the efficiency and quality of the Supervisory Board work through provisional consideration of certain issues falling within the competence of the Supervisory Board and development of recommendations for the Supervisory Board in relation to the issues falling within the competence of the Committee:

- determination of the Company priority areas of activities;
- adoption of resolutions for entering into major transactions;
- management of securities, shares owned by the Company;
- management of the Company property;
- use of the reserve fund and other funds of the Company.

#### Executive Committee

All the issues concerning the current operations management except for the issues falling within the competence of the General Meeting of Shareholders and the Supervisory Board.

## GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the supreme governing body of PJSC ALROSA operating under Russian law, the Charter and the Regulations on the General Meeting of Shareholders of PJSC ALROSA.

In accordance with provisions of the Federal Law On Joint Stock Companies and the Charter of the Company, the annual General Meeting of Shareholders of the Company is held no earlier than two months and no later than six months after the end of the financial year. At the annual General Meeting of Shareholders the annual report of the Company, annual financial statements and distribution of profit including payment (announcement) of dividends and losses for the financial year are approved, the Supervisory Board and the Auditing Committee members are elected, the auditor of the Company is approved and other issues falling within the competence of the General Meeting of Shareholders can be addressed.

In addition to the annual General Meeting of Shareholders, an extraordinary General Meeting of Shareholders can be held.

A General Meeting of Shareholders of PJSC ALROSA on the results of 2014 was held on June 25, 2015 in the town of Mirny, Minutes No. 33 (General Meeting of Shareholders of PJSC ALROSA dated June 25, 2015).

Agenda of the annual General Meeting of Shareholders of PJSC ALROSA:

- 1) Approval of the Annual Report of PJSC ALROSA.
- 2) Approval of the annual accounting reporting including the Financial Performance Report of PJSC ALROSA.
- 3) Approval of the distribution of PJSC ALROSA profit based on results of 2014.
- 4) On the amount of dividends, time frame and form of their payment based on the 2014 performance results and determination of the date on which the persons eligible for dividends will be outlined.
- 5) On remuneration of the Supervisory Board members who are non-state

employees for their work on the Supervisory Board for the amount specified by internal documents of PJSC ALROSA.

6) Election of members of the Supervisory Board of PJSC ALROSA.

7) Election of members of the Auditing Committee of PJSC ALROSA.

8) Approval of auditors of PJSC ALROSA.

9) On approval of an interested party transaction, namely a contract for insurance of the liability of members of the Supervisory Board and Executive Committee of PJSC ALROSA.

10) On approval of an interested party transaction, namely a supplemental agreement to the effective USD 350 mn loan agreement entered into by PJSC ALROSA and JSC VTB Bank.

11) On approval of an interested party transaction, namely a supplemental agreement to the effective USD 250 mn loan agreement entered into by PJSC ALROSA and JSC VTB Bank.

12) On participation of PJSC ALROSA in the Diamond Producers Association.

13) On approval of a new revision of the Charter of PJSC ALROSA.

14) On approval of the Regulations on the General Meeting of Shareholders of PJSC ALROSA.

15) On approval of the Regulations on the Supervisory Board of PJSC ALROSA.

16) On approval of the Regulations on the Executive Committee of PJSC ALROSA.

17) On approval of the Regulations on the Auditing Committee of PJSC ALROSA.

18) On approval of the Regulations on remuneration to members of the Supervisory Board of PJSC ALROSA.

19) On approval of the Regulations on remuneration and compensation to members of the Auditing Committee of PJSC ALROSA.

No General Meetings of Shareholders of PJSC ALROSA were held in 2015.

## SUPERVISORY BOARD

Members of the Supervisory Board of PJSC ALROSA are elected by the General Meeting of Shareholders in accordance with the procedure established by the Federal Law On Joint Stock Companies and the Charter of PJSC ALROSA up until the next annual General Meeting of Shareholders.

The Supervisory Board of the Company operates under Russian law, the Charter and the Regulations on the Supervisory Board of PJSC ALROSA dated June 25, 2015 (Minutes No. 33).

The competence of the Supervisory Board includes resolutions on the issues pertaining to the general management of the Company except for resolutions on the issues that in accordance with the

Federal Law On Joint Stock Companies and the Charter of the Company fall within the competence of the General Meeting of Shareholders.

In accordance with the Charter of the Company, 15 members are elected to the Supervisory Board.

The Chairman of the Supervisory Board is elected by fellow members of the Supervisory Board owing to a three-quarter voting majority of the members of the Supervisory Board participating in the meeting.

The Regulations on the Supervisory Board of PJSC ALROSA were approved by the annual General Meeting of Shareholders of the Company held on June 25, 2015.

## SUPERVISORY BOARD COMPOSITION AND PARTICIPATION IN CORPORATE EVENTS

The Supervisory Board of the Company as of December 31, 2015 was composed of 15 members:

- 14 Non-Executive Directors, including 3 Independent Directors;
- 1 Executive Director.

### Participation in corporate events

| No.  | Surname and initials                   | TOTAL | meetings                 |                    |
|--|--|-------|--------------------------|--------------------|
|  |  |       |                          | voting in absentia |
| <i>Members of the Supervisory Board that left the Supervisory Board on 25.06.2015:</i> |  |       |                          |                    |
| 1  | F. B. Andreev<br>(until 30.01.2015)    | 1     | -                        | 1                  |
| 2  | I. K. Demyanov<br>(until 25.06.2015)   | 8     | 2                        | 6                  |
| 3  | S. K. Dubinin<br>(until 25.06.2015)    | 8     | 2,<br>of them 1 is EiW*  | 6                  |
| 4  | D. P. Zakharov<br>(until 25.06.2015)   | 8     | 2                        | 6                  |
| 5  | S. G. Illarionov<br>(until 25.06.2015) | 8     | 2                        | 6                  |
| 6  | N. E. Kononova<br>(until 25.06.2015)   | 8     | 2                        | 6                  |
| 7  | I. A. Lozhevsky<br>(until 25.06.2015)  | 8     | 2                        | 6                  |
| 8  | S. V. Mestnikov<br>(until 25.06.2015)  | 8     | 2                        | 6                  |
| 9  | D. S. Morozov<br>(until 25.06.2015)    | 8     | 2,<br>of them 2 are EiWs | 6                  |

|    |                                      |   |                          |   |
|----|--------------------------------------|---|--------------------------|---|
| 10 | N. A. Osipova<br>(until 25.06.2015)  | 8 | 2                        | 6 |
| 11 | A. V. Sharonov<br>(until 25.06.2015) | 7 | 2,<br>of them 2 are EiWs | 5 |
| 12 | I. A. Yuzhanov<br>(until 25.06.2015) | 8 | 2                        | 6 |

*Members of the Supervisory Board that were members of the Supervisory Board throughout 2015*

|    |                   |    |   |   |
|----|-------------------|----|---|---|
| 13 | S. V. Barsukov    | 15 | 6 | 9 |
| 14 | O. R. Fedorov     | 15 | 6 | 9 |
| 15 | V. I. Kondratyeva | 15 | 6 | 9 |

*Members of the Supervisory Board that were elected to the Supervisory Board on 25.06.2015:*

|    |   |   |                          |   |
|----|---|---|--------------------------|---|
| 16 | P. V. Alekseev<br>(since 25.06.2015)                          | 7 | 4                        | 3 |
| 17 | E. A. Borisov<br>(since 25.06.2015)                           | 7 | 4                        | 3 |
| 18 | A. S. Galushka<br>(since 25.06.2015)                          | 4 | 3,<br>of them 2 are EiWs | 1 |
| 19 | M. V. Gordon<br>(Independent Director)<br>(since 25.06.2015)  | 7 | 2                        | 3 |
| 20 | E. V. Grigorieva<br>(since 25.06.2015)                        | 7 | 2                        | 3 |
| 21 | O. V. Grinko<br>(Independent Director)<br>(since 25.06.2015)  | 7 | 2                        | 3 |
| 22 | G. I. Danchikova<br>(since 25.06.2015)                        | 7 | 2                        | 3 |
| 23 | A. V. Zharkov<br>(Executive Director)<br>(since 25.06.2015)   | 7 | 2                        | 3 |
| 24 | V. I. Nikiforov<br>(since 25.06.2015)                         | 7 | 4,<br>of them 1 is EiW   | 3 |
| 25 | A. G. Siluanov<br>(since 25.06.2015)                          | 6 | 2                        | 3 |
| 26 | P. V. Ulyanov<br>(Independent Director)<br>(since 25.06.2015) | 7 | 4,<br>of them 3 are EiWs | 3 |
| 27 | A. O. Chekunkov<br>(since 25.06.2015)                         | 7 | 2                        | 3 |

\*EiW – expressed in writing.

## MEETINGS (VOTING IN ABSENTIA) OF THE SUPERVISORY BOARD

In 2015, a total of 15 corporate events of the Supervisory Board took place, including 6 meetings and 9 instances of voting in absentia:

1. 28.01.2015, Minutes No. A01/225-PP-HC (voting in absentia);
2. 20.03.2015, Minutes No. A01/226-PP-HC (voting in absentia);
3. 24.03.2015, Minutes No. A01/227-PP-HC (meeting);
4. 08.04.2015, Minutes No. A01/228-PP-HC (voting in absentia);
5. 23.04.2015, Minutes No. A01/229-PP-HC (meeting);
6. 15.05.2015, Minutes No. A01/230-PP-HC (voting in absentia);
7. 25.05.2015, Minutes No. A01/231-PP-HC (voting in absentia);
8. 24.06.2015, Minutes No. A01/232-PP-HC (voting in absentia);
9. 14.07.2015, Minutes No. A01/233-PP-HC (meeting);
10. 10.02.2015, Minutes No. A01/234-PP-HC (voting in absentia);
11. 06.10.2015, Minutes No. A01/235-PP-HC (meeting);
12. 10.11.2015, Minutes No. A01/236-PP-HC (voting in absentia);
13. 19.11.2015, Minutes No. A01/237-PP-HC (meeting);
14. 22.12.2015, Minutes No. A01/238-PP-HC (meeting);
15. 23.12.2015, Minutes No. A01/239-PP-HC (voting in absentia);

A total of 117 agenda items were examined in 2015, of which the following were key:

1. Election of the President of PJSC ALROSA.
2. Approval of the Registrar of PJSC ALROSA and terms and conditions of the agreement with the Registrar.
3. On termination of the agreement for comprehensive servicing of the register of holders of inscribed securities entered into by PJSC ALROSA and OJSC Republican

Special Registrar Yakutia Fund Centre.

4. On submission of reports on implementation of the Long-Term Development Program of ALROSA Group until 2023 and on meeting the approved target values of the Key Performance Indicators.
5. On approval of the Report on implementation of the Innovation Development and Technological Upgrade Program of PJSC ALROSA for 2014.
6. On approval of the Action Plan (Road Map) for introduction of the Corporate Governance Code.
7. On the national rating of corporate governance of PJSC ALROSA.
8. On approval of a new revision of the Corporate Governance Code of PJSC ALROSA.
9. On amendments to the Long-Term Development Program of PJSC ALROSA.
10. On application of instructional guidelines concerning development of internal regulatory documents governing activities of PJSC ALROSA.
11. On approval of the Information Policy of PJSC ALROSA.
12. On approval of the auditor of PJSC ALROSA in line with Russian Accounting Standards.
13. On approval of the auditor of PJSC ALROSA to conduct mandatory audit of consolidated financial statements of ALROSA Group in accordance with the International Financial Reporting Standards.
14. On participation of PJSC ALROSA in the Diamond Producers Association.
15. On approval of a new revision of the Regulations on procurement activities of PJSC ALROSA.
16. On the procedure for preparation of materials for a meeting (voting in absentia) of the Supervisory Board of PJSC ALROSA on approval of interested party transactions.
17. On approval of the Work Plan of the Internal Audit Department of PJSC ALROSA for 2015.

18. On inclusion on the agenda of the annual General Meeting of Shareholders of PJSC ALROSA items relating to PJSC ALROSA shareholder proposals.

19. On inclusion of the persons nominated by shareholders of PJSC ALROSA on the list of nominees for election to the Supervisory Board and the Auditing Committee of PJSC ALROSA.

20. On proposals to the annual General Meeting of Shareholders of PJSC ALROSA to adopt a resolution on approval of the Charter of PJSC ALROSA, the Regulations on the General Meeting of Shareholders of PJSC ALROSA, the Regulations on the Supervisory Board of PJSC ALROSA and the Regulations on the Executive Committee of PJSC ALROSA.

21. On inclusion on the agenda of the annual General Meeting of Shareholders of proposals to the annual General Meeting of Shareholders of PJSC ALROSA to adopt a resolution on approval of the Charter of PJSC ALROSA, the Regulations on the General Meeting of Shareholders of PJSC ALROSA, the Regulations on the Supervisory Board of PJSC ALROSA and the Regulations on the Executive Committee of PJSC ALROSA.

22. On inclusion on the agenda of the General Meeting of Shareholders of PJSC ALROSA of the item On approval of amendments to the Regulations on remuneration to members of the PJSC ALROSA Supervisory Board.

23. On inclusion on the agenda of the General Meeting of Shareholders of PJSC ALROSA of the item On approval of the Regulations on remunerations and compensations payable to members of the Auditing Committee of PJSC ALROSA.

24. On preliminary approval of the Annual Report of PJSC ALROSA for 2014.

25. On the annual accounting (financial) reporting including the Financial Performance Report of PJSC ALROSA for 2014.

26. On inclusion on the agenda of the General Meeting of Shareholders of PJSC ALROSA of the item: On approval of an interested party transaction, namely a contract for insurance of the liability of members of the Supervisory Board and Executive Committee of PJSC ALROSA

and proposals to the General Meeting of Shareholders concerning the adoption of a resolution.

27. On inclusion on the agenda of the General Meeting of Shareholders of PJSC ALROSA of the item On approval of an interested party transaction, namely a supplemental agreement to the effective USD 350 mn loan agreement entered into by PJSC ALROSA and JSC VTB Bank”and proposals to the General Meeting of Shareholders concerning adoption of the resolution.

28. On inclusion on the agenda of the General Meeting of Shareholders of PJSC ALROSA of the item On approval of an interested party transaction, namely a supplemental agreement to the effective USD 250 mn loan agreement entered into by PJSC ALROSA and JSC VTB Bank and proposals to the General Meeting of Shareholders concerning adoption of the resolution.

29. Recommendations to the General Meeting of Shareholders of PJSC ALROSA on distribution of profits based on results of 2014 including the amount of dividends on shares of PJSC ALROSA and the procedure for their payment.

30. On approval of the agenda of the annual General Meeting of Shareholders of PJSC ALROSA.

31. On the convocation of the annual General Meeting of Shareholders of PJSC ALROSA.

32. On approval of the Consolidated Budget of ALROSA Group for 2015.

33. On results of PJSC ALROSA procurement activities for 2014.

34. On the taking of positions within governing bodies of other organizations by members of the Executive Committee of PJSC ALROSA.

35. On changing the structure of the Annual Report of PJSC ALROSA.

36. On conducting the annual analysis on the results of establishing a Joint Treasury of PJSC ALROSA and its subsidiaries.

37. On reduction of operating expenditures (expenses) by not less than 2-3 percent annually.

38. On approval of the Induction Program



for the newly elected members of the Supervisory Board of PJSC ALROSA.

39. On the election of the Chairman, the First Deputy Chairman and the Vice Chairman of the Supervisory Board of PJSC ALROSA.

40. On the Strategic Planning, Auditing, HR and Remunerations Committees of the Supervisory Board of PJSC ALROSA.

41. On approval of the Work Plan of the Supervisory Board of PJSC ALROSA for the 2015-2016 corporate year.

42. Review of the Report on the work of the Internal Audit Department of PJSC ALROSA for 2014.

43. On payments in roubles under new export contracts of PJSC ALROSA.

44. On results of PJSC ALROSA procurement activities for 2014.

45. On the initial (maximum) price of audit services in the framework of an open tender for a contract to conduct a mandatory audit of accounting (financial) statements of PJSC ALROSA prepared in accordance with Russian legislation on results of 2016-2018 and substantiation of the initial (maximum) price of audit services in the framework of this open tender.

46. On the initial (maximum) price of audit services in the framework of an open tender for a contract to conduct a mandatory audit of consolidated financial statements of ALROSA Group prepared in accordance with the International Financial Reporting Standards based on results of 2016-2018 and substantiation of the initial (maximum) price of audit services in the framework of this open tender.

47. On approval of the structure and composition of the Annual Report of PJSC ALROSA.

48. On optimization and improvement of expenditure efficiency on charity and sponsorship.

49. On amendments to the Regulations on the Corporate Secretary of PJSC ALROSA.

50. On making amendments to regulatory documents of PJSC ALROSA due to changing of the Company name.

51. On reforming the residential development division of PJSC ALROSA.

52. On reforming the public utility division of PJSC ALROSA.

53. On approval of a new revision of the Regulations on remuneration to the President of PJSC ALROSA.

54. On approval of a new revision of the Regulations on remuneration to members of the Executive Committee of PJSC ALROSA.

55. On approval of internal documents of PJSC ALROSA: the Regulations on internal auditing and the Regulations on risk management of PJSC ALROSA.

56. On the terms and conditions of insurance of the liability of members of the Supervisory Board and Executive Committee of PJSC ALROSA.

57. On approval of the adjusted Consolidated Budget of PJSC ALROSA for 2015.

58. On approval of the Adjusted target values of the Key Performance Indicators of ALROSA Group for 2015.

59. On approval of the Regulations on the quality management system of PJSC ALROSA.

60. On approval of the Regulations on the procedure for development and implementation of the Innovation Development and Technological Upgrade Program of PJSC ALROSA.

61. On approval of the Regulation on increase of investing and operating efficiency and decrease of expenses of PJSC ALROSA.

62. On the gas assets of PJSC ALROSA, namely the 100% stake in CJSC Geotransgaz and 100% interest in the authorized capital of Urengoy Gas Company LLC.

63. On approval of a new revision of the Program for disposal of non-core assets of PJSC ALROSA.

64. On approval of an interested party transaction, namely the agreement on termination of Contract No. 01-04/399 between PJSC ALROSA and the Russian Federation On joint consolidated sale of shares of OJSC Almazny Mir at an auction dated October 14, 2014.



65. On determining the position of PJSC ALROSA on the agenda item of the General Meeting of Shareholders of PJSC Severalmaz On election of the General Director of PJSC Severalmaz.

66. On attraction of a strategic investor in HIDROCHICAPA S.A.R.L.

67. On the General Director of Catoca Ltd. Mining Co. (Republic of Angola), an associated company of PJSC ALROSA.

68. On approval of a donation by PJSC ALROSA to non-profit organization Eastern Economic Forum Fund for the organization and running of the Eastern Economic Forum.

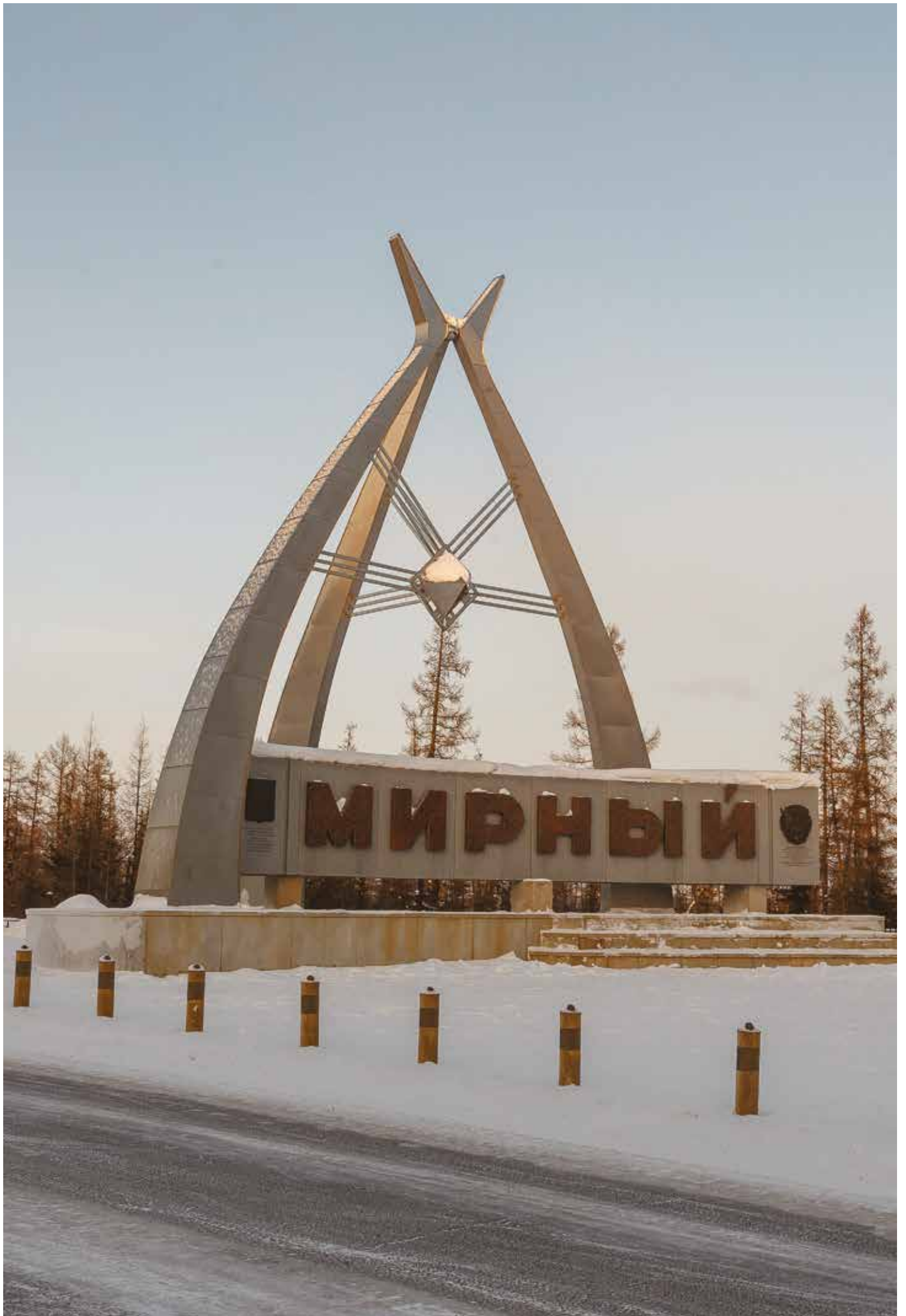
69. On approval of an interested party transaction entered into by PJSC ALROSA and the Republic of Sakha (Yakutia), namely an agreement for donation of real estate.

70. On approval of donation of property to municipal ownership of Oleneksky Evenki National District, Municipal District of Republic of Sakha (Yakutia).

71. On results of procurement activities of PJSC ALROSA (quarterly).

72. On termination of PJSC ALROSA participation in some organizations.

73. On approval of interested party transactions.



## BIOGRAPHICAL DATA OF THE MEMBERS OF THE SUPERVISORY BOARD (AS OF DECEMBER 2015)



**Petr Vyacheslavovich  
ALEKSEEV**

*He has no  
participation interest  
in PJSC ALROSA.*

*Member of the Supervisory Board since  
June 2015*

*Chairman of the Audit Committee of the  
Supervisory Board since August 31, 2015*

*Born on May 27, 1981 in Yakutsk.*

In 2004, graduated from the Far East Academy of Public Service in Khabarovsk, with a degree in Law, in 2013, the Russian Academy of National Economy and Public Administration under the President of the Russian Federation, with a degree in Public and Municipal Administration.

Previous work experience:

2009-2010 – Head of Section, Department for Public and Legal Matters, Administration of the President and the Government of the Republic of Sakha (Yakutia);

2010-2013 – Deputy Head, Head, Department for Public and Legal Matters, Administration of the President and the Government of the Republic of Sakha (Yakutia);

2013 – present - General Director of Republican Investment Company OJSC.

Participation in the executive bodies of other organizations:

2012-2013 – Chairman of the Board of Directors of Republican Investment Company OJSC;

2012-2013 – Member of the Board of Directors of Neryuginskaya Poultry Farm;

2012-2014 – Member of the Board of Directors of Almazergienbank (JSC);

2013-2014 – Member of the Board of Directors Yakutsk Airport JSC;

2013 – present – Member of the Board of Directors of Republican Investment Company OJSC;

2014 – present – Chairman of the Board of Directors of Tekhnologiya Bazaltovykh Materialov LLC;

2014 – present – Chairman of the Board of Directors Zavod Bazaltovykh Materialov LLC;

2015 – present – Member of the Board of Directors Optogan CJSC;

2015 – present – Member of the Board of Directors Zheleznye Dorogi Yakutia JSC;

2015 – present – Member of the Board of Directors Yakutia CJSC;



**Sergey Vladimirovich  
BARSUKOV**

*He has no participation interest in PJSC ALROSA.*

*Member of the Supervisory Board since June 2011*

*Chairman of the Strategic Planning Committee under the Supervisory Board since October 7, 2015*

*Born on September 02, 1971 in Kaliningrad.*

Graduated from the Mozhaysky Red Banner Military Space Engineering Academy in 1993 where he specialized in Mathematical Support for Automated Systems for the Collection and Processing of Information, from the St. Petersburg State University in 2005, with a degree in Public and Municipal Administration.

Previous work experience:

2008-2010 – Assistant to Vice Chairman of the Russian Federation Government – Russian Federation Minister of Finance;  
2010 – present – Director of the Financial Policy Department at the Ministry of Finance of the Russian Federation.

Participation in the executive bodies of other organizations:

2012 – present – Member of the Board of Directors of ASB;  
2013-2014 – Member of the Supervisory Board of VEB Capital LLC;  
2014 – present – Member of the Board of Directors of OJSC NDKO AKG;  
2014 – present – Member of the Board of Directors National Payment Card System JSC.



**Yegor Afanasyevich  
BORISOV**

*He has no participation interest in PJSC ALROSA.*

*Member of the Supervisory Board since June 2015*

*First Deputy Chairman of the Supervisory Board of PJSC ALROSA since July 2015*

*Born on August 15, 1954, in Churapcha village, Churapchinsky District, Yakut ASSR*

In 1979, graduated from the Novosibirsk Agricultural Institute, Mechanical Engineer. Doctor of Economics.

Previous work experience:

2003-2010 – Chairman of the Government of the Republic of Sakha (Yakutia);  
2010-2014 – President of the Republic of Sakha (Yakutia);  
2014-present – Head of the Republic of Sakha (Yakutia).

2002-2011 – Member of the Board of Directors of OJSC Nizhne-Lenskoe;  
2002-2011 – Member of the Supervisory Board of OJSC Almazenergiebank;  
2002-2012 – Member of the Supervisory Board of PJSC ALROSA  
2006-2011 – Member of the Board of Directors of OJSC Sterkh;  
2007-2011 – Member of the Board of Directors of Republican Investment Company.

Participation in the executive bodies of other organizations:



**Alexander Sergeevich  
GALUSHKA**

*He has no participation interest in PJSC ALROSA.*

*Member of the Supervisory Board since June 2015*

*Deputy Chairman of the Supervisory Board since July 2015*

*Born on December 1, 1975 in Klin, Moscow region.*

In 1997, graduated from the Moscow State Social University, with a degree in Economics and Labour Sociology, in 1999, graduated from the Intersectoral Institute of Advance Training of the Plekhanov Russian Academy of Economics, in 2001, graduated from the Intersectoral Institute of Advance Training of the Plekhanov Russian Academy of Economics with a degree in Professional Evaluation and Expert Inspection of Proprietary Objects and Rights, in 2011, the Russian Presidential Academy of National Economy and Public Administration, High-Potential Management Personnel Reserve Training Program. Completed an internship at the University of Edinburgh (UK); defended a thesis on Strategy for the Development of Human Resources in the Russian Federation.

Previous work experience:

2001-2011 – Director of the Company, Director, Assessment Expert, Head of the Department of Senior Scientific Consultants and Experts at LLC IOC Center;

2011-2013 – Managing Partner at LLC Key Partner;

2013-2013 – Professor at the Department of Theory and Practice of Public administration of the National Research University – Higher School of Economics;

2013-present – Minister for the Development of the Russian Far East Participation in the executive bodies of other organizations:

2011-2013 – Member of the Supervisory Board of the Agency for Strategic Initiatives



**Maria Vladimirovna  
GORDON**

*She has no participation interest in PJSC ALROSA.*

*Member of the Supervisory Board since June 2015*

*Independent Director*

*Born on February 13, 1974 in Vladikavkaz, Republic of North Ossetia.*

From 1991 to 1994, she studied at the Lomonosov Moscow State University at the Faculty of Journalism. In 1994-1995, studied in the University of Wisconsin (USA), Bachelor in Political Science, in 1996-1998, in the Fletcher School of Law and Diplomacy at the TUFTS University (USA), Master of Arts degree in Law and Diplomacy.

Previous work experience:

1998-2010 – Managing Director, Portfolio Manager, Head of Emerging Markets Equity Team, Goldman Sachs, Investments;

2010-2014 – Chief Emerging Markets Equity Portfolio Manager at Pacific Investment Management Co. (PIMCO) for Developing Countries' Shares, Investments.



**Evgenia Vassilievna  
GRIGORIEVA**

*She has no  
participation interest  
in PJSC ALROSA.*

*Member of the Supervisory Board since  
June 2015*

*Born on August 19, 1965, in Nyurba village,  
Leninsky District, Yakut ASSR.*

In 1988, graduated from the Riga Civil Aviation Engineers Institute, with a degree in Electronic Computers – Systems Engineer, in 1998, Ammosov Yakutsk State University, with a degree in Law, in 2001, completed Vocational Retraining course at the Far East Academy of Public Service, with a degree in Public and Regional Administration.

Previous work experience:

2007-2011 – First Deputy Minister of Property Relations of the Republic of Sakha (Yakutia);

2011 – present – Minister of Property and Land Relations of the Republic of Sakha (Yakutia).

Participation in the executive bodies of other organizations:

2007-2011 – Member of the Board of Directors of OJSC YakutTISiZ;

2007-2012 – Member of the Board of Directors of OJSC Sakhagiprozem;  
2007-2012 – Member of the Board of Directors of OJSC Sakhabult;  
2007-2012 – Member of the Board of Directors OJSC Air Company Yakutia;  
2010-2011 – Member of the Board of Directors of OJSC Saysary;  
2010-2012 – Member of the Board of Directors of OJSC Sakhaneftegazsbyt;  
2011-2012 – Member of the Board of Directors of OJSC Polar Airlines;  
2011-2012 – Member of the Board of Directors of OJSC Yakutsk Airport;  
2011-2012 – Member of the Supervisory Board of PJSC ALROSA



**Oleg Viktorovich  
GRINKO**

*He has no  
participation interest  
in PJSC ALROSA.*

*Member of the Supervisory Board since  
June 2015,*

*Independent Director*

*Born on August 13, 1968 in Kherson,  
Ukraine (USSR).*

In 1987, graduated from the Kherson Shipbuilding Technical School, in 1994, the Higher School of KGB – FSB Academy, Russian Federation, Lawyer, with a degree in Germany (Philology and Regional Geography).

Previous work experience:

2001-2014 – Adviser to Director of Federal State Unitary Enterprise Foreign Trade Association Vneshtekhnika;  
2002 – present – Managing Partner at CJSC Corporation of Technology and Investment;  
2004 – present – General Director of LLC SCN;

2006 – present – Advisor to Investment and External Relations Director at PERESVET Invest Group;  
 2007-2013 – General Director of LLC Public Relations Agency Kitai.ru;  
 2015 – present – Advisor to General Director of LLC Public Relations Agency Kitai.ru;  
 2015 – present – Director for Strategic Communications at CJSC Savings and Investments Management Company;  
 2015 – present – Director of LLC T – Sistema.  
 Participation in the executive bodies of other organizations:  
 2004-2015 – Chairman of the Board of Directors of CJSC Savings and Investments Management Company;  
 2011 – present – Member of the Board of Directors of LLC New Plasma Technologies;

2013 – present – Member of the Board of Directors of OJSC Malaya Energetika;  
 2014-2015 – Chairman of the Board of Directors at OJSC NIPIGORMASH;  
 2014-2015 – Member of the Board of Directors of OJSC NTs VOSTNII;  
 2014-2015 – Member of the Board of Directors of OJSC MNIIEKO TEK;  
 2014-2015 – Member of the Board of Directors of OJSC NIIGD;  
 2014-2015 – Member of the Board of Directors of OJSC TSNIIlugoI;  
 2014-2015 – Member of the Board of Directors of OJSC IOTT;  
 2014-2015 – Member of the Board of Directors at OJSC National Mining Research Center – Skochinsky Institute of Mining;  
 2014-2015 – Member of the Board of Directors of OJSC VNIMI.



**Galina Innokentievna  
DANCHIKOVA**

*She has no participation interest in PJSC ALROSA.*

*Member of the Supervisory Board since June 2015*

*Born on August 13, 1954, in Khairyuzovka village Balagansk district Irkutsk region.*

In 1972, graduated from the Yakutsk Financial Technical School of the Ministry of Finance of the RSFSR, (qualification Financier), in 1985, the All-Union Extra-Mural Law Institute, (qualification Lawyer). In 2001, defended the doctoral thesis Reforming Intergovernmental Fiscal Relations in the Russian Federation (Regional Aspect) at the Russian Academy of National Economy and Public Administration under the President of the Russian Federation. PhD in Economics.

Previous work experience:

2007-2010 – Vice Chair of the Government of the Republic of Sakha (Yakutia);  
 2010 – present – Chair of the Government of the Republic of Sakha (Yakutia).  
 Participation in the executive bodies of other organizations:  
 2009-2012 – Member of the Board of Directors of Sterkh OJSC;  
 2009-2012 – Member of the Supervisory Board of OJSC Almazenergobank;  
 2010-2013 – Member of the Board of Directors of OJSC Republican Investment Company.



**Andrey Vyacheslavovich  
ZHARKOV**

*Member of the Supervisory Board since  
June 2015*

*Born on February 11, 1973 in Geneva  
(Switzerland).*

*He has no  
participation interest  
in PJSC ALROSA.*

In 1995, graduated from the Moscow State Linguistic University, with a degree in Foreign Languages; in 1998, the Moscow State University of Commerce, with a degree in Accounting and Auditing. PhD in Economics.

Previous work experience:

2009-2010 – Chief Commercial Officer, Prioksky Non-Ferrous Metals Plant;  
2010-2015 – Deputy Head of Gokhran under the Russian Ministry of Finance of

the Russian Federation;  
2015 – present – President of PJSC ALROSA.

Participation in the executive bodies of other organizations:

2009-2010 – Member of the Board of Directors of Novosibirsk Refinery Plant;  
2010-2015 – Chairman of the Board of Directors at OJSC PO Kristall;  
2015 – present – Member of the Board of Directors at OJSC PO Kristall.



**Valentina Ilyinichna  
KONDRATYEVA**

*Member of the Supervisory Board since  
December 2013*

*Chairman of the HR and Remunerations  
Committee under the Supervisory Board  
since September 8, 2015*

*Born on March 03, 1955 in Sinsk,  
Ordzhonikidze District, Yakut ASSR.*

*She has no  
participation interest  
in PJSC ALROSA.*

She is a graduate of the Ammosov Yakutsk State University with a degree in Mathematics, Mathematician-Lecturer (1977), and of the Far East Institute of Social and Political Science with a degree in Theory of Socio-Political Relations, Political Scientist, Lecturer (1992), as well as the Khabarovsk Institute of National Economy with a degree in Economic and Social Planning, Economist (1994). PhD in Economics.

Previous work experience:

2003-2013 – First Deputy Minister for Economic Development of the Republic of Sakha (Yakutia);  
2013 – present – Head, State Autonomous

Agency Centre for Strategic Research of the Republic of Sakha (Yakutia).

Participation in the executive bodies of other organizations:

2004-2013 – Member of the Board of Directors OJSC Air Company Yakutia;  
2009-2013 – Member of the Board of Directors of OJSC Media Holding Yakutia;  
2011-2014 – Member of the Board of Directors of OJSC Republican Investment Company;  
2012-2013 – Member of the Board of Directors of OJSC Vodokanal;  
2012 – present – Member of the Board of Directors of OJSC South Yakutia Development Corporation;



2012-2013 – Member of the Board of Directors of OJSC Polar Airlines;  
2012-2014 – Member of the Board of Directors of OJSC Construction Directorate Berkakit-Tommot-Yakutsk;



2014 – present – Member of the Board of Directors of OJSC Republic of Sakha (Yakutia) Development Corporation.

**Valentin Ivanovich  
NIKIFOROV**

*Member of the Supervisory Board since June 2015*

*Born on March 14, 1957 in Khorula, Leninsky District, Yakut ASSR.*

*He has no participation interest in PJSC ALROSA.*

He is a graduate of the Omsk State Veterinary Institute with a degree in Veterinary Science (1979), and the Novosibirsk State Academy of Economy and Management with a degree in Finance and Credit (1999).

Previous work experience:

2009-2012 – Head, Representative Office of Nyurba District in Yakutsk;

2012-2014 – Deputy Head, Municipal Public Institution Administrative Department of Local Self-Government Authorities of the Municipal District 'Nyurba District', Republic of Sakha (Yakutia);

2014 – present – Deputy General Director, Municipal Budget Institution Business Incubator in Nyurba.



**Anton Germanovich  
SILUANOV**

*Member of the Supervisory Board since June 2015*

*Chairman of the Supervisory Board of PJSC ALROSA since July 2015*

*Born on April 12, 1963 in Moscow.*

*He has no participation interest in PJSC ALROSA.*

He is a graduate of the Moscow Finance Institute with a degree in Finance and Credit (1985). Doctor of Economics.

Previous work experience:

2005 – present – Deputy Finance Minister of the Russian Federation;

2012 – present – Russian representative in the International Monetary Fund;

2012 – present – Russian representative at the International Bank for Reconstruction and Development;

2012 – present – Russian representative for the Multilateral Investment Guarantee Agency;

2012 – present – Russian plenipotentiary representative on the Board of the Eurasian Development Bank;

2013 – present – Chairman of the Board of Guardians; Research Advisor – Dean of the Finance and Economics Department of the Financial University under the Government of the Russian Federation;

2013 – present – Chairman of the

National Financial Council of the Bank of Russia;

2015 – present – Russian representative at the New Development Bank.

Participation in the executive bodies of other organizations:

2012 – present – Member of the Supervisory Board of Autonomous Non-profit Organization Organizing Committee Russia-2018

2012 – present – Member of the Board of Guardians of the Charity Fund for Reconstruction of the Resurrection New Jerusalem Monastery;

2013 – present – Member of the Board of Guardians of the Non-profit Organization

of the Development Fund of the Centre for Development and Commercialization of New Technologies;

2014 – present – Member of the Supervisory Board of State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product Rostec;

2015 – present – Member (Executive Director) of the Supervisory Board of PJSC Sberbank of Russia;

2015 – present – Chairman of the Board of Directors of the State Corporation Deposit Insurance Agency.



**Pavel Vasilievich  
ULYANOV**

*Member of the Supervisory Board since  
June 2015*

*Independent Director*

*Born on April 21, 1972 in Moscow.*

*He has no  
participation interest  
in PJSC ALROSA.*

He is a graduate of the State Academy of Management (1994), IMD Business School (Lausanne, Switzerland), Program for Executive Development (PED) (2004-2005).

Previous work experience:

2007 – present – Director for Energy Business, RUSAL Global Management B.V. Participation in the executive bodies of other organizations:

2006 – present – Member of the Board of Directors of OJSC Nizhnee Priangarye

Development Corporation;

2006 – present – Member of the Board of Directors of Boges Limited and Balp Limited;

2010 – present – Chairman of the Board of Directors – Director B of Forum Muider B.V.;

2011 – present – Member of the Board of Directors – Director B of Mega Business & Alliances B.V.;

2013 – present – Member of the Board of Directors – Director B of Mega Business & Partners B.V.



**Oleg Romanovich  
FEDOROV**

*Member of the Supervisory Board since  
June 2013*

*Born on April 30, 1968 in Moscow.*

*He has no  
participation interest  
in PJSC ALROSA.*

He is a graduate of the Lomonosov Moscow State University with a degree in Mathematics, Applied Mathematics (1992).

Previous work experience:

2009-2012 – Head, Department for cooperation with public authorities and companies with public ownership, Department of Investment and Banking on Global Markets, CJSC VTB Capital;  
2012-2014 – Adviser to the Head of the Federal Agency for State Property Management.

Participation in the executive bodies of other organizations:

2003-2010 – Member of the Board of

Directors of OJSC Volgatelecom;  
2004-2010 – Member of the Board of Directors of the Investor Protection Association;  
2009-2011 – Member of the Board of Directors of OJSC MOEK;  
2013-2015 – Member of the Board of Directors of International Airport Irkutsk;  
2013 – present – Member of the Board of Directors of OJSC International Airport Vnukovo;  
2013 – present – Member of the Board of Directors of OJSC Vnukovo Airport;  
2014 – present – Member of the Board of Directors of OJSC Rosinfocominvest;  
2015 – present – Member of the Board of Directors of PJSC Rosseti;



**Alexey Olegovich  
CHEKUNKOV**

*Member of the Supervisory Board since  
June 2015*

*Born on October 3, 1980 in Minsk.*

*He has no  
participation interest  
in PJSC ALROSA.*

He is a graduate of the Moscow State Institute of International Relations, department of International Economic Relations (2001), Bachelor in Economics.

Previous work experience:

2006-2009 – Founder and Managing Director, United Gold Company (Alfa Group);  
2011-2013 – Director, Member of Executive Board and Investment Committee, Russian Direct Investment Fund LLC RDIF;  
2014 – present – Director General, Far East and Baikal Region Development Fund.

Participation in the executive bodies of other organizations:

2015-2015 – Member of the Board of Directors of OJSC Republic of Khabarovsk Krai Development Corporation;  
2015 – present – Member of the Supervisory Board of Non-Commercial Organization Far East Development Fund;  
2015 – present – Member of the Supervisory Board of Autonomous Non-profit Organization Far East Human Resource Development Agency.

## COMMITTEES UNDER THE SUPERVISORY BOARD

The Regulations on the Audit Committee, the Strategic Planning Committee and the Human Resources and Remunerations Committee under the Supervisory Board of PJSC ALROSA are approved in the new version by decision of the Supervisory Board on July

14, 2015 (Minutes No. A01/233-ПР-НС) (Regulations on the Committees). Any Member of the Committee, including the Chairman, can be elected a member of more than two committees under the Supervisory Board.

## AUDIT COMMITTEE

The Audit Committee was established on April 20, 2010 to improve the efficiency and quality of work of the Supervisory Board through the fostering of open communication with the Company's auditors, Auditing Committee, divisions, representative offices and services by way of preliminary consideration and development of recommendations for the Supervisory Board relating to the Committee's competence in the following areas:

- risks relating to the completeness of the information disclosed
- financial statements;
- external independent audit, internal audit;
- internal control procedures.

The Committee is comprised of the members of the Supervisory Board, who are Independent Directors and have professional experience in the fields of internal control, audit, finance, accounting and management of financial institutions. In accordance with the Regulations on the Audit Committee under the Supervisory Board of PJSC ALROSA, there are 5 members of the established Committee.

As of December 31, 2015; five members of the Supervisory Board were members of the Audit Committee one of whom is an Independent Director.

*Participation in the work of the Audit Committee*

| No  | Surname and initials                               | TOTAL | meetings                | voting in absentia |
|---|--|-------|-------------------------|--------------------|
| <i>Members of the Supervisory Board that left the Supervisory Board on 25.06.2015:</i>            |  |       |                         |                    |
| 1   | S. K. Dubinin<br>(until 25.06.2015)                | 4     | 1                       | 3                  |
| 2   | N. E. Kononova<br>(until 25.06.2015)               | 4     | 1                       | 3                  |
| 3   | I. A. Lozhevsky<br>(until 25.06.2015)              | 4     | 1                       | 3                  |
| 4   | D. S. Morozov<br>(until 25.06.2015)                | 4     | 1,<br>of them 1 is EiW* | 3                  |
| <i>Members of the Supervisory Board that were members of the Supervisory Board in 2015</i>        |  |       |                         |                    |
| 5   | S. V. Barsukov                                     | 7     | 4,<br>of them 1 is EiW  | 3                  |
| <i>Members of the Supervisory Board that were elected to the Supervisory Board on 25.06.2015:</i> |  |       |                         |                    |
| 6   | P. V. Alekseev<br>(Chairman)<br>(since 25.06.2015) | 3     | 3                       | 0                  |

|   |  |   |                          |   |
|---|--|---|--------------------------|---|
| 7 | M. V. Gordon<br>(Independent Director)<br>(since 25.06.2015) | 3 | 3                        | 0 |
| 8 | V. I. Nikiforov<br>(since 25.06.2015)                        | 3 | 3                        | 0 |
| 9 | A. O. Chekunkov<br>(since 25.06.2015)                        | 3 | 3,<br>of them 3 are EiWs | 0 |

\*EiW – expressed in writing.

## MEETINGS (ABSENT VOTING) OF THE AUDIT COMMITTEE

In 2015, there were 4 meetings and 3 absent voters from the Audit Committee:

- 19.02.2015, minutes No. 35 (absent from voting);
- 06.03.2015, minutes No. 36 (absent from voting);
- 19.03.2015, minutes No. 37 (absent from voting);
- 22.04.2015, minutes No. 38 (meeting);
- 31.08.2015, minutes No. 39 (meeting);
- 19.10.2015, minutes No. 40 (meeting);
- 21.12.2015, minutes No. 41 (meeting).

In 2015, the Audit Committee under the Supervisory Board of the Company examined 44 issues, of which the following are outlined as key:

- The issue relating to the approval of the Work Plan of the Internal Audit Department of PJSC ALROSA for 2015.
- The Work Plan of the Audit Committee under the Supervisory Board of PJSC ALROSA for 2014-2015 corporate year.
- Assessment of the Report into the work of the Internal Audit Department of PJSC ALROSA for 2014.
- The procedure for preparation of materials for a meeting (of those absent from voting) of the Supervisory Board of PJSC ALROSA on approval of related-party transactions.
- Ensuring Russian Accounting standards are fully met by the auditor of PJSC ALROSA.
- Ensuring the auditor of PJSC ALROSA conducts a mandatory audit of consolidated financial statements of the ALROSA Group in accordance with the International Financial Reporting Standards.
- The preliminary approval of the Annual

Report of PJSC ALROSA for 2014.

8. The annual accounting (financial) reporting including the Financial Performance Report of PJSC ALROSA for 2014.

9. On the consolidated financial reporting of PJSC ALROSA prepared in accordance with IFRS for 2014.

10. Recommendations to the General Meeting of Shareholders of PJSC ALROSA on distribution of profits based on results of 2014 including the amount of dividends on shares of PJSC ALROSA and the procedure for their payment.

11. Approval of the Consolidated Budget of the ALROSA Group for 2015.

12. Election of Chairman of the Audit Committee of the Supervisory Board of PJSC ALROSA.

13. Approval of the Work Plan of the Audit Committee under the Supervisory Board of PJSC ALROSA for 2015-2016 corporate year.

14. The initial (maximum) price of audit services in the framework of an open tender for a contract to conduct a mandatory audit of accounting (financial) statements of PJSC ALROSA prepared in accordance with the Russian legislation on results of 2016-2018 and substantiation of the initial (maximum) price of audit services in the framework of this open tender.

15. The initial (maximum) price of audit services in the framework of an open tender for a contract to conduct a mandatory audit of consolidated financial statements of ALROSA Group prepared in accordance with the International Financial Reporting Standards based on results of 2016-2018

and substantiation of the initial (maximum) price of audit services in the framework of this open tender.

16. The approval of internal documents of PJSC ALROSA.

17. The information on the procurement list, including those performed not on a competitive basis and information on the use of PJSC ALROSA's own electronic trading platform.

18. Approval of the Work Plan of the Internal Audit Department of PJSC ALROSA for 2016.

19. Approval of amendments to the Regulations for the procedure of

disbursement of loans by PJSC ALROSA and acquisition of financial instruments of the legal entities.

20. Approval of an interested party transaction, namely the agreement on termination of Contract No. 01-04/399 between PJSC ALROSA and the Russian Federation On joint consolidated sale of shares of OJSC Almazny Mir at auction dated October 14, 2014.

21. The plan for auditing of the consolidated financial reporting of PJSC ALROSA prepared in accordance with IFRS for 2015.

22. Approval of interested party transactions.

## RESULTS OF THE ASSESSMENT BY THE AUDIT COMMITTEE OF THE EFFICIENCY OF THE EXTERNAL AUDIT PROCESS

In 2015, the audit committee addressed the following issues relating to the

external audit of the company:

| Issue  | Outcome  | Fulfilment   |
|--|--|--|
| The approval of the auditor of PJSC ALROSA according to the Russian Accounting Standards - 19.03.2015, Minutes No. 37  | The Audit Committee approved the proposal on the recommendation by the Supervisory Board to the General Meeting of Shareholders to approve Limited Liability Company Financial and Accounting Advisors as the Company's auditor to conduct mandatory annual audit of accounting (financial) reports prepared in accordance with the Russian laws based on the results of 2015. | On 25.06.2015, the General Meeting of Shareholders of the Company approved Limited Liability Company Financial and Accounting Advisors as an auditor to conduct mandatory annual audit of accounting (financial) reports prepared in accordance with the Russian laws based on the results of 2015 in Minutes No. 33.            |
| The approval of the PJSC ALROSA auditor to conduct a mandatory audit of consolidated financial statements of the ALROSA Group in accordance with the International Financial Reporting Standards - 19.03.2015, Minutes No. 37. | The Audit Committee approved the proposal on the recommendation by the Supervisory Board to the General Meeting of Shareholders to approve Closed Joint-Stock Company PriceWaterhouseCoopers Audit as the Company's auditor to conduct mandatory audit of consolidated financial reports of ALROSA Group prepared in accordance  | The appointment on 25.06.2015, at the Annual General Meeting of Shareholders, (Minutes No. 33), of Closed Joint-Stock Company PriceWaterhouseCoopers Audit as the Company's auditor to conduct the mandatory audit of consolidated financial reports of the ALROSA Group prepared in accordance with the International Financial |

|   |   |   |
|---|---|---|
|   | with the International Financial Reporting Standards on the results of 2015.  | Reporting Standards on the results of 2015.   |
| The annual accounting (financial) reporting including the Financial Performance Report of PJSC ALROSA for 2014 - 22.04.2015, Minutes No. 38           | After having reviewed the supplied documentation, including an independent auditor's report, the Audit Committee assured the Supervisory Board that it was possible to submit the annual accounting reports for approval, including the report on the financial results of PJSC ALROSA to the General Meeting of Shareholders for review, inviting the General Meeting of Shareholders to approve it. | On 25.06.2015, the Company's Annual General Meeting of Shareholders approved the accounting reports, including the profit and loss account of PJSC ALROSA for 2014 in Minutes No. 33. |
| On consolidation of financial reporting of PJSC ALROSA prepared in accordance with IFRS for 2014 - 22.04.2015, Minutes No. 38.                        | Based on the review of the submitted materials, including the independent auditor's report, the Audit Committee took note of the results of the Company's consolidated financial reports for 2014, prepared in accordance with the International Financial Reporting Standards into account.  |   |
| On the plan for the audit of consolidated financial reporting of PJSC ALROSA, prepared in accordance with IFRS for 2015 - 21.12.2015, Minutes No. 41. | After having considered the materials provided by the independent auditor, the Audit Committee approved the Plan for the Audit of the Consolidated Financial Reports of PJSC ALROSA for 2015, prepared in accordance with the International Financial Reporting Standards.  |   |

## HUMAN RESOURCES AND REMUNERATIONS COMMITTEE

The Human Resources and Remunerations Committee was established on April 20, 2010 to improve the efficiency and quality of the Supervisory Board's work through preliminary consideration and development of recommendations for the Supervisory Board in relation to the following issues:

- determination of key areas of the Company's HR policy;
- attraction of skilled experts to the Company management and creation of the required incentives for their successful work;

- determination of the number and composition of the Company's Executive Committee.

The Committee is comprised of 5 members of the Supervisory Board, which are independent (non-executive) directors.

As of December 31, 2015, five non-executive members of the Supervisory Board were members of the HR and Remunerations Committee, including two Independent Directors.

## MEETINGS (ABSENT VOTING) OF THE HUMAN RESOURCES AND REMUNERATIONS COMMITTEE

In 2015, 7 meetings and 2 absent voting of the Human Resources and Remunerations Committee were held:

1. - 15.01.2015, minutes No. 20 (meeting);
2. - 18.03.2015, minutes No. 21 (meeting);
3. - 14.04.2015, minutes No. 22 (meeting);
4. - 22.05.2015, minutes No. 23 (meeting);
5. - 22.06.2015, minutes No. 24 (absent voting);
6. - 08.09.2015, minutes No. 25 (meeting);
7. - 09.10.2015, minutes No. 26 (absent voting);
8. - 22.10.2015, minutes No. 27 (meeting);
9. - 04.12.2015, minutes No. 28 (meeting);

In 2015, the Human Resources and Remunerations Committee under the Supervisory Board of the Company considered 37 matters, including following key matters:

1. On election of the President of PJSC ALROSA.
2. On compliance of PJSC ALROSA with the listing rules.
3. The plan for implementation of the corporate governance code within the competence of the Human Resources and Remunerations Committee under the Supervisory Board of PJSC ALROSA.
4. On overlapping positions of members of the Board of PJSC ALROSA in other organizations' executive bodies.
5. On liability insurance of the members

of managing bodies of PJSC ALROSA.

6. On assessment of the work of Members of the Supervisory Board of PJSC ALROSA in 2014-2015 corporate year and proposal to the General Meeting of Shareholders to pay remuneration for the above period.

7. On assessment of the work of Members of the Auditing Committee of PJSC ALROSA in 2014-2015 corporate year and proposal to the General Meeting of Shareholders to pay remuneration for the above period.

8. On inclusion on the agenda of the General Meeting of Shareholders of PJSC ALROSA of the item On approval of Regulations on Remunerations and Compensations Payable to Members of the PJSC ALROSA Auditing Committee.

9. On approval of a voting bulletin on the annual General Meeting of Shareholders of PJSC ALROSA for the agenda item of the annual General Meeting of Shareholders of PJSC ALROSA On Payment of Remuneration for the Work as Part of the Supervisory Board to the Members of the Supervisory Board, Except for Governmental Officials, in the Amount Established in the Internal Documents of PJSC ALROSA.

10. On the fulfilment of instructions and decisions of the Supervisory Board of PJSC ALROSA for 2014-2015 corporate year relating to the matters



Participation in the work of the Human Resources and Remunerations Committee

| No  | Surname and initials   | TOTAL | meetings                | voting in absentia |
|---|--|-------|-------------------------|--------------------|
| <i>Members of the Supervisory Board that left the Supervisory Board on 25.06.2015:</i>            |  |       |                         |                    |
| 1   | D. P. Zakharov<br>(until 25.06.2015)                           | 5     | 4,<br>of them 1 is EiW* | 1                  |
| 2   | I. A. Lozhevsky<br>(until 25.06.2015)                          | 5     | 4                       | 1                  |
| 3   | D. S. Morozov<br>(until 25.06.2015)                            | 5     | 4,<br>of them 1 is EiW* | 1                  |
| <i>Members of the Supervisory Board that were members of the Supervisory Board in 2015</i>        |  |       |                         |                    |
| 4   | V. I. Kondratyeva<br>(Chairman)                                | 8     | 6                       | 2                  |
| 5   | O. R. Fedorov  | 9     | 7,<br>of them 1 is EiW  | 2                  |
| <i>Members of the Supervisory Board that were elected to the Supervisory Board on 25.06.2015:</i> |  |       |                         |                    |
| 6   | P. V. Uliyanov<br>(Independent Director)<br>(since 25.06.2015) | 4     | 3                       | 1                  |
| 7   | O. V. Grinko<br>(Independent Director)<br>(since 25.06.2015)   | 4     | 3                       | 1                  |
| 8   | E. V. Grigorieva<br>(since 25.06.2015)                         | 4     | 3                       | 1                  |

\*EiW – expressed in writing.

concerning the key tasks of the HR and Remunerations Committee under the Supervisory Board of PJSC ALROSA.

11. Determination of the Company's position in relation to the agenda items of the General Meeting of Shareholders of PJSC Severalmaz.

12. On the General Director of Catoca Ltd. Mining Co. (Republic of Angola) controlled by PJSC ALROSA.

13. On the Work plan of the HR and Remunerations Committee under the Supervisory Board of PJSC ALROSA for 2014-2015 corporate year.

14. On approval of the Induction Program for newly elected members of the Supervisory Board of PJSC ALROSA.

15. On election of Chairman of the HR and Remunerations Committee of the Supervisory Board of PJSC ALROSA.

16. On approval of the Work plan of the HR and Remunerations Committee under the Supervisory Board of PJSC

ALROSA for 2015-2016 corporate year.

17. On approval of the Regulation on Remuneration to the President of PJSC ALROSA.

18. On approval of the Regulation on Remuneration to the Members of the Executive Committee of PJSC ALROSA.

19. On amendments to the Regulations on the Corporate Secretary of PJSC ALROSA.

20. On the review of the reports on achievement of quarterly key indicators on the efficiency of PJSC ALROSA activities for 1HY 2015.

21. On the nomination of candidates to the Supervisory Board and Auditing Committee of PJSC ALROSA for 2016-2017 corporate year.

22. On approval of the amended Regulations on remuneration to the President of PJSC ALROSA.

23. On approval of the amended Regu-

lations on remuneration to Members of the PJSC ALROSA Executive Committee.

24. On confirmation of the compliance of independent Members of the Supervisory Board of PJSC ALROSA with the independent criteria established by the Listing Rules of CJSC FB MMVB.

25. On the terms and conditions of liability insurance for members of the Supervisory Board and Executive Committee of PJSC ALROSA.

26. On assessment of the level of fulfilment of target tasks and on

assessment of the level of fulfilment of functional responsibilities by the Corporate Secretary of PJSC ALROSA (quarterly).

27. On changes in the composition of the Board of PJSC ALROSA.

28. On the reports on the achievement of quarterly key indicators of the efficiency of PJSC ALROSA activities over 9 months in 2015.

29. On amendments to the Regulations on remuneration to members of the Supervisory Board of PJSC ALROSA.



## 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 development of recommendations for the Supervisory Board in relation to the following issues:

- determination of priority areas of the Company's activities;
- adoption of resolutions for submission to the General Meeting of Shareholders by the Supervisory Board relating to approval of major transactions and related party transactions;
- adoption of decisions for submission by the Supervisory Board to the

General Meeting of Shareholders on issues relating to participation of the Company in holding companies, financial and industrial groups, associations and other unions of commercial organizations;

- management of securities, shares owned by the Company;
- management of the Company's property;
- establishing of the Company's divisions, opening of representative offices and their liquidation.

As of 31.12.2015, the Members of the Strategic Planning Committee include nine Members of the Supervisory Board.

### *Participation in the work of the Strategic Planning Committee*

| No.   | Surname and initials   | TOTAL | Participation in the work of the Strategic Planning Committee |                    |
|---|--|-------|---|--------------------|
|   |  |       | meetings  | voting in absentia |
| <i>Members of the Supervisory Board that were members of the Supervisory Board in 2015</i>        |  |       |   |                    |
| 1   | S. V. Barsukov<br>(Chairman)                                 | 7     | 5   | 2                  |
| 2   | Ye. A. Borisov *   | 4     | 3,<br>of them 1 are EiWs**                                    | 1                  |
| 3   | G. I. Danchikova *   | 7     | 5   | 2                  |
| 4   | E. V. Grigorieva *   | 7     | 5   | 2                  |
| 5   | O. R. Fedorov  | 7     | 5,<br>of them 1 is EiW  | 2                  |
| 6   | V. I. Kondratyeva  | 4     | 4   | 0                  |
| <i>Members of the Supervisory Board that were elected to the Supervisory Board on 25.06.2015:</i> |  |       |   |                    |
| 7   | P. V. Alekseev<br>(since 25.06.2015)                         | 4     | 4   | 0                  |
| 8   | O. V. Grinko<br>(Independent Director)<br>(since 25.06.2015) | 4     | 4,<br>of them 1 is EiW  |                    |
| 9   | A. V. Zharkov<br>(Executive Director)<br>(since 25.06.2015)  | 4     | 4   | 0                  |
| 10  | M. V. Gordon<br>(Independent Director)<br>(since 25.06.2015) | 3     | 3,<br>of them 1 is EiW  | 0                  |

\* Ye. A. Borisov, G. I. Danchikova and E. V. Grigorieva were Members of the Strategic Planning Committee in 2014-2015 while being Non-Members of the Supervisory Board.

\*\*EiW – expressed in writing.

## MEETINGS (ABSENTEE VOTING) OF THE STRATEGIC PLANNING COMMITTEE

In 2015, 5 meetings and 2 absentee votes of the Strategic Planning Committee were held:

1. - 20.03.2015, minutes No. 20 (meeting);
2. - 13.04.2015, minutes No. 21 (absentee voting);
3. - 22.05.2015, minutes No. 22 (absentee voting);
4. - 07.09.2015, minutes No. 23 (meeting);
5. - 09.11.2015, minutes No. 24 (meeting);
6. - 18.11.2015, minutes No. 25 (meeting);
7. - 18.12.2015, minutes No. 26 (meeting);

In 2015, the Strategic Planning Committee under the Supervisory Board examined 31 issues, of which the following were key:

1. The inclusion onto the agenda of the General Meeting of Shareholders of PJSC ALROSA of the item On the approval of an interested party transaction, namely a supplemental agreement to the effective USD 350 million loan agreement entered into by PJSC ALROSA and JSC VTB and of proposals to the General Meeting of Shareholders on which a decision is required.
2. The inclusion onto the agenda of the General Meeting of Shareholders of PJSC ALROSA of the item On the approval of an interested party transaction, namely a supplemental agreement to the effective USD 250 million loan agreement entered into by PJSC ALROSA and JSC VTB Bank and of proposals to the General Meeting of Shareholders on which a decision is required.
3. On approval of a new version of the Regulations on Procurement of PJSC ALROSA.
4. Approval of the Registrar of the conditions of his agreement with PJSC ALROSA.
5. On termination of the comprehensive servicing agreement for the register of holders of inscribed securities entered into by PJSC ALROSA and OJSC Republican Special Registrar Yakutia Fund Centre.
6. The inclusion onto the agenda of the General Meeting of Shareholders of PJSC ALROSA of the item On approval

of Regulations on Remunerations and Compensations Payable to Members of the PJSC ALROSA Auditing Committee.

7. Inclusion on the agenda of the Annual General Meeting of Shareholders of PJSC ALROSA of the item On approval of Regulations on the Auditing Committee of PJSC ALROSA.

8. On participation of PJSC ALROSA in the Diamond Producers Association.

9. On proposals to the annual General Meeting of Shareholders of PJSC ALROSA to adopt a resolution on approval of the Charter of PJSC ALROSA, the Regulations on the General Meeting of Shareholders of PJSC ALROSA, the Regulations on the Supervisory Board of PJSC ALROSA and the Regulations on the Executive Committee of PJSC ALROSA.

10. On election of Chairman, Deputy Chairman of the Strategic Planning Committee under the Supervisory Board of PJSC ALROSA.

11. On approval of the Work Plan of the Strategic Planning Committee of the Supervisory Board of PJSC ALROSA for 2015-2016.

12. On approval of proposals based on the 2014 audit results for implementation of the PJSC ALROSA Program for Long-Term Development up to 2023.

13. On reforming the residential development division of PJSC ALROSA.

14. On reforming the public utility division of PJSC ALROSA.

15. On approval of the Regulations on the quality management system of PJSC ALROSA.

16. On approval of the Regulations on the quality management system of PJSC ALROSA.

17. On approval of the Regulations on the planning and execution of the Innovative Development and Technological Modernization Program of PJSC ALROSA.

18. On approval of the clarified consolidated budget of PJSC ALROSA and clarified key performance indicators for 2015.

19. On approval of the adjusted Consolidated Budget of PJSC ALROSA for 2015.

20. On approval of Clarified target values of KPIs of ALROSA Group for 2015.

21. On approval of the Order for an increase in investing and operating efficiency and a decrease in the expenses of PJSC ALROSA.

22. On approval of the Information Policy of PJSC ALROSA.

23. On approval of the Consolidated

Budget of PJSC ALROSA for 2016.

24. On amendments to the Program for Alienation of non-core assets of PJSC ALROSA.

25. On approval of transactions with interested parties.

26. On termination of participation in other entities.

## ROLE OF THE SUPERVISORY BOARD IN THE ORGANIZATION OF THE EFFICIENT RISK

In 2015, the Supervisory Board developed and approved regulatory documents relating to corporate governance:

- Regulations on internal audit of PJSC ALROSA;
- Regulations on risk management of PJSC ALROSA.

The Regulations on the internal audit of the Company defines the goal, tasks, authorities and responsibilities of the internal audit management, governs

stakeholder engagement and assessment procedure of activities relating to the internal audit.

The new edition of the Provisions for risk management clarifies the procedure for preparation and approval of documents, terminology, introduces the concept of a preferred risk, reflects the assessment of the efficiency of the risk management system, and clarifies the function and nature of interaction between participants in the risk management process.

## REMUNERATION TO THE MEMBERS OF THE SUPERVISORY BOARD

In accordance with the decision taken at the annual General Meeting of Shareholders of PJSC ALROSA, remuneration to the Members of the Supervisory Board was accrued and paid based on the results of

the 2014-2015 corporate year, calculated in accordance with the Regulations on the Remuneration to the Members of the Supervisory Board of PJSC ALROSA dated June 25, 2015 (Minutes No. 33).

| No.          | Surname and initials | Basic component, roubles | Remuneration for participation in the work of the Supervisory Board, | Premium for the Chairmanship in the Committees or Chairmanship in the Supervisory Board |           | Total amount of the remuneration, roubles |
|--------------|----------------------|--------------------------|--|---|-----------|---|
|              |                      |                          |  | %   | RUB       |   |
| 1            | F. B. Andreev        | 4,000,000                | 3,272,727  | 20%   | 654,545   | 3,927,273                                 |
| 2            | S. K. Dubinin        | 4,000,000                | 3,636,364  | 20%   | 727,273   | 4,363,636                                 |
| 3            | D. P. Zakharov       | 4,000,000                | 4,000,000  |   |           | 4,000,000                                 |
| 4            | V. I. Kondratyeva    | 4,000,000                | 4,000,000  |   |           | 4,000,000                                 |
| 5            | N. E. Kononova       | 4,000,000                | 3,818,182  |   |           | 3,818,182                                 |
| 6            | I. A. Lozhevsky      | 4,000,000                | 4,000,000  |   |           | 4,000,000                                 |
| 7            | O. R. Fedorov        | 4,000,000                | 2,909,091  | 20%   | 581,818   | 3,490,909                                 |
| 8            | D. S. Morozov        | 4,000,000                | 3,636,364  |   |           | 3,636,364                                 |
| 9            | I. A. Yuzhanov       | 4,000,000                | 4,000,000  | 50%   | 2,000,000 | 6,000,000                                 |
| 10           | A. V. Sharonov       | 4,000,000                | 3,454,545  |   |           | 3,454,545                                 |
| <b>TOTAL</b> |                      |                          |  |   |           | <b>40,690,909</b>                         |

In 2015, the total Company remuneration to the Members of the Company's Supervisory Board was 40,690,909 RUB (in 2014 – 28,300,000 RUB). The above remunerations are paid to the members of the Supervisory Board of the Company in full.

In 2015, the Company and legal entities from the ALROSA Group did not grant any loans to Members of the Supervisory Board.

Remunerations to the Members of the Supervisory Board are paid out of the Company's net profit. If there is no Company net profit, the remuneration to the Members of the Supervisory Board is neither determined, nor paid.

The remuneration (basic and premium) is not paid to:

- The Chairman or members of the Supervisory Board who hold state or municipal employee status, in accordance with the current legislation of the Russian Federation;
- The Chairman or members of the

Supervisory Board, for which the legislation stipulates the restriction or prohibition of receiving any payments from commercial organizations;

- Members of the Supervisory Board, who are at the same time the sole executive body or a member of the collegial executive body of the Company.

The amount of the remuneration for the participation in the work of the Supervisory Board payable to each Member of the Supervisory Board is calculated based on the total number of meetings of the Supervisory Board for the past corporate year held as of March 31 of the current year and the number of meetings attended by the Member of the Supervisory Board.

The basic component amount of remuneration is determined based on the Company's revenue for the relevant financial year. In 2015, the basic component totalled to 4,000,000 RUB.

| <i>Amount of the revenue, RUB bn</i> | <i>Basic component, RUB</i> |
|--------------------------------------|-----------------------------|
| more than 200                        | 6,000,000                   |
| more than 30                         | 4,000,000                   |
| more than 10                         | 2,000,000                   |

In addition to the basic remuneration to the members of the Supervisory Board, there are premiums for the fulfilment of additional responsibilities associated with the chairmanship of the Supervisory Board and Committees hereunder as follows:

- 50% of the basic remuneration for chairmanship of the Supervisory Board;
- 20% of the basic remuneration for the chairmanship of committees under the Supervisory Board.

The above premiums shall not be paid if:

- during the corporate year, less than

three meetings of a Committee under the Supervisory Board were held;

- a Member of the Supervisory Board participated in less than 50% meetings (in presentia and in absentia voting) of a committee under the Supervisory Board held in a corporate year or during working hours in a corporate year (for newly elected (out-going) Members of the Supervisory Board).

Travel expenses and accommodation relating to the fulfilment by the Members of the Supervisory Board of the duties required of them are also compensated.

## PRESIDENT AND EXECUTIVE COMMITTEE

Management of the Company is carried out by the President (sole executive body) and the Executive Committee (collegial executive body).

The scope of duties of the Company's executive bodies includes all current activity management issues, except for the issues within the exclusive competence of the General Meeting of

Shareholders and the Supervisory Board. The President and Executive Committee coordinate the decision-making of the General Meeting of Shareholders and Supervisory Board and reporting on it hereafter. As of 31.12.2015, the Executive Committee of the Company consisted of 13 people.







## BIOGRAPHICAL DATA OF THE MEMBERS OF THE EXECUTIVE COMMITTEE (AS OF DECEMBER 31, 2015)

### **Andrey Vyacheslavovich ZHARKOV**

*President of PJSC ALROSA  
Chairman of the Board of the Company*

*Date of appointment: April 24, 2015*

Born on February 11, 1973 in Geneva (Switzerland).

In 1995, he graduated from the Moscow State Linguistic University, with a degree in Foreign Languages; in 1998, he obtained a degree in Accounting and Auditing from the Moscow State University of Commerce. PhD in Economics.

Labour activities over the last 5 years:  
2010-2015 - Deputy Head of Gokhran under the Ministry of Finance of the Russian Federation;  
2015 - present - President of PJSC ALROSA.

Employment contract expires on: 23.04.2018

*He has no participation interest in PJSC ALROSA.*

*Did not enter into transactions relating to purchase/disposal of shares in 2015.*

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### **Ivan Kirillovich DEMYANOV**

*Vice President of PJSC ALROSA. Supervises social and personnel policies of the Company.*

*Date of appointment: October 26, 1995*

Born on June 5, 1942 in Ilovka, Belgorod Region.

In 1982, he graduated from the Higher Party School of Khabarovsk.

Labour activities over the last 5 years:  
1995 – present – Vice President of PJSC ALROSA.

*Participation interest in PJSC ALROSA – 0.0007%.*

*Did not enter into transactions relating to purchase/disposal of shares in 2015.*

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### **Igor Mikhailovich KULICHIK**

*Vice President and CFO of PJSC ALROSA*

*Date of appointment: August 10, 2009*

Born in Brest, Belorussia, on April 5, 1967. In 1990, graduated from Ordzhonikidze Moscow Aviation Institute with a degree in Mechanical Engineering, in 1992, from the Zhukovsky Air Force Engineering Academy with the title of Engineer Mathematician.

Labour activities over the last 5 years:  
2009 – present – Vice President and CFO of PJSC ALROSA

Employment contract expires on: 09.08.2017

*He has no participation interest in PJSC ALROSA.*

*Did not enter into transactions relating to purchase/disposal of shares in 2015.*

**Alexander Grigoryevich MATVEEV**

Head of Legal Department of PJSC ALROSA.

Date of appointment: November 23, 2009

Born on August 3, 1976 in Omsk. In 1998 graduated from Omsk State University with a degree in Jurisprudence.

Labour activities over the last 5 years: 2009 – present – Head of PJSC ALROSA Legal Department.

He has no participation interest in PJSC ALROSA.

Did not enter into transactions relating to purchase/disposal of shares in 2015.

**Alexander Fedorovich MAKHRACHEV**

Director of Udachny MPD of PJSC ALROSA

Date of appointment: March 18, 2008

Born at the Aleisk State farm, the Aleisk District of the Altai Region, on October 31, 1956.

A graduate of the Moscow Steel & Alloys Institute (graduated in 1979) where he qualified as a metallurgical engineer. In 1996, he took a refresher training course under the program General management of a mining enterprise in free market

conditions, at the Russian Federation State Academy of National Economy. In 2007, he graduated from the Moscow State University of Mining, where he qualified as a mining engineer.

Labour activities over the last 5 years: 2008 – present – Director of Udachny MPD of PJSC ALROSA.

Participation interest in PJSC ALROSA – 0.0029%.

Did not enter into transactions relating to purchase/disposal of shares in 2015.

**Yury Konstantinovich OKOEMOV**

Vice President of PJSC ALROSA. Supervises sales policies of the Company.

Date of appointment: August 6, 2009

Brief biographical data:

Born on January 1, 1962, in the village of Kazachye, Verkhoyansk Region, Yakutia. Graduated from a physics and mathematical school in the village of Verkhneviluisk in the Yakut ASSR in 1979. In 1985, he graduated from the Moscow State Institute of Steel and Alloys, with a degree in Metal Physics, in 1996, from the

Russian Presidential Academy of National Economy and Public Administration with the qualification of Executive Manager.

Labour activities over the last 5 years: 2009 – present – Vice President of PJSC ALROSA.

Employment contract expires on: 05.08.2017

Participation interest in PJSC ALROSA – 0.0073%.

Did not enter into transactions relating to purchase/disposal of shares in 2015.

### **Sergey Nikolaevich PUSHKIN**

*Vice President of PJSC ALROSA. Oversees the activities of subsidiaries and affiliates, as well as the development of the Company's projects in Africa.*

*Date of appointment: January 25, 2010*

Born on February 26, 1967, in Bolshoe Mamlevo village, Gorky region. He is a graduate of the Moscow Institute of Physics and Technology (Aerodynamics & Flying Engineering Department) (graduation year 1990), and of the Air Force Engineering Academy (Aircraft and Engines Department) (graduation year

1992).

Labour activities over the last 5 years:  
2010 – present – Vice President of PJSC ALROSA.

Employment contract expires on: 24.01.2018

*He has no participation interest in PJSC ALROSA.*

*Did not enter into transactions relating to purchase/disposal of shares in 2015.*

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### **Ilya Petrovich RYASHCHIN**

*First Vice President of PJSC ALROSA. Oversees the financial and economic affairs of the Company.*

*Date of appointment: June 9, 2012*

Born on May 23, 1973 in Gorky. In 1996, graduated from the Lobachevsky State University of Nizhny Novgorod, with a degree in Credit and Finance. Labour activities over the last 5 years: 2003-2012 - Deputy Head and First Deputy Head of the Financial Management Department and the Corporate Finance Department and Head of the Planning

and Budgeting Department at OJSC Russian Railways.

2012 – present – First Vice President of PJSC ALROSA;

From 24.10.2014 to 23.04.2015, he was President of PJSC ALROSA.

Employment contract expires on: 08.06.2016

*He has no participation interest in PJSC ALROSA.*

*Did not enter into transactions relating to purchase/disposal of shares in 2015.*

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### **Ravil Shamilyevich SANATULOV**

*Director of Aikhal MPD of PJSC ALROSA.*

*Date of appointment: September 27, 2007*

Born in Chulman, the Neryungri District, Yakutia, on May 22, 1963. He graduated from the Irkutsk Polytechnic Institute in 1986 with a degree in mining engineering, and specialized in the technology and integrated mechanized

development of mineral fields.

Labour activities over the last 5 years:  
2007 – present – Appointed Director of ALROSA's Aikhal Mining and Processing Division.

*He has no participation interest in PJSC ALROSA.*

*Did not enter into transactions relating to purchase/disposal of shares in 2015.*

### **Valery Petrovich SEROV**

*Chief Geologist of PJSC ALROSA.*

*Date of appointment: February 1, 2011*

Born in Kalush, the Ivano-Frankovsk Region of Ukraine, on July 18, 1957. He graduated from the Moscow Geological Prospecting Institute in 1980 with a degree in geological surveying, prospecting and exploration of mineral fields.

Labour activities over the last 5 years:

2011 – present – Chief Geologist of PJSC ALROSA.

Employment contract expires on: 31.07.2016

*He has no participation interest in PJSC ALROSA.*

*Did not enter into transactions relating to purchase/disposal of shares in 2015.*

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### **Igor Vitalyevich SOBOLEV**

*First Vice President and Executive Director of PJSC ALROSA*

*Date of appointment: January 1, 2012*

Born in Kimovsk, Tula Region, on November 16, 1969.

He graduated from the Tula State Technical University in 1993 with a degree in mining construction engineering, specialized in Mine and underground construction.

Labour activities over the last 5 years:

2007-2011 - Director of Capital Construction Division of PJSC ALROSA;

2012 - present - First Vice President and Executive Director of PJSC ALROSA

Employment contract expires on: 31.12.2016

*Participation interest in PJSC ALROSA – 0.002%.*

*Did not enter into transactions relating to purchase/disposal of shares in 2015.*

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### **Alexander Sergeevich CHAADAEV**

*Vice President for Innovation, director of Yakutniproalmaz institute*

*Date of appointment: May 28, 2012*

Born in Yakutsk, Republic of Sakha (Yakutia), on September 8, 1960.

He graduated from the Tyumen Civil Engineering Institute with a degree in Civil Engineering in 1982, and specialized in Industrial and Civil Construction Engineering. In 2001, he graduated from the Russian Federation State Finance Academy with a degree in Credit and Finance. PhD in Economics.

Labour activities over the last 5 years:

2007-2012 - Director of the ALROSA YakutNiproAlmaz Research Institute of PJSC ALROSA;

2012 – present – Vice President for Innovation and Director of Yakutniproalmaz Research Institute of PJSC ALROSA.

Employment contract expires on: 27.05.2017

*Participation interest in PJSC ALROSA – 0.0004%.*

*Did not enter into transactions relating to purchase/disposal of shares in 2015.*

**Andrey Nikolaevich CHEREPNOV**

Chief Engineer of PJSC ALROSA.

Date of appointment: June 29, 2015

He is a graduate of the Irkutsk Polytechnic Institute with a degree in Mine Surveying, Mining Engineer-Surveyor (1988).  
Labour activities over the last 5 years:  
2001-2012 - Deputy Chief Surveyor, Chief Surveyor of PJSC ALROSA;

2012-2015 - Deputy Chief Engineer for Production of PJSC ALROSA;  
2015 – present – Acting Chief Engineer, Chief Engineer of PJSC ALROSA.  
Employment contract expires on: 08.06.2016

He has no participation interest in PJSC ALROSA.

Did not enter into transactions relating to purchase/disposal of shares in 2015.

**REMUNERATION PAID TO THE EXECUTIVE COMMITTEE**

The Members of the Executive Committee are entitled to a salary, premiums, voluntary medical insurance, compensation for the fulfilment of their responsibilities as Members of the Board of Directors of ALROSA Group individual enterprises. Salary and premiums payable to Members of the Executive Committee of the Company shall be determined in their employment contracts.

On November 10, 2015, the Supervisory Board of the Company approved a new version of the Regulations on Remuneration to President of PJSC ALROSA and Regulations on Remuneration to Members of the Executive Committee of PJSC ALROSA (Minutes A01/236-HC). The annual remuneration is paid to the President and the Members of the

Executive Committee for the achievement of KPIs relating to production and business activities.

The KPIs system for the executive bodies implemented by the Company requires the senior management to ensure the goals of the Long-term Program for ALROSA Group Development up to 2023 are achieved.

The structure of the annual income of the members of the Company's executive bodies includes payments based on the timely and full achievement of the ALROSA Group KPIs and more than 78% of individual KPIs.

In 2015, the Company and legal entities from ALROSA Group did not grant any loans to the President or Members of the Executive Committee.

**REMUNERATION PAID TO THE EXECUTIVE COMMITTEE**

| <i>Indicator</i>                                     | <i>Amount of payment, in thousands of roubles</i> |
|--|---|
| Remuneration for participation in the governing body | 0   |
| Salary   | 229,111   |
| Premiums   | 396,323   |
| Commissions  | 0   |
| Privileges   | 0   |
| Other remunerations                                  | 103,740   |
| <b>TOTAL</b>   | <b>729,174</b>                                    |

## CORPORATE SECRETARY

Rights and obligations of the Corporate Secretary of the Company are set forth in the Charter of the Company and detailed in the Regulations on the Corporate Secretary of PJSC ALROSA (Regulations on the Corporate Secretary of PJSC ALROSA).

In accordance with the Regulations on the Corporate Secretary, the Corporate Secretary's objectives are:

- to ensure compliance by the executive bodies and employees of the Company with the legislative requirements, the Charter and internal documents of the Company that guarantee rights and legal interests of shareholders;
- to ensure compliance with property interests of shareholders in execution of their rights, to maintain the balance of interests between the participants of corporate legal relations;
- to support the activities of the General

Meeting of Shareholders, Supervisory Board, Committees under the Supervisory Board, Executive Committee and Auditing Committee;

- to support the members of the Supervisory Board, when they fulfil their functions, including initiation of newly elected members of the Supervisory Board;
- to develop the corporate governance system of the Company in line with the interests of all shareholders and Company;
- to ensure the growth of investment attractiveness of the Company, to promote its sustainable development.

The Corporate Secretary is a Company official functionally subordinate and accountable to the Supervisory Board, and administratively subordinate to the President of the Company.

## CORPORATE SECRETARY'S BIOGRAPHICAL DATA AS OF DECEMBER 31, 2015

### **Andrey Grigoryevich LEKAREV**

*Head of the Directorate for Corporate Support, Corporate Secretary of PJSC ALROSA*

Born on May 7, 1981, in Kuybyshev. He graduated from the Moscow State Law Academy in 2003 with a degree in Law and from the International Business School (Financial University under the Government of the Russian Federation) in 2011 with an MBA in International Banking Management.

He also holds a PhD in Law from the Moscow State Law Academy (2006).

Previous work experience:

2010 - present - Secretary of the Supervisory Board, Head of the Directorate for Corporate Support, Corporate Secretary of PJSC ALROSA;  
2007-2010 - Chief Legal Advisor in PJSC VTB Bank's Legal Department.

Before 2007, he worked in the

administrative office of the Council of the Federation and the State Duma of the Federal Assembly of the Russian Federation.

Member of the All-Russian Public Organization National Association of Corporate Secretaries.

From 2012 through 2015, Mr. Lekarev has been amongst the Top 25 Directors for Corporate Governance / Corporate Secretaries, in an annual national ranking compiled by the Independent Directors Association (IDA), the Russian Union of Industrialists and Entrepreneurs (RSPP) in partnership with PwC and the Moscow Exchange for the 'Director of the Year' National Award category.

For achievements in the area of corporate management, he was awarded

the Director of the Year (winner in the Corporate Management Director - Corporate Secretary category, 2013).

He is also the winner of the XIII annual Top 1,000 Russian Managers 2015 prize, in the Best Corporate Governance Director category.

He is a Class 3 Advisor to the State Civil Service.

He has no family ties with any members of PJSC ALROSA's executive or executive and bodies responsible for the control in the area of financial and business activities of PJSC ALROSA.

Information on A. G. Lekarev's transactions, involving purchase or alienation of PJSC ALROSA's ordinary shares for 2015:

As of 01.01.2015, A. G. Lekarev held 27,005 ordinary shares (0.00037%).

On 10.02.2015, A. G. Lekarev alienated 2,800 shares and after the change A.G. Lekarev held 24,205 shares (0.00033%).

On 11.02.2015, A. G. Lekarev alienated 5,800 shares and after the change A.G. Lekarev held 18,405 shares (0.00025%).

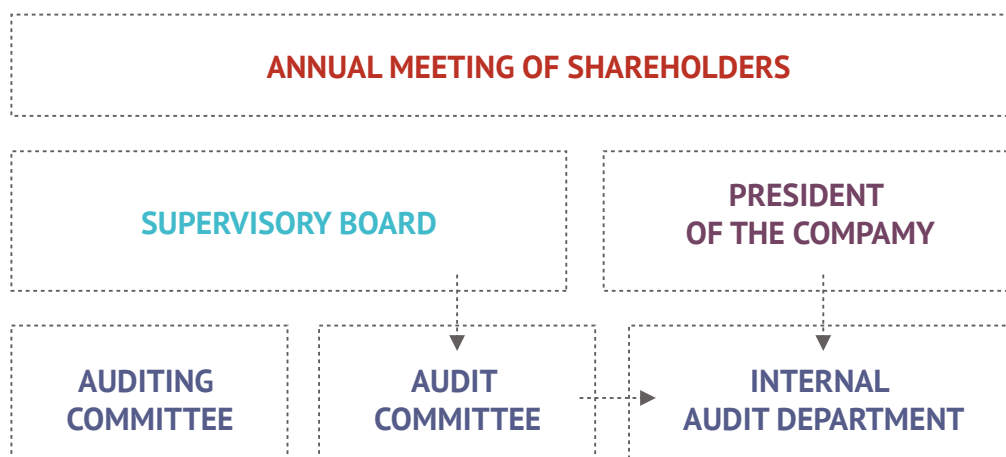
On 24.02.2015, A. G. Lekarev alienated 6,200 shares and after the change A.G. Lekarev held 12,205 shares (0.00017%).

On 13.08.2015, A. G. Lekarev alienated 4,500 shares and after the change A.G. Lekarev held 7,705 shares (0.0001%).

As of December 31, 2015, A. G. Lekarev holds 7,705 ordinary shares (0.0001%) of PJSC ALROSA.



## 2.3. INTERNAL CONTROL SYSTEM



### AUDITING COMMITTEE

The Auditing Committee was elected at the annual General Meeting of Shareholders to oversee the finance and economic activities of PJSC ALROSA and compliance with Russian Federation legal

legislation. The Auditing Committee of 5 members is elected for the period until the next annual General Meeting of Shareholders.

THE AUDITING COMMITTEE OF PJSC ALROSA ELECTED BY THE ANNUAL GENERAL SHAREHOLDERS MEETING OF PJSC ALROSA ON JUNE 25, 2015, AND DECEMBER 31, 2015 COMPRISES THE FOLLOWING MEMBERS:

| No. | Surname and initials | Position  |
|-----|----------------------|---|
| 1   | A. V. Glinov         | Deputy Director of the Administrative Department at the Ministry of Finance of the Russian Federation; Chairman of the Auditing Committee.  |
| 2   | A. I. Vasilyeva      | Head of the Department of the Rough and Polished Diamond Complex Property, Financial and Insurance Organizations, Ministry of Property and Land Relations, Republic of Sakha (Yakutia). |
| 3   | D. P. Kim            | Assistant Officer of the Major Organization Management Division of the Corporate Governance Department at the Ministry of Economic Development of the Russian Federation.               |
| 4   | M. V. Mikhina        | Adviser to the Head of the Federal Agency for State Property Management;  |
| 5   | V. N. Pushmin        | Deputy Finance Minister of the Republic of Sakha (Yakutia).   |

In 2015, the Auditing Committee conducted an annual audit of financial activities of PJSC ALROSA for 2014. The audit was conducted during the period of March 16, 2015, to March 25, 2015.

The plan for the audit conducted by the Auditing Committee included the following items:

1. Analysis of accounting (financial) statements.
2. Analysis of the implementation of the basic production indicators and planned economic indicators, including the analysis of actually achieved financial results.
3. Analysis of net profit spending.



4. Analysis of accuracy of calculation and payment of dividends.

5. On the fulfilment of the non-core asset disposal programme, including agricultural assets, in 2014.

6. Analysis of the results of innovative implementations in 2014.

7. On the implementation process of the “road map” for privatization of shares of PJSC ALROSA.

8. Analysis of the results of PJSC ALROSA's sales policy in domestic and foreign markets in 2014.

9. Assessment of the results (status) of instructions from the President of the Russian Federation and Government of

the Russian Federation.

10. Analysis of PJSC ALROSA purchasing performance in 2014.

11. Analysis of the corrective actions following the previous internal audit.

The Auditing Committee feedback, based on the results of the revision of PJSC ALROSA for 2014, was submitted at the annual General Meeting of Shareholders of the Company that took place on June 25, 2015.

**In 2015, the members of the Auditing Committee of the Company were not remunerated for the performance of their duties.**

## INTERNAL AUDIT

The Internal Audit Department is functionally subordinate to the Supervisory Board and administratively subordinate to the President of the Company. The work plan of the Internal Audit Department of the Company is approved by the Supervisory Board of the Company.

The work of the Internal Audit Department in 2015 was performed in accordance with the Regulations on the Internal Audit Department, Regulations on Internal Auditing in PJSC ALROSA based on the approved Work Plans targets (KPIs) and budget of the Department.

The structure of the Department in line with the Regulations on the Internal Audit Department, was not modified and included the following departments:

- internal audit and audit work section;
- PJSC ALROSA's internal control organization section;

- corporate controlling section.

Targets (key performance indicators) of the Department in the reference year:

- Fulfilment of the approved annual audit plan with the established quantitative indicator.
- The number of the agreed recommendations based on the results of the audit is more than 50%.
- The development and submission of a set of documents on the improvement of corporate governance for approval by the management of the Company.
- Development of methodological recommendations for auditing committees of subsidiaries (controlled companies) of the Company relating to the procedure of audits.

**The work plan of the Internal Audit Department for 2015 was fulfilled in the main stipulated areas and in terms of targets achieved.**

## EXTERNAL AUDITORS

| Auditor                                  | LLC FBK  | PricewaterhouseCoopers Audit  |
|--|--|---|
| Scope of the competition                 | mandatory annual audit in accordance with the RAS  | mandatory consolidated financial reporting of ALROSA Group prepared in accordance with IFRS |
| Procedure for election                   | open competition   |   |
| Organizer of the competition             | executive body represented by the President  |   |
| Composition of the competition committee | heads and specialists of the Company, representatives of the Federal Agency for State Property Management, Ministry of Property and Land Relations of the Republic of Sakha (Yakutia), the Russian Federation Ministry of Finance.   |   |
| Decision on approval                     | annual General Meeting of Shareholders   |   |
| Auditor's remuneration                   | RUB 8.0 mn without VAT   | RUB 24.75 mn without VAT  |
| Additional Services                      | <ul style="list-style-type: none"> <li>- audit in 2014 into implementation of the Program for Long-term Development of PJSC ALROSA up to 2023, with RUB 2.9 mn without VAT worth of funds allotted to it;</li> <li>- consulting services relating to the independent actuarial valuation of pensions and other long-term social liabilities of the Company, of RUB 3.4 mn in value.</li> </ul> |   |



## 2.4. DISCLOSURE OF INFORMATION PROTECTION OF INSIDER INFORMATION

### INFORMATION POLICY

The information policy of PJSC ALROSA is based on the following principles:

- regularity and efficiency;
- availability;
- completeness and reliability;
- reasonable balance between the transparency of the Company and protection of its commercial interests.

Maintaining its status as a recognized leader in the diamond mining sector with a flawless reputation is one of ALROSA's priorities.

Apart from the obligation for mandatory disclosure of information in accordance with the requirements of the regulatory bodies, the Company rigorously analyses the information requirements of its target audiences and strives to disclose important information in a timely manner.

In 2015, the Supervisory Board approved the Information Policy that took Russian and international best practices into account.

*The main channel for disclosure of information is the Company's corporate site [www.alrosa.ru](http://www.alrosa.ru)*

### DISCLOSURE CHANNELS

The main channel for disclosure of information is the Company's corporate site <http://www.alrosa.ru/> where important information on the Company and results of its activities for the reporting period are available. The information is also simultaneously disclosed on the English version of the website <http://eng.alrosa.ru/>.

In addition to its corporate website, the Company uses the website of Interfax for mandatory disclosure of information as well as print media: Rossiyskaya Gazeta, Mirninsky Rabochiy, Lenskiy Vestnik, Yakutia, Sakha Sire.

| Status of the Company      | Regulatory compliance   | Disclosure channel  | Disclosed information/<br>Audience   |
|----------------------------|---|---|--|
| Public Joint Stock Company | Federal Law On Joint-Stock Companies No. 208-ФЗ dated December 26, 1995 | Corporate website:<br><a href="http://www.alrosa.ru/">http://www.alrosa.ru/</a> | <ul style="list-style-type: none"> <li>– Charter and internal documents of the Company</li> <li>– Information on important facts, affiliates</li> <li>– Information about securities of the Company, payment of dividends</li> <li>– Quarterly, annual and social reports</li> <li>– Annual and interim financial statements</li> <li>– Material on the General Meetings of Shareholders and the subsequent resolutions adopted in the meetings, and resolutions adopted in meetings of the Supervisory Board</li> </ul> |

## Issuer of equity securities

Federal Law On Securities Market No. 39-ФЗ dd. April 22, 1995

Regulation On disclosure of information by issuers of equity securities (approved by the Bank of Russia on 30.12.2014 No. 454-П)

Federal Law On counteracting misuse of insider information and market manipulation No. 224-ФЗ dd. July 27, 2010

Requirements of the Moscow Stock Exchange to the issuers of shares traded in the A quotation list of the Stock Exchange

– Newsfeed and website of the Company on the website of the authorized Interfax agency: (<http://www.e-disclosure.ru/portal/company.aspx?id=199>)

– Corporate website subsection <http://www.alrosa.ru/documents/раскрытие-информации/>

– Printed media used: Rossiyskaya Gazeta, Mirninsky Rabochiy, Lenskiy Vestnik, Yakutia, Sakha Sire

– Corporate website, sub-section <http://www.alrosa.ru/инвесторам-и-акционерам/> and

– <http://eng.alrosa.ru/investors> Bloomberg

– IR activities (conference phone calls, management meetings with representatives of investment community, participation in investment conferences)

– News releases  
– Mandatory disclosure of information  
– Disclosure of information to analysts, shareholders and representatives of the investment community in Russian and English relating to the results of the Company's activities, financial statements, implementation of major investment projects, implementation of strategic priorities

– Information in English for representatives of the investment community  
– Disclosure of information to analysts of investment banks, representatives of investment funds, shareholders in various aspects of the Company's activities

## PROTECTION OF INSIDER INFORMATION

In order to prevent abuse in a form of illicit use of insider information, the Company adopted Regulations on the measures to prevent the use of insider information and (or) market manipulation in PJSC ALROSA (Regulations on the measures to prevent the use of insider information and (or) market manipulation in PJSC ALROSA). The Regulations were developed in accordance with the Federal Law dated 27.07.2010 No. 224-ФЗ On combatting the misuse of insider information and market manipulation, and on the amendment of individual legislative bills of the Russian Federation, as well as with the Company regulations, Charter and other internal documents.

In accordance with the Regulations, the Company's insiders must make their best efforts to protect and prevent misuse and distribution of insider information.

The Company shall maintain, regularly update and submit the Insider List to the

trade organization and regulators. The Company must also notify the person included in the insider list or excluded from the list no later than one working day from the date of his inclusion in the insider list or his exclusion from such a list correspondingly.

## 2.5. FOR SHAREHOLDERS AND INVESTORS

### SHARES

The Company's shares have been traded at the MICEX since 2011, ticker ALRS, and currently the shares are included in the 1 tier quotation list. The Company

quarterly submits a report on compliance with the corporate governance standards for its shares to remain in the level one listing on the Moscow Stock Exchange.

### KEY INDICATORS OF TRADE IN THE COMPANY'S SHARES FOR 2013-2015

| <i>Indicator</i>                      | <i>UoM</i> | <i>2013</i> | <i>2014</i>   | <i>2015</i>   |
|---------------------------------------|------------|-------------|---------------|---------------|
| Average daily trading volume          | USD mn     | 2.01        | 5.72          | 8.24          |
| Minimum price                         | RUB        | 29.10       | 31.90         | 48.96         |
| Maximum price                         | RUB        | 38.79       | 63.00         | 82.80         |
| Price at the end of the year          | RUB        | 35.00       | 63.00         | 55.94         |
| Free-float volume                     | pcs.       | 518,047.815 | 1,699,380.556 | 1,699,380.556 |
| Free-float share                      | %          | 7.03        | 23.07         | 23.07         |
| Capitalization at the end of the year | USD mn     | 7,813       | 8,327         | 5,611         |

In 2015, the Company's share quotation showed dynamics close to zero (average prices for December 2014 and December 2015 were RUB 54.26 and RUB 53.89 per share correspondingly), and were a little worse than the market: the MICEX index for the same period was 18.61%.

Events in 2015:

– The average price of ALROSA's share in 2015 was RUB 64.84 per share, which is by 59.64% higher than the same period

in 2014.

– The average annual MSCI index Russia decreased by 26.75%, the growth of the average annual MICEX index was 17.94% for the same period.

– As of 31.12.2015, the number of free float shares is 23.07%.

– Based on the results of 2014, RUB mn 10.826 shall be paid out as dividends, i.e. RUB 1.47 per ordinary share.

### AUTHORIZED CAPITAL

The authorized capital of PJSC ALROSA is RUB 3,682,482,815. The authorized capital is divided into 7,364,965,630

ordinary registered shares of 50 kopeks each.

### SHARE CAPITAL STRUCTURE

During the public offering of shares of PJSC ALROSA on the Moscow Stock Exchange in October 2013, 14% of shares owned equally by the Russian Federation and the Republic of Sakha (Yakutia) were placed. In addition, the market was offered 2% of quasi treasury shares held by the Cypriot company Wargan Holdings. The Russian

Federation share in the company's equity decreased from 50.9256% to 43.9256%, and in Yakutia from 32.0002% to 25.0002% respectively. The volume of the company's shares in free circulation after the placement has increased from 7% to 23.07%.

## MAJOR SHAREHOLDERS WHOSE SHARE EXCEEDS 1% IN THE AUTHORIZED CAPITAL AS OF 31.12.2015

| <i>Shareholder</i>   | <i>Share %</i> |
|--|----------------|
| Federal Agency for State Property Management                               | 43.93          |
| Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) | 25.00          |
| 8 uluses (districts) of the Republic of Sakha (Yakutia)                    | 8.00           |
| Other legal entities and individuals                                       | 23.07          |
| <b>TOTAL</b>   | <b>100.00</b>  |

ALROSA's major minority shareholders are: Oppenheimer Funds, Lazard Asset

Management, Genesis, and Capital Group investment funds.

## INDEXES

In March 2015, the Company's shares were included in FTSE Emerging Index and Market Vectors Russia. As of the date of the listing, the weight of shares in FTSE Emerging Index was 0.06%, and in 1.92% in Market Vectors Russia. In September, the weight of ALROSA's share in FTSE Emerging Index was lowered to 0.05%. The weight of shares in Market Vectors Russia in 2015 changed as follows: in June the weight was decreased to 1.74%, in September to 1.35%, and in December the weight increased up to 1.61%. In September 2015, ALROSA's shares were also included in the Index of State-

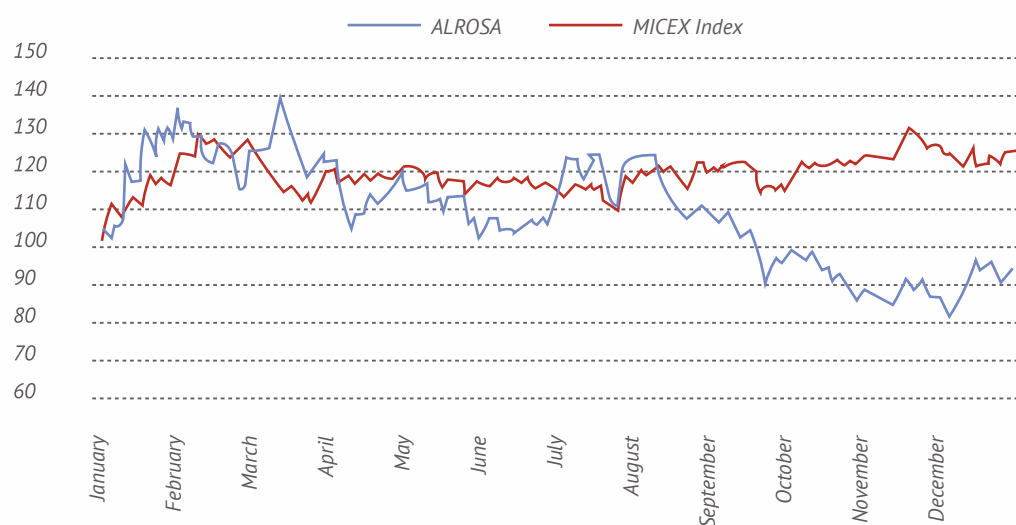
owned companies with a weight of 4.66% as of the date of listing. As of December 31, 2015, ALROSA's shares in this index were weighted at 3.28%.

A range of investment funds invests in the shares issued by the companies included in one or another index proportionate to their weight therein. Therefore, inclusion of the Company's shares in the above indices increases liquidity of the Company's securities.

As of December 31, 2015, the Company's shares were present in the following lists:

| <i>Name of the list</i>             | <i>Weight in the index,<br/>%</i> | <i>Index currency</i> |
|-------------------------------------|-----------------------------------|-----------------------|
| MICEX Index                         | 1.06                              | RUB                   |
| MSCI Russia                         | 1.10                              | USD                   |
| FTSE Emerging                       | 0.05                              | USD                   |
| Market Vectors Russia               | 1.61                              | USD                   |
| Metals and Mining Index (MICEX)     | 15.00                             | RUB                   |
| Broad Market Index (MICEX)          | 1.04                              | USD                   |
| RTS                                 | 1.06                              | USD                   |
| State owned companies index (MICEX) | 3.28                              | RUB                   |

## DYNAMICS OF THE COMPANY'S SHARES COMPARED WITH THE DYNAMICS OF INDICES, %



## BONDS

In 2015, the Company redeemed bonds in roubles:

- On June 18, and 23, 2015, ALROSA redeemed commercial bond issues series 20-23, totalling RUB bn 10, listed at MICEX in June 2010;

- On October 30, 2015, ALROSA redeemed exchange traded bond issues series 50-01 and 50-02, totalling RUB bn 10, listed at MICEX in October 2012.

## COMPANY'S TRADED BONDS AS OF THE END OF 2015

| Indicator         | Value                |
|-------------------|----------------------|
| Number            | ALROSA, 2020         |
| Currency          | US dollars           |
| Amount            | 1,000,000.000        |
| Rate              | 7.75%                |
| Date of placement | November 10          |
| Maturity date     | 4Q 2020              |
| Stock Exchange    | Irish Stock Exchange |
| Issuer            | Alrosa Finance S.A.  |
| Guarantor         | PJSC ALROSA          |

## CREDIT RATINGS

The Company was rated by the three world's major rating agencies Fitch,

Moody's and Standard & Poor's (S&P).

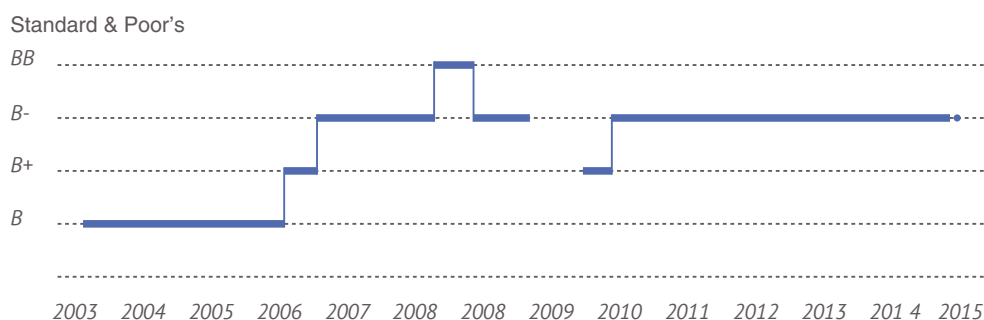
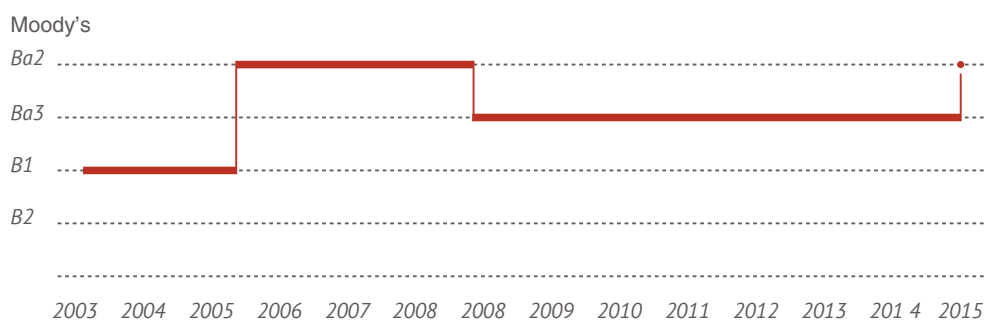
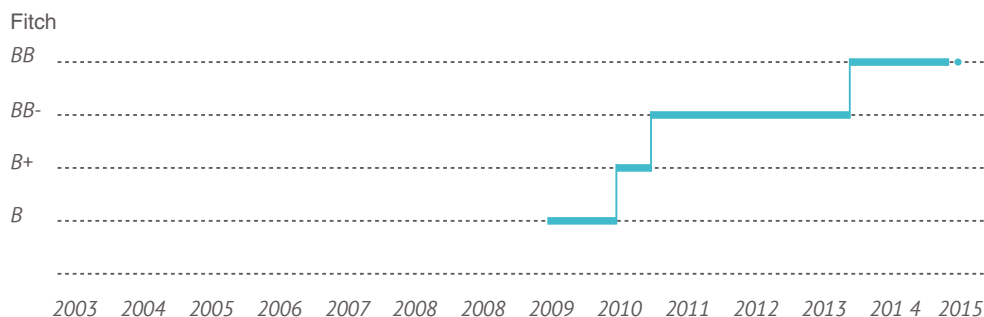
### CURRENT CREDIT RATINGS

| Rating agency | Rating         | Rating assignment date/Rating confirmation date |
|---------------|----------------|---|
| Fitch         | BB / stable    | 16.10.2015                                      |
| Moody's       | Ba2 / stable   | 21.04.2015                                      |
| S&P           | BB- / positive | 29.05.2015                                      |

In April 21, 2015, Moody's increased ALROSA's credit rating up to Ba2. The decision was made against a backdrop of stability in the diamond market, depreciation in the value of the rouble and sales of diamonds from reserves,

which positively affected ALROSA's financial results, improving the Company's liquidity indicators in 2015 and aiding the Company's plans for further decreasing of its debt.

### CURRENT HISTORICAL CREDIT RATINGS





## INTERACTION WITH THE INVESTMENT COMMUNITY

In 2015, the Company's interaction with the investment community was as follows:

| Activity  | 2013    |        | 2014    |        | 2015    |        |
|---|---------|--------|---------|--------|---------|--------|
|   | Planned | Actual | Planned | Actual | Planned | Actual |
| Financial Performance Publication by IFRS   | 4       | 4      | 4       | 4      | 4       | 4      |
| Conference phone calls relating to the IFRS results                               | 3       | 3      | 4       | 4      | 4       | 4      |
| Publication of reviews relating to the industrial activities                      | 2       | 2      | 4       | 4      | 4       | 4      |
| Investor's Day in London  | 0       | 0      | 0       | 0      | 1       | 1      |
| Participation in international investment banking conferences                     | 0       | 0      | 4       | 4      | 3       | 5      |
| Visiting industrial facilities in the territory of Yakutia and Arkhangelsk region | 1       | 1      | 2       | 2      | 2       | 2      |

In 2015, over the course of all the meetings and activities, more than 200 interactions with representatives of the investment community took place.

Based on the results of the XVIIIth annual report competition conducted annually by MICEX, ALROSA's annual report was awarded the Best annual

report of a metallurgical and mining sector of the economy and winner of the Best presentation of a strategy and investment attractiveness of the company in an annual report, as well as winner of the Best disclosure of information on corporate governance in an annual report category.

## ANALYTICAL COVERAGE

As at the end of 2015, the analytical review of ALROSA's shares was made by 25 investment banks and companies, 13

of which recommended buying ALROSA's shares.

| Recommendation  | 2013 | 2014 | 2015 |
|---|------|------|------|
| To buy  | 16   | 19   | 13   |
| To keep   | 3    | 1    | 9    |
| To sell   | -    | 2    | 3    |
| The number of investment banks engaged in analytical coverage | 19   | 22   | 25   |

Due to the unstable situation in the diamond market in 2015, some analysts negatively altered their recommendations relating to ALROSA's shares. The majority of the analysts lowered the forecast prices for diamonds in 2015-2016.

However, many analysts continue to view the Company's fundamental characteristics as attractive, owing to low capital expenditure, decreasing debt and the positive effects of a weakening rouble against the US Dollar.

## KEY AREAS OF WORK WITH INVESTORS IN 2016

The Department for interaction with the Company's investors in 2016 continues to implement complex measures to increase investment attractiveness and the informational transparency of the Company. The investor interaction plan for 2016 incorporates the following activities:

- 4 conference phone calls with participation of the Company's senior managers based on the results of the report on the financial results of ALROSA in accordance with IFRS for the reporting period;
- preparation and publication of 4 reports on the financial results of ALROSA Group in accordance with IFRS for the reporting period.
- preparation and publication of 4 reports on production results of the ALROSA Group for the reporting period.
- organization and carrying out of the Investor's Day for shareholders and

potential investors in shares and debt securities based on the report on the financial results of ALROSA Group in accordance with the IFRS for 2015;

- organization and carrying out of personal meetings, particularly, with participation of the Company's senior managers, representatives of shareholders, potential investors in shares and debt securities;

- organization and carrying out of personal and group visiting meetings, particularly, with participation of the Company's senior managers and representatives of shareholders, potential investors in shares and debt securities in the course of conferences organized by Russian and foreign investment banks;

- organization and conducting of a visit from a group of shareholders and investors' representatives to the Company's production facilities in Yakutia and Arkhangelsk region.

*The investor's calendar is available in the 'Shareholders and Investors' corporate website subsection at [www.alrosa.ru](http://www.alrosa.ru) <http://www.alrosa.ru/инвесторам-и-акционерам/>*

## COMPANY DIVIDEND POLICY

The dividend policy of PJSC ALROSA is based on the following principles:

- Balancing the Company's and shareholders' interests in determining the amount of dividends as well as a balance between the shareholders' short-term (gaining profit) and long-term (Company development and capitalization growth) interests
- Maintaining the Company's required financial status and ensuring its development prospects
- Enhancing the Company's investment appeal and its capitalization
- Compliance with the shareholder rights provided for in the current legislation of the Russian Federation, the Company's Charter and its internal documents
- Transparency of dividend calculation and dividend payment mechanisms, which the Supervisory Board and Annual General Meeting are guided by.

In 2013, to increase the investment attractiveness of PJSC ALROSA, the changes to the Regulations on dividend policy were approved. As a result, the minimum level of dividend has been increased to 35% of the net profit distributed based on the consolidated reports made in accordance with the IFRS.

On June 25, 2015, an annual General Meeting of Shareholders of PJSC ALROSA was held in the town of Mirny. In the course of voting, the shareholders adopted a resolution on payment of dividends based on the results of 2014. It was resolved to allocate RUB bn 10.826 for payment of dividends, which amounts to RUB 1.47 per one ordinary share with a par value of 50 kopecks and is similar to the amount of payments made in the previous year.

## THE COMPANY'S DIVIDEND HISTORY FOR THE PERIOD FROM 2011 TO 2014

| <i>Dividend and payout ratio</i>                       | 2011   | 2012   | 2013   | 2014*  |
|--|--------|--------|--------|--------|
| Amount of dividend announced per 1 ordinary share, RUB | 1.01   | 1.11   | 1.47   | 1.47   |
| Total amount of announced dividends, mn RUB            | 7,439  | 8,175  | 10,826 | 10,826 |
| Payout ratio (share in net profit)                     | 28.09% | 25.05% | 35.02% | 35.02% |

*The Regulations on Dividend Policy of PJSC ALROSA (www.alrosa.ru/wp-content/uploads/2014/02/ALROSA-Dividend-Policy-RUS.pdf)*

## KEY PERFORMANCE INDICATORS 2015

15

*corporate activities of the Supervisory Committee*

55.94 RUB

*price of share*

-11.2%

117

*issues were addressed*

FREE FLOAT 23.1 %

411,996 bn RUB

*market capitalization*

-11.2%

20

*number of IR-activities*

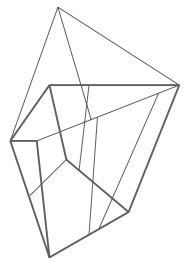
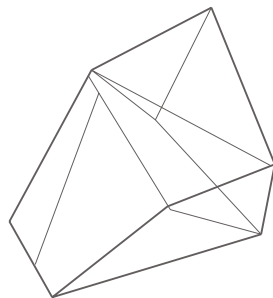
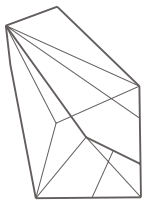
25

*investment banks providing coverage*

Rating Fitch, BB / stable (for 16.10.2015)  
Rating Moody's, Ba2 / stable (for 21.04.2015)  
Rating S&P, BB- / positive (for 29.05.2015)



# CORPORATE SOCIAL RESPONSIBILITY



## 3.1. CORPORATE SOCIAL RESPONSIBILITY

### COMMITMENT TO SUSTAINABLE DEVELOPMENT

The key to effectiveness of the Company activities is the level of credibility gained in the eyes of the community. Being aware of its social responsibility, ALROSA Group keeps a balance between commercial and public interests, seeks to make a significant contribution to the development of the Russian economy and the well-being of the population in the regions of its presence. That is why activities of ALROSA Group are based on the principles of sustainable development, fair treatment and respect for all parties whose interests are affected by its activities.

The sustainable development strategy integrated into the activities of ALROSA Group includes three main components:

- maintaining sustainability of the global diamond market, Russian economy, balance of reasonable expectations and interests of stakeholders;
- minimizing the negative industrial impact on the environment, rational use of mineral resources, resource conservation, compliance with international environmental protection standards
- safety, health and professional development of the personnel, responsibility for the social and economic well-being of the population in the regions of the Company operation, support of local communities and charity.

### STAKEHOLDER ENGAGEMENT

ALROSA maintains sustainable dialogue with stakeholders and continues to work towards improving social responsibility based on international standards and the best world practice. In December 2014, **the Supervisory Board approved the Policy in the area of sustainable development and corporate social responsibility of PJSC ALROSA.**

The document determines objectives, tasks and principles of the company's activities in the sphere of sustainable development, as well as its voluntary commitments to the stakeholders: the company's shareholders, staff, clients, the state, local and industry communities.

The Company strives to build efficient

relations with all stakeholders. The key task of the regular work with stakeholders is exercising of each party's right to be heard. The Company distinguishes the following representatives among the stakeholders:

- shareholders and investors;
- governmental authorities of the Russian Federation and presence regions;
- employees, Profalmaz international trade union of PJSC ALROSA's employees;
- customers;
- suppliers of goods and services;
- international and Russian industrial community\*;
- local communities;
- scientific and expert communities;
- mass media.

*\* For more detail, see information on the Company's membership of industrial and other international organizations on the website (<http://www.alrosa.ru/алмазы-и-ринок/международные-отраслевые-организации/>).*

## INTERACTION WITH THE STAKEHOLDERS

| Stakeholders  | Form of interaction  |
|---|--|
| Shareholders and investors  | <ul style="list-style-type: none"> <li>General Meeting of Shareholders</li> <li>Meetings with investors</li> <li>Conference calls</li> <li>Investment conferences</li> <li>Corporate financial and non-financial reporting</li> </ul>  |
| Governmental authorities of the Russian Federation and presence regions   | <ul style="list-style-type: none"> <li>Legislative activities relating to the industry</li> <li>Partnerships relating to the social and economic development programs</li> <li>Joint working groups for the issues relating to subsoil use</li> </ul>  |
| Employees, Profalmaz international trade union of PJSC ALROSA's employees | <ul style="list-style-type: none"> <li>Meeting of the ALROSA Group's business core group</li> <li>Meetings with the representatives of trade unions and labour collectives.</li> </ul>   |
| Customers   | <ul style="list-style-type: none"> <li>Company's trading website</li> <li>Exhibition activity</li> <li>International auctions</li> <li>Annual meeting with long-term customers in a working breakfast format</li> </ul>  |
| Suppliers of goods and services   | <ul style="list-style-type: none"> <li>Displaying of information on procurement procedures on the official website of the Russian Federation <a href="http://zakupki.gov.ru">http://zakupki.gov.ru</a>, business meetings, exhibitions, round tables</li> </ul>  |
| International and Russian industrial community                            | <ul style="list-style-type: none"> <li>Participation in working groups, summits, meetings, and round tables together with the World Diamond Council, Antwerp World Diamond Centre (AWDC), Indian Gem &amp; Jewellery Export Promotion Council (GJEPC), World Federation of Diamond Bourses (WFDB)</li> <li>Associated membership in the World Jewellery Confederation. Participation in the work of Russian diamond producers, National Association for Subsoil Use Auditing, Russian Jewellers Guild, etc.</li> </ul> |
| Local community   | <ul style="list-style-type: none"> <li>The Financial and Sponsor Aid program, including the Regional Development subprogram</li> <li>The commission for provision of the financial aid upon requests submitted by individuals and legal entities</li> </ul>  |

Scientific and expert community

Participation in practical conferences, exhibitions, round tables. Consultations, cooperation with the organizations of the Russian Academy of Science in R&D, cooperation with leading specialized universities, SMEs, technological clusters and other representatives from the academic community  
Participation in international alliances, consortium, strategic partnerships in the innovation sphere

Mass media

Interviews, press-conferences, press releases, Company's website ([www.alrosa.ru](http://www.alrosa.ru)), Vestnik ALROSA corporate newspaper

## KEY PERFORMANCE INDICATORS 2015

3,450 mn RUB

*costs of environmental protection*

+0.5%

39.508 employees

*average headcount*

-1.8%

2,041 mn RUB

*funding of the Innovative Development Program*

-24.2%

6,689 employees

*training*

+3.0%

1,481 employees

*attestation*

+19.7%

11

*received documents for useful models and inventions*

27

*implemented scientific and technical development projects*

0.323 GJ

*energy consumption per carat of mined products*

-3.3%



## 3.2. HR AND HR POLICY

PJSC ALROSA does not permit any kind of discrimination; each employee has equal entitlement to exercise his or her employment rights, regardless of sex, race, nationality, language, origin, property, social status and position, age, location, attitude to religion, political views, participation or non-participation in public associations and any other obligations that are not related to an employee's professional qualities.

The ALROSA Group aims to be an attractive employer. The relationships between the companies of the Group and employees in the social and professional sphere are based on the principles of social partnership. PJSC ALROSA and its employees through the agency of Profalmaz labour union entered into a Collective agreement, which provides for a number of additional guarantees, benefits and compensations specified in the agreement documentation.

ALROSA Group's main tasks in the area of HR policy are:

- ensuring employment of the local population;
- creating a favourable social climate in the regions in which the company operates;
- providing qualified human resources;
- creation of human resource reserves;
- the minimizing of costs relating to the engagement of human resources from other regions;
- optimization of the age structure of the personnel, the attracting and retention of young people.

In 2015, the main areas of HR management work were:

- to provide staff for Mir, Aikhal and Udachny underground mines, currently under construction by way of training workers in the HR Training Centres.
- non-exceeding of the planned number of employees in ALROSA Group's structural subdivisions;

- implementation of the Complex Program for Professional Orientation in PJSC ALROSA.

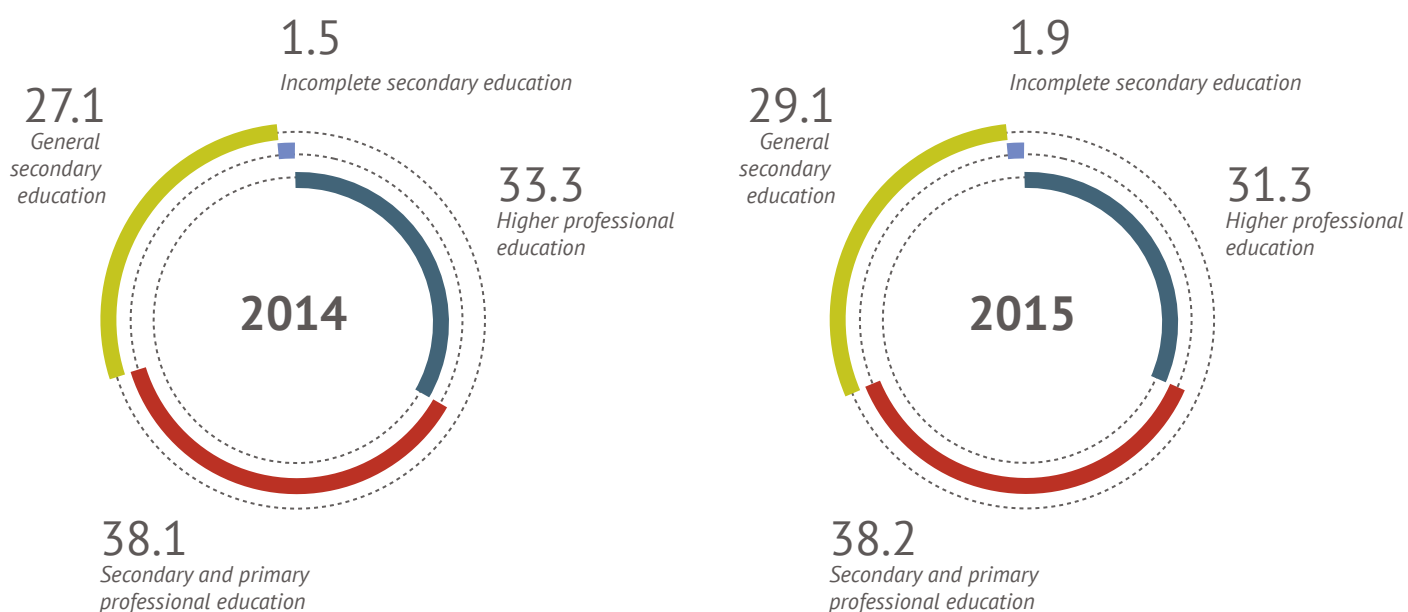
The majority of ALROSA Group personnel work in Western Yakutia. The average headcount in the Group was 39,508 employees in 2015 (40,227 in 2014). The number changed due to structural changes, changes in physical volume and structure of works and activities aimed at lowering costs.

The staff turnover rate decreased from 12.0% in 2014 and to 10.8% in 2015.

In 2015, in PJSC ALROSA the ratio of workers/employees to managers/specialists was 65.4% to 34.6% (in 2014: 66.9% to 33.1%).



## EDUCATIONAL LEVEL OF PERSONNEL IN PJSC ALROSA IN 2014-2015, %



The gender composition of the Company personnel is determined by the specifics of the mining industry and

in 2015 the male/female ratio in PJSC ALROSA was 64.9% to 35.1% (in 2014 it was 64.7% and 35.3% respectively).

## EMPLOYEE AGE STRUCTURE OF PJSC ALROSA IN 2014-2015:

| Age          | Actual number, persons | Share of total actual number, % | Actual number, persons | Share of total actual number, % |
|--------------|------------------------|---------------------------------|------------------------|---------------------------------|
| 30           | 6,462                  | 21.52%                          | 5,865                  | 19.95%                          |
| 30-40        | 8,331                  | 27.73%                          | 8,071                  | 27.45%                          |
| 40-50        | 7,857                  | 26.15%                          | 7,916                  | 26.93%                          |
| 50-60        | 6,302                  | 20.97%                          | 6,324                  | 21.51%                          |
| >60          | 1,091                  | 3.63%                           | 1,224                  | 4.16%                           |
| <b>TOTAL</b> | <b>30,043</b>          | <b>100%</b>                     | <b>29,400</b>          | <b>100%</b>                     |
|              | 2014                   |                                 | 2015                   |                                 |

ALROSA strives to optimize the composition of its personnel in terms of age, and the engagement and retention

of young people. In line with this aim, in 2015 the following activities were performed:

## ALROSA PROFESSIONAL ORIENTATION

– A specialized engineering class based on the Municipal Budget Educational Institution Polytechnical Lyceum in Mirny

was created.

– Laboratory equipment for the science classroom of the Municipal Budget

Educational Institution Polytechnical Lyceum in Mirny was purchased for 727 thousand roubles.

- The Engineering projects based on LEGO EV-3, Design devices with electronic components programs were developed and approved and 24 hours of lectures were given in the engineering classroom.
- The Alternative sources of energy and

their use in the Extreme North regions special course programs were developed and approved and 13 hours of lectures were given in the engineering classroom.

- Meetings of young specialists of the Company with 10th - 11th grade pupils of Mirny were organized, and a film on young specialists was shown.

**6 689**  
**managers and specialists underwent various types of training in 2015**

## PRE-UNIVERSITY TRAINING

- In 2014-2015, 172 people participated in the Pre-university training program with lectures presented at the industrial sites in Mirny (82 attendees), Udachny (44 attendees), Lensk (32 attendees) and Aikhal village (14 attendees).
- 172 people participated in regional olympiads annually held by the HR Training Centre based on the agreement

with the Siberian Federal University.

- Based on the results of the unified state exams and all-Russian schoolchildren olympiads, 15 people were admitted to the departments, with a degree in key areas of the Company's activities.
- In 2015, 765.3 thousand roubles were spent on the olympiads.

## WORK WITH YOUNG SPECIALISTS

- In 2015, 140 students of higher and secondary vocational educational institutions were employed by PJSC ALROSA (in 2014, 220 students), including 83 people with higher vocational education (in 2014, 118

people) and 57 people with secondary vocational education (in 2014, 102 people). The industrial training at the Company's subdivisions was undertaken by 656 students (in 2014, 715).

## ENGAGEMENT OF HUMAN RESOURCES

In order to perform temporary works at the production facilities under construction, the Company invites qualified workers on a rotational shift basis, which involves mandatory engagement of the local workforce. The Company outsources shift workers from other regions of the Russian Federation and CIS countries when there are no professionals with the required qualifications and skills available in Yakutia or when it is economically

feasible. In 2015, 870 people from regions of the Russian Federation were contracted to work rotating shifts (640 people in 2014).

In 2015, in accordance with the order On procedure for inviting workers to fill jobs (positions) where there is a shortage of candidates, 125 people were invited to take up positions in subdivisions of PJSC ALROSA (in 2014, 125 people too).

## HR TRAINING

Professional development of the Company personnel and personnel turnover was based on the approved 2015 plans of training, retraining and advanced training of managers, specialists and employees in the HR Training Centre and at the premises of its training schools.

In the reference year, 6,689 employees, including managers and specialists, underwent various types of training (in 2014, 6,494 employees).

### EMPLOYEE TRAINING IN PJSC ALROSA IN 2014-2015

| <i>Subdivision</i>       | <i>2014</i>  | <i>2015</i>  |
|--------------------------|--------------|--------------|
| Executive bodies         | 80           | 30           |
| Mining enterprises       | 3,530        | 4,054        |
| Geology                  | 180          | 175          |
| Science                  | 310          | 280          |
| Construction enterprises | 360          | 350          |
| Transport enterprises    | 390          | 360          |
| Automation               | 1,340        | 1,137        |
| Other                    | 304          | 303          |
| <b>TOTAL</b>             | <b>6,494</b> | <b>6,689</b> |

Training to workers was provided at the premises of Aikhal, Lensk, Mirny and Udachny HR Training Centre training schools. A complete list of the programs on which training is provided includes more than 100 vocational and specialist training courses. The Plan of training staff to fill employee

positions in 2015 provided for training in basic professions and the granting of various work permits to 5,292 workers as well as an instructional briefing for 3,931 workers. 5,534 people actually completed the training and 3,988 people were given the instructional briefing.

### 3.3. HSE

Preservation of life and health of the employees and creation of the safest possible working environment are the key priorities of ALROSA Group. To ensure industrial safety at the workplace, the Company implemented the HSE management system (Occupational Health and Safety Management System (OHSMS)) based on the following principles:

- priority of life and health of the employees over the results of production activities;
- commitment of the management of the Company to establishing a safe working environment;
- building of sustained motivation to foster safe behavioural practices of personnel undertaking production.

The key documents of the OHSMS are the existing HSE Regulations on management system of PJSC ALROSA and HSE Policy of PJSC ALROSA. The Company accepts the obligations to introduce modern safety equipment preventing workplace injuries and to ensure sanitary conditions preventing the occurrence of occupational diseases. A set of organizational and technical activities is aimed at preventing and decreasing occupational traumatism, minimizing the risk of accidents, fires, traffic accidents, promoting organization of safe work performance techniques.

In 2015, in order to improve the OHSMS, the following organizational and technical activities were performed:

- Changes were made to the information and listing of dangerous industrial facilities used by structural subdivisions and broadcast to the relevant Company service personnel.
- The analysis of OHSMS functionality is performed, decisions are adopted on the procedure of audits and corrective measures in 2016.
- Additions are made to the Regulations to account for the auxiliary mine rescue teams working as part of the mine rescue teams at the dangerous industrial facilities.
- Revision took place of local docu-

mentation relating to the Company's subdivisions in accordance with the valid Interdisciplinary regulations for labour protection, such as loading and unloading works and placement of cargos, when working with tools and devices, using heat networks, using heating power plants, when performing electric welding and gas welding works, working at height, in construction.

- The special assessment of labour conditions on workplaces has been completed in the subdivisions of PJSC ALROSA.

In 2015, PJSC ALROSA could not keep the occupational injuries indicator at the level of 2014. The increase in the number of injuries is related to the number of group accidents that occurred during traffic accidents where victims are not only vehicle drivers but also workers of the subdivisions (passengers). At the primary production subdivisions, the cases of injuries with severe consequences and fatal injuries occurred when performing works, involving organizational safety breaches and the carrying out of mining equipment repairs, and the non-compliance with industrial regulations on loading and unloading at mining works.

In 2015, the number of occupational injuries in ALROSA Group's subsidiaries and controlled companies totalled 6 cases of mild severity, which is less than half of the number of similar cases in 2014.

There were no cases of severe or fatal consequences in 2015.

### OHSMS - Occupational Health and Safety Management System

## NUMBER OF INSTANCES OF OCCUPATIONAL INJURY AT PJSC ALROSA

| Type of injuries | 2013      | 2014      | 2015      |
|------------------|-----------|-----------|-----------|
| light            | 13        | 9         | 9         |
| severe           | 7         | 1         | 6         |
| fatal            | 4         | 2         | 2         |
| <b>TOTAL</b>     | <b>24</b> | <b>12</b> | <b>17</b> |

## NUMBER OF OCCUPATIONAL INJURIES IN ALROSA GROUP'S SUBSIDIARIES

| Type of injuries                                     | 2013      | 2014      | 2015     |
|--|-----------|-----------|----------|
| light  | 9         | 13        | 6        |
| severe   | 0         | 2         | 0        |
| fatal  | 3         | 1         | 0        |
| <i>Subsidiaries</i>                                  |           |           |          |
| JSC Almazy Anabara                                   | 3         | 3         | 0        |
| PJSC Severalmaz                                      | 0         | 2         | 0        |
| JSC NPP Bourestnik                                   | 0         | 0         | 1        |
| OJSC ALROSA-Gas                                      | 4         | 0         | 0        |
| LLC ALROSA-Spetsbureniye                             | 0         | 1         | 0        |
| OJSC Vilyuiskaya HPP-3                               | 0         | 0         | 1        |
| JSC Shipping company ALROSA-Lena                     | 1         | 0         | 1        |
| ALROSA Air Company Limited                           | 0         | 1         | 1        |
| LLC ALROSA-Okhrana                                   | 3         | 6         | 1        |
| Lensk Town Heat and Electric Networks Enterprise LLC | 0         | 1         | 0        |
| OJSC Almas   | 1         | 2         | 1        |
| <b>TOTAL</b>   | <b>12</b> | <b>16</b> | <b>6</b> |



## KEY EVENTS IN 2015

In the reporting year, the HR Training Centre, based on the state certification, conducted pre-attestation training on industrial safety for managers and specialists who use the Company's dangerous industrial facilities in the following supervision areas:

- use of mining operation and production facilities - 550 people (in 2014, 350 employees);
- use of a dangerous industrial facility for production, storage and use of explosives - 105 employees (in 2014, 60 employees);
- use of lifting structures - 451 employee (in 2014, 476 employees);
- use of pressure equipment - 80 employees (in 2014, 55 employees);
- use of a dangerous industrial facility for gas distribution and gas consumption - 45 employees (in 2014, 25 employees);
- energy safety - 250 employees (in 2014, 271 employees).

A total of 1,481 subdivision managers and employees were certified in accordance with the requirements of Rostekhnadzor HR Training Centre (in 2014, 1,237 employees).

Based on the accreditation of the Health Ministry of the Russian Federation, the Company's HR Training Centre provides training in labour protection in accordance with the relevant programs. In 2015, 810

employees underwent training in this area (in 2014, 1,029 employees).

To meet the statutory requirements in the area of the industrial safety, in 2015, the Company's subdivisions created auxiliary mine rescue teams at open pit mines Yubileyny, Komsomolsky, Aikhal MPD, open pit mines Udachny, Zarya, Piropovy Spring, Udachny MPD and Aikhal, Udachny, Mir and Internatsionalny underground mines that underwent primary certification. The total headcount of services is 253 employees who are certified to perform mine rescue operations. The teams are formed of worker subdivisions for the minimizing and containment of emergencies at dangerous industrial facilities during the initial period of their occurrence.

In 2015, special assessment of working conditions at all the Company's workplaces was conducted. The assessment of labour conditions in the workplace subdivisions was conducted by commissions created in the structural subdivisions and representatives from the Profalmaz labour union. Based on the results of the assessment, the relevant materials for the improvement of labour conditions at the Company's workplaces were obtained to minimize the impact of hazardous factors on workers.

**810**

**employees underwent training in labour protection**

**1481**

**subdivision managers and employees were certified in HR Training Centre**

## PLANS FOR 2016

The OHSMS is mainly focused on training, professional development and competence development of the specialists in the field of industrial safety and production control.

In 2016, based on the results of the assessment of labour conditions on workplaces, the development of a complex program for the improvement of labour conditions in the Company's subdivisions is planned.

The plan in the area of professional safety and labour protection for 2016 includes the following activities:

- preparation of the reporting for 2015 for the Executive Bodies in the area of

industrial safety, subsoil protection and labour protection;

- unscheduled special assessment of labour conditions at newly implemented workplaces and workplaces where there are grounds for its implementation;
- HSE management system audit and development of recommendations for the improvement of the OHSMS by the external third party consultant;
- carrying out of a range of training workshops with managers and specialists of PJSC ALROSA;
- amendment of local regulations of the Company in accordance with the amendments made to the laws of the Russian Federation in the area of HSE.





## 3.4. CHARITY AND SOCIAL PROGRAMS

ALROSA upholds a tradition of philanthropic initiatives, striving to create a comfortable internal and external social environment. The social investments are aimed at providing gratuitous aid to children and childcare facilities, scientific, educational, cultural, arts and sports institutions as well as social infrastructure facilities in the regions where the Company operates and to other socially important non-profit projects.

Charity and support of local communities is implemented subject to compliance with the following principles:

- high social value of the sponsored projects;
- target orientation of financial assistance and sponsorship;
- collegial decision making with regard to financial assistance and sponsorship issues;
- charity beneficiary interests are of top priority;

- transparency, accountability and intended purpose of the funds spent.

Gratuitous aid provision by the PJSC ALROSA is regulated by the Financial Assistance and Sponsorship program included in the Social Policy of PJSC ALROSA approved in March 2013 by the Executive Committee. The social policy is also focused on the engagement and development of qualified specialists and development of corporate culture. Implementation of the Social policy of the Company is carried out in accordance with the principles of social partnership with Profalmaz trade union, government authorities and local self-government bodies in the regions where ALROSA Group operates. The Company annually spends approximately 6 bn roubles on the implementation of target corporate programs Health, Housing, Rest and Rehabilitation, Charity, Patronage, Material and Sponsor Support, Culture and Sports.

### “HEALTH” PROGRAM

The main goal of this program is to provide the Company’s employees and their family members with qualified medical assistance. This program is implemented based on the structural subdivision Medical Centre and leading healthcare and scientific medical institutions at the regional and federal level.

In 2015, the expenses for the “Health” program of ALROSA Group amounted to 245.4 mn roubles.

Annually 2,200 people undergo medical examinations and treatment at the expense of ALROSA Group, using VHI, including 250 retired pensioners, 100 employees’ children. 21,000 employees undergo periodical medical examination.

### “REST AND REHABILITATION” PROGRAM

Owing to the harmful and hazardous health impact due to conditions at the main production facilities, special attention is devoted to ALROSA’s employees where the prevention of illnesses and organization of rehabilitative treatment is concerned. Over many years, the Company has run the “Rest and Rehabilitation Program” with direct participation of the Profalmaz labour union. In 2015, 876.1 mn roubles were spent on implementation of this program.

Recreation of ALROSA’s employees, their family members and retired pensioners is ensured mainly, via their own modern preventative health treatments and retreats to third party recreation complexes. The Company spent 360.4 mn roubles on the recreational preventive treatments at local recreation and rest facilities in the Medical Centre. In 2015, 5,567 underwent the treatment.

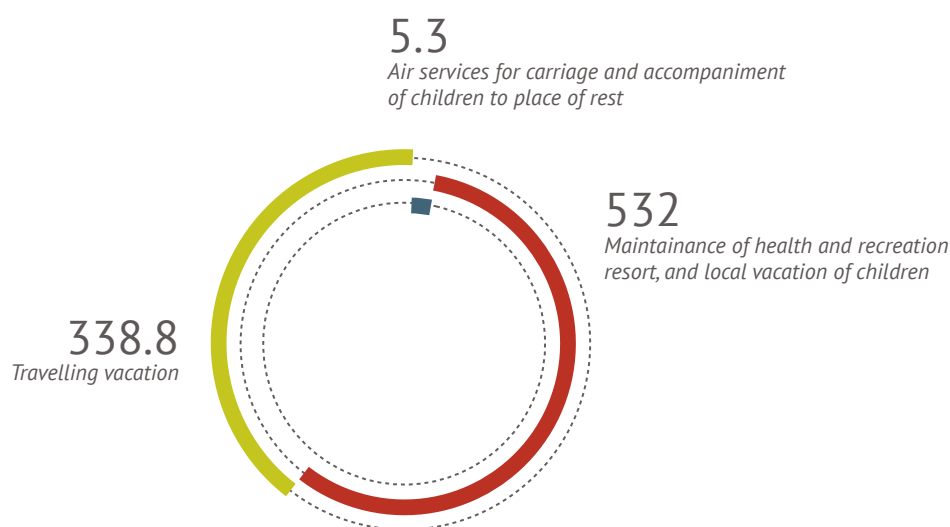
A total 876.1 mn roubles were spent by

ALROSA in 2015 on rest and recreational activities for employees, their family members and retired pensioners, including at the expense of the profit 717.1 mn roubles.

In the reporting year, ALROSA continued

to pursue its recreational program for children with many taken on a trip to coastal resorts on the Black Sea. In addition, 206 children on went on a retreat to the Niva holiday camp in the Gelendzhik urban resort.

## IN 2015, EXPENSES FOR THE “REST AND REHABILITATION” PROGRAM AMOUNTED TO MN ROUBLES



## “HOUSING” PROGRAM

The Company’s “Housing” program aims to attract and retain qualified personnel at the Company and expand opportunities for employees to improve their housing conditions with their own personal means using corporate tools. In 2015, total 1,121.9 mn roubles were spent on the implementation of this program.

In Orel, ALROSA continues the work on the resettlement of retired veterans of the Company in more favourable places and a veteran concessional housing scheme. In 2015, the Company spent 23.4 mn roubles on resettlement of veterans.

Mortgage program that provides favourable conditions via fixed interest rates and opportunity to compensate expenses for payment of interest to ALROSA’s workers continues. In 2015, interests on mortgages compensated to ALROSA’s workers amounted to RUB 40.4 mn. Approximately 300 people participate in this program. Moreover, the work on provision of corporate support

to ALROSA’s workers who buy housing, using their own means, continues. The financing of expenses in this area amounted to RUB 71.4 mn in 2015.

It should be also noted, that in 2015, the four years’ work within the framework of the agreement made with the Republic of Sakha (Yakutia) on the transfer of ownership to the residential fund to the municipal entities was completed. ALROSA financed expenses for maintaining and servicing of the residential fund, carried out current and capital repairs, ensured demolition of substandard and worn housing, compensated losses for the demolished housing, installed metering devices, replaced elevator equipment. In 2012-2015, ALROSA spent almost RUB 3 bn on the implementation of this program, including RUB 598 mn in 2015.

Within the program for demolition of substandard and worn residential houses for the resettlement, in 2013-2015, ALROSA financed construction

**In 2015, the four years’ work on the transfer of ownership to the residential fund to the municipal entities within the framework of the agreement made with the Republic of Sakha (Yakutia) was completed.**

of four residential houses in Mirny with the expenses for construction thereof amounting to 400 mn roubles, one wooden residential house with the expenses for construction amounting to RUB 46 mn. The Company keeps financing construction of one multi-apartment house (to be commissioned in 2016) with the expenses for construction amounting to approximately RUB 200 mn. Over the period of the program for demolition of substandard and worn residential housing, ALROSA also financed construction of two residential houses in

the settlement of Aikhal. In these houses ALROSA's worker will get approximately 80% of the apartments.

Since 2013, ALROSA has been engaged in the construction of workers' dormitories with 450 beds in the settlement of Aikhal and 320 beds in the town of Mirny. In 2013-2015, the expenses of the Company for these purposes amounted to RUB 841 mn and RUB 422.5 mn respectively. The dormitory in Aikhal was commissioned in December 2014, and the dormitory in Mirny is to be completed in 2016.

### **“CHARITY, PATRONAGE, MATERIAL AND SPONSOR SUPPORT”**

This program is an effective tool of social interaction with the personnel, population and authorities of the regions where ALROSA operates.

The charitable activities are closely connected with participation of ALROSA in the programs for social and economic development of uluses of the Republic of Sakha (Yakutia). In accordance with the Agreement On social and economic development of the Republic of Sakha (Yakutia) for the period from 2011 to 2020, charitable transfers to the republican budget are provided under the targeted

donation agreement for construction of education, healthcare, culture and sports facilities.

In 2015, ALROSA provided free material, patronage, sponsor and targeted support to individuals, public, municipal, governmental organizations, establishments, populated areas in the amount of RUB 2,573.9 mn.

Under the regional development program, in 2015 financial assistance was provided to nine uluses (districts) of the Republic of Sakha (Yakutia) amounting to RUB 81.7 mn.

**2 573,9  
mn RUB**

**were spent  
on Charity,  
Patronage,  
Material and  
Sponsor Support  
Program**



## “CULTURE AND SPORTS” PROGRAM

Development of corporate culture and corporate spirit is an important aspect in the improvement of performance. Creation of conditions for the organization of comprehensive leisure for workers and the population promotes healthy lifestyle and is an indirect but efficient method for decreasing the crime rate. To this end, ALROSA runs the “Culture and sports” program. The functions relating to the organization and coordination of mass cultural and sports and recreation activities are entrusted to the ALROSA’s Cultural and sports complex.

The expenses for the “Culture and Sports” program amount to RUB 208.5 mn, 536 sports and recreation, mass sport events and 3,650 cultural events were arranged.

In 2015, ALROSA participated in anniversary activities: 50th anniversary of Mirny district, 60th anniversary of Mirny and diamond mining sector and 70th Victory Day. More than 1 bn roubles was spent on the organization of these activities by ALROSA in 2014-2015.

The Cultural and Sports Complex has 175 classes and clubs operating on a permanent basis that are attended by over 10,000 people.

**208,5  
mn RUB**

**aimed at  
realization of the  
program «Culture  
and Sport»**

## 3.5. ENVIRONMENTAL PROTECTION

Our strategic goal in the field of environmental protection is to ensure environmentally sustainable development in the territories of ALROSA Group productive activity.

The Company is well aware of its social responsibility and the responsibility to future generations, and it tends to ensure a necessary level of environmental safety as well as to prevent possible negative effects.

In 2015, we continued to integrate the principles of environmental responsibility, as set out in the Policy for sustainable development and corporate social responsibility of PJSC ALROSA, in the Company’s activities. In accordance with international standards and best practices ALROSA pledges itself to use natural resources carefully and rationally, to reduce environmental impact and environmental risks and to rehabilitate the damaged ecosystems.

In 2015, the key projects in the area of the environmental protection were:

- scientific and technical support of environmental activities;
- vocational retraining of 325 peoples admitted to treating I-IV hazardous class waste;
- technical equipment of the laboratories;
- inspections at 7 accredited analytical laboratories;
- environmental monitoring;
- work on recultivation of exhausted and disturbed soils;
- investments in the wildlife resource replenishment;
- capital investments in the construction of deflection, transportation and deposition of drainage and shaft waters from underground mines;
- renovation and construction of sewage treatment facilities.

**141 695,3  
thousand  
RUB**

**were spent on the  
activities relating  
to energy saving  
and increasing  
energy efficiency**

## EXPENSES FOR THE ENVIRONMENTAL PROTECTION AND OTHER ENVIRONMENTAL PROGRAMS

| <i>Type of expenses</i>  | <i>Funds allocated, mn roubles</i> |
|--|------------------------------------|
| Capital investments in construction of environmental protection facilities                             | 1,637.9                            |
| Renovation and construction of sewage treatment facilities   | 1,209.4                            |
| Scientific and technical support of environmental activities   | 204.6                              |
| Comprehensive environmental monitoring   | 46.3                               |
| Mined land reclamation   | 271.6                              |
| Improvement of the environmental protection management system  | 2.2                                |
| Compensatory measures  | 22.8                               |
| Training, professional development   | 6.5                                |
| Participation in the forums, congresses, hearings, conferences, provision of information to the public | 0.7                                |
| Other ecological expenses  | 47.3                               |
| <b>TOTAL</b>   | <b>3,449.5</b>                     |

### 3.6. ENERGY EFFICIENT TECHNOLOGIES AND ENERGY CONSERVATION

The program for energy conservation and increasing energy efficiency of PJSC ALROSA for 2014-2016 is part of a long-term program for the development of ALROSA Group up to 2023. The key goals of the program in the area of energy conservation and energy efficiency are rational subsoil use and resource conservation.

The successful implementation of complex measures in the reporting period allowed for the decreasing of electricity consumption for generation of one carat of the product up to 0.323 GJouls (in 2014, 0.334 GJouls).

The total volume of thermal energy, gas and diesel fuel in 2015 compared to 2014 decreases mainly at the expense of the optimization of the industrial processes and higher average statistical ambient

temperature.

The consumption of thermal energy supplied by third party organizations decreases at the expense of reorganization of cultural sports complex (four large facilities were transferred to the administration of the town of Lensk municipal entity). The diesel fuel is saved, particularly, by the optimization of the time for boiler ignition in operating and training mode (accident prevention trainings). The volume of oil consumption in 2015 compared to 2014 was decreased due to transfer of the airport facilities in Lensk to Federal Treasury Enterprise Airports of the North.

In 2015, RUB 141,695.3 thousand (in 2014, RUB 72,537.9 thousand) were spent on the activities relating to energy saving and increasing energy efficiency, including

the arrangement of organizational activities – RUB 12,273 thousand (in 2014, RUB 9,931 thousand) technical

activities - RUB 129,422.3 thousand (in 2014, RUB 62,606.9 thousand).

## ECONOMY OF FUEL AND ENERGY RESOURCES DUE TO ENERGY EFFICIENCY MEASURES IN 2013-2015

| Type of resource  | UoM             | 2013    | 2014    | 2015    |
|---|-----------------|---------|---------|---------|
| Electrical energy   | mn kWh          | 16.8    | 17.2    | 10.3    |
|   | mn roubles      | 74.4    | 77.4    | 55.6    |
| Thermal energy  | GCal            | 703.0   | 5,307.0 | 3,247.7 |
|   | mn roubles      | *       | 13.2**  | *       |
| Gas   | thousand cub. m | 1,760.0 | 1,720.0 | 5,935.7 |
|   | mn roubles      | 8.4     | 8.8     | 30.1    |
| Other (diesel fuel and oil to produce electricity and heat) | thousand tons   | 961.4   | 634.4   | 404.9   |
|   | mn roubles      | 21.3    | 17.9    | 8.2     |
| Water supply  | thousand cub. m | 390.0   | 254.3   | 151.0   |
|   | mn roubles      | 98.2    | 88.9    | 55.4    |

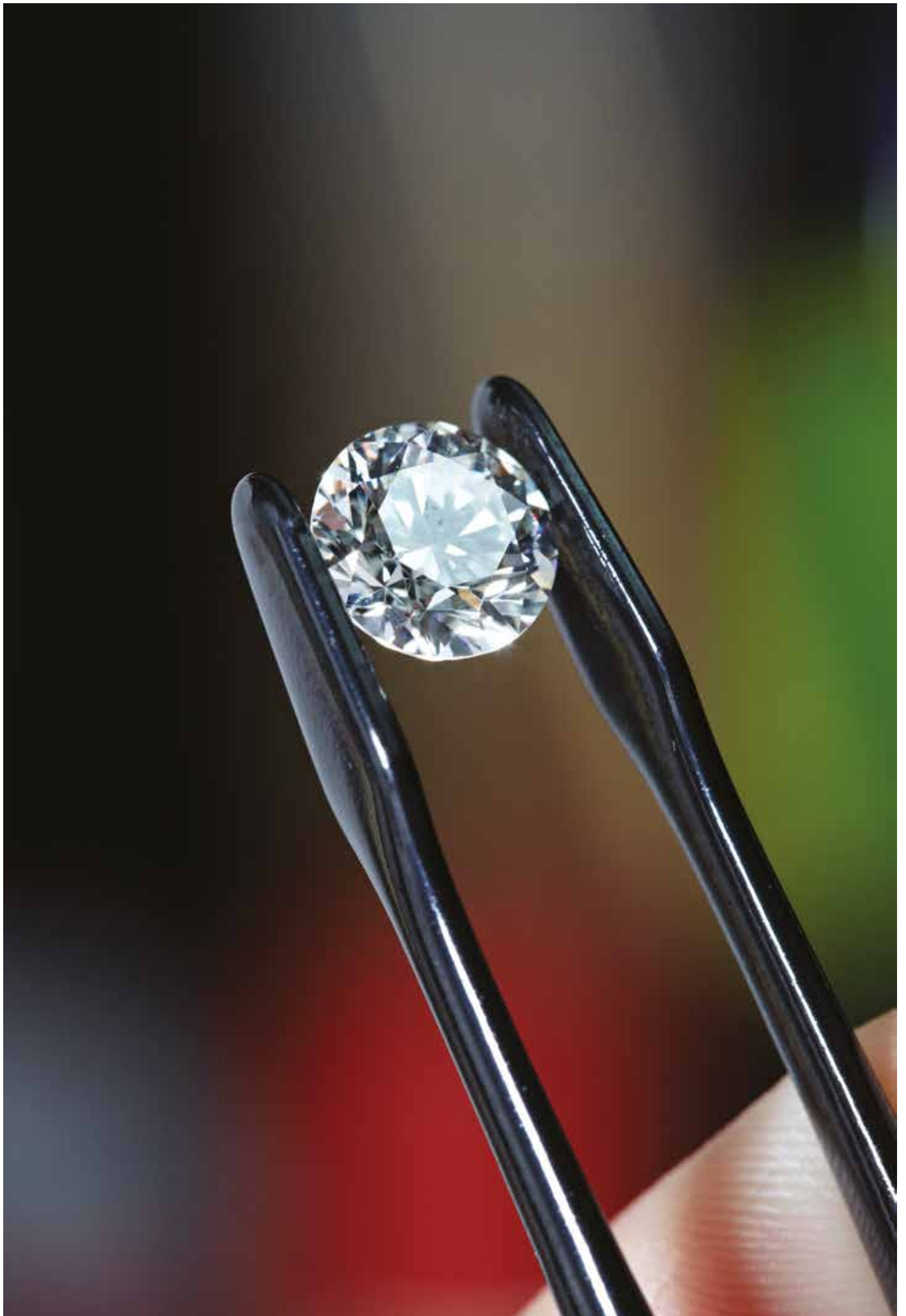
\* It is impossible to calculate the amounts in cash as the economy is stipulated in primary energy resources (electricity, gas, oil, diesel fuel, coal);

\*\* In 2014, the economy in cash is calculated based on the tariff provided by third party thermal energy producers.

## ENERGY COSTS FOR 2013-2015, MN ROUBLES

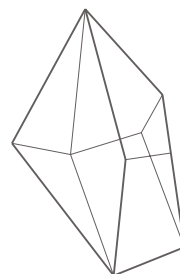
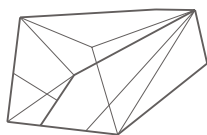
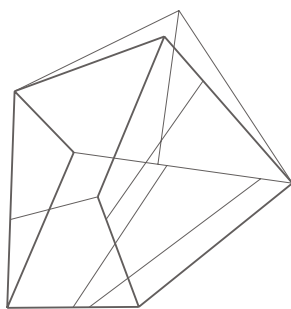
| Type of resource                              | 2013           | 2014            | 2015            |
|---|----------------|-----------------|-----------------|
| Thermal energy from third-party organizations | 258.6          | 258.7           | 250.6           |
| Electrical energy purchased                   | 7,685.0        | 8,864.7         | 9,413.6         |
| Oil (crude) for heat generation               | 84.9           | 99.0            | 81.3            |
| Gas (natural) for heat generation, total      | 1,044.5        | 1,236.6         | 1,045.3         |
| Diesel fuel:                                  | 737.7          | 783.3           | 766.7           |
| for electric energy generation                | 599.0          | 648.2           | 648.1           |
| for heat generation                           | 138.7          | 135.1           | 118.6           |
| Coal for heat generation                      | 21.4           | 25.8            | 23.6            |
| <b>TOTAL</b>                                  | <b>9,832.0</b> | <b>11,268.1</b> | <b>11,581.1</b> |







# FINANCIAL RESULTS



# KEY PERFORMANCE INDICATORS 2015

**+8.4%**

224,524 mn RUB

*revenue*

**+291.3%**

32,192 mn RUB

*net profit*

**+26.3%**

118,498 mn RUB

*EBITDA*

**-1.8%**

42,300 mn RUB

*net cash flow*

**52.8%**

*EBITDA profitability*

Net debt  
EBITDA 1,71

*ROE 22.3%*  
*ROA 24.1%*  
*ROIC 27.0%*

**-11.2%**

411,996 bn RUB

*Market capitalization*

**3,040 mn USD**

*PJSC ALROSA credit portfolio*

*(as of 31.12.2015)*

**-5.0%**

34,241 mn RUB

*investment in fixed assets in accordance  
with IFRS*

## 4.1. AUDIT REPORT



### ***Independent Auditor's Report***

#### **To the Shareholders and Supervisory Council of Public Joint Stock Company ALROSA:**

We have audited the accompanying consolidated financial statements of Public Joint Stock Company ALROSA and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for 2015, and notes comprising a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

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*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

*AO PricewaterhouseCoopers Audit*

15 March 2016

Moscow, Russian Federation

## 4.2. BALANCE SHEET

PJSC ALROSA

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IFRS consolidated financial statements for the year ended 31 December 2015

(in millions of Russian rubles, unless otherwise stated)

### Consolidated Statement of Financial Position

|  | Notes | 31 December 2015 | 31 December 2014 |
|--|-------|------------------|------------------|
| <b>ASSETS</b>  |       |                  |                  |
| Non-current Assets                                     |       |                  |                  |
| Goodwill   | 5.2   | 1,439            | 1,439            |
| Property, plant and equipment                          | 7     | 283,963          | 271,618          |
| Investments in associates and joint ventures           | 5.3   | 6,891            | 6,219            |
| Deferred tax assets                                    | 16    | 1,919            | 1,912            |
| Available-for-sale investments                         |       | 711              | 379              |
| Long-term accounts receivable                          | 9     | 3,453            | 2,489            |
| Restricted cash  | 6     |                  | 100              |
| <b>Total Non-current Assets</b>                        |       | <b>298,376</b>   | <b>284,156</b>   |
| Current Assets   |       |                  |                  |
| Inventories  | 8     | 94,296           | 63,488           |
| Prepaid income tax                                     |       | 6,258            | 3,716            |
| Trade and other receivables                            | 9     | 15,632           | 15,196           |
| Cash and cash equivalents                              | 6     | 20,503           | 21,693           |
| <b>Total Current Assets</b>                            |       | <b>136,689</b>   | <b>104,093</b>   |
| <b>Total Assets</b>                                    |       | <b>435,065</b>   | <b>388,249</b>   |
| <b>EQUITY</b>  |       |                  |                  |
| Share capital  | 10    | 12,473           | 12,473           |
| Share premium  |       | 10,431           | 10,431           |
| Treasury shares  | 10    | (15)             |                  |
| Retained earnings and other reserves                   | 10    | 128,853          | 114,147          |
| Equity attributable to owners of PJSC ALROSA           |       | 151,742          | 137,051          |
| Non-Controlling Interest in Subsidiaries               | 27    | (257)            | 123              |
| <b>Total Equity</b>                                    |       | <b>151,485</b>   | <b>137,174</b>   |
| <b>LIABILITIES</b>                                     |       |                  |                  |
| Non-current Liabilities                                |       |                  |                  |
| Long-term debt   | 11    | 197,467          | 176,358          |
| Provision for pension obligations                      | 14    | 10,556           | 5,793            |
| Other provisions                                       | 13    | 5,841            | 4,347            |
| Deferred tax liabilities                               | 16    | 13,966           | 11,301           |
| <b>Total Non-current Liabilities</b>                   |       | <b>227,830</b>   | <b>197,799</b>   |
| Current Liabilities                                    |       |                  |                  |
| Short-term loans and current portion of long-term debt | 12    | 25,692           | 20,802           |
| Trade and other payables                               | 15    | 23,047           | 24,003           |
| Income tax payable                                     |       | 921              | 2,716            |
| Other taxes payable                                    | 16    | 6,001            | 5,287            |
| Dividends payable                                      |       | 89               | 468              |
| <b>Total Current Liabilities</b>                       |       | <b>55,750</b>    | <b>53,276</b>    |
| <b>Total Liabilities</b>                               |       | <b>283,580</b>   | <b>251,075</b>   |
| <b>Total Equity and Liabilities</b>                    |       | <b>435,065</b>   | <b>388,249</b>   |

Approved for issue and signed on 15 March 2016 by the following members of management:

Andrey V. Zharkov  
President



Svetlana V. Linnik  
Chief accountant

The accompanying notes on pages 9 to 59 are an integral part of these consolidated financial statements.

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## 4.3. FINANCIAL PERFORMANCE REPORT



### PJSC ALROSA

#### IFRS consolidated financial statements for the year ended 31 December 2015

(in millions of Russian roubles, unless otherwise stated)

#### Consolidated Statement of Profit or Loss and Other Comprehensive Income

|  | Notes | Year ended<br>31 December 2015 | Year ended<br>31 December 2014 |
|--|-------|--------------------------------|--------------------------------|
| Revenue  | 17    | 224,524                        | 207,159                        |
| Cost of sales  | 18    | (93,240)                       | (99,334)                       |
| Royalty  | 16    | (1,209)                        | (1,209)                        |
| <b>Gross profit</b>  |       | <b>130,075</b>                 | <b>106,616</b>                 |
| General and administrative expenses                                      | 19    | (10,243)                       | (10,270)                       |
| Selling and marketing expenses   | 20    | (2,768)                        | (2,298)                        |
| Other operating income   | 21    | 3,101                          | 4,117                          |
| Other operating expenses   | 22    | (22,996)                       | (23,789)                       |
| <b>Operating profit</b>  |       | <b>97,169</b>                  | <b>74,376</b>                  |
| Finance (costs) / income, net  | 23    | (58,481)                       | (83,762)                       |
| Share of net profit of associates and joint ventures                     | 5.3   | 2,628                          | 1,589                          |
| <b>Profit / (loss) before income tax</b>                                 |       | <b>41,316</b>                  | <b>(7,797)</b>                 |
| Income tax   | 16    | (9,124)                        | (9,035)                        |
| <b>Profit / (loss) for the year</b>                                      |       | <b>32,192</b>                  | <b>(16,832)</b>                |
| <b>Other comprehensive income/(loss)</b>                                 |       |                                |                                |
| <i>Items that will not be reclassified to profit or loss:</i>            |       |                                |                                |
| Remeasurement of post-employment benefit obligations, net of tax         |       | (4,716)                        | 5,433                          |
| <b>Total items that will not be reclassified to profit or loss</b>       |       | <b>(4,716)</b>                 | <b>5,433</b>                   |
| <i>Items that will be reclassified to profit or loss:</i>                |       |                                |                                |
| Currency translation differences, net of tax                             |       | (159)                          | 307                            |
| Change in fair value of available for sale investments                   |       | 16                             | -                              |
| <b>Total items that will be reclassified to profit or loss</b>           |       | <b>(143)</b>                   | <b>307</b>                     |
| <b>Other comprehensive (loss) / income for the year</b>                  |       | <b>(4,859)</b>                 | <b>5,740</b>                   |
| <b>Total comprehensive income/(loss) for the year</b>                    |       | <b>27,333</b>                  | <b>(11,092)</b>                |
| <b>Profit / (loss) attributable to:</b>                                  |       |                                |                                |
| Owners of PJSC ALROSA  |       | 30,674                         | (17,952)                       |
| Non-controlling interest   | 27    | 1,518                          | 1,120                          |
| <b>Profit / (loss) for the year</b>                                      |       | <b>32,192</b>                  | <b>(16,832)</b>                |
| <b>Total comprehensive income/(loss) attributable to:</b>                |       |                                |                                |
| Owners of PJSC ALROSA  |       | 26,078                         | (12,212)                       |
| Non-controlling interest   |       | 1,255                          | 1,120                          |
| <b>Total comprehensive income / (loss) for the year</b>                  |       | <b>27,333</b>                  | <b>(11,092)</b>                |
| <b>Basic and diluted earnings / (loss) per share for profit / (loss)</b> |       |                                |                                |
| <b>attributable to the owners of PJSC ALROSA (in Roubles)</b>            | 10    | 4.17                           | (2.44)                         |

The accompanying notes on pages 9 to 59 are an integral part of these consolidated financial statements.

## 4.4. STATEMENT OF CHANGES IN EQUITY

### PJSC ALROSA

IFRS consolidated financial statements for the year ended 31 December 2015

(in millions of Russian roubles, unless otherwise stated)



### Consolidated Statement of Changes in Equity

|   | Attributable to owners of PJSC ALROSA |               |               |                 |                          |                   |                 | Non-controlling interest | Total equity    |
|---|---------------------------------------|---------------|---------------|-----------------|--------------------------|-------------------|-----------------|--------------------------|-----------------|
|   | Number of shares outstanding          | Share capital | Share premium | Treasury shares | Other reserves (note 10) | Retained earnings | Total           |                          |                 |
| <b>Balance at 31 December 2013</b>                        | <b>7,360,112,830</b>                  | <b>12,473</b> | <b>10,431</b> | <b>(5)</b>      | <b>(7,241)</b>           | <b>144,142</b>    | <b>159,800</b>  | <b>(339)</b>             | <b>159,461</b>  |
| <b>Comprehensive income / (loss)</b>                      |                                       |               |               |                 |                          |                   |                 |                          |                 |
| (Loss)/profit for the year                                |                                       | -             | -             | -               | -                        | (17,952)          | (17,952)        | 1,120                    | (16,832)        |
| Other comprehensive income                                |                                       | -             | -             | -               | 5,740                    | -                 | 5,740           | -                        | 5,740           |
| <b>Total comprehensive income / (loss) for the year</b>   |                                       | -             | -             | -               | <b>5,740</b>             | <b>(17,952)</b>   | <b>(12,212)</b> | <b>1,120</b>             | <b>(11,092)</b> |
| <b>Transactions with owners</b>                           |                                       |               |               |                 |                          |                   |                 |                          |                 |
| Dividends (note 10)                                       |                                       | -             | -             | -               | -                        | (10,818)          | (10,818)        | -                        | (10,818)        |
| Sale of treasury shares                                   | 4,852,800                             | -             | -             | 5               | -                        | 194               | 199             | -                        | 199             |
| Sale of non-controlling interest                          |                                       | -             | -             | -               | 82                       | -                 | 82              | 23                       | 105             |
| Dividends of subsidiaries to non-controlling shareholders |                                       | -             | -             | -               | -                        | -                 | -               | (681)                    | (681)           |
| <b>Total transactions with owners</b>                     | <b>4,852,800</b>                      | -             | -             | <b>5</b>        | <b>82</b>                | <b>(10,624)</b>   | <b>(10,537)</b> | <b>(658)</b>             | <b>(11,195)</b> |
| <b>Balance at 31 December 2014</b>                        | <b>7,364,965,630</b>                  | <b>12,473</b> | <b>10,431</b> | <b>-</b>        | <b>(1,419)</b>           | <b>115,566</b>    | <b>137,051</b>  | <b>123</b>               | <b>137,174</b>  |
| <b>Comprehensive income / (loss)</b>                      |                                       |               |               |                 |                          |                   |                 |                          |                 |
| Profit for the year                                       |                                       | -             | -             | -               | -                        | 30,674            | 30,674          | 1,518                    | 32,192          |
| Other comprehensive income                                |                                       | -             | -             | -               | (4,596)                  | -                 | (4,596)         | (263)                    | (4,859)         |
| <b>Total comprehensive income / (loss) for the year</b>   |                                       | -             | -             | -               | <b>(4,596)</b>           | <b>30,674</b>     | <b>26,078</b>   | <b>1,255</b>             | <b>27,333</b>   |
| <b>Transactions with owners</b>                           |                                       |               |               |                 |                          |                   |                 |                          |                 |
| Dividends (note 10)                                       |                                       | -             | -             | -               | -                        | (10,816)          | (10,816)        | -                        | (10,816)        |
| Purchase of treasury shares                               | (8,599,300)                           | -             | -             | (15)            | -                        | (627)             | (642)           | -                        | (642)           |
| Sale of non-controlling interest                          |                                       | -             | -             | -               | 71                       | -                 | 71              | (71)                     | -               |
| Dividends of subsidiaries to non-controlling shareholders |                                       | -             | -             | -               | -                        | -                 | -               | (1,564)                  | (1,564)         |
| <b>Total transactions with owners</b>                     | <b>(8,599,300)</b>                    | -             | -             | <b>(15)</b>     | <b>71</b>                | <b>(11,443)</b>   | <b>(11,387)</b> | <b>(1,635)</b>           | <b>(13,022)</b> |
| <b>Balance at 31 December 2015</b>                        | <b>7,356,366,330</b>                  | <b>12,473</b> | <b>10,431</b> | <b>(15)</b>     | <b>(5,944)</b>           | <b>134,797</b>    | <b>151,742</b>  | <b>(257)</b>             | <b>151,485</b>  |

The accompanying notes on pages 9 to 59 are an integral part of these consolidated financial statements.



## 4.5. CASH FLOWS STATEMENT



### PJSC ALROSA

#### IFRS consolidated financial statements for the year ended 31 December 2015

(in millions of Russian roubles, unless otherwise stated)

#### Consolidated Statement of Cash Flows

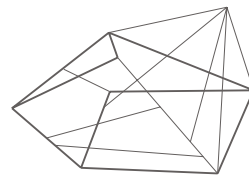
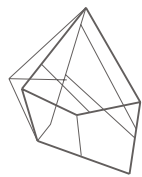
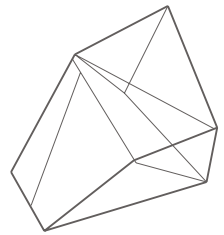
|   | Notes | Year ended<br>31 December 2015 | Year ended<br>31 December 2014 |
|---|-------|--------------------------------|--------------------------------|
| <b>Net Cash Inflow from Operating Activities</b>                      | 24    | <b>75,541</b>                  | <b>78,115</b>                  |
| <b>Cash Flows from Investing Activities</b>                           |       |                                |                                |
| Purchase of property, plant and equipment                             |       | (34,241)                       | (36,056)                       |
| Proceeds from sales of property, plant and equipment                  |       | 304                            | 1,147                          |
| Proceeds from sales / (acquisition) of available-for-sale investments |       | 122                            | (101)                          |
| Proceeds from disposal of subsidiaries, net of cash disposed of       |       | (425)                          | 2,483                          |
| Interest received   |       | 3,616                          | 969                            |
| Dividends received from associates                                    |       | 1,664                          | 670                            |
| <b>Net Cash Outflow from Investing Activities</b>                     |       | <b>(28,960)</b>                | <b>(30,888)</b>                |
| <b>Cash Flows from Financing Activities</b>                           |       |                                |                                |
| Repayments of loans   |       | (44,279)                       | (113,531)                      |
| Loans received  |       | 21,491                         | 91,613                         |
| Interest paid   |       | (12,083)                       | (9,228)                        |
| Sale of treasury shares   |       | -                              | 224                            |
| Purchase of treasury shares   |       | (642)                          | (65)                           |
| Proceeds from disposal of non-controlling interest in subsidiaries    |       | -                              | 91                             |
| Dividends paid  |       | (12,789)                       | (11,487)                       |
| <b>Net Cash Outflow from Financing Activities</b>                     |       | <b>(48,302)</b>                | <b>(42,383)</b>                |
| <b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>           |       | <b>(1,721)</b>                 | <b>4,844</b>                   |
| Cash and cash equivalents at the beginning of the year                |       | 21,693                         | 10,408                         |
| Effect of exchange rate changes on cash and cash equivalents          |       | 531                            | 6,441                          |
| <b>Cash and Cash Equivalents at the End of the Year</b>               | 6     | <b>20,503</b>                  | <b>21,693</b>                  |

The accompanying notes on pages 9 to 59 are an integral part of these consolidated financial statements.

7



# ADDITIONAL INFORMATION



## 5.1. 5 YEARS' DYNAMICS OF KPIs

| <i>Indicator</i>         | <i>UoM</i> | <i>2011</i> | <i>2012</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> |
|--------------------------|------------|-------------|-------------|-------------|-------------|-------------|
| Revenue                  | mn roubles | 137,732     | 150,880     | 168,505     | 207,159     | 224,524     |
| Operating profit         | mn roubles | 47,263      | 49,039      | 56,871      | 74,376      | 97,169      |
| EBITDA                   | mn roubles | 65,217      | 61,950      | 69,100      | 93,857      | 118,498     |
| Net profit               | mn roubles | 26,658      | 33,634      | 31,837      | -16,832     | 32,192      |
| EBITDA/Revenue           | %          | 47.35%      | 41.06%      | 41.01%      | 45.31%      | 52.78%      |
| Short-term debt          | mn roubles | 20,024      | 32,344      | 56,295      | 20,802      | 25,692      |
| Long-term debt           | mn roubles | 75,529      | 90,357      | 82,296      | 176,358     | 197,467     |
| Cash                     | mn roubles | 12,014      | 6,242       | 9,270       | 21,693      | 20,503      |
| Total debt               | mn roubles | 95,553      | 122,701     | 138,591     | 197,160     | 223,159     |
| Net debt                 | mn roubles | 83,539      | 116,459     | 129,321     | 175,467     | 202,656     |
| Capital expenditure      | mn roubles | -21,420     | -30,050     | -38,165     | -36,056     | -34,241     |
| Free cash flow           | mn roubles | 27,762      | 11,957      | 17,474      | 42,059      | 41,300      |
| <i>Ratios</i>            |            |             |             |             |             |             |
| Net debt/EBITDA          | x          | 1.28x       | 1.88x       | 1.87x       | 1.87x       | 1.71x       |
| Total debt/EBITDA        | x          | 1.47x       | 1.98x       | 2.01x       | 2.10x       | 1.88x       |
| EBITDA interest cover    | x          | 9.06x       | 7.54x       | 7.05x       | 8.87x       | 9.07x       |
| ROE                      | %          | 25.79%      | 26.68%      | 21.36%      | -11.34%     | 22.29%      |
| ROA                      | %          | 23.90%      | 18.33%      | 16.62%      | 20.18%      | 24.11%      |
| ROIC (or after-tax ROCE) | %          | 22.59%      | 17.51%      | 16.62%      | 21.93%      | 27.03%      |
| ROIC (or after-tax ROCE) | %          | 42.48%      | 45.79%      | 44.78%      | 56.12%      | 57.22%      |

## 5.2. ABOUT THE COMPANY

### Company full name

Full name – Public Joint Stock Company ALROSA

### Number and date of issue of the certificate of state registration of a legal entity

Certificate of Inclusion in the Unified State Register of Legal Entities on the legal entity registered before July 1, 2002, under the primary state registration number (OGRN) 1021400967092, issued on 17.07.2002, Series 14, No. 000724010.

### Constituent entity of the Russian Federation where the Company is registered

Republic of Sakha (Yakutia)

### Location

6, Lenina Str., Mirny, Republic of Sakha (Yakutia), Russian Federation, 678170

### Contact telephone

In Moscow: Executive Bodies of PJSC ALROSA  
+7 (495) 620-92-50

In Mirny: Executive Bodies of PJSC ALROSA

+7 (41136) 9-00-21

+7 (41136) 3-01-80

### Fax:

In Moscow: Executive Bodies of PJSC ALROSA

+7 (495) 411-75-15

In Mirny: Executive Bodies of PJSC ALROSA

+7 (41136) 3-04-51

+7 (41136) 9-01-62

+7 (495) 745-80-61

### E-mail address

info@alrosa.ru

## CORE ACTIVITY

### Full names and addresses of the Company's auditors

1.The auditor for mandatory annual audit of financial (accounting) statements prepared in accordance with the Russian legislation for accounting (financial) reports of PJSC ALROSA

Full name: Finansoviye i Bukhgalterskie Konsultanty (Financial and Accounting Advisors) Limited Liability Company

Abbreviated name: LLC FBK

INN 7701017140,

OGRN 1027700058286

Location: 44/1 bldg. 2-AB, Myasnitskaya St., 101990 Moscow, Russian Federation

Phone +7 (495) 737-5353,

Fax +7 (495) 737-5347

2.Auditor of PJSC ALROSA for the implementation of Mandatory audit of consolidated financial statements of ALROSA Group prepared in accordance with International Financial Reporting Standards.

Full name:

Joint Stock Company

PriceWaterhouseCoopers

Abbreviated name: JSC PwC Audit

INN: 7705051102,

OGRN: 1027700148431

Location: 10, Butyrskiy Val St., 125047, Moscow, Russian Federation

Phone +7 (495) 967-6000, Fax +7 (495) 967-6001

### Authorized capital

3,682,482,815 (three billion six hundred and eighty-two million four hundred and eighty-two thousand eight hundred and fifteen) roubles.

### Total number of shares

7,364,965,630 (seven billion three hundred and sixty-four million nine hundred and sixty-five thousand six hundred and thirty).

### Number of ordinary shares

7,364,965,630 (seven billion three hundred and sixty-four million nine hundred and sixty-five thousand six

*Detailed information on the registrar and transfer agents is provided in Appendix 6.4.*

hundred and thirty).

**Par value of ordinary shares**

3,682,482,815 (three billion six hundred and eighty-two million four hundred and eighty-two thousand eight hundred and fifteen) roubles.

**State registration number for issue of ordinary (preferred) shares and date of state registration**

1-03-40046-N dated 25.08.2011

**State registration number for additional issue of ordinary (preferred) shares**

N/A

**Number of preferred shares and par value of the preferred shares**

No preferred shares.

**Information on additional shares placed by the Company and annual capital flow (a change in the composition of people who have the right to dispose, directly or indirectly, of, at least, five percent of the votes attached to voting shares of the company)**

N/A

**Information on the number of shares held by the company, as well as the number of the Company shares owned by legal entities controlled by the Company**

N/A

**Number of shares held by the Russian Federation as of 31.12.2015**

3,235,103,207, 3,437 ordinary shares

**Share of the Russian Federation in the authorized capital, stipulating interest in ordinary shares and preferred shares as of 31.12.2015**

43.9256% of the authorized capital of PJSC ALROSA's ordinary shares (there are no preferred shares)

**Special right of participation of the Russian Federation in the management of the Company (Golden Share)**

N/A

**Amount of dividends transferred to the federal budget in the reporting period**

The amount of dividends accrued and transferred to the federal budget of the Russian Federation in 2014 amounts to 4,755,601,714.80 roubles.

**Overdue dividends payable to the federal budget in the reporting period.**

There is no debt against the federal budget of the Russian Federation as of 31.12.2015.

**Amount provided to the Company's reserve fund (roubles, percent of net profit)**

No amounts were provided to the reserve fund.

**Amount provided to the Company's other funds (roubles, percent of net profit)**

No amounts were provided to other funds.

## OTHER USE OF NET PROFIT

In accordance with the decision of the General Shareholders Meeting of 25.06.2015, the following distribution of the net profit obtained during the year 2014 in the amount of 23,469,167 thousand roubles was approved:

| <i>Item</i>                                      | <i>Amount for 2014</i> |
|--|------------------------|
| Undistributed profit for 2014                    | 23,469,167             |
| Payments to the Members of the Supervisory Board | 40,691                 |
| Dividends paid on shares                         | 10,826,499             |
| <b>Total profit retained by the Company</b>      | <b>12,601,977</b>      |

The General Meeting of Shareholders to consider the matter relating to the distribution of profit in 2015 as of the reference date has not been held.

## INFORMATION ON CONCLUSION OF CONTRACTS OF SALE OF SHARES OR STOCKS IN ECONOMIC PARTNERSHIPS AND COMPANIES, INCLUDING INFORMATION ON THE PARTIES, SUBJECT, PRICE AND OTHER TERMS OF THESE CONTRACTS IN 2015

| <b>Designation of the Company</b> | <b>Contract details</b>                                   | <b>Subject of the contract</b>  | <b>Information on parties</b>                                  |
|-----------------------------------|---|---|--|
| LLC Commercial Bank MAK-Bank      | Share Sale and Purchase Agreement No. 37 dated 26.02.2015 | <p>1.1. The Seller holds a share in the authorized capital of MIRNY COMMERCIAL BANK MAK-BANK (LIMITED LIABILITY COMPANY) registered by the Central Bank of the Russian Federation on December 05, 1990 No. 1088, OGRN: 1027739534052 INN: 1433001750, address of the legal entity: 119180, Moscow, Yakimanka B. str., 23, general licence for the performance of banking operations No. 1088 issued by the Central Bank of the Russian Federation on March 23, 2012, the legal entity acts in accordance with the Charter, name of the body that registered the constitutional document: UFNS (Directorate of the Federal Tax Service for Moscow), registration date: 01.07.2014, registration number: 2147711006738 (the Company), amounting to 84.6622 percent of the Company's authorized capital with par value RUB 220,452,932 (two hundred twenty million four hundred fifty-two thousand nine hundred thirty two roubles 37 kopeks) (hereinafter the Share).</p> <p>2.1. The purchase price of the Share amounts to RUB 200,917,197 (two hundred million nine hundred seventeen thousand one hundred ninety-seven roubles 49 kopeks) (hereinafter the Purchase price). The Purchase price includes all taxes payable</p> | <p>Buyer:<br/>LLC Ekspobank</p> <p>Seller:<br/>PJSC ALROSA</p> |

|                |  |  |   |
|----------------|--|--|---|
|                |  | <p>by the Seller in relation to the transfer of the Share hereunder, for which the Seller bears sole responsibility.</p> <p>3.6 The Seller shall compensate to the Buyer the losses relating to the fulfilment by the Company of the court decision based on the claim submitted by OJSC Trest Spetsdorstoy in the amount of RUB 75,061,643 (seventy-five million sixty-one thousand six hundred forty-three roubles 84 kopeks) of another amount collected from the Company based on the court decision not later than within 10 working days from the date of the relevant written demand submitted by the Buyer, by transferring the needed amount to the account stipulated in the request sent to the Seller.</p>   |   |
| LLC NIKONOVKA  | Contract No. 123 of 14.05.2015                             | <p>1. The Seller shall sell, and the Buyer shall buy a 100% share in the authorized capital of LLC NIKONOVKA (hereinafter the Share) with par value RUB 10,550,000 (ten million five hundred fifty million roubles 00 kopeks) under conditions of this contract.</p> <p>2. The sales price of the share is established based on the results of an open (public) competitive procedure for sale in accordance with the Minutes on the results of sale of 100% share in the authorized capital of Limited Liability Company NIKONOVKA No. A01-270129-pr dated 28.04.2015 amounts to RUB 56,500,000 (fifty-six million five hundred thousand roubles). Not subject to VAT.</p>  | <p>Buyer:<br/>CJSC Geostroysnab</p> <p>Seller:<br/>PJSC ALROSA</p>        |
| LLC ALROSA-VGS | Share Sale and Purchase Agreement No. 285 dated 01.10.2015 | <p>1. PJSC ALROSA sells a 100% (one hundred percent) share in the authorized capital of LLC ALROSA-VGS (hereinafter the Company), and OJSC Almazzolotokomplekt buys this 100% share in the authorized capital of the Company.</p> <p>3. The alienated 100% share in the authorized capital of the Company is fully paid as of the date of this contract, which is confirmed by the List of Company's members made as of September 29, 2015.</p> <p>5. The par value of the 100% (one hundred percent) share in the authorized capital of the Company alienated hereunder totals to RUB 522,228,865.</p> <p>6. PJSC ALROSA shall sell its 100% (one hundred percent) share in the authorized capital of the Company for RUB 12,000,000 (twelve million 00 kopeks), and PJSC Almazzolotokomplekt shall buy this share for RUB 12,000,000 (twelve million roubles 00 kopeks).</p> | <p>Buyer:<br/>OJSC Almazzolotokomplekt</p> <p>Seller:<br/>PJSC ALROSA</p> |



INFORMATION ON STATE SUPPORT RECEIVED BY THE COMPANY IN 2015, INCLUDING THE DATA ON ALLOWANCES, PURPOSE OF USE, INFORMATION ON THE USE OF THE AMOUNT AS AT THE END OF THE REPORTING PERIOD

| <i>Indicator</i>  | <i>At the beginning of the year</i> | <i>Received</i> | <i>Used</i> | <i>At the end of the year</i> |
|---|-------------------------------------|-----------------|-------------|-------------------------------|
| Budget funds received:  | 6,850                               | 789,403         | -789,403    | 6,850                         |
| for current expenses, total namely:   | —                                   | 789,403         | -789,403    | —                             |
| In covering losses arising from the implementation of the delivery of public services in connection with the use of state-controlled prices approved by State Committee on Price Policy - Regional Energy Commission of the Republic of Sakha (Yakutia) and utility costs by tariffs for the population | —                                   | 726,344         | -726,344    | —                             |
| to compensate the difference in tariffs for electricity   | —                                   | 2,666           | -2,666      | —                             |
| to encourage employers to allocate and/or create jobs for citizens experiencing difficulties in finding work  | —                                   | —               | —           | —                             |
| to preserve the breeding stock of cattle (cows)   | —                                   | 53,092          | -53,092     | —                             |
| for MMI program services  | —                                   | 7,301           | -7,301      | —                             |
| Total for investments in noncurrent assets:   | 6,850                               | —               | —           | 6,850                         |
| of which for the project "Implementation of an integrated environmental technology of extraction and processing of diamond ore in the North"  | 6,850                               | —               | —           | 6,850                         |

**Information as of 31.12.2015 on unfinished litigations in which the company acts as a defendant in a lawsuit on debt collection, indicating the total amount of claims rose:**

8 cases totalling RUB 1,951,659,191.24

Namely:

in the Arbitration Courts: 3 cases totalling RUB 167,422,921.2

in the general jurisdiction courts: 5 cases totalling RUB 1,784,236,270.04

**Information as of 31.12.2015 on unfinished litigations in which the company acts as a plaintiff in a lawsuit on debt collection, indicating the total amount of claims rose:**

13 cases totalling RUB 186,609,552.05

Namely:

in the Arbitration Courts: 7 cases totalling RUB 69,045,707.05

in the general jurisdiction courts: 6 cases totalling RUB 117,563,845

## INFORMATION ON INVESTMENTS, THE EXPECTED LEVEL OF INCOME BY WHICH IS MORE THAN 10% PER YEAR

| <i>Subsidiary</i>         | <i>Assessment of financial investments to the company's authorized capital as of 31.12.2015 (thousand RUB)</i> | <i>Dividends accrued in 2015 (thousand roubles)</i> | <i>Return on investment for 2015 (% per annum)</i> | <i>Investment target</i>              | <i>Source of financing</i> |
|---------------------------|--|---|--|---------------------------------------|----------------------------|
| PJSC ALROSA-Nyurba        | 72,089,906   | 11,045,328  | 15%  | Diversification of activities, profit | Own funds of PJSC AIROSA   |
| CATOCA Ltd. Mining Co.    | 34,080   | 1,861,613   | 5,462%   |                                       |                            |
| Arcos Belgium N.V.        | 3,193  | 35,568  | 1,114%   |                                       |                            |
| JSC NPP Bourestnik        | 129,728  | 26,836  | 21%  |                                       |                            |
| Arcos Hong Kong Ltd.      | 8,527  | 10,816  | 127%   |                                       |                            |
| LLC ALROSA -Spetsbureniye | 969  | 9,104   | 939%   |                                       |                            |

### 5.3. DISCLAIMER

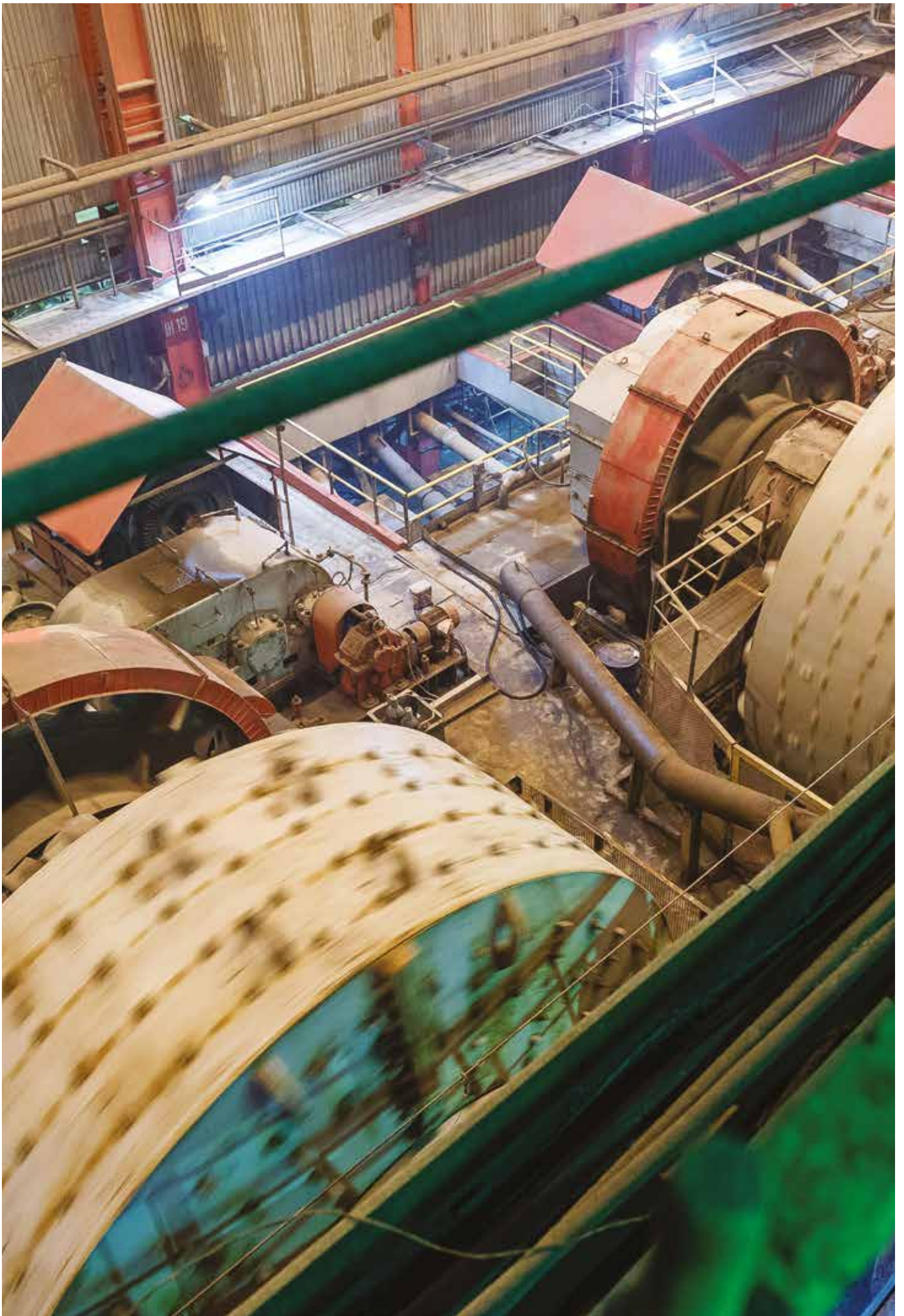
The Annual Report of ALROSA for 2015 (hereinafter referred to as the Annual Report) was prepared on the basis of the information available to the Group at the time of its preparation. This Annual Report contains forecasting statements in regard to business operations, economic indicators, financial status, as well as future events and/or actions, expected results of activities and growth prospects.

Forecasting statements contained in this Annual Report are identifiable by the presence of such words as “expect”, “believe”, “forecast”, “plan”, “evaluate”, “intend”, “will [do]”, “could [do]”, “can”

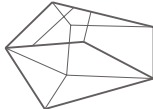
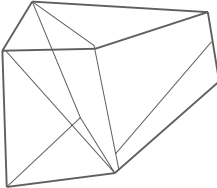
and other similar expressions, either in the affirmative or in the negative. These statements are forecasts and may differ from actual events or results significantly. ALROSA does not undertake to update such statements with the aim of reflecting events or circumstances arising after the date of preparation of the Annual Report, or to reflect the occurrence of unforeseeable events. Many factors, including, among other things, the state of the economy, competitive landscape, technological changes and other, may cause substantial differences between the actual results and the results included in the forecasting statements contained in the Annual Report.

## 5.4. ABRIDGED DICTIONARY OF ABBREVIATIONS

|        |  |
|--------|--|
| JSC    | Joint Stock Company  |
| JSC    | Joint Stock Company  |
| ALROSA | ALROSA Group   |
| DPA    | Diamond Producers Association  |
| ASI    | Agency for Strategic Initiatives   |
| WDC    | World Diamond Council  |
| GDP    | Gross domestic product   |
| SRC    | State Reserves Commission  |
| MPD    | Mining and processing division   |
| MC     | Mining company   |
| GEW    | Geological exploration works   |
| GEE    | Geological exploration expedition  |
| HPP    | Hydro power plant  |
| S&A    | Subsidiaries and affiliates  |
| USRLE  | Unified State Register of Legal Entities   |
| USO    | United Selling Organization  |
| CJSC   | Closed Joint Stock Company   |
| WTF    | Wastewater treatment facilities  |
| KPI    | Key performance indicators   |
| MHUE   | Ministry of Housing and Utilities and Energy of the Republic of Sakha (Yakutia)  |
| MICEX  | Moscow Interbank Currency Exchange   |
| IFRS   | International Financial Reporting Standards  |
| M&E    | Materials and equipment  |
| VAT    | Value-added tax  |
| CIP    | Construction in progress   |
| NIGP   | Geo-scientific research enterprise   |
| R&D    | Research and development   |
| R&D    | Research and development   |
| RPE    | Research and Production Enterprise   |
| OJSC   | Open Joint Stock Company   |
| EIHE   | Educational institutions of higher education   |
| LLC    | Limited liability company  |
| CCM    | Common commercial minerals   |
| PJSC   | Public Joint Stock Company   |
| IP     | Intellectual property  |
| RAS    | Russian Accounting Standards   |
| RF     | Russian Federation   |
| CIW    | Construction and installation works  |
| SAWC   | Special assessment of working conditions   |
| TRC    | Territorial reserves committee   |
| FR     | Feasibility report   |
| FAS    | Federal Antimonopoly Service   |
| FSFI   | Federal State-Funded Institution   |
| EPP    | Electronic procurement platform  |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortization   |
| IR     | Investor Relations   |
| ROA    | Return on assets is operating revenue for the EBIT period to weighted assets ratio   |
| ROE    | Return on equity is net profit for the period to weighted equity ratio   |
| ROIC   | Return on invested capital is EBIT operating profit after deduction of income tax to weighted average invested capital (own and attracted capital) ratio |



# APPENDIXES



## 6.1. INFORMATION ON SUBSIDIARIES AND AFFILIATES

### INFORMATION ON COMPANIES WITH THE AUTHORIZED CAPITAL PARTICIPATION INTEREST OF UNDER 50%

| <i>No</i> | <i>Company name</i>        | <i>Long-term financial investments amount, RUB</i> | <i>Interest in the authorized capital, %</i> |
|-----------|----------------------------|--|--|
| 1         | Catoca Ltd. Mining Co.     | 34,080,000.0                                       | 32.8   |
| 2         | Arcos Diamonds Israel Ltd. | 2,546,415.7  | 2.2885                                       |
| 3         | OJSC Almazny Mir           | 157,432,803  | 47.3677                                      |
| 4         | CJSC MMC Timir             | 4,755,713,293                                      | 48.9999                                      |

### INFORMATION ON SUBSIDIARY COMPANIES WITH THE AUTHORIZED CAPITAL PARTICIPATION INTEREST OF THE COMPANY FROM 50% + 1 SHARE TO 100%

| <i>No</i> | <i>Company name</i>                                  | <i>Long-term financial investments amount, RUB</i> | <i>Interest in the authorized capital, %</i> |
|-----------|--|--|--|
| 1         | CJSC Golubaya Volna Resort                           | 1,143,181,967                                      | 100.0  |
| 2         | Alrosa Finance B.V.                                  | 119,284  | 100.0  |
| 3         | CJSC ALROSA Air Company Limited                      | 1,087,146,170                                      | 100.0  |
| 4         | CJSC ALROSA-Torg                                     | 23,300,000   | 100.0  |
| 5         | ALROSA-Okhrana LLC                                   | 31,394,000   | 100.0  |
| 6         | Kristall Barnaul LLC                                 | 57,646,627   | 100.0  |
| 7         | Arcos Hong Kong Limited                              | 8,527,320  | 100.0  |
| 8         | ALROSA OVERSEAS SA                                   | 4,537,500  | 100.0  |
| 9         | Mirny Town Housing Enterprise LLC                    | 240,390,106  | 100.0  |
| 10        | Lensk Town Housing Enterprise LLC                    | 22,970,755   | 100.0  |
| 11        | Arcos East DMCC                                      | 2,934,732  | 100.0  |
| 12        | ARCOS USA Inc.                                       | 26,726,300   | 100.0  |
| 13        | Lensk Town Heat and Electric Networks Enterprise LLC | 1,551,457,929                                      | 100.0  |
| 14        | OJSC ALROSA-Gas                                      | 1,409,651,758                                      | 99.9995                                      |
| 15        | JSC Almazny Anabara                                  | 4,413,966,830                                      | 99.99  |

|    |  |                |         |
|----|--|----------------|---------|
| 16 | OJSC Vilyuiskaya HPP-3                             | 5,510,353,155  | 99.7313 |
| 17 | PJSC Severalmaz                                    | 35,123,260,654 | 99.6564 |
| 18 | Arcos Belgium N.V.                                 | 3,192,527      | 99.6    |
| 19 | OJSC ALROSA-Lena Shipping Company                  | 137,825,932    | 99.5617 |
| 20 | OJSC Research and Production Enterprise Bourestnik | 129,727,936    | 90.6555 |
| 21 | OJSC ALROSA-Nyurba                                 | 72,089,906,000 | 87.4877 |
| 22 | Arcos Ltd.   | 17,396,342     | 78.28   |
| 23 | Almaznaya Osen Non-State Pension Fund              | 89,775,000     | 74.8125 |
| 24 | Mirny Town Printing House LLC                      | 5,749,198      | 57.2693 |
| 25 | HIDROCHICAPA S.A.R.L.                              | 1,567,852      | 55.0    |
| 26 | Orel-ALROSA LLC                                    | 20,534,130     | 51.0    |
| 27 | ALROSA-Spetsbureniye LLC                           | 969,380        | 51.0    |
| 28 | OJSC ALROSA-Yakutia                                | 2,542,550      | 50.851  |
| 29 | OJSC Sakhaneftegaz National Oil&Gas Company        | 184,615,973    | 50.4006 |

## 6.2. LIST OF LOCAL REGULATORY DOCUMENTS

THE CHARTER AND THE LIST OF INTERNAL DOCUMENTS ADOPTED IN 2015 ARE PROVIDED BELOW

| <i>Title of the document</i>   | <i>Date</i>   | <i>Document reference</i>  |
|--|---|--|
| Charter of PJSC ALROSA   | Approved by an annual General Meeting of Shareholders on 25.06.2015 (Minutes No. 33)                      | Charter of PJSC ALROSA   |
| Regulations on the General Meeting of Shareholders of PJSC ALROSA                                | Approved by an annual General Meeting of Shareholders on 25.06.2015 (Minutes No. 33)                      | Regulations on the General Meeting of Shareholders of PJSC ALROSA                                |
| Regulations on the Supervisory Board of PJSC ALROSA  | Approved by an annual General Meeting of Shareholders on 25.06.2015 (Minutes No. 33)                      | Regulations on the Supervisory Board of PJSC ALROSA"   |
| Regulations on the Executive Committee of PJSC ALROSA  | Approved by an annual General Meeting of Shareholders on 25.06.2015 (Minutes No. 33)                      | Regulations on the Executive Committee of PJSC ALROSA  |
| Regulations on the Auditing Committee of PJSC ALROSA   | Approved by an annual General Meeting of Shareholders on 25.06.2015 (Minutes No. 33)                      | Regulations on the Auditing Committee of PJSC ALROSA   |
| Regulations on remuneration to members of the Supervisory Board of PJSC ALROSA                   | Approved by an annual General Meeting of Shareholders on 25.06.2015 (Minutes No. 33)                      | Regulations on remuneration to members of the Supervisory Board of PJSC ALROSA                   |
| Regulations on remuneration and compensation to members of the Auditing Committee of PJSC ALROSA | Approved by an annual General Meeting of Shareholders on 25.06.2015 (Minutes No. 33)                      | Regulations on remuneration and compensation to members of the Auditing Committee of PJSC ALROSA |
| Corporate Governance Code of PJSC ALROSA   | Approved by the Supervisory Board on 23.04.2015 (Minutes No. A01/229-ПР-НС)<br>Put in force on 07.01.2015 | Corporate Governance Code of PJSC ALROSA   |
| Regulations on the Corporate Secretary of PJSC ALROSA  | Approved by the Supervisory Board on 02.10.2015 (Minutes No. A01/234-ПР-НС)                               | Regulations on the Corporate Secretary of PJSC ALROSA  |



## 6.3. REPORT ON RESULTS OF AUDIT OF THE LONG-TERM DEVELOPMENT PROGRAM OF ALROSA GROUP UNTIL 2023



### 6. Auditor's opinion

We have conducted an audit of implementation of the Long-Term Development Program of ALROSA Group until 2023 (hereinafter referred to as the Program) for the year ended December 31, 2015.

We have conducted an audit in accordance with the Terms of Reference and the Standard for conducting an audit of implementation of the Long-Term Development Program of ALROSA Group until 2023 approved by the Supervisory Board of PJSC ALROSA dated 11.12.2014 Minutes No. J1'9 A01/223-ПП-Н.

The term "audit" is used in the meaning of "inspection" and is not the term used in accordance with the Federal Law No. 307-ФЗ On Audit Activities dated 30.12.2008. In this regard, we did not conduct an audit of accounting (financial) statements of ALROSA Group and do not express an opinion on accounting (financial) statements of the Group.

The audit involved the audit procedures aimed at obtaining the audit evidences, which confirm the actual indicators of implementation of the Long-Term Development Program of ALROSA Group until 2023 and the reasons for their deviation from the figures planned in the Program.

While conducting the audit, we did not pursue the goal to detect all the existing deviations of the actual indicators of implementation of the Long-Term Development Program of ALROSA Group until 2023 from the figures planned in the Program.

Selection of the audit procedures is subject to our judgment based on assessment of the risk of material misstatement whether due to fraud or error. When assessing the risk, we have reviewed the system of accounting and internal control of performance results and document flow of ALROSA Group that ensures preparation and reliability of the Report on implementation of the Long-Term Development Program of ALROSA Group until 2023, for the purpose of selecting the appropriate audit procedures, but not for the purpose of expressing an opinion on effectiveness of accounting and internal control system.

We believe that the audit evidences we have obtained during the audit are sufficient for expressing an opinion on:

- reliability of the actual indicators on results of ALROSA Group performance contained in the Report on implementation of the Long-Term Development Program of ALROSA Group until 2023 for the year ended December 31, 2015 in all material respects;
- achieving the target values of ALROSA Group key performance indicators determined by the Long-Term Development Program of ALROSA Group until 2023 except for the "Market return per share" indicator;

PJSC ALROSA  
Auditor's Report on results of audit of implementation in 2015 of the  
Long-Term Development Program of ALROSA Group until 2023

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## FBK Grant Thornton

- achieving the target values of financial and economic indicators: Revenue, Cost of sales, Gross profit, Gross profit margin, adjusted EBITDA, adjusted EBITDA margin;
- achieving the target values of other key performance indicators of ALROSA Group determined by the Long-Term Development Program of ALROSA Group until 2023 (rough diamonds production, labour productivity) except for the "Rough diamond sales" indicator;
- targeted use of funds of the respective budgets during the audited period (investment and innovation programs) in all material respects;
- reasons for deviations of the actual indicators of ALROSA Group performance from the figures planned in the Long-Term Development Program of ALROSA Group:

failure to achieve the "Market return per share" key performance indicator, in our opinion, was caused by external reasons: the insufficient growth of the Company stock prices for the analysed period was associated with the so called "high base effect";

failure to achieve some financial and economic indicators of ALROSA Group, such as Net profit, Consolidated debt, Net debt and Interest payment and their derivatives was caused by the adverse impact of the exchange rate differences due to revaluation of the credit portfolio denominated in US Dollars against the significant growth of US Dollar exchange rate;

excess of the actual value of the "Taxes" indicator over the planned figure (131.9%) was caused by increased payments for mineral production tax;

the greatest impact on the failure to achieve the planned figure of the "Capital investments" indicator in 2015 was made by changes in design solutions related to projects implementation that will not significantly affect the time limits for completion of the key projects of the Investment program.

- implementation of the key activities planned for 2015 that are aimed at achievement of the goals set in the Long-Term Development Program of ALROSA Group until 2023 except for certain activities of the Program for disposal of non-core assets of PJSC ALROSA approved for 2015. Implementation of these activities was rescheduled for 2016-2018.

Particularly, in 2015 ALROSA Group implemented activities aimed at improvement of the operating efficiency through optimization of the expenditures structure at all stages of the production process including through introduction of innovations in exploration, mining, processing and sorting of rough diamonds, resource conservation technologies, technical facilities upgrade and labour productivity increase.

S. M. Shapiguzov  
On the basis of the Charter, Auditor Qualification  
Certificate 01-001230, Principal Registration Number of  
Entry 29501041926

President of FBK LLC

The date of the Auditor's Report  
April 8, 2016

PJSC ALROSA  
Auditor's Report on results of audit of implementation in 2015 of the  
Long-Term Development Program of ALROSA Group until 2023

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## 6.4. INFORMATION ON THE REGISTRAR AND TRANSFER AGENTS

### REGISTRAR

JSC VTB Registrar (License No. 10-000-1-00347 dated February 21, 2008) maintains the register of security holders of PJSC ALROSA.

JSC VTB Registrar is a modern specialized registrar that ensures a high reliability of maintaining and safekeeping of registers and professional approach to working with issuers and shareholders. 100% shares of JSC VTB Registrar is owned by PJSC VTB Bank, which adds to reliability of the registrar business and to the fullest extent possible meets requirements of the enterprises partially owned by the government concerning disclosure of information on the entire chain of ownership of counterparties including final beneficiaries.

The company provides services to over 8,200 joint stock companies and is one of the largest registrars in Russia.

Currently the Company has 43 regional subdivisions. Affiliates and representative offices of the company work in all Federal Districts of the country in cities: Arkhangelsk, Vladikavkaz, Vladimir, Volgograd, Vologda, Voronezh, Pyatigorsk, Ekaterinburg, Zelenograd, Irkutsk, Krasnoyarsk, Maikop, Moscow, Mirny, Murmansk, Nalchik, Novosibirsk, Omsk, Orenburg, Orekhovo-Zuevo, Penza, Petrozavodsk, Pskov, Pyatigorsk, Rostov-on-Don, St. Petersburg, Saratov, Smolensk, Sochi, Stavropol, Tver, Togliatti, Chelyabinsk, Russia, Cherkessk, Elista, Yuzhno-Sakhalinsk, Yakutsk.

For the purpose of optimizing the interaction of the Company and JSC VTB Registrar, the Registrar organizes, at the premises of joint stock companies, transfer agent points for providing services to shareholders, which makes it possible for issuers to manage the equity capital efficiently.

The Registrar entered into a comprehensive professional liability insurance contract covering professional liability of the registrar using electronic document management with Ingosstrakh Insurance Company No. 433-062260/15 dated 31.07.2015.

The contract validity period is from

August 1, 2015, to July 31, 2016.

Amount of insurance: USD 2,500,000

The company has a certificate confirming compliance of the Management System with international standards ISO 9001:2008:

Certificate of Conformance No. POCC RU.3675.04PCP0/OC.CMK.00409-12

Management system audit certificate No. POCC RU.3675.04PCP0/OC.CMK.00409-12-1

No. POCC RU.3675.04PCP0/OC.CMK.00842-15

VTB Registrar is a member of self-regulatory organization National Securities Market Association, a leading professional association of Russian securities market participants established in 1996. Today the Association includes about 250 professional participants representing different segments of the securities market from 27 regions of all 8 Federal Districts.

## TRANSFER AGENT

| Transfer Agent Issuers with whose registers the Transfer agent works | Contact information   | Transfer agent functions   |
|--|---|--|
| Intrako Registrar CJSC with the register of PJSC ALROSA              | 64, Lenina Street, Perm, 614990<br><br>+7 (342) 233-01-63<br>+7 (342) 233-01-64 | Receipt from the registered persons of the Issuer and their authorized representatives and handover to the Registrar of the information and documents necessary for making operations in the register.<br>Receipt from the Registrar and handover to the registered persons of the Issuer and their authorized representatives of the documents received from the Registrar. |

## 6.5. ACCOUNTING STATEMENTS OF PJSC ALROSA IN ACCORDANCE WITH RAS

reasonable assurance about whether the annual accounting statements are free from material misstatement.

The audit involved performing audit procedures aimed at obtaining audit evidence about the figures and disclosures in the annual accounting statements. Selection of the audit procedures is subject to our judgment based on assessment of the risk of material misstatement, whether due to fraud or error. In assessing the risk, we reviewed the internal control system that ensures development and reliability of the annual accounting statements for the purpose of selecting the appropriate audit procedures but not for the purpose of expressing an opinion on effectiveness of the internal control system.

The audit also involved evaluating the appropriateness of accounting policies used and the reasonableness of the estimated figures received by the management of the audited entity as well as evaluating the overall presentation of the annual accounting statements.

We believe that the audit evidence we have obtained is sufficient for expressing an opinion on reliability of these annual accounting statements.

### **Opinion**

In our opinion, the annual accounting statements give a true and fair view, in all material respects, of the financial position of PJSC ALROSA as of December 31, 2015 and its financial results and cash flow for 2015 in accordance with the Russian Accounting Reporting Rules.

President of FBK LLC

S. M. Shapiguzov.  
On the basis of the Charter,  
Auditor Qualification Certificate  
No. 01-001230, ORNZ (Principal Registration  
Number of Entry) 29501041926

Audit Leader

A. P. Suraev  
Qualification certificate  
No. 01-000422, dated January 23, 2012, ORNZ  
(Principal Registration Number of Entry)  
29501042073

The date of the Auditor's Report  
February 10, 2016

misstatement.

The audit involved performing audit procedures aimed at obtaining audit evidence about the figures and disclosures in the annual accounting statements. Selection of the audit procedures is subject to our judgment based on assessment of the risk of material misstatement, whether due to fraud or error. In assessing the risk, we reviewed the internal control system that ensures development and reliability of the annual accounting statements for the purpose of selecting the appropriate audit procedures but not for the purpose of expressing an opinion on effectiveness of the internal control system.

The audit also involved evaluating the appropriateness of accounting policies used and the reasonableness of the estimated figures received by the management of the audited entity as well as evaluating the overall presentation of the annual accounting statements.

We believe that the audit evidence we have obtained is sufficient for expressing an opinion on reliability of these annual accounting statements.

#### **Opinion**

In our opinion, the annual accounting statements give a true and fair view, in all material respects, of the financial position of PJSC ALROSA as of December 31, 2015 and its financial results and cash flow for 2015 in accordance with the Russian Accounting Reporting Rules.

President of FBK LLC

S. M. Shapiguzov.  
On the basis of the Charter,  
Auditor Qualification Certificate  
No. 01-001230, ORNZ (Principal Registration  
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Qualification certificate  
No. 01-000422, dated January 23, 2012, ORNZ  
(Principal Registration Number of Entry)  
29501042073

The date of the Auditor's Report  
February 10, 2016

**BALANCE SHEET**

|  |                   |            |    |      |
|--|-------------------|------------|----|------|
| Organization: <b>PJSC ALROSA</b>   | Form as per OKUD  | 0710001    |    |      |
| Taxpayer Identification Number   | Date (DD/MM/YYYY) | 31         | 12 | 2015 |
| Activity: <b>Diamond mining</b>  | as per OKPO       | 23308410   |    |      |
| Legal status / Form of ownership   | INN               | 1433000147 |    |      |
| Public Joint-Stock Company/ mixed  | as per OKVED      | 14.50.22   |    |      |
| Unit of measurement: thousand RUB / <del>mn RUB</del> (strike out as applicable) | as per OKOPF/OKFS | 1 22 47    | 43 |      |
|  | as per OKEI       | 384        |    |      |

Address: 6, Lenina Street, Mirny, Sakha (Yakutia) Republic, 678174, Russia

Explanatory notes

| Indicator                    | Code   | as of 31.12.2015 | as of 31.12.2014   | as of 31.12.2013   |                    |
|------------------------------|--|------------------|--------------------|--------------------|--------------------|
| 1                            | 2  | 3                | 4                  | 5                  | 6                  |
| <b>ASSETS</b>                |  |                  |                    |                    |                    |
| <b>I. NON-CURRENT ASSETS</b> |  |                  |                    |                    |                    |
| 4.1                          | Intangible assets                                | 1110             | 60,029             | 66,066             | 91,272             |
| 4.2                          | Research and development results                 | 1120             | 236,654            | 139,612            | 137,587            |
| 4.3                          | Intangible development assets                    | 1130             | 2,808,511          | 2,157,332          | 1,181,774          |
| 4.3                          | Tangible development assets                      | 1140             | 287,412            | 88,439             | 475,861            |
| 4.4                          | Fixed assets                                     | 1150             | 259,416,633        | 195,338,191        | 184,260,356        |
|                              | Fixed assets                                     | 1151             | 210,385,158        | 155,631,933        | 146,276,987        |
|                              | Construction in progress                         | 1152             | 49,031,475         | 39,706,258         | 37,983,369         |
| 4.5                          | Income yielding investments into material assets | 1160             | 446,060            | 731,566            | 745,808            |
| 4.6                          | Financial investments (long-term)                | 1170             | 210,101,766        | 139,935,180        | 119,736,218        |
|                              | Investments in subsidiaries                      | 1171             | 115,014,677        | 105,621,021        | 76,785,094         |
|                              | Investments in associates                        | 1172             | 4,947,226          | 4,947,226          | 4,947,226          |
|                              | Investments in other organizations               | 1173             | 2,546              | 2,546              | 22,457             |
|                              | Loans  | 1174             | 90,137,317         | 29,364,387         | 37,981,441         |
|                              | Other financial investments                      | 1175             | -                  | -                  | -                  |
| 4.7                          | Deferred tax assets                              | 1180             | 3,711,036          | 3,712,751          | 2,800,396          |
| 4.8                          | Other non-current assets                         | 1190             | 4,822,108          | 5,241,666          | 2,999,054          |
|                              | <b>Total for Section I</b>                       | <b>1100</b>      | <b>481,890,209</b> | <b>347,410,803</b> | <b>312,428,326</b> |
| <b>II. CURRENT ASSETS</b>    |  |                  |                    |                    |                    |
| 4.9                          | Reserves   | 1210             | 58,539,017         | 44,503,558         | 39,592,762         |
|                              | Raw materials and other similar assets           | 1211             | 15,914,315         | 14,634,120         | 11,179,326         |
|                              | Fat stock animals                                | 1212             | 631,822            | 629,782            | 651,791            |
|                              | Work-in-process expenses                         | 1213             | 18,801,582         | 19,079,204         | 18,564,131         |
|                              | Finished products and goods for resale           | 1214             | 22,484,390         | 9,846,848          | 8,885,916          |
|                              | Goods despatched                                 | 1215             | 627,439            | 281,608            | 257,825            |
|                              | Deferred expenses                                | 1216             | 79,469             | 31,996             | 53,773             |
| 4.10                         | Value added tax on purchased assets              | 1220             | 454,988            | 768,133            | 817,369            |
| 4.11                         | Accounts receivable                              | 1230             | 30,175,918         | 16,795,421         | 16,458,447         |
|                              | Long-term receivables                            | 1231             | 7,523,249          | 2,630,351          | 785,392            |
|                              | Short-term receivables                           | 1232             | 22,652,669         | 14,165,070         | 15,673,055         |
| 4.12                         | Financial investments (short-term)               | 1240             | 11,782,150         | 77,264,905         | 48,068,843         |
|                              | Loans  | 1241             | 4,837,432          | 68,967,068         | 46,637,263         |
|                              | Other financial investments                      | 1242             | 6,944,718          | 8,297,837          | 1,431,580          |

Explanatory  
notes

| Indicator | Code  | as of 31.12.2015 | as of 31.12.2014   | as of 31.12.2013   |                    |
|-----------|---|------------------|--------------------|--------------------|--------------------|
| 1         | 2   | 3                | 4                  | 5                  | 6                  |
| 4.13      | Cash and cash equivalents   | 1250             | 15,747,871         | 14,165,526         | 4,560,277          |
|           | Short-term deposits   | 1252             | 11,670,000         | 11,650,000         | 3,270,000          |
|           | Other cash  | 1253             | 4,077,871          | 2,515,526          | 1,290,277          |
| 4.14      | Other current assets  | 1260             | 16,547             | 83,568             | 28,314             |
|           | <b>Total for Section II</b>   | <b>1200</b>      | <b>116,716,491</b> | <b>153,581,111</b> | <b>109,526,012</b> |
|           | <b>BALANCE</b>  | <b>1600</b>      | <b>598,606,700</b> | <b>500,991,914</b> | <b>421,954,338</b> |
|           | <b>LIABILITIES</b>  |                  |                    |                    |                    |
|           | <b>III. CAPITAL AND RESERVES</b>  |                  |                    |                    |                    |
| 4.15      | Authorized capital<br>(joint stock, authorized fund, contributions of partners) | 1310             | 3,682,483          | 3,682,483          | 3,682,483          |
| 4.16      | Revaluation of non-current assets   | 1340             | 66,469,327         | 8,072,414          | 8,466,588          |
| 4.17      | Additional capital (without revaluation)  | 1350             | 50,041,720         | 50,041,284         | 50,039,070         |
| 4.18      | Reserve capital   | 1360             | 736,500            | 736,500            | 736,500            |
|           | Reserves established in accordance<br>with the legislation                      | 1361             | 184,125            | 184,125            | 184,125            |
|           | Reserves established in accordance<br>with the constituent documents            | 1362             | 552,375            | 552,375            | 552,375            |
| 4.19      | Undistributed profit (unrecovered loss)   | 1370             | 186,819,435        | 187,487,508        | 174,472,838        |
|           | Undistributed profit from previous years  | 1371             | 165,589,937        | 187,487,508        | 174,472,838        |
|           | Undistributed profit of the reporting year                                      | 1372             | 21,229,498         | –                  | –                  |
|           | <b>Total for Section III</b>  | <b>1300</b>      | <b>307,749,465</b> | <b>250,020,189</b> | <b>237,397,479</b> |
|           | <b>IV. LONG-TERM LIABILITIES</b>  |                  |                    |                    |                    |
| 4.21      | Borrowings  | 1410             | 196,054,463        | 175,807,500        | 81,738,603         |
|           | Bank credits repayable in over 12 months<br>after the reporting date            | 1411             | 123,171,763        | 119,549,100        | 28,965,342         |
|           | Loans repayable in over 12 months<br>after the reporting date                   | 1412             | 72,882,700         | 56,258,400         | 52,773,261         |
| 4.20      | Deferred tax liabilities  | 1420             | 40,810,338         | 27,100,431         | 22,778,392         |
| 4.24      | Long-term estimated liabilities   | 1430             | 6,337,205          | 5,815,674          | 7,105,262          |
|           | Other liabilities   | 1450             | –                  | –                  | –                  |
|           | <b>Total for Section IV</b>   | <b>1400</b>      | <b>243,202,006</b> | <b>208,723,605</b> | <b>111,622,257</b> |
|           | <b>V. SHORT-TERM LIABILITIES</b>  |                  |                    |                    |                    |
| 4.21      | Borrowings  | 1510             | 27,054,332         | 21,331,607         | 54,316,063         |
|           | Bank credits repayable within 12 months<br>after the reporting date             | 1511             | 26,142,432         | 404,336            | 37,189,711         |
|           | Loans repayable within 12 months<br>after the reporting date                    | 1512             | 911,900            | 20,927,271         | 17,126,352         |
| 4.22      | Accounts payable  | 1520             | 13,170,830         | 13,344,608         | 12,307,730         |
| 4.23      | Deferred income   | 1530             | 6,850              | 6,850              | 22,182             |
| 4.24      | Short-term estimated liabilities  | 1540             | 7,413,114          | 7,541,416          | 6,067,959          |
| 4.25      | Other liabilities   | 1550             | 10,103             | 23,639             | 220,668            |
|           | <b>Total for Section V</b>  | <b>1500</b>      | <b>47,655,229</b>  | <b>42,248,120</b>  | <b>72,934,602</b>  |
|           | <b>BALANCE</b>  | <b>1700</b>      | <b>598,606,700</b> | <b>500,991,914</b> | <b>421,954,338</b> |



## FINANCIAL PERFORMANCE REPORT

Codes

|  |                   |            |    |      |
|--|-------------------|------------|----|------|
| Organization: <b>PJSC ALROSA</b>   | Form as per OKUD  | 0710002    |    |      |
| Taxpayer Identification Number   | Date (DD/MM/YYYY) | 31         | 12 | 2015 |
| Activity: <b>Diamond mining</b>  | as per OKPO       | 23308410   |    |      |
| Legal status / Form of ownership   | INN               | 1433000147 |    |      |
| Public Joint-Stock Company/ mixed  | as per OKVED      | 14.50.22   |    |      |
| Unit of measurement: thousand RUB / <del>in RUB</del> (strike out as applicable) | as per OKOPF/OKFS | 1 22 47    | 43 |      |
|  | as per OKEI       | 384        |    |      |

Explanatory notes

| Indicator   | Code        | For 2015          | For 2014          |
|---|-------------|-------------------|-------------------|
| 1   | 2           | 3                 | 4                 |
| 5.1 Revenue including:  | 2110        | 185,276,834       | 159,174,480       |
| rough diamonds mining   |             | 152,918,773       | 132,051,440       |
| production of polished diamonds and diamond abrasive powders  |             | 6,919,107         | 5,667,697         |
| services of production, sorting and sales of rough diamonds   |             | 18,839,606        | 13,462,431        |
| 5.2 Cost of sales including:  | 2120        | (62,517,391)      | (63,052,301)      |
| rough diamond mining  |             | (37,512,264)      | (38,734,449)      |
| production of polished diamonds and diamond abrasive powders  |             | (3,333,016)       | (3,232,046)       |
| services of production, sorting and sales of rough diamonds   |             | (9,488,204)       | (7,154,369)       |
| Gross profit (loss)   | 2100        | 122,759,443       | 96,122,179        |
| 5.2 Business expenses   | 2210        | (13,528,348)      | (10,494,273)      |
| 5.2 Administrative expenses   | 2220        | (24,490,902)      | (17,758,426)      |
| <b>Sales profit (loss)</b>  | <b>2200</b> | <b>84,740,193</b> | <b>67,869,480</b> |
| 5.3 Income from participation in other organizations  | 2310        | 13,587,224        | 6,259,387         |
| 5.3 Interest receivable   | 2320        | 5,678,092         | 3,426,051         |
| 5.3 Interest payable  | 2330        | (11,983,067)      | (9,253,287)       |
| 5.3 Other income  | 2340        | 14,313,947        | 27,166,921        |
| 5.3 Other expenses  | 2350        | (80,148,213)      | (64,985,943)      |
| <b>Profit (loss) before taxes</b>   | <b>2300</b> | <b>26,188,176</b> | <b>30,482,609</b> |
| 5.4 Current profit tax  | 2410        | (2,831,114)       | (3,034,315)       |
| 5.4 including permanent tax liabilities (assets)  | 2421        | (2,064,071)       | (2,051,898)       |
| 5.4 Changes in deferred tax liabilities   | 2430        | (1,986,948)       | (4,322,039)       |
| 5.4 Changes in deferred tax assets  | 2450        | (1,715)           | 912,355           |
| 5.4 Other   | 2460        | (138,901)         | (569,443)         |
| <b>Net profit (loss)</b>  | <b>2400</b> | <b>21,229,498</b> | <b>23,469,167</b> |
| 4.16 Result of revaluation of non-current assets not included in the net profit (loss) for the period | 2510        | 59,007,759        | –                 |
| Result of other operations not included in the net profit (loss) for the period                       | 2520        | 436               | 2,214             |
| 5.5 Consolidated financial results for the period   | 2500        | 80,237,693        | 23,471,381        |
| For reference only  |             |                   |                   |
| 5.5 Basic profit (loss) per share   | 2900        | 0.003             | 0.003             |
| 5.5 Diluted profit (loss) per share   | 2910        |                   |                   |

## STATEMENT OF CHANGES IN EQUITY

Organization: **PJSC ALROSA**

Taxpayer Identification Number

Activity: **Diamond mining**

Organizational legal form / form of business ownership: Public Joint Stock Company / mixed

Unit of measurement: thousand RUB / ~~mn RUB~~ (strike out as applicable)

| <i>Indicator</i>  | <i>Code</i> | <i>Authorized capital</i> |
|---|-------------|---------------------------|
| 1   | 2           | 3                         |
| Capital value as of December 31, 2013                         | 3100        | 3,682,483                 |
| <b>For 2014</b>   |             |                           |
| <b>Total capital increase:</b>                                | <b>3210</b> | -                         |
| including:  |             | -                         |
| net profit  | 3211        | -                         |
| revaluation of assets   | 3212        | -                         |
| income directly attributable to increase in the capital       | 3213        | -                         |
| additional issue of shares                                    | 3214        | -                         |
| increase in the nominal value of shares                       | 3215        | -                         |
| reorganization of a legal entity                              | 3216        | -                         |
| <b>Total capital decrease:</b>                                | <b>3220</b> | -                         |
| including:  |             | -                         |
| loss  | 3221        | -                         |
| revaluation of assets   | 3222        | -                         |
| expenditures directly attributable to decrease in the capital | 3223        | -                         |
| decrease in the nominal value of shares                       | 3224        | -                         |
| decrease in the number of shares                              | 3225        | -                         |
| reorganization of a legal entity                              | 3226        | -                         |
| dividends   | 3227        | -                         |
| Change in the additional capital                              | 3230        | x                         |
| Change in the reserve capital                                 | 3240        | x                         |
| Capital value as of December 31, 2014                         | 3200        | 3,682,483                 |
| <b>For 2015</b>   |             |                           |
| <b>Total capital increase:</b>                                | <b>3310</b> | -                         |
| including:  |             | -                         |
| net profit  | 3311        | -                         |
| revaluation of assets   | 3312        | -                         |
| income directly attributable to increase in the capital       | 3313        | -                         |
| additional issue of shares                                    | 3314        | -                         |
| increase in the nominal value of shares                       | 3315        | -                         |
| reorganization of a legal entity                              | 3316        | -                         |
| <b>Total capital decrease:</b>                                | <b>3320</b> | -                         |
| including:  |             | -                         |
| loss  | 3321        | -                         |
| revaluation of assets   | 3322        | -                         |
| expenditures directly attributable to decrease in the capital | 3323        | -                         |
| decrease in the nominal value of shares                       | 3324        | -                         |
| decrease in the number of shares                              | 3325        | -                         |
| reorganization of a legal entity                              | 3326        | -                         |
| dividends   | 3327        | -                         |
| Change in the additional capital                              | 3330        | x                         |
| Change in the reserve capital                                 | 3340        | x                         |
| Capital value as of December 31, 2015                         | 3300        | 3,682,483                 |

|                   | Codes      |    |      |
|-------------------|------------|----|------|
|                   | 31         | 12 | 2015 |
| Form as per OKUD  | 0710003    |    |      |
| Date (DD/MM/YYYY) |            |    |      |
| as per OKPO       | 23308410   |    |      |
| INN               | 1433000147 |    |      |
| as per OKVED      | 14.50.22   |    |      |
| as per OKOPF/OKFS | 1 22 47    | 43 |      |
| as per OKEI       | 384        |    |      |

| Shares repurchased | Additional capital | Reserve capital | Undistributed profit<br>(unrecovered loss) | Total               |
|--------------------|--------------------|-----------------|--|---------------------|
| 4                  | 5                  | 6               | 7  | 8                   |
| -                  | 58,505,658         | 736,500         | 174,472,838                                | 237,397,479         |
| -                  | <b>2,214</b>       | -               | <b>23,469,167</b>                          | <b>23,471,381</b>   |
| -                  | -                  | -               | 23,469,167                                 | 23,469,167          |
| -                  | -                  | -               | -  | -                   |
| -                  | 2,214              | -               | -  | 2,214               |
| -                  | -                  | -               | -  | -                   |
| -                  | -                  | -               | -  | -                   |
| -                  | -                  | -               | -  | -                   |
| -                  | <b>(17,334)</b>    | -               | <b>(10,831,337)</b>                        | <b>(10,848 671)</b> |
| -                  | -                  | -               | -  | -                   |
| -                  | -                  | -               | -  | -                   |
| -                  | (17,334)           | -               | (10,966)                                   | (28,300)            |
| -                  | -                  | -               | -  | -                   |
| -                  | -                  | -               | -  | -                   |
| -                  | -                  | -               | (10,820,371)                               | (10,820,371)        |
| x                  | (376,840)          | x               | 376,840                                    | x                   |
| x                  | x                  | -               | x  | x                   |
| -                  | 58,113,698         | 736,500         | 187,487,508                                | 250,020,189         |
| -                  | <b>59,008,195</b>  | -               | <b>21,229,498</b>                          | <b>80,237,693</b>   |
| -                  | -                  | -               | 21,229,498                                 | 21,229,498          |
| -                  | 59,007,759         | -               | -  | 59,007,759          |
| -                  | 436                | -               | -  | 436                 |
| -                  | -                  | -               | -  | -                   |
| -                  | -                  | -               | -  | -                   |
| -                  | -                  | -               | -  | -                   |
| -                  | <b>(5,135)</b>     | -               | <b>(22,503,282)</b>                        | <b>(22,508,417)</b> |
| -                  | -                  | -               | -  | -                   |
| -                  | -                  | -               | -  | -                   |
| -                  | (5,135)            | -               | (11,692,080)                               | (11,697,215)        |
| -                  | -                  | -               | -  | -                   |
| -                  | -                  | -               | -  | -                   |
| -                  | -                  | -               | (10,811,202)                               | (10,811,202)        |
| x                  | (605,711)          | -               | 605,711                                    | -                   |
| x                  | -                  | -               | -  | -                   |
| -                  | 116,511,047        | 736,500         | 186,819,435                                | 307,749,465         |

## ADJUSTMENTS DUE TO CHANGE IN THE ACCOUNTING POLICY AND CORRECTION OF ERRORS

| <i>Indicator</i>   | <i>Code</i> | <i>As of December<br/>31, 2013</i> | <i>due to the<br/>net profit</i> | <i>due to other<br/>factors</i> | <i>As of December<br/>31, 2014</i> |
|--|-------------|------------------------------------|----------------------------------|---------------------------------|------------------------------------|
| 1  | 2           | 3                                  | 4                                | 5                               | 5                                  |
| <b>Total capital</b>   |             |                                    |                                  |                                 |                                    |
| prior to adjustments   | 3400        | 237,397,479                        |                                  |                                 | 250,020,189                        |
| adjustment due to:<br>changes in the accounting policy       | 3410        |                                    |                                  |                                 |                                    |
| error corrections  | 3420        |                                    | (17,334)                         | (17,334)                        |                                    |
| after adjustments  | 3500        | 237,397,479                        |                                  |                                 | 250,020,189                        |
| including:<br><b>undistributed profit</b>                    |             |                                    |                                  |                                 |                                    |
| prior to adjustments   | 3401        | 175,157,446                        |                                  |                                 | 188,154,782                        |
| adjustment due to:<br>changes in the accounting policy       | 3411        |                                    |                                  |                                 |                                    |
| error corrections  | 3421        | (684,608)                          |                                  | (17,334)                        | (667,274)                          |
| after adjustments  | 3501        | 174,472,838                        |                                  |                                 | 187,487,508                        |
| <b>other capital items, for which adjustments were made:</b> |             |                                    |                                  |                                 |                                    |
| prior to adjustments   | 3402        | 57,821,050                         |                                  |                                 | 57,446,424                         |
| adjustment due to:<br>changes in the accounting policy       | 3412        |                                    |                                  |                                 |                                    |
| error corrections  | 3422        | 684,608                            | (17,334)                         |                                 | 667,274                            |
| after adjustments  | 3502        | 58,505,658                         |                                  |                                 | 58,113,698                         |

## NET ASSETS

| <i>Indicator</i> | <i>Code</i> | <i>as of<br/>31.12.2015</i> | <i>as of<br/>31.12.2014</i> | <i>as of<br/>31.12.2013</i> |
|------------------|-------------|-----------------------------|-----------------------------|-----------------------------|
| 1                | 2           | 3                           | 4                           | 5                           |
| Net assets       | 3600        | 307,756,315                 | 250,027,039                 | 237,419,661                 |

## CASH FLOW STATEMENT FOR 2015

| Organization: <b>PJSC ALROSA</b>   | Form as per OKUD  | Codes      |    |      |
|--|-------------------|------------|----|------|
|  | Date (DD/MM/YYYY) | 0710004    |    |      |
| Taxpayer Identification Number   | as per OKPO       | 31         | 12 | 2015 |
| Activity: <b>Diamond mining</b>  | INN               | 1433000147 |    |      |
| Legal status / Form of ownership   | as per OKVED      | 14.50.22   |    |      |
| Public Joint-Stock Company/ mixed  | as per OKOPF/OKFS | 1 22 47    | 43 |      |
| Unit of measurement: thousand RUB / <del>mn RUB</del> (strike out as applicable) | as per OKEI       | 384        |    |      |

| Indicator  | Code | as of 31.12.2014 | as of 31.12.2013 |
|--|------|------------------|------------------|
| 1  | 2    | 3                | 4                |
| <b>Cash flow from current operations</b>   |      |                  |                  |
| Total receipts   | 4110 | 185,120,452      | 165,517,967      |
| including:   |      |                  |                  |
| from sale of products, goods, works and services   | 4111 | 178,295,432      | 160,039,296      |
| from lease payments, license fees, royalties, commission charges and other similar payments                                    | 4112 | 4,702,296        | 2,424,965        |
| from resale of financial investments   | 4113 | -                | -                |
| other receipts   | 4119 | 2,122,724        | 3,053,706        |
| Total payments   | 4120 | (138,897,714)    | (121,786,024)    |
| including:   |      |                  |                  |
| to suppliers (contractors) for raw materials, works and services   | 4121 | (42,019,691)     | (42,059,237)     |
| remuneration to employees  | 4122 | (32,607,521)     | (30,158,381)     |
| interest on debt obligations   | 4123 | (11,655,705)     | (9,392,578)      |
| income tax   | 4124 | (5,041,878)      | (7,478,551)      |
| other payments   | 4129 | (47,572,919)     | (32,697,277)     |
| Balance of cash flows from current activities  | 4100 | 46,222,738       | 43,731,943       |
| <b>Cash flow from investing activities</b>   |      |                  |                  |
| Total receipts   | 4210 | 55,357,477       | 55,357,477       |
| including:   |      |                  |                  |
| from sale of non-current assets (excluding financial investments)  | 4211 | 143,231          | 143,231          |
| from sale of shares in other organizations (participation interest)  | 4212 | 271,326          | 271,326          |
| from repayment of the loans provided, sale of debt securities (rights of cash requirements to other parties)                   | 4213 | 9,864,198        | 9,864,198        |
| from dividends, interest on debt financial investments and similar receipts from participation interest in other organizations | 4214 | 17,278,697       | 17,278,697       |
| other receipts   | 4219 | 27,800,025       | 27,800,025       |
| Total payments   | 4220 | (64,318,253)     | (64,318,253)     |
| including associated with:   |      |                  |                  |
| non-current assets purchase, creation, renovation, reconstruction and preparation for use                                      | 4221 | (24,137,803)     | (24,137,803)     |
| purchase of shares (participation interest) in other organizations   | 4222 | (48,370)         | (48,370)         |
| acquisition of debt securities (rights of cash requirements to other parties) and provision loans to other parties             | 4223 | (39,738,347)     | (39,738,347)     |
| interest on debt obligations that are included in the cost of an investment asset  | 4224 | (359,401)        | (359,401)        |
| other payments   | 4229 | (34,332)         | (34,332)         |
| Balance of cash flows from investment activities   | 4200 | (8,960,776)      | (8,960,776)      |

| <b>Cash flow from financing activities</b>  |      |                   |               |
|---|------|-------------------|---------------|
| Total receipts  | 4310 | 19,869,330        | 92,851,613    |
| including:  |      |                   |               |
| credits and loans   | 4311 | 19,869,330        | 92,851,613    |
| cash deposits of owners (participants)  | 4312 | -                 | -             |
| issuance of shares, increase of participation interest  | 4313 | -                 | -             |
| issuance of bonds, promissory notes and other debt securities, etc.   | 4314 | -                 | -             |
| other receipts  | 4319 | -                 | -             |
| Total payments  | 4320 | (55,387,724)      | (123,783,893) |
| including:  |      |                   |               |
| to owners (participants) in connection with repurchase of their shares<br>(participation interest) in the organization or their withdrawal from participation | 4321 | -                 | -             |
| dividends and other payments to distribute profits to owners (participants)   | 4322 | (10,824,744)      | (10,828,063)  |
| payment (repurchase) of promissory notes and other debt securities, repayment<br>of credits and loans   | 4323 | (44,562,980)      | (112,955,830) |
| other payments  | 4329 | -                 | -             |
| Balance of cash flows from financial activities   | 4300 | (35,518,394)      | (30,932,280)  |
| <b>Balance of cash flows for the reporting period</b>   | 4400 | <b>1,743,568</b>  | 4,777,587     |
| <b>Balance of cash and cash equivalents as of the beginning of the reporting period</b>   | 4450 | <b>14,140,272</b> | 4,535,472     |
| <b>Balance of cash and cash equivalents as of the end of the reporting period</b>   | 4500 | <b>15,669,045</b> | 14,140,272    |
| Effect of changes in the foreign currency to rouble exchange rate   | 4490 | (214,795)         | 4,827,213     |

## 6.6. INFORMATION ON LICENSES

| <i>No.</i> | <i>Legal entity</i> | <i>License No.</i> | <i>License</i>                         | <i>Issuance date</i> | <i>Expiry date</i> |
|------------|---------------------|--------------------|--|----------------------|--------------------|
| 1          | PJSC ALROSA         | ЯКУ 02994 КП       | Geological survey for diamonds         | 06.07.2011           | 31.12.2019         |
| 2          | PJSC ALROSA         | ЯКУ 03062 КП       | Geological survey for diamonds         | 14.09.2011           | 31.12.2016         |
| 3          | PJSC ALROSA         | ЯКУ 03066 КП       | Geological survey for diamonds         | 15.09.2011           | 06.06.2020         |
| 4          | PJSC ALROSA         | ЯКУ 03067 КП       | Geological survey for diamonds         | 16.09.2011           | 15.04.2017         |
| 5          | PJSC ALROSA         | ЯКУ 03074 КП       | Geological survey for diamonds         | 20.09.2011           | 15.04.2019         |
| 6          | PJSC ALROSA         | ЯКУ 03079 КП       | Geological survey for diamonds         | 20.09.2011           | 15.07.2016         |
| 7          | PJSC ALROSA         | ЯКУ 03083 КП       | Geological survey for diamonds         | 21.09.2011           | 31.12.2020         |
| 8          | PJSC ALROSA         | ЯКУ 15827 КП       | Geological survey for diamonds         | 18.12.2014           | 31.12.2021         |
| 9          | PJSC ALROSA         | ЯКУ 04559 КП       | Geological survey for diamonds         | 11.11.2015           | 31.12.2022         |
| 10         | PJSC ALROSA         | ЯКУ 04560 КП       | Geological survey for diamonds         | 11.11.2015           | 31.12.2022         |
| 11         | PJSC ALROSA         | ЯКУ 04553 КП       | Geological survey for diamonds         | 12.10.2015           | 10.10.2020         |
| 12         | PJSC ALROSA         | ЯКУ 04554 КП       | Geological survey for diamonds         | 12.10.2015           | 10.10.2020         |
| 13         | PJSC ALROSA         | ЯКУ 04555 КП       | Geological survey for diamonds         | 12.10.2015           | 10.10.2020         |
| 14         | PJSC ALROSA         | ЯКУ 03000 КЭ       | Exploration and production of diamonds | 12.06.2011           | 31.12.2019         |
| 15         | PJSC ALROSA         | ЯКУ 03013 КЭ       | Exploration and production of diamonds | 19.07.2011           | 31.12.2030         |
| 16         | PJSC ALROSA         | ЯКУ 03014 КЭ       | Exploration and production of diamonds | 19.07.2011           | 31.12.2021         |
| 17         | PJSC ALROSA         | ЯКУ 03015 КЭ       | Exploration and production of diamonds | 19.07.2011           | 31.12.2020         |
| 18         | PJSC ALROSA         | ЯКУ 03016 КЭ       | Exploration and production of diamonds | 19.07.2011           | 31.12.2048         |
| 19         | PJSC ALROSA         | ЯКУ 03017 КЭ       | Exploration and production of diamonds | 19.07.2011           | 31.12.2034         |
| 20         | PJSC ALROSA         | ЯКУ 03018 КЭ       | Exploration and production of diamonds | 19.07.2011           | 31.12.2021         |
| 21         | PJSC ALROSA         | ЯКУ 03042 КЭ       | Exploration and production of diamonds | 15.08.2011           | 31.12.2028         |
| 22         | PJSC ALROSA         | ЯКУ 03044 КЭ       | Exploration and production of diamonds | 15.08.2011           | 01.01.2018         |
| 23         | PJSC ALROSA         | ЯКУ 03045 КЭ       | Exploration and production of diamonds | 15.08.2011           | 31.12.2020         |

|    |             |               |  |            |            |
|----|-------------|---------------|--|------------|------------|
| 24 | PJSC ALROSA | ЯКУ 03046 КЭ  | Exploration and production of diamonds | 15.08.2011 | 18.03.2031 |
| 25 | PJSC ALROSA | ЯКУ 15159 КЭ  | Exploration and production of diamonds | 07.06.2011 | 01.06.2031 |
| 26 | PJSC ALROSA | ЯКУ 15160 КЭ  | Exploration and production of diamonds | 07.06.2011 | 01.06.2031 |
| 27 | PJSC ALROSA | ЯКУ 03500 КЭ  | Exploration and production of diamonds | 07.05.2013 | 01.06.2019 |
| 28 | PJSC ALROSA | ЯКУ 15658 КЭ  | Exploration and production of diamonds | 30.12.2013 | 30.12.2033 |
| 29 | PJSC ALROSA | ЯКУ 15659 КЭ  | Exploration and production of diamonds | 30.12.2013 | 30.12.2033 |
| 30 | PJSC ALROSA | ЯКУ 15666 КЭ  | Exploration and production of diamonds | 30.01.2014 | 01.02.2034 |
| 31 | PJSC ALROSA | ИРКТ 00005 ТП | Geological survey for CCM*             | 27.11.2014 | 05.11.2017 |
| 32 | PJSC ALROSA | ИРКТ 00006 ТП | Geological survey for CCM              | 30.04.2015 | 01.05.2018 |
| 33 | PJSC ALROSA | ИРКТ 00007 ТП | Geological survey for CCM              | 30.04.2015 | 01.05.2018 |
| 34 | PJSC ALROSA | ИРКТ 00008 ТП | Geological survey for CCM              | 30.04.2015 | 01.05.2018 |
| 35 | PJSC ALROSA | ИРКТ 00009 ТП | Geological survey for CCM              | 30.04.2015 | 01.05.2018 |
| 36 | PJSC ALROSA | ИРКТ 00010 ТП | Geological survey for CCM              | 30.04.2015 | 01.05.2018 |
| 37 | PJSC ALROSA | ИРКТ 00011 ТП | Geological survey for CCM              | 30.04.2015 | 01.05.2018 |
| 38 | PJSC ALROSA | ИРКТ 00012 ТП | Geological survey for CCM              | 30.04.2015 | 01.05.2018 |
| 39 | PJSC ALROSA | ГКГ 00883 ТП  | Geological survey for CCM              | 20.05.2015 | 01.07.2020 |
| 40 | PJSC ALROSA | ГКГ 00884 ТП  | Geological survey for CCM              | 25.05.2015 | 01.06.2020 |
| 41 | PJSC ALROSA | ГКГ 00977 ТП  | Geological survey for CCM              | 25.11.2015 | 01.12.2020 |
| 42 | PJSC ALROSA | ГКГ 00710 ГЭ  | Exploration and production of CCM      | 23.10.2013 | 31.12.2032 |
| 43 | PJSC ALROSA | ГКГ 00526 ГЭ  | Exploration and production of CCM      | 02.08.2011 | 16.01.2023 |
| 44 | PJSC ALROSA | ГКГ 00527 ГЭ  | Exploration and production of CCM      | 02.08.2011 | 01.02.2019 |
| 45 | PJSC ALROSA | ГКГ 00528 ГЭ  | Exploration and production of CCM      | 02.08.2011 | 01.02.2021 |
| 46 | PJSC ALROSA | ГКГ 00529 ГЭ  | Exploration and production of CCM      | 02.08.2011 | 01.02.2023 |
| 47 | PJSC ALROSA | ГКГ 00530 ГЭ  | Exploration and production of CCM      | 04.08.2011 | 01.02.2030 |
| 48 | PJSC ALROSA | ГКГ 00531 ГЭ  | Exploration and production of CCM      | 02.08.2011 | 01.05.2018 |
| 49 | PJSC ALROSA | ГКГ 00532 ГЭ  | Exploration and production of CCM      | 03.08.2011 | 01.05.2018 |



|    |             |              |                                   |            |            |
|----|-------------|--------------|-----------------------------------|------------|------------|
| 50 | PJSC ALROSA | ГКГ 00533 ГЭ | Exploration and production of CCM | 02.08.2011 | 01.05.2018 |
| 51 | PJSC ALROSA | ГКГ 00534 ГЭ | Exploration and production of CCM | 07.08.2011 | 01.05.2018 |
| 52 | PJSC ALROSA | ГКГ 00535 ГЭ | Exploration and production of CCM | 02.08.2011 | 01.12.2023 |
| 53 | PJSC ALROSA | ГКГ 00536 ГЭ | Exploration and production of CCM | 19.08.2011 | 01.06.2031 |
| 54 | PJSC ALROSA | ГКГ 00537 ГЭ | Exploration and production of CCM | 02.08.2011 | 01.03.2019 |
| 55 | PJSC ALROSA | ГКГ 00538 ГЭ | Exploration and production of CCM | 19.08.2011 | 01.05.2018 |
| 56 | PJSC ALROSA | ГКГ 00539 ГЭ | Exploration and production of CCM | 03.08.2011 | 01.03.2019 |
| 57 | PJSC ALROSA | ГКГ 00540 ГЭ | Exploration and production of CCM | 03.08.2011 | 01.02.2031 |
| 58 | PJSC ALROSA | ГКГ 00541 ГЭ | Exploration and production of CCM | 03.08.2011 | 01.02.2031 |
| 59 | PJSC ALROSA | ГКГ 00542 ГЭ | Exploration and production of CCM | 03.08.2011 | 01.02.2017 |
| 60 | PJSC ALROSA | ГКГ 00543 ГЭ | Exploration and production of CCM | 26.08.2011 | 01.03.2019 |
| 61 | PJSC ALROSA | ГКГ 00544 ГЭ | Exploration and production of CCM | 03.08.2011 | 31.12.2031 |
| 62 | PJSC ALROSA | ГКГ 00546 ГЭ | Exploration and production of CCM | 16.08.2011 | 01.02.2019 |
| 63 | PJSC ALROSA | ГКГ 00547 ГЭ | Exploration and production of CCM | 16.08.2011 | 31.12.2021 |
| 64 | PJSC ALROSA | ГКГ 00549 ГЭ | Exploration and production of CCM | 04.08.2011 | 01.03.2023 |
| 65 | PJSC ALROSA | ГКГ 00550 ГЭ | Exploration and production of CCM | 16.08.2011 | 01.12.2016 |
| 66 | PJSC ALROSA | ГКГ 00551 ГЭ | Exploration and production of CCM | 19.08.2011 | 01.04.2033 |
| 67 | PJSC ALROSA | ГКГ 00552 ГЭ | Exploration and production of CCM | 22.08.2011 | 01.03.2019 |
| 68 | PJSC ALROSA | ГКГ 00553 ГЭ | Exploration and production of CCM | 16.08.2011 | 01.03.2029 |
| 69 | PJSC ALROSA | ГКГ 00554 ГЭ | Exploration and production of CCM | 16.08.2011 | 01.03.2023 |
| 70 | PJSC ALROSA | ГКГ 00555 ГЭ | Exploration and production of CCM | 16.08.2011 | 01.03.2037 |
| 71 | PJSC ALROSA | ГКГ 00557 ГЭ | Exploration and production of CCM | 19.08.2011 | 01.03.2019 |
| 72 | PJSC ALROSA | ГКГ 00558 ГЭ | Exploration and production of CCM | 17.08.2011 | 01.08.2025 |
| 73 | PJSC ALROSA | ГКГ 00559 ГЭ | Exploration and production of CCM | 16.08.2011 | 01.08.2027 |
| 74 | PJSC ALROSA | ГКГ 00560 ГЭ | Exploration and production of CCM | 16.08.2011 | 01.08.2025 |
| 75 | PJSC ALROSA | ГКГ 00561 ГЭ | Exploration and production of CCM | 17.08.2011 | 31.12.2019 |

|     |             |              |                                   |            |            |
|-----|-------------|--------------|-----------------------------------|------------|------------|
| 76  | PJSC ALROSA | ГКГ 00562 ГЭ | Exploration and production of CCM | 17.08.2011 | 31.12.2029 |
| 77  | PJSC ALROSA | ГКГ 00563 ГЭ | Exploration and production of CCM | 17.08.2011 | 01.08.2017 |
| 78  | PJSC ALROSA | ГКГ 00564 ГЭ | Exploration and production of CCM | 19.08.2011 | 01.03.2019 |
| 79  | PJSC ALROSA | ГКГ 00565 ГЭ | Exploration and production of CCM | 16.08.2011 | 01.03.2032 |
| 80  | PJSC ALROSA | ГКГ 00566 ГЭ | Exploration and production of CCM | 16.08.2011 | 01.03.2030 |
| 81  | PJSC ALROSA | ГКГ 00567 ГЭ | Exploration and production of CCM | 17.08.2011 | 01.10.2018 |
| 82  | PJSC ALROSA | ГКГ 00568 ГЭ | Exploration and production of CCM | 19.08.2011 | 01.10.2018 |
| 83  | PJSC ALROSA | ГКГ 00569 ГЭ | Exploration and production of CCM | 22.08.2011 | 01.10.2020 |
| 84  | PJSC ALROSA | ГКГ 00570 ГЭ | Exploration and production of CCM | 19.08.2011 | 01.10.2018 |
| 85  | PJSC ALROSA | ГКГ 00571 ГЭ | Exploration and production of CCM | 19.08.2011 | 01.10.2018 |
| 86  | PJSC ALROSA | ГКГ 00572 ГЭ | Exploration and production of CCM | 25.08.2011 | 01.03.2019 |
| 87  | PJSC ALROSA | ГКГ 00573 ГЭ | Exploration and production of CCM | 25.08.2011 | 01.03.2031 |
| 88  | PJSC ALROSA | ГКГ 00574 ГЭ | Exploration and production of CCM | 19.08.2011 | 01.11.2016 |
| 89  | PJSC ALROSA | ГКГ 00576 ГЭ | Exploration and production of CCM | 07.10.2011 | 31.12.2026 |
| 90  | PJSC ALROSA | ГКГ 00577 ГЭ | Exploration and production of CCM | 25.08.2011 | 01.03.2019 |
| 91  | PJSC ALROSA | ГКГ 00578 ГЭ | Exploration and production of CCM | 25.08.2011 | 31.12.2022 |
| 92  | PJSC ALROSA | ГКГ 00579 ГЭ | Exploration and production of CCM | 16.08.2011 | 01.03.2019 |
| 93  | PJSC ALROSA | ГКГ 00584 ГЭ | Exploration and production of CCM | 21.09.2011 | 01.09.2018 |
| 94  | PJSC ALROSA | ГКГ 00585 ГЭ | Exploration and production of CCM | 29.09.2011 | 01.09.2016 |
| 95  | PJSC ALROSA | ГКГ 00586 ГЭ | Exploration and production of CCM | 21.09.2011 | 01.09.2019 |
| 96  | PJSC ALROSA | ГКГ 00587 ГЭ | Exploration and production of CCM | 21.09.2011 | 01.10.2016 |
| 97  | PJSC ALROSA | ГКГ 00588 ГЭ | Exploration and production of CCM | 21.09.2011 | 01.10.2022 |
| 98  | PJSC ALROSA | ГКГ 00589 ГЭ | Exploration and production of CCM | 21.09.2011 | 01.10.2018 |
| 99  | PJSC ALROSA | ГКГ 00590 ГЭ | Exploration and production of CCM | 21.09.2011 | 01.10.2016 |
| 100 | PJSC ALROSA | ГКГ 00591 ГЭ | Exploration and production of CCM | 21.09.2011 | 01.10.2022 |
| 101 | PJSC ALROSA | ГКГ 00592 ГЭ | Exploration and production of CCM | 21.09.2011 | 01.10.2019 |

|     |                    |               |  |            |            |
|-----|--------------------|---------------|--|------------|------------|
| 102 | PJSC ALROSA        | ИРкт 00039 ТР | Exploration and production of CCM            | 26.08.2011 | 01.09.2016 |
| 103 | PJSC ALROSA        | ГКГ 00602 ГЭ  | Exploration and production of CCM            | 30.12.2011 | 30.12.2017 |
| 104 | PJSC ALROSA        | ГКГ 00603 ГЭ  | Exploration and production of CCM            | 30.12.2011 | 30.12.2017 |
| 105 | PJSC ALROSA        | ГКГ 00604 ГЭ  | Exploration and production of CCM            | 30.12.2011 | 30.12.2017 |
| 106 | PJSC ALROSA        | ГКГ 00738 ГЭ  | Exploration and production of CCM            | 11.06.2014 | 16.05.2024 |
| 107 | PJSC ALROSA        | ГКГ 00975 ГЭ  | Exploration and production of CCM            | 03.11.2015 | 01.11.2030 |
| 108 | PJSC ALROSA        | ЯКУ 03098 ВЭ  | Other activities**                           | 18.10.2011 | 12.10.2029 |
| 109 | PJSC ALROSA        | ЯКУ 03095 ВЭ  | Other activities                             | 07.10.2011 | 01.03.2020 |
| 110 | PJSC ALROSA        | ЯКУ 03100 ВЭ  | Other activities                             | 21.10.2011 | 31.12.2017 |
| 111 | PJSC ALROSA        | ИРК 02815 ВЭ  | Other activities                             | 21.09.2011 | 01.06.2032 |
| 112 | PJSC ALROSA        | МСК 03430 ВЭ  | Other activities                             | 26.10.2011 | 01.12.2031 |
| 113 | PJSC ALROSA        | ГКГ 00717 ГГ  | Other activities                             | 10.03.2014 | 31.12.2033 |
| 114 | PJSC ALROSA        | ГКГ 00647 ГГ  | Other activities                             | 31.12.2012 | 31.12.2022 |
| 115 | PJSC ALROSA        | ГКГ 00634 ГГ  | Other activities                             | 02.10.2012 | 01.10.2022 |
| 116 | PJSC ALROSA        | ГКГ 00652 ГГ  | Other activities                             | 15.02.2013 | 01.03.2020 |
| 117 | PJSC ALROSA        | ЯКУ 02995 МР  | Other activities                             | 07.07.2011 | 28.03.2028 |
| 118 | PJSC ALROSA        | ГКГ 00618 ГГ  | Geological survey                            | 17.06.2012 | 30.12.2017 |
| 119 | PJSC ALROSA        | ГКГ 00750 ГП  | Geological survey                            | 15.07.2014 | 01.07.2019 |
| 120 | PJSC ALROSA        | ГКГ 00907 ГП  | Other activities                             | 19.06.2015 | 01.05.2020 |
| 121 | PJSC ALROSA        | ГКГ 00980 ГП  | Other activities                             | 30.11.2015 | 01.12.2020 |
| 122 | PJSC ALROSA-Nyurba | ЯКУ 01450 КЭ  | Geological survey and production of diamonds | 02.12.2007 | 31.07.2022 |
| 123 | PJSC ALROSA-Nyurba | ЯКУ 01451 КЭ  | Geological survey and production of diamonds | 02.12.2007 | 31.10.2020 |
| 124 | PJSC ALROSA-Nyurba | ГКГ 00616 ГГ  | Other activities                             | 18.04.2012 | 01.05.2017 |
| 125 | PJSC Severalmaz    | АРХ 10496 КЭ  | Exploration and production of diamonds       | 07.08.1997 | 31.12.2026 |
| 126 | PJSC Severalmaz    | АРХ 00698 ВР  | Other activities                             | 20.12.2001 | 19.12.2026 |
| 127 | PJSC Severalmaz    | АРХ 00731 ТЭ  | Exploration and production of CCM            | 27.05.2002 | 28.05.2017 |
| 128 | PJSC Severalmaz    | АРХ 01459 КП  | Geological survey for diamonds               | 16.03.2012 | 15.03.2017 |

|     |                        |              |   |            |            |
|-----|------------------------|--------------|---|------------|------------|
| 129 | PJSC Severalmaz        | APX 01458 КП | Geological survey for diamonds                                    | 16.03.2012 | 15.03.2017 |
| 130 | PJSC Severalmaz        | APX 01456 КП | Geological survey for diamonds                                    | 16.03.2012 | 15.03.2017 |
| 131 | PJSC Severalmaz        | APX 01457 КП | Geological survey for diamonds                                    | 16.03.2012 | 15.03.2017 |
| 132 | PJSC Severalmaz        | APX 01466 БЭ | Other activities  | 19.07.2012 | 01.01.2027 |
| 133 | JSC Nizhne-Lenskoe     | ЯКУ 01935 КЭ | Exploration and production of diamonds                            | 04.07.2006 | 31.12.2016 |
| 134 | JSC Nizhne-Lenskoe     | ЯКУ 13662 КЭ | Exploration and production of diamonds                            | 04.07.2006 | 01.08.2018 |
| 135 | JSC Nizhne-Lenskoe     | ЯКУ 01925 КЭ | Exploration and production of diamonds                            | 11.04.2002 | 31.12.2018 |
| 136 | JSC Nizhne-Lenskoe     | ЯКУ 13260 КП | Geological survey and production of diamonds                      | 16.08.2005 | 20.08.2025 |
| 137 | JSC Nizhne-Lenskoe     | ЯКУ 02649 КП | Geological survey and production of diamonds                      | 08.04.2008 | 15.04.2028 |
| 138 | JSC Nizhne-Lenskoe     | ЯКУ 15887 КЭ | Exploration and production of diamonds                            | 26.06.2015 | 30.06.2035 |
| 139 | JSC Almazy Anabara     | ЯКУ 03244 КЭ | Exploration and production of diamonds                            | 25.06.2012 | 18.03.2031 |
| 140 | JSC Almazy Anabara     | ЯКУ 03245 КЭ | Exploration and production of diamonds                            | 25.06.2012 | 18.03.2031 |
| 141 | JSC Almazy Anabara     | ЯКУ 13004 КЭ | Geological survey, exploration and production of diamonds         | 18.02.2005 | 01.06.2019 |
| 142 | JSC Almazy Anabara     | ЯКУ 13534 КП | Geological survey, exploration and production of diamonds         | 17.03.2006 | 20.03.2031 |
| 143 | JSC Almazy Anabara     | ЯКУ 02646 КЭ | Exploration and production of diamonds                            | 01.04.2008 | 01.06.2024 |
| 144 | JSC Almazy Anabara     | ЯКУ 02647 КЭ | Exploration and production of diamonds                            | 01.04.2008 | 01.06.2023 |
| 145 | JSC Almazy Anabara     | ЯКУ 02650 КП | Geological survey, exploration and production of diamonds         | 09.04.2008 | 15.04.2028 |
| 146 | JSC Almazy Anabara     | ЯКУ 02663 КП | Geological survey, exploration and production of diamonds         | 29.04.2008 | 20.04.2033 |
| 147 | JSC Almazy Anabara     | ЯКУ 15790 КЭ | Exploration and production of diamonds                            | 29.10.2014 | 01.11.2034 |
| 148 | JSC Almazy Anabara     | ЯКУ 04105 КП | Geological survey, exploration and production of diamonds         | 29.12.2014 | 31.12.2034 |
| 149 | JSC Almazy Anabara     | ЯКУ 15899 КП | Geological survey, exploration and production of CCM              | 13.08.2015 | 31.08.2040 |
| 150 | JSC Almazy Anabara     | АНА 00002 ГС | Other activities  | 17.05.2007 | 01.06.2019 |
| 151 | JSC Almazy Anabara     | ЯКУ 04113 КП | Geological survey, exploration and production of diamonds         | 04.03.2015 | 01.03.2040 |
| 152 | OJSC Vilyuiskaya HPP-3 | ГКГ 00581 ГЭ | Exploration and production of CCM                                 | 09.09.2011 | 01.09.2031 |
| 153 | OJSC ALROSA-Gas        | ЯКУ 11144 НЭ | Gas and gas condensate production                                 | 15.04.2002 | 31.12.2033 |
| 154 | OJSC ALROSA-Gas        | ЯКУ 15113 НР | Geological survey, exploration and production of raw hydrocarbons | 01.03.2011 | 21.02.2036 |

|     |  |              |   |            |            |
|-----|--|--------------|---|------------|------------|
| 155 | CJSC MMC Timir                                       | ЯКУ 14932 ТЭ | Geological survey, exploration and production of iron ore | 28.05.2010 | 14.05.2028 |
| 156 | CJSC MMC Timir                                       | ЯКУ 14931 ТЭ | Geological survey, exploration and production of iron ore | 28.05.2010 | 14.05.2028 |
| 157 | CJSC MMC Timir                                       | ЯКУ 14933 ТЭ | Geological survey, exploration and production of iron ore | 28.05.2010 | 14.05.2028 |
| 158 | CJSC MMC Timir                                       | ЯКУ 14934 ТЭ | Geological survey, exploration and production of iron ore | 28.05.2010 | 14.05.2028 |
| 159 | Urengoy Gas Company LLC                              | СЛХ 13707 НР | Geological survey and production of raw hydrocarbons      | 03.08.2006 | 15.11.2024 |
| 160 | Urengoy Gas Company LLC                              | СЛХ 01981 ВЭ | Other activities  | 06.11.2007 | 31.12.2017 |
| 161 | Urengoy Gas Company LLC                              | СЛХ 02281 ВЭ | Other activities  | 21.12.2010 | 02.02.2036 |
| 162 | Urengoy Gas Company LLC                              | СЛХ 01957 ВЭ | Other activities  | 24.07.2007 | 15.11.2024 |
| 163 | Urengoy Gas Company LLC                              | СЛХ 80622 ТЭ | Exploration and production of CCM                         | 31.08.2009 | 30.12.2016 |
| 164 | CJSC Geotransgaz                                     | СЛХ 00343 НЭ | Gas production  | 24.02.1997 | 31.12.2020 |
| 165 | CJSC Geotransgaz                                     | СЛХ 02010 ВЭ | Other activities  | 11.03.2008 | 01.02.2037 |
| 166 | CJSC Geotransgaz                                     | СЛХ 01875 ВЭ | Other activities  | 08.08.2006 | 31.12.2020 |
| 167 | CJSC Geotransgaz                                     | СЛХ 15164 ЗП | Other activities  | 16.06.2011 | 31.12.2018 |
| 168 | CJSC Geotransgaz                                     | СЛХ 80071 ТЭ | Exploration and production of CCM                         | 21.03.2007 | 31.12.2018 |
| 169 | CJSC Geotransgaz                                     | СЛХ 80798 ТЭ | Exploration and production of CCM                         | 15.06.2011 | 31.12.2018 |
| 170 | CJSC Geotransgaz                                     | СЛХ 80114 ТЭ | Exploration and production of CCM                         | 04.09.2007 | 31.12.2016 |
| 171 | CJSC Geotransgaz                                     | СЛХ 80070 ТЭ | Exploration and production of CCM                         | 21.03.2007 | 31.12.2018 |
| 172 | CJSC Geotransgaz                                     | СЛХ 80746 ТЭ | Exploration and production of CCM                         | 30.11.2010 | 30.12.2016 |
| 173 | CJSC Geotransgaz                                     | СЛХ 80745 ТЭ | Exploration and production of CCM                         | 30.11.2010 | 30.12.2016 |
| 174 | CJSC Geotransgaz                                     | СЛХ 80799 ТЭ | Exploration and production of CCM                         | 15.06.2011 | 30.12.2016 |
| 175 | CJSC Golubaya Volna Resort                           | КРД 01672 ВЭ | Other activities  | 15.06.2000 | 01.06.2020 |
| 176 | Lensk Town Heat and Electric Networks Enterprise LLC | ЯКУ 03102 ВЭ | Other activities  | 18.10.2011 | 01.03.2022 |
| 177 | Lensk Town Heat and Electric Networks Enterprise LLC | ЯКУ 02908 ВЭ | Other activities  | 28.04.2011 | 01.03.2020 |
| 178 | Lensk Town Heat and Electric Networks Enterprise LLC | ЯКУ 02909 ВЭ | Other activities  | 28.04.2011 | 01.07.2016 |

\*CCM – common commercial minerals;

\*\* Other activities: underground water abstraction, waste water injection, drainage brine injection, mineralized industrial water injection, shaft and drainage water and industrial effluents injection, therapeutic mud exploration and production, underground potable water extraction, incidental harvesting of fossil ivory, production of underground fresh water, geological survey for evaluating the possibility of industrial effluents injection.

## 6.7. SUMMARY DATA ON THE RESULTS OF SALES OF ROUGH AND POLISHED DIAMONDS

| Item                           | Contract value, mn USD |                 |                 | Excess of the contract value over the balance value, % <sup>1</sup> |               |               |
|--------------------------------|------------------------|-----------------|-----------------|---|---------------|---------------|
|                                | 2013                   | 2014            | 2015            | 2013  | 2014          | 2015          |
| <b>Sales of rough diamonds</b> |                        |                 |                 |   |               |               |
| <b>Total, ALROSA Group</b>     | <b>4,794.80</b>        | <b>4,900.60</b> | <b>3,437.10</b> | <b>58.60%</b>   | <b>28.20%</b> | <b>17.00%</b> |
| Domestic market, including:    | 680.4                  | 524.6           | 343.3           | 32.10%  | 11.60%        | 2.50%         |
| - the GOKHRAN of RUSSIA        | 87.5                   |                 | 0.1             | 28.00%  |               | 0.00%         |
| Export                         | 4,114.40               | 4,376.00        | 3,093.90        | 64.10%  | 30.60%        | 18.90%        |
| <b>including:</b>              |                        |                 |                 |   |               |               |
| <b>PJSC ALROSA</b>             | <b>3,558.00</b>        | <b>3,494.10</b> | <b>2,561.00</b> | <b>56.60%</b>   | <b>28.30%</b> | <b>17.30%</b> |
| Domestic market, including:    | 591.5                  | 462.8           | 313.3           | 31.90%  | 11.50%        | 1.80%         |
| - the GOKHRAN of RUSSIA        | 87.5                   |                 | 0.1             | 28.00%  |               | 0.00%         |
| Export                         | 2,966.50               | 3,031.40        | 2,247.70        | 62.70%  | 31.30%        | 19.90%        |
| <b>PJSC ALROSA-Nyurba</b>      | <b>776</b>             | <b>760.4</b>    | <b>540.3</b>    | <b>65.50%</b>   | <b>29.40%</b> | <b>20.20%</b> |
| Domestic market                | 86.6                   | 60.9            | 29.5            | 33.60%  | 11.90%        | 9.20%         |
| Export                         | 689.4                  | 699.5           | 510.7           | 70.70%  | 31.20%        | 20.90%        |
| <b>JSC Almazy Anabara</b>      | <b>310.8</b>           | <b>263.2</b>    | <b>127.5</b>    | <b>66.00%</b>   | <b>39.60%</b> | <b>19.00%</b> |
| Domestic market                | 0.5                    | 0.5             | 0.2             | 409.00%   | 57.60%        | 35.70%        |
| Export                         | 310.3                  | 262.7           | 127.3           | 65.80%  | 39.50%        | 18.90%        |
| <b>PJSC Severalmaz</b>         | <b>33.9</b>            | <b>80.2</b>     | <b>83.1</b>     | <b>46.60%</b>   | <b>-0.50%</b> | <b>-6.80%</b> |
| Domestic market                |                        | 0.1             | 0.2             |   | 13.80%        | 87.70%        |
| Export                         | 33.9                   | 80.1            | 83              | 46.60%  | -0.50%        | -6.90%        |
| <b>JSC Nizhne-Lenskoe</b>      | <b>116</b>             | <b>302.6</b>    | <b>125.3</b>    | <b>61.10%</b>   | <b>25.70%</b> | <b>14.70%</b> |
| Domestic market                | 1.8                    | 0.3             | 0.01            | 15.00%  | 170.30%       | 34.20%        |
| Export                         | 114.3                  | 302.3           | 125.3           | 62.10%  | 25.60%        | 14.70%        |
| <b>In addition:</b>            |                        |                 |                 |   |               |               |

|   |              |              |              |                |                |                |
|---|--------------|--------------|--------------|----------------|----------------|----------------|
| <b>Shipment to BRILLIANTY ALROSA branch</b> | <b>155.1</b> | <b>150.3</b> | <b>159</b>   | <b>44,10%</b>  | <b>20.70%</b>  | <b>15.70%</b>  |
| <b>Sales of polished diamonds 2</b>         |              |              |              |                |                |                |
| <b>TOTAL, ALROSA Group</b>                  | <b>150.7</b> | <b>144.4</b> | <b>117,3</b> | <b>104,00%</b> | <b>103.00%</b> | <b>102.00%</b> |
| Export                                      | 148.2        | 142.9        | 116,8        | 104,00%        | 103.00%        | 102.00%        |
| Domestic market                             | 2.5          |              | 0,6          | 100,00%        | 100.00%        | 100.00%        |

<sup>1</sup> Data are given in the price list for actual appraisal services.

<sup>2</sup> Excess of the contract value over the balance value is an excess of the contract value of polished diamonds over the selling price of the United Selling Organization (USO) for rough diamonds.

## SALE OF ROUGH DIAMONDS BY ALROSA GROUP

| Item                       | Contract value, mn USD |                 |                 | Excess of the contract value over the balance value, % <sup>1</sup> |               |               |
|----------------------------|------------------------|-----------------|-----------------|---|---------------|---------------|
|                            | 2013                   | 2014            | 2015            | 2013  | 2014          | 2015          |
| <b>TOTAL, ALROSA Group</b> | <b>4,794.80</b>        | <b>4,900.60</b> | <b>3,437.10</b> | <b>58.60%</b>   | <b>28.20%</b> | <b>17.00%</b> |
| Gem quality diamonds       | 4,692.70               | 4,754.90        | 3,336.70        | 56.20%  | 25.60%        | 15.00%        |
| Technical-grade diamonds*  | 102.1                  | 145.7           | 100.4           | 484.10%   | 290.30%       | 178.60%       |

\* including polishing powders

## SALES OF ROUGH DIAMONDS FOR EXPORT

| Item  | Contract value, mn USD |                 |                 | Excess of the contract value over the balance value, % <sup>1</sup> |                |                |
|---|------------------------|-----------------|-----------------|---|----------------|----------------|
|   | 2013                   | 2014            | 2015            | 2013  | 2014           | 2015           |
| <b>TOTAL, Export</b>                          | <b>4,114.40</b>        | <b>4,376.00</b> | <b>3,093.90</b> | <b>64.10%</b>   | <b>30.60%</b>  | <b>18.90%</b>  |
| <b>Total gem-quality diamonds, including:</b> | <b>4,023.80</b>        | <b>4,238.70</b> | <b>3,002.10</b> | <b>61.40%</b>   | <b>27.80%</b>  | <b>16.80%</b>  |
| - Market                                      | 3,273.40               | 3,441.90        | 2,469.00        | 52.90%  | 21.00%         | 11.90%         |
| - ALMAZYUVELIREXPORT (inspection lots)        | 188.4                  | 264.9           | 159.5           | 46.60%  | 17.70%         | 2.90%          |
| - International auctions (+10.8)              | 561.9                  | 531.9           | 373.6           | 151.70%   | 114.40%        | 78.10%         |
| <b>TOTAL, Technical-grade diamonds*</b>       | <b>90.7</b>            | <b>137.2</b>    | <b>91.8</b>     | <b>508.40%</b>  | <b>301.40%</b> | <b>183.80%</b> |

\* including polishing powders

## SALES OF GEM-QUALITY DIAMONDS IN THE FOREIGN MARKET BY ALROSA GROUP (EXCLUDING SALES OF SPECIAL-SIZE DIAMONDS AT INTERNATIONAL AUCTIONS)

| Item                        | Contract value, mn USD |                 |          | Excess of the contract value over the balance value, % |               |               |
|-----------------------------|------------------------|-----------------|----------|--|---------------|---------------|
|                             | 2013                   | 2014            | 2015     | 2013   | 2014          | 2015          |
| <b>TOTAL, Market</b>        | <b>3,273.40</b>        | <b>3,441.90</b> | 2,469.00 | <b>52.90%</b>  | <b>21.00%</b> | <b>11.90%</b> |
| Foreign enterprises         | 3,252.30               | 3,420.20        | 2,441.30 | 53.00%   | 21.00%        | 12.00%        |
| CIS enterprises, including: | 21.2                   | 21.7            | 27.7     | 44.10%   | 16.60%        | 9.50%         |
| - Armenia                   | 5.9                    | 4.6             | 8.9      | 50.60%   | 17.20%        | 0.90%         |
| - The Republic of Belarus   | 15.3                   | 17              | 18.8     | 41.80%   | 16.50%        | 14.10%        |

\* breakdown of target figures: foreign enterprises, enterprises of the CIS (Armenia, Belarus) were not included

## SALES RESULTS AT INTERNATIONAL AUCTIONS FOR ALROSA GROUP

| Item  | Contract value, mn USD |            |            | Excess of the contract value over the balance value, % |                |               |
|---|------------------------|------------|------------|--|----------------|---------------|
|   | 2013                   | 2014       | 2015       | 2013   | 2014           | 2015          |
| <b>International auctions (+10.8 carats)*, including:</b> | <b>566</b>             | <b>533</b> | <b>374</b> | <b>151.30%</b>   | <b>114.30%</b> | <b>78.10%</b> |
| - Russian enterprises                                     | 3.6                    | 1.3        | 0.5        | 104.90%  | 91.00%         | 40.30%        |
| - Foreign enterprises                                     | 562                    | 532        | 374        | 151.70%  | 114.40%        | 78.10%        |

\* A price ceiling for diamonds +10.8 ct shall be determined in accordance with the Procedure for determining the limit evaluation of special-size diamonds with the weight of 10.8 ct and more, established by Order of the Ministry of Finance of the Russian Federation, No. 54H as of 20.07.2001.

## SALES OF ALROSA GROUP'S DIAMONDS IN THE DOMESTIC MARKET

| Item  | Contract value, mn USD |              |              | Excess of the contract value over the balance value, % |                |                |
|---|------------------------|--------------|--------------|--|----------------|----------------|
|   | 2013                   | 2014         | 2015         | 2013   | 2014           | 2015           |
| <b>Total domestic market<sup>1</sup></b>                  | <b>680.4</b>           | <b>524.6</b> | <b>343.3</b> | <b>32.10%</b>  | <b>11.60%</b>  | <b>2.50%</b>   |
| <b>Total gem-quality diamonds,<sup>1</sup> including:</b> | <b>668.9</b>           | <b>516.2</b> | <b>334.6</b> | <b>30.50%</b>  | <b>10.50%</b>  | <b>1.00%</b>   |
| - Diamonds +10.8  | 3.6                    | 1.3          | 0.5          | 104.90%  | 91.00%         | 40.30%         |
| <b>Technical-grade diamonds<sup>2</sup></b>               | <b>11.4</b>            | <b>8.5</b>   | <b>8.7</b>   | <b>343.90%</b>   | <b>169.30%</b> | <b>133.30%</b> |

<sup>1</sup> Excluding shipment to BRILLIANTY ALROSA

<sup>2</sup> Including polishing powders



## SALES OF ALROSA GROUP'S GEM-QUALITY DIAMONDS IN THE DOMESTIC MARKET

| Item   | Contract value, mn USD |              |              | Excess of the contract value over the balance value, % |               |               |
|--|------------------------|--------------|--------------|--|---------------|---------------|
|  | 2013                   | 2014         | 2015         | 2013   | 2014          | 2015          |
| <b>Domestic market. ALROSA Group, including:</b>     | <b>668.9</b>           | <b>516.2</b> | <b>334.6</b> | <b>30.50%</b>  | <b>10.50%</b> | <b>1.00%</b>  |
| cutting enterprises                                  | 581.4                  | 516.2        | 334.5        | 30.90%   | 10.50%        | 1.00%         |
| the GOKHRAN of RUSSIA                                | 87.5                   |              | 0.1          | 28.00%   |               | 0.00%         |
| <b>Besides, shipment to BRILLIANTY ALROSA branch</b> | <b>155.1</b>           | <b>150.3</b> | <b>159</b>   | <b>44.10%</b>  | <b>20.70%</b> | <b>15.70%</b> |

## 6.8. INFORMATION ON ALIENATION OF NON-CORE ASSETS OF PJSC ALROSA

| No.  | Description of asset   | Asset reference number (if applicable) | Balance sheet line which displays an asset on the balance sheet date prior to asset sales | Book-keeping accounts (including analytics) which display income and expenditure after asset retirement (91.1xxx/91.2xxx) |
|--|--|--|---|---|
| <b>Section I. Register of non-core assets in the form of shares (stakes in authorized capitals) of business entities</b> |  |  |   |   |
| 1  | Nikonovka LLC  | 100                                    | 1,242   | 9112750000/9123750000   |
| 2  | Commercial Bank MAK-Bank (LLC)   | 84.66                                  | 1,242   | 9112750000/ 9123750000  |
| 3  | LLC Suntartseolit  | 35.4                                   | 1,242   | 9112750000/ 9123750000  |
| 4  | LLC M&Diamond  | 49                                     | 1,172   | 9127905000  |
| 5  | ALROSA-VGS LLC   | 100                                    | 1,242   | 9112750000/ 9123750000  |
|  | <b>Section 1, Total</b>  | -                                      | -   | -   |
| <b>Section II. Register of non-core assets in the form of immovable property</b>   |  |  |   |   |
| 1  | Building of the administrative office  | 1019390                                | building 1151   | 91.24120000   |
| 2  | AGOK Administration building   | 1020008                                | building 1151   | 91.25110000   |
| 3  | Plot administrative building (1,488 sq. m)                                       | 1021267                                | building 1151   | 91.25110000   |
| 4  | Aggregate workshop   | 1021084                                | building 1151   | 91.24120000   |
| 5  | 6 kW power distribution point at Yubileyny open-pit                              | 1019904                                | building 1151   | 91.24120000   |
| 6  | Boiler house of intra-mine transportation  | 1019400                                | building 1151   | 91.24120000   |
| 7  | Sports hall (Assembly shop)  | 1020087                                | building 1151   | 91.23110000   |
| 8  | Plot for a sports hall centre (assembly shop) in Aiklhal, Dorozhny (1,440 sq. m) | 1021242                                | building 1151   | 91.23110000   |

| <i>Book value of an asset, thousand RUB</i> | <i>Actual sales cost, thousand RUB</i> | <i>Deviation of the actual sales cost from the book value of an asset, thousand RUB</i> | <i>Reasons for deviation of the actual sales cost from the book value of an asset</i>   |
|---|--|---|---|
| 10,550.00                                   | 56,500.00                              | 45,950.00   | Sales based on the assessed value equal to 77.9 mn roubles through a public offering, lowering the price as the auction was declared void                           |
| 220,452.93                                  | 200,917.20                             | -19,535.73  | Sales based on the assessment value of 200 mn roubles, to a strategic investor  |
| 1,628.49                                    | 1,908.53                               | 280.04  | Withdrawal from the participants based on the actual value due to refusal of other participants to authorize the sale to third parties                              |
| 239.35                                      | 0.00                                   | -239.35   | Liquidated by the registered body of Mongolia   |
| 613,238.54                                  | 12,000.00                              | -601,238.54   | Sales without announcement of the price as the auction was declared void, sale through a public offer, lowering the price was declared void as there were no buyers |
| <b>846,109.31</b>                           | <b>271,325.73</b>                      | <b>-574,783.58</b>  |   |
| 1,097                                       | 0                                      | -1,097  | The program provides for an action - liquidation  |
| 0   | 0                                      | 0   | The program provides for an action - donation   |
| 2,067                                       | 0                                      | -2,067  | The program provides for an action - donation   |
| 13,034                                      | 0                                      | -13,034   | The program provides for an action - liquidation  |
| 2,086                                       | 0                                      | -2,086  | The program provides for an action - liquidation  |
| 6,177                                       | 0                                      | -6,177  | The program provides for an action - liquidation  |
| 10,134                                      | 5,589                                  | -4,545  | Sales cost according to the report of market value  |
| 984   | 90                                     | -894  | Sales cost according to the report of market value  |

|    |   |          |               |             |
|----|---|----------|---------------|-------------|
| 9  | Warehouse building  | 1021041  | building 1151 | 91.24120000 |
| 10 | Power and earthening networks   | 1021073  | building 1151 | 91.24120000 |
| 11 | Outdoor switchgear - 35/6 KV  | 4001020  | building 1151 | 91.25110000 |
| 12 | Plant building No. 13   | 4070010  | building 1151 | 91.25110000 |
| 13 | Land plot for the plant No. 13 (20,000 sq. m)                               | 4070066  | building 1151 | 91.25110000 |
| 14 | Outdoor switchgear 6/36   | 4001022  | building 1151 | 91.25110000 |
| 15 | Diesel station Anabar MPD   | 4069959  | building 1151 | 91.25110000 |
| 16 | Plot for a diesel electrical station (24,000 sq. m)                         | 4070081  | building 1151 | 91.25110000 |
| 17 | Reservoir   | 4070046  | building 1151 | 91.25110000 |
| 18 | Reservoir   | 4070055  | building 1151 | 91.25110000 |
| 19 | Diesel  | 4069937  | building 1151 | 91.25110000 |
| 20 | Transformer   | 4069938  | building 1151 | 91.25110000 |
| 21 | Station for waste water cleaning  | 4070006  | building 1151 | 91.25110000 |
| 22 | Plot for the station for waste water cleaning (469 sq. m), shared ownership | 4070063  | building 1151 | 91.25110000 |
| 23 | Fire-fighting depot   | 4070009  | building 1151 | 91.25110000 |
| 24 | Plot for fire-fighting depot for 2 cars (2,001.55 sq. m)                    | 4070064  | building 1151 | 91.25110000 |
| 25 | Cold warehouse  | 4069969  | building 1151 | 91.25110000 |
| 26 | Plot for the cold warehouse (189.51 sq. m)                                  | 4070065  | building 1151 | 91.25110000 |
| 27 | Warm warehouse  | 14070024 | building 1151 | 91.25110000 |
| 28 | Plot for the warm warehouse (120 sq. m)                                     | 4070067  | building 1151 | 91.25110000 |
| 29 | Pumping station   | 4070025  | building 1151 | 91.25110000 |

|        |   |          |  |
|--------|---|----------|--|
| 5,215  | 0 | -5,215   | The program provides for an action - liquidation |
| 758    | 0 | -758     | The program provides for an action - liquidation |
| 0      | 0 | 0        | The program provides for an action - donation    |
| 27,231 | 0 | -278,231 | The program provides for an action - donation    |
| 1      | 0 | -1       | The program provides for an action - donation    |
| 0      | 0 | 0        | The program provides for an action - donation    |
| 29,545 | 0 | -29,545  | The program provides for an action - donation    |
| 1,150  | 0 | -1,150   | The program provides for an action - donation    |
| 129    | 0 | -129     | The program provides for an action - donation    |
| 129    | 0 | -129     | The program provides for an action - donation    |
| 0      | 0 | 0        | The program provides for an action - donation    |
| 0      | 0 | 0        | The program provides for an action - donation    |
| 80,549 | 0 | 80,549   | The program provides for an action - donation    |
| 22     | 0 | -22      | The program provides for an action - donation    |
| 21,029 | 0 | -21,029  | The program provides for an action - donation    |
| 96     | 0 | -96      | The program provides for an action - donation    |
| 0      | 0 | 0        | The program provides for an action - donation    |
| 4      | 0 | -4       | The program provides for an action - donation    |
| 267    | 0 | -267     | The program provides for an action - donation    |
| 6      | 0 | -6       | The program provides for an action - donation    |
| 665    | 0 | 665      | The program provides for an action - donation    |

|    |   |         |               |             |
|----|---|---------|---------------|-------------|
| 30 | Plot for the pumping station (62 sq. m)                 | 4070068 | building 1151 | 91.25110000 |
| 31 | Building (bakery)                                       | 4070030 | building 1151 | 91.25110000 |
| 32 | Land plot for the bakery (633.74 sq. m)                 | 4070069 | building 1151 | 91.25110000 |
| 33 | Boiler  | 4070032 | building 1151 | 91.25110000 |
| 34 | Plot for the boiler (81 sq. m)                          | 4070070 | building 1151 | 91.25110000 |
| 35 | Boiler heating station with reservoirs for 50 cub. m    | 4070031 | building 1151 | 91.25110000 |
| 36 | Plot for the hot boiler (207.51 sq. m)                  | 4070071 | building 1151 | 91.25110000 |
| 37 | Grocery   | 4070034 | building 1151 | 91.25110000 |
| 38 | Plot for the grocery (56.28 sq. m)                      | 4070072 | building 1151 | 91.25110000 |
| 39 | Shop  | 4070033 | building 1151 | 91.25110000 |
| 40 | Land plot for the shop Finsky settlement (586.34 sq. m) | 4070073 | building 1151 | 91.25110000 |
| 41 | Refectory   | 4070035 | building 1151 | 91.25110000 |
| 42 | Land plot for the refectory (856.69 sq. m)              | 4070074 | building 1151 | 91.25110000 |
| 43 | Amenity complex   | 4070041 | building 1151 | 91.25110000 |
| 44 | Plot for the amenity complex (530.32 sq. m)             | 4070075 | building 1151 | 91.25110000 |
| 45 | Health unit   | 4070050 | building 1151 | 91.25110000 |
| 46 | Plot for the health unit (772.19 sq. m)                 | 4070076 | building 1151 | 91.25110000 |
| 47 | ETL 6 KV  | 4069939 | building 1151 | 91.25110000 |
| 48 | Land plot for the ETL 6 KV (864.15 sq. m)               | 4070077 | building 1151 | 91.25110000 |
| 49 | ETL 6 KV  | 4069940 | building 1151 | 91.25110000 |
| 50 | Plot for electric transmission line (250.14 sq. m)      | 4070078 | building 1151 | 91.25110000 |

|        |   |         |   |
|--------|---|---------|---|
| 3      | 0 | -3      | The program provides for an action - donation |
| 13,944 | 0 | -13,944 | The program provides for an action - donation |
| 13     | 0 | -13     | The program provides for an action - donation |
| 535    | 0 | -535    | The program provides for an action - donation |
| 4      | 0 | -4      | The program provides for an action - donation |
| 1,039  | 0 | -1,039  | The program provides for an action - donation |
| 10     | 0 | -10     | The program provides for an action - donation |
| 1,929  | 0 | -1,929  | The program provides for an action - donation |
| 1      | 0 | -1      | The program provides for an action - donation |
| 8,652  | 0 | -8,652  | The program provides for an action - donation |
| 12     | 0 | -12     | The program provides for an action - donation |
| 16,022 | 0 | -16,022 | The program provides for an action - donation |
| 17     | 0 | -17     | The program provides for an action - donation |
| 12,750 | 0 | -12,750 | The program provides for an action - donation |
| 11     | 0 | -11     | The program provides for an action - donation |
| 15,365 | 0 | -15,365 | The program provides for an action - donation |
| 6      | 0 | -6      | The program provides for an action - donation |
| 3,840  | 0 | -3,840  | The program provides for an action - donation |
| 41     | 0 | -41     | The program provides for an action - donation |
| 979    | 0 | -979    | The program provides for an action - donation |
| 11,592 | 0 | -11,592 | The program provides for an action - donation |

|    |   |         |               |             |
|----|---|---------|---------------|-------------|
| 51 | Fuel depot  | 4069970 | building 1151 | 91.25110000 |
| 52 | Reservoir   | 4069985 | building 1151 | 91.25110000 |
| 53 | Reservoir   | 4069989 | building 1151 | 91.25110000 |
| 54 | Reservoir   | 4069991 | building 1151 | 91.25110000 |
| 55 | Land plot for the fuel depot<br>(41,304 sq. m)  | 4070079 | building 1151 | 91.25110000 |
| 56 | Water treatment<br>plant building   | 4006397 | building 1151 | 91.25110000 |
| 57 | Pressure cistern  | 4070036 | building 1151 | 91.25110000 |
| 58 | Pressure cistern  | 4070037 | building 1151 | 91.25110000 |
| 59 | Pressure cistern  | 4070038 | building 1151 | 91.25110000 |
| 60 | Pressure cistern  | 4070039 | building 1151 | 91.25110000 |
| 61 | Plot for the wastewater treat-<br>ment plants (10,269 sq. m)  | 4070080 | building 1151 | 91.25110000 |
| 62 | Administration building   | 4070002 | building 1151 | 91.25110000 |
| 63 | Plot for the AMPP administra-<br>tion, administration building<br>(2,737 sq. m)                           | 4070086 | building 1151 | 91.25110000 |
| 64 | Warm parking  | 4070059 | building 1151 | 91.25110000 |
| 65 | Cold warehouse  | 4069936 | building 1151 | 91.25110000 |
| 66 | Cold warehouse (arch)   | 4069972 | building 1151 | 91.25110000 |
| 67 | Cold warehouse (arch)<br>Plot for the industrial area,<br>garages, mechanical workshops<br>(39,805 sq. m) | 4070082 | building 1151 | 91.25110000 |
| 68 | Filling station   | 4070021 | building 1151 | 91.25110000 |
| 69 | Reservoir   | 4069973 | building 1151 | 91.25110000 |
| 70 | Reservoir   | 4069974 | building 1151 | 91.25110000 |
| 71 | Reservoir   | 4069975 | building 1151 | 91.25110000 |



|        |   |         |   |
|--------|---|---------|---|
| 11,592 | 0 | -11,592 | The program provides for an action - donation |
| 320    | 0 | -320    | The program provides for an action - donation |
| 320    | 0 | -320    | The program provides for an action - donation |
| 320    | 0 | -320    | The program provides for an action - donation |
| 1,978  | 0 | -1,978  | The program provides for an action - donation |
| 3,667  | 0 | -3,667  | The program provides for an action - donation |
| 129    | 0 | -129    | The program provides for an action - donation |
| 129    | 0 | -129    | The program provides for an action - donation |
| 230    | 0 | -230    | The program provides for an action - donation |
| 215    | 0 | -215    | The program provides for an action - donation |
| 492    | 0 | -492    | The program provides for an action - donation |
| 26,484 | 0 | -26,484 | The program provides for an action - donation |
| 131    | 0 | -131    | The program provides for an action - donation |
| 7,367  | 0 | -7,367  | The program provides for an action - donation |
| 216    | 0 | -216    | The program provides for an action - donation |
| 357    | 0 | -357    | The program provides for an action - donation |
| 1,907  | 0 | -1,907  | The program provides for an action - donation |
| 0      | 0 | 0       | The program provides for an action - donation |
| 129    | 0 | -129    | The program provides for an action - donation |
| 129    | 0 | -129    | The program provides for an action - donation |
| 129    | 0 | -129    | The program provides for an action - donation |

|    |   |         |               |             |
|----|---|---------|---------------|-------------|
| 72 | Reservoir   | 4069976 | building 1151 | 91.25110000 |
| 73 | Reservoir   | 4069977 | building 1151 | 91.25110000 |
| 74 | Reservoir   | 4069978 | building 1151 | 91.25110000 |
| 75 | Reservoir   | 4069979 | building 1151 | 91.25110000 |
| 76 | Reservoir   | 4069980 | building 1151 | 91.25110000 |
| 77 | Reservoir   | 4069981 | building 1151 | 91.25110000 |
| 78 | Reservoir   | 4069982 | building 1151 | 91.25110000 |
| 79 | Reservoir   | 4069983 | building 1151 | 91.25110000 |
| 80 | Reservoir   | 4069984 | building 1151 | 91.25110000 |
| 81 | Reservoir   | 4069986 | building 1151 | 91.25110000 |
| 82 | Reservoir   | 4069987 | building 1151 | 91.25110000 |
| 83 | Reservoir   | 4069988 | building 1151 | 91.25110000 |
| 84 | Reservoir   | 4069990 | building 1151 | 91.25110000 |
| 85 | Land plot for the fuel depot<br>(12,240 sq. m)                      | 4070083 | building 1151 | 91.25110000 |
| 86 | Finnish workshops   | 4069971 | building 1151 | 91.25110000 |
| 87 | Plot for the Finnish<br>workshops (480 sq. m)                       | 4070084 | building 1151 | 91.25110000 |
| 88 | Plot for the cold warehouse<br>(72.53 sq. m), shared owner-<br>ship | 4070085 | building 1151 | 91.25110000 |
| 89 | Garage for 4 units  | 0052281 | building 1151 | 91.23110000 |
| 90 | mechanical workshop<br>building                                     | 3002    | building 1151 | 91.23110000 |
| 91 | здание пункта<br>профилактического<br>обслуживания                  | 3003    | building 1151 | 91.23110000 |
| 92 | preventive treatment station<br>building                            | 3004    | building 1151 | 91.23110000 |

|       |       |        |  |
|-------|-------|--------|--|
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 185   | 0     | -185   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 129   | 0     | -129   | The program provides for an action - donation      |
| 586   | 0     | -586   | The program provides for an action - donation      |
| 1,346 | 0     | -1,346 | The program provides for an action - donation      |
| 23    | 0     | -23    | The program provides for an action - donation      |
| 3     | 0     | -3     | The program provides for an action - donation      |
| 2,752 | 2,795 | 43     | Sales cost according to the report of market value |
| 0     | 275   | 275    | Sales cost according to the report of market value |
| 0     | 363   | 363    | Sales cost according to the report of market value |
| 0     | 681   | 681    | Sales cost according to the report of market value |

|     |   |         |               |             |
|-----|---|---------|---------------|-------------|
| 93  | garage building (reconst-ruction)                             | 3005    | building 1151 | 91.23110000 |
| 94  | pneumatic warehouse building                                  | 3019    | building 1151 | 91.23110000 |
| 95  | building to keep samples                                      | 3020    | building 1151 | 91.23110000 |
| 96  | mineralogical laboratory building                             | 3021    | building 1151 | 91.23110000 |
| 97  | Pump house building No. 6                                     | 3022    | building 1151 | 91.23110000 |
| 98  | Plant building -6   | 3023    | building 1151 | 91.23110000 |
| 99  | inter-workshop cable networks                                 | 3024    | building 1151 | 91.23110000 |
| 100 | radioactive source storage building                           | 3087    | building 1151 | 91.23110000 |
| 101 | Plant (44,682 sq. m) for the use of an enrichment plant No. 6 | 3089    | building 1151 | 91.23110000 |
| 102 | Land plot (production base of Ebelyakh mining party)          | 0999699 | building 1151 | 91.25110000 |
| 103 | Ice house   | 0999359 | building 1151 | 91.25110000 |
| 104 | Land plot for operation of the colour house                   | 0971345 | building 1151 | 91.24120000 |
| 105 | Plot for the concrete batching plant                          | 0971363 | building 1151 | 91.24120000 |
| 106 | Production workshops  | 0000112 | building 1151 | 91.24120000 |
| 107 | Repair workshops  | 0971019 | building 1151 | 91.23110000 |
| 108 | Repair workshops with closed parking                          | 0971018 | building 1151 | 91.23110000 |
| 109 | Plot for the repair workshop building with a closed parking   | 0971362 | building 1151 | 91.23110000 |
| 110 | Plot for oil depot construction                               | 0098692 | building 1151 | 91.23110000 |
| 111 | Warehouse No. 2 (warm)  | 0971016 | building 1151 | 91.25110000 |
| 112 | Power saw   | 0971017 | building 1151 | 91.25110000 |
| 113 | Plot under the administration area base                       | 0971361 | building 1151 | 91.25110000 |

|       |       |        |  |
|-------|-------|--------|--|
| 0     | 385   | 385    | Sales cost according to the report of market value |
| 0     | 592   | 592    | Sales cost according to the report of market value |
| 0     | 58    | 58     | Sales cost according to the report of market value |
| 129   | 317   | 188    | Sales cost according to the report of market value |
| 14    | 36    | 22     | Sales cost according to the report of market value |
| 1,076 | 1,316 | 240    | Sales cost according to the report of market value |
| 0     | 1     | 1      | Sales cost according to the report of market value |
| 0     | 32    | 32     | Sales cost according to the report of market value |
| 6,834 | 7,174 | 340    | The program provides for an action - donation      |
| 1,567 | 0     | -1,567 | The program provides for an action - donation      |
| 1,747 | 0     | -1,747 | The program provides for an action - liquidation   |
| 932   | 0     | -932   | The program provides for an action - liquidation   |
| 7,831 | 0     | -7,831 | The program provides for an action - liquidation   |
| 1,810 | 0     | -1,810 | Sales cost according to the report of market value |
| 0     | 106   | 106    | Sales cost according to the report of market value |
| 0     | 209   | 209    | Sales cost according to the report of market value |
| 351   | 283   | -68    | Sales cost according to the report of market value |
| 1,938 | 1,950 | 12     | The program provides for an action - donation      |
| 0     | 0     | 0      | The program provides for an action - donation      |
| 0     | 0     | 0      | The program provides for an action - donation      |
| 487   | 0     | -487   | The program provides for an action - donation      |

|     |                  |       |               |             |
|-----|------------------|-------|---------------|-------------|
| 114 | Hotel building   | 33187 | building 1151 | 91.24120000 |
| 115 | МИ-8 RA-22394    | 33030 | building 1151 | 91.24120000 |
| 116 | МИ-8 RA-25228    | 33070 | building 1151 | 91.24120000 |
| 117 | МИ-8 RA-22570    | 33071 | building 1151 | 91.24120000 |
| 118 | МИ-8 RA-22571    | 33072 | building 1151 | 91.24120000 |
| 119 | МИ-26 RA-06027   | 33082 | building 1151 | 91.24120000 |
| 120 | МИ-26 RA-06036   | 33083 | building 1151 | 91.24120000 |
| 121 | МИ-8 RA-24506    | 33088 | building 1151 | 91.24120000 |
| 122 | TV-134Б RA-65715 | 34755 | building 1151 | 91.24120000 |
| 123 | TV-154M RA-85728 | 34746 | building 1151 | 91.24120000 |
| 124 | AH-2 RA-62795    | 29089 | building 1151 | 91.24120000 |
| 125 | AH-24 RA-47272   | 33060 | building 1151 | 91.24120000 |
| 126 | AH-24 RA-46352   | 33061 | building 1151 | 91.24120000 |
| 127 | AH-24 RA-46358   | 33062 | building 1151 | 91.24120000 |
| 128 | AH-26 RA-26552   | 33066 | building 1151 | 91.24120000 |
| 129 | AH-26 RA-26607   | 33067 | building 1151 | 91.24120000 |
| 130 | AH-26 RA-26628   | 33068 | building 1151 | 91.24120000 |
| 131 | AH-2 RA-70583    | 33090 | building 1151 | 91.24120000 |
| 132 | AH-2 RA-07418    | 33091 | building 1151 | 91.24120000 |
| 133 | AH-2 RA-07649    | 33092 | building 1151 | 91.24120000 |
| 134 | AH-2 RA-70736    | 33093 | building 1151 | 91.24120000 |

|        |   |         |  |
|--------|---|---------|--|
| 3,262  | 0 | -3,262  | The program provides for an action - donation    |
| 16,270 | 0 | -16,270 | The program provides for an action - liquidation |
| 11,578 | 0 | -11,578 | The program provides for an action - liquidation |
| 3,927  | 0 | -3,927  | The program provides for an action - liquidation |
| 15,307 | 0 | -15,307 | The program provides for an action - liquidation |
| 41,045 | 0 | -41,045 | The program provides for an action - liquidation |
| 60,103 | 0 | -60,103 | The program provides for an action - liquidation |
| 6,181  | 0 | -6,181  | The program provides for an action - liquidation |
| 2,868  | 0 | -2,868  | The program provides for an action - liquidation |
| 3,599  | 0 | -3,599  | The program provides for an action - liquidation |
| 278    | 0 | -278    | The program provides for an action - liquidation |
| 0      | 0 | 0       | The program provides for an action - liquidation |
| 0      | 0 | 0       | The program provides for an action - liquidation |
| 0      | 0 | 0       | The program provides for an action - liquidation |
| 557    | 0 | -557    | The program provides for an action - liquidation |
| 139    | 0 | -139    | The program provides for an action - liquidation |
| 748    | 0 | -748    | The program provides for an action - liquidation |
| 0      | 0 | 0       | The program provides for an action - liquidation |
| 0      | 0 | 0       | The program provides for an action - liquidation |
| 0      | 0 | 0       | The program provides for an action - liquidation |
| 0      | 0 | 0       | The program provides for an action - liquidation |

|     |   |         |               |             |
|-----|---|---------|---------------|-------------|
| 135 | ИЛ-76 ТД RA-76357   | 34749   | building 1151 | 91.24120000 |
| 136 | ИЛ-76 ТД RA-76373   | 34751   | building 1151 | 91.24120000 |
| 137 | ТУ-134Б RA-65146  | 34758   | building 1151 | 91.24120000 |
| 138 | ТУ-154М RA-85675  | 34756   | building 1151 | 91.24120000 |
| 139 | Reconstruction of the residential area. Appendix No. 2 (launch area for heating boiler) Pobedy Street 28            | 7002646 | building 1151 | 7611190100  |
| 140 | Building (reconstruction) of a residential area boiler. 2nd launch area (Chemical water treatment) Pobedy Street 28 | 7492685 | building 1151 | 7611190100  |
| 141 | Heating boiler Pobedy Street 28   | 7001219 | building 1151 | 7611190100  |
| 142 | Pumping Pobedy Street 28  | 7001220 | building 1151 | 7611190100  |
| 143 | Extension and reconstruction of the heating boiler, substation, salt room Pobedy Street 28                          | 7001221 | building 1151 | 7611190100  |
| 144 | Power engineering service workshops Pobedy Street 28  | 7001223 | building 1151 | 7611190100  |
| 145 | ATS building Pobedy Street 28   | 7001225 | building 1151 | 7611190100  |
| 146 | Well No. 4 Pobedy Street 28   | 7001240 | building 1151 | 7611190100  |
| 147 | Well No. 3 Pobedy Street 28   | 7001241 | building 1151 | 7611190100  |
| 148 | Reservoir V-700 cub. m Pobedy Street 28   | 7001267 | building 1151 | 7611190100  |
| 149 | Administrative building Pobedy Street 28  | 7001279 | building 1151 | 7611190100  |
| 150 | Workshop of Heating, Water and Sewage Disposal Complex-1 Pobedy Street 28   | 7001280 | building 1151 | 7611190100  |
| 151 | Non-residential premises - Fuel oil pumping station Pobedy Street 28  | 7001281 | building 1151 | 7611190100  |
| 152 | Turnery Pobedy Street 28  | 7001282 | building 1151 | 7611190100  |
| 153 | Well Pobedy Street 28   | 7001270 | building 1151 | 7611190100  |



|        |        |         |  |
|--------|--------|---------|--|
| 0      | 0      | 0       | The program provides for an action - liquidation   |
| 0      | 0      | 0       | The program provides for an action - liquidation   |
| 0      | 0      | 0       | The program provides for an action - liquidation   |
| 0      | 0      | 0       | The program provides for an action - liquidation   |
| 71,642 | 6,924  | -64,719 | Sales cost according to the report of market value |
| 4,540  | 5,921  | 1,381   | Sales cost according to the report of market value |
| 30,157 | 15,366 | -14,790 | Sales cost according to the report of market value |
| 4,836  | 12,971 | 8,134   | Sales cost according to the report of market value |
| 18,623 | 17,905 | -719    | Sales cost according to the report of market value |
| 1,728  | 5,545  | 3,817   | Sales cost according to the report of market value |
| 16,440 | 3,777  | -12,663 | Sales cost according to the report of market value |
| 118    | 204    | 86      | Sales cost according to the report of market value |
| 217    | 400    | 183     | Sales cost according to the report of market value |
| 73     | 1,299  | 1,227   | Sales cost according to the report of market value |
| 56,342 | 12,768 | -43,574 | Sales cost according to the report of market value |
| 4,939  | 3,386  | -1,553  | Sales cost according to the report of market value |
| 16,451 | 1,717  | -14,734 | Sales cost according to the report of market value |
| 1,837  | 1,288  | -549    | Sales cost according to the report of market value |
| 376    | 431    | 55      | Sales cost according to the report of market value |

|     |   |         |               |            |
|-----|---|---------|---------------|------------|
| 154 | Canalization pumping station No. 6  | 7001237 | building 1151 | 7611190100 |
| 155 | Land plot for the use of sewage pumping station -6 and portable automatic boiler    | 7001318 | building 1151 | 7611190100 |
| 156 | Intake station No. 2 "Glass"  | 7004062 | building 1151 | 7611190100 |
| 157 | Coastline pumping station building  | 7004063 | building 1151 | 7611190100 |
| 158 | Plot in Lensk Naberezhnaya Street 199 for the Intake station No. 2 "Glass"          | 0046191 | building 1151 | 7611190100 |
| 159 | Water pumping unit building with 2 pumps  | 7001273 | building 1151 | 7611190100 |
| 160 | Water pumping reservoir 2,000 cub. m Oyunskogo Street 2                             | 7001274 | building 1151 | 7611190100 |
| 161 | Water pumping reservoir 2,000 cub. m Oyunskogo Street 2                             | 7001275 | building 1151 | 7611190100 |
| 162 | Drinking water well   | 7001272 | building 1151 | 7611190100 |
| 163 | Land plot for operation of the drinking water well                                  | 0043112 | building 1151 | 7611190100 |
| 164 | Canalization pumping station No. 3 Pobedy Street 64a                                | 7001232 | building 1151 | 7611190100 |
| 165 | Land plot for the Canalization pumping station-3                                    | 0043113 | building 1151 | 7611190100 |
| 166 | Canalization pumping station No. 1  | 7001234 | building 1151 | 7611190100 |
| 167 | Plot for the use of Canalization pumping station-1 Dzerzhinskogo Street 12a         | 7001314 | building 1151 | 7611190100 |
| 168 | Canalization pumping station No. 2  | 7001247 | building 1151 | 7611190100 |
| 169 | Plot for the use of Canalization pumping station-2 Dzerzhinskogo Street 36 S-770 m2 | 7001317 | building 1151 | 7611190100 |
| 170 | Canalization pumping station No. 5  | 7001268 | building 1151 | 7611190100 |
| 171 | Equipment and construction material warehouse V 39,107 cub. m height 9.8 m          | 7492811 | building 1151 | 7611190100 |
| 172 | Equipment warehouse (made in 1989) V6,354 cub. m, height 5.4 m                      | 7492809 | building 1151 | 7611190100 |
| 173 | Warehouse site (made in 1990) V17,333 cub. m, height 8.3 m                          | 7492810 | building 1151 | 7611190100 |
| 174 | Administrative building - housing services and utilities Lenina Street, 75          | 7001229 | building 1151 | 7611190100 |

|         |        |         |  |
|---------|--------|---------|--|
| 216     | 3,716  | 3,500   | Sales cost according to the report of market value |
| 216     | 3,716  | 3,500   | Sales cost according to the report of market value |
| 81,991  | 6,236  | -75,755 | Sales cost according to the report of market value |
| 42,019  | 18,635 | -23,384 | Sales cost according to the report of market value |
| 82      | 3 716  | 3,634   | Sales cost according to the report of market value |
| 1,548   | 5,986  | 4,438   | Sales cost according to the report of market value |
| 0       | 1,273  | 1,273   | Sales cost according to the report of market value |
| 93      | 6,363  | 6,270   | Sales cost according to the report of market value |
| 218     | 588    | 370     | Sales cost according to the report of market value |
| 2       | 1,063  | 1,061   | Sales cost according to the report of market value |
| 0       | 1,906  | 1,906   | Sales cost according to the report of market value |
| 2       | 952    | 950     | Sales cost according to the report of market value |
| 0       | 1,903  | 1,903   | Sales cost according to the report of market value |
| 184     | 1,066  | 882     | Sales cost according to the report of market value |
| 29,310  | 3,703  | -25,607 | Sales cost according to the report of market value |
| 195     | 1,206  | 1,011   | Sales cost according to the report of market value |
| 0       | 2,718  | 2,718   | Sales cost according to the report of market value |
| 5,618   | 27,943 | 22,325  | Sales cost according to the report of market value |
| 774     | 6,889  | 6,114   | Sales cost according to the report of market value |
| 2,471   | 6,075  | 3,604   | Sales cost according to the report of market value |
| 105,005 | 11,193 | -93,811 | Sales cost according to the report of market value |

|     |   |         |               |            |
|-----|---|---------|---------------|------------|
| 175 | Main Pipeline Collector Network Complex of 2,434.88 m Ordzhonikidze Street, Proletarskaya               | 7004061 | building 1151 | 7611190100 |
| 176 | Heating water pipeline network complex 2,052.37 m Lensk Zaozernaya Street                               | 7004064 | building 1151 | 7611190100 |
| 177 | Offsite Collector Network Complex Lenina Street Pipeline length 2,804.53 m                              | 7001233 | building 1151 | 7611190100 |
| 178 | Main Pipeline Collector Network Complex (linear cable structure) Proletarskaya Street                   | 7001236 | building 1151 | 7611190100 |
| 179 | Utilities from K-152 to t.A Network Complex Proletarskaya Street Ordzhonikidze                          | 7001238 | building 1151 | 7611190100 |
| 180 | Crawl Collector from rK-68 to K-68a Network Complex Pervomay-skaya Street, Embankment                   | 7001239 | building 1151 | 7611190100 |
| 181 | Steam Conduit Network Complex Pobedy Street 67b   | 7001242 | building 1151 | 7611190100 |
| 182 | Heating Networks of the residential settlement Network Complex Rabochaya Street                         | 7001243 | building 1151 | 7611190100 |
| 183 | Heating Water Pipeline Network Complex Zaozernaya Street  | 7001244 | building 1151 | 7611190100 |
| 184 | Hospital Complex Collector Network Complex Pervomay-skaya Street  | 7001248 | building 1151 | 7611190100 |
| 185 | Heating Network Complex Severnaya Street, Oyunskogo   | 7001250 | building 1151 | 7611190100 |
| 186 | Linear Cable Structure - area heating networks TP-1 up to UT-22 (network complex) Ordzhonikidze Street  | 7001251 | building 1151 | 7611190100 |
| 187 | Canalization Networks Pobedy Street, Pervomay-skaya, Tazhnaya, Proletarskaya, Yakutskaya, Ordzhonikidze | 7001246 | building 1151 | 7611190100 |
| 188 | Canalization Network Treatment Facilities, Dzerzhinskogo, Lenina Street, Embankment, Pobedy             | 7001249 | building 1151 | 7611190100 |

|        |        |         |  |
|--------|--------|---------|--|
| 0      | 11,754 | 11,754  | Sales cost according to the report of market value |
| 0      | 3,455  | 3,455   | Sales cost according to the report of market value |
| 6,267  | 41,768 | 35,500  | Sales cost according to the report of market value |
| 66,556 | 29,297 | -37,259 | Sales cost according to the report of market value |
| 21,379 | 98,177 | 76,799  | Sales cost according to the report of market value |
| 20,653 | 41,591 | 20,938  | Sales cost according to the report of market value |
| 12,067 | 6,298  | -5,769  | Sales cost according to the report of market value |
| 27,907 | 12,198 | -15,709 | Sales cost according to the report of market value |
| 16,034 | 12,100 | -3,934  | Sales cost according to the report of market value |
| 56,101 | 98,115 | 42,014  | Sales cost according to the report of market value |
| 3,984  | 1,361  | -2,623  | Sales cost according to the report of market value |
| 14,041 | 2,109  | -11,932 | Sales cost according to the report of market value |
| 11,153 | 24,057 | 12,904  | Sales cost according to the report of market value |
| 1,590  | 32,738 | 31,148  | Sales cost according to the report of market value |

|     |   |              |               |             |
|-----|---|--------------|---------------|-------------|
| 189 | Small boiler No. 1 heating networks   | 7001277      | building 1151 | 7611190100  |
| 190 | Offsite heating water pipelines BBO   | 0043249      | building 1151 | 7611190100  |
| 191 | External utilities of Heating, Water Supply and Sewage Disposal Complex<br>144 sq railway Oyunskogo 28, A | 7000515      | building 1151 | 7611190100  |
| 192 | “Anabar-90” Farm  | 5555774      | building 1151 | 91.25110000 |
| 193 | Sauna Laundry Morkoka settlement  | 9520644      | building 1151 | 91.24120000 |
| 194 | Refectory in Dorozhny settlement  | 0051086      | building 1151 | 91.23110000 |
| 195 | Car Unit Ust-Kut  | 9520246      | building 1151 | 91.24120000 |
| 196 | DRY CLEANING  | 0100838      | building 1151 | 91.23110000 |
| 197 | Plot for the use of DRY CLEANING (1,744 m2)   | 0100421      | building 1151 | 91.23110000 |
| 198 | CARPENTRY SHOP  | 0100452      | building 1151 | 91.23110000 |
| 199 | Reinforced concrete refrigerator building for 2,000 tons  | 810000000859 | building 1151 | 91.23110000 |
| 200 | Plot under the Refrigerator   | 810000046190 | building 1151 | 91.23110000 |
| 201 | Maintenance unit Orto-Nakhar settlement   | 5555769      | building 1151 | 91.23110000 |
| 202 | Plot for the maintenance unit S-8401 sq. m  | 6000000      | building 1151 | 91.23110000 |
| 203 | BOILER ANNEX BUILDING No. 1   | 0100462      | building 1151 | 91.23110000 |
| 204 | TRANS-FORMER SUBSTATION 67  | 0100612      | building 1151 | 91.23110000 |
| 205 | Plot for the TRANSPORTER SUBSTATION No. 67 (TS No. 67) (149 sq. m)  | 0100439      | building 1151 | 91.23110000 |
| 206 | Boiler  | 0100000      | building 1151 | 91.25110000 |
| 207 | Water pipeline treatment station  | 0100001      | building 1151 | 91.25110000 |
| 208 | Foam generator solution reservoir   | 0100003      | building 1151 | 91.25110000 |
| 209 | Diamond Search Museum in Yakutia  | 0107890      | building 1151 | 91.25110000 |

|        |        |        |  |
|--------|--------|--------|--|
| 0      | 2,135  | 2,135  | Sales cost according to the report of market value |
| 11,050 | 13,038 | 1,988  | Sales cost according to the report of market value |
| 0      | 14,441 | 14,441 | Sales cost according to the report of market value |
| 0      | 0      | 0      | The program provides for an action - donation      |
| 116    | 0      | -116   | to be liquidated                                   |
| 856    | 749    | -107   | Sales cost according to the report of market value |
| 9,067  | 0      | -9,067 | to be liquidated                                   |
| 28,194 | 70,447 | 42,253 | Sales cost according to the report of market value |
| 5,595  | 8,446  | 2,851  | Sales cost according to the report of market value |
| 0      | 9,676  | 9,676  | Sales cost according to the report of market value |
| 11,446 | 9,057  | -2,389 | Sales cost according to the report of market value |
| 481    | 3,387  | 2,906  | Sales cost according to the report of market value |
| 1,460  | 0      | -1,460 | Sales cost according to the report of market value |
| 97     | 0      | -97    | Sales cost according to the report of market value |
| 7 826  | 0      | -7,826 | Sales cost according to the report of market value |
| 1,967  | 2,124  | 157    | Sales cost according to the report of market value |
| 146    | 302    | 156    | Sales cost according to the report of market value |
| 0      | 0      | 0      | The program provides for an action - donation      |
| 9,185  | 0      | -9,185 | The program provides for an action - donation      |
| 28     | 0      | -28    | The program provides for an action - donation      |
| 4,776  | 0      | -4,776 | The program provides for an action - donation      |

|     |  |         |               |             |
|-----|--|---------|---------------|-------------|
| 210 | Plot for the Yakut Diamond Discovery History Museum (2,000 sq. m)                                    | 0107922 | building 1151 | 91.25110000 |
| 211 | DOB Almaz well building  | 0112677 | building 1151 | 7611190100  |
| 212 | DOB Almaz Boiler   | 0112678 | building 1151 | 7611190100  |
| 213 | Well No. 2-81D of the pioneer camp DOB Almaz   | 0112679 | building 1151 | 7611190100  |
| 214 | Office Housing and utilities administration-2 (Moskovskaya Street 18, office H & U administration-2) | 0000976 | building 1151 | 7611190100  |
| 215 | Plot for the use of Housing and utilities administration-2 office (1,937 sq. m)                      | 0000977 | building 1151 | 7611190100  |
| 216 | Housing and utilities administration office building Zarya settlement (Industrial goods shop)        | 0000980 | building 1151 | 91.24120000 |
| 217 | Housing and utilities administration-4 Office (Tikhonova 9/1)  | 0000981 | building 1151 | 7611190100  |
| 218 | Housing and utilities administration-1 office building (Oyunskogo Street 30B)                        | 0000990 | building 1151 | 7611190100  |
| 219 | Plot for the use of Housing and utilities administration-1 office (986 sq. m)                        | 0000998 | building 1151 | 7611190100  |
| 220 | Non-residential premises (Housing and utilities administration-3 office (Tikhonova Street 8)         | 0000992 | building 1151 | 7611190100  |
| 221 | Sports Hall Building (Sports Hall 50 Let Oktyabrya Street (within the OGM base)                      | 0000982 | building 1151 | 7611190100  |
| 222 | Temporary production workshops (50 Let Oktyabrya OGM base)   | 0000989 | building 1151 | 7611190100  |
| 223 | Batching area office (50 Let Oktyabrya)  | 0000983 | building 1151 | 7611190100  |
| 224 | Repair mechanical workshops  | 0000987 | building 1151 | 91.25110000 |
| 225 | Forging Welding Workshop   | 0000979 | building 1151 | 91.25110000 |
| 226 | Plot for the use of repair mechanical workshops and forging and welding shops (4,940 sq. m)          | 0001001 | building 1151 | 91.25110000 |
| 227 | Land plot for operation of public services unit (986 sq. m)  | 0000999 | building 1151 | 7611190100  |
| 228 | Carpentry workshop (Almazny settlement Oktyabrskaya Street)  | 0000993 | building 1151 | 91.24120000 |
| 229 | Building (utility rooms, Almazny settlement, Oktyabrskaya Street)                                    | 0000994 | building 1151 | 91.24120000 |
| 230 | Plot for the use of power saw (5,532 sq. m)  | 0001000 | building 1151 | 91.24120000 |



|        |        |         |  |
|--------|--------|---------|--|
| 7      | 0      | -7      | The program provides for an action - donation      |
| 487    | 181    | -306    | Sales cost according to the report of market value |
| 3,786  | 2,531  | -1,254  | Sales cost according to the report of market value |
| 568    | 333    | -235    | Sales cost according to the report of market value |
| 1,793  | 5,600  | 3,807   | Sales cost according to the report of market value |
| 2,025  | 3,610  | 1,585   | Sales cost according to the report of market value |
| 6,486  | 0      | -6,486  | The program provides for an action - liquidation   |
| 899    | 21,220 | 20,321  | Sales cost according to the report of market value |
| 0      | 4,170  | 4,170   | Sales cost according to the report of market value |
| 1,098  | 2,240  | 1,142   | Sales cost according to the report of market value |
| 1,538  | 38,900 | 37,362  | Sales cost according to the report of market value |
| 23,823 | 9,048  | -14,775 | Sales cost according to the report of market value |
| 67,318 | 28,124 | -39,194 | Sales cost according to the report of market value |
| 0      | 3,470  | 3,470   | Sales cost according to the report of market value |
| 6,446  | 0      | -6,446  | The program provides for an action - donation      |
| 2,147  | 0      | -2,147  | The program provides for an action - donation      |
| 68     | 0      | -68     | The program provides for an action - donation      |
| 1,098  | 2,240  | 1,142   | Sales cost according to the report of market value |
| 1,097  | 0      | -1,097  | The program provides for an action - liquidation   |
| 468    | 0      | -468    | The program provides for an action - liquidation   |
| 289    | 0      | -289    | The program provides for an action - liquidation   |

|     |   |                           |               |             |
|-----|---|---------------------------|---------------|-------------|
| 231 | Non-residential structure<br>(Electric boiler house of team<br>shifting unit)   | 0000988                   | building 1151 | 7611190100  |
| 232 | Fire water tank,<br>Y = 100 cub. m  | 0000591                   | building 1151 | 91.25110000 |
| 233 | Cow-shed for 50 heads   | 1020191                   | building 1151 | 91.23110000 |
| 234 | Plot for the use of a cow shed<br>(21,693 sq. m)  | 1021268                   | building 1151 | 91.23110000 |
| 235 | Administrative building with<br>auxiliary premises  | 0000010                   | building 1151 | 91.25110000 |
| 236 | Box for equipment repair<br>(Crane box)   | 0971062                   | building 1151 | 91.25110000 |
| 237 | Plot for the construction<br>machines and equipment<br>workshop   | 0971349                   | building 1151 | 91.25110000 |
| 238 | Part of a land plot for boiler<br>house for portable automatic<br>boiler in Dorozhny settlement<br>(area 4,500 sq. m) as part of<br>the Land plot for the industrial<br>area of MARD in Dorozhny<br>settlement (42,561 sq. m) | part of inventory 9520661 | building 1151 | 7611190100  |
| 239 | Part of a plot of 161 sq.m of<br>the plot for the Heating point<br>"Southeast" with its total area<br>of 396 sq. m  | part of inventory 0100428 | building 1151 | 91.23110000 |
| 240 | Heat unit No. 1 building  | 0043653                   | building 1151 | 7611190100  |
| 241 | Heat unit No. 4 building  | 0043652                   | building 1151 | 7611190100  |
| 242 | KNS No. 7 building  | 0043651                   | building 1151 | 7611190100  |
| 243 | Plot for the use of the<br>production base at Pobedy<br>Street 63g  | 7001448                   | building 1151 | 7611190100  |
| 244 | Part of a plot of 11,300 sq. m<br>of the plot for the PTES and<br>ZhKh with its total area of<br>101,962 sq. m  | part of inventory 4070096 | building 1151 | 91.25110000 |
| 245 | Part of a land plot for operation of<br>Production and Processing Equip-<br>ment Division (33,000 sq. m)  | 0971344                   | building 1151 | 91.24120000 |
| 246 | Part of a land plot for<br>operation of Production and<br>Processing Equipment<br>Division (53,835 sq. m of<br>86,835 sq. m)  | 0971344                   | building 1151 | 91.24120000 |
| 247 | Kindergarten for 240 children   | 950000105274              | building 1151 | 91.25110000 |

|         |        |          |  |
|---------|--------|----------|--|
| 132     | 312    | 180      | Sales cost according to the report of market value |
| 0       | 0      | 0        | The program provides for an action - donation      |
| 0       | 373    | 373      | Sales cost according to the report of market value |
| 2,184   | 357    | -1,827   | Sales cost according to the report of market value |
| 7,065   | 0      | -7,065   | The program provides for an action - donation      |
| 9,642   | 0      | -9,642   | The program provides for an action - donation      |
| 881     | 0      | -881     | The program provides for an action - donation      |
| 18      | 329    | 311      | Sales cost according to the report of market value |
| 121     | 302    | 181      | Sales cost according to the report of market value |
| 5,146   | 3,778  | -1,368   | Sales cost according to the report of market value |
| 5,186   | 4,058  | -1,127   | Sales cost according to the report of market value |
| 1,121   | 3,289  | 2,168    | Sales cost according to the report of market value |
| 184     | 15,911 | 15,727   | Sales cost according to the report of market value |
| 588     | 0      | -588     | The program provides for an action - donation      |
| 11,586  | 0      | -11,586  | The program provides for an action - liquidation   |
| 19,162  | 0      | -19,162  | The program provides for an action - liquidation   |
| 423,681 | 0      | -423,681 | The program provides for an action - donation      |

|     |   |               |               |             |
|-----|---|---------------|---------------|-------------|
| 248 | Utility networks of the kindergarten for 240 children                         | 950000105275  | building 1151 | 91.25110000 |
| 249 | Improvement of the kindergarten for 240 children                              | 950000105276  | building 1151 | 91.25110000 |
| 250 | Fencing of the kindergarten for 240 children                                  | 950000105277  | building 1151 | 91.25110000 |
| 251 | External lightning of the kindergarten for 240 children                       | «950000105278 | building 1151 | 91.25110000 |
| 252 | Administrative building UKR Pobedy Street 10                                  | 810007001228  | building 1151 | 91.25110000 |
| 253 | Land plot for operation of the boiler house of hot water supply (1,710 sq. m) | 1021234       | building 1151 | 91.23110000 |
| 254 | Electric boiler pumping house   | 1020065       | building 1151 | 91.23110000 |
| 255 | Road to the Kuol Lake   | 1019473       | building 1151 | 91.24120000 |
| 256 | Production workshops AB-76  | 0999579       | building 1151 | 91.24120000 |
| 257 | Office  | 0999410       | building 1151 | 91.24120000 |
| 258 | Temporary production workshop building  | 0999411       | building 1151 | 91.24120000 |
| 259 | Service and amenity room  | 0999354       | building 1151 | 91.24120000 |
| 260 | Welding work building   | 0999409       | building 1151 | 91.24120000 |
| 261 | Cold warehouse building   | 0999408       | building 1151 | 91.24120000 |
| 262 | Auxiliary workshop unit   | 0971013       | building 1151 | 91.24120000 |
| 263 | Cold warehouse  | 0971014       | building 1151 | 91.24120000 |
| 264 | Part of a haydite workshop building   | 1468960       | building 1151 | 91.24120000 |
| 265 | Part of a clay warehouse building   | 1468979       | building 1151 | 91.24120000 |
| 266 | Workshop building unit  | 1468965       | building 1151 | 91.24120000 |
| 267 | Mineral wool workshop building  | 1468962       | building 1151 | 91.24120000 |
| 268 | Formwork shuttering building  | 1468956       | building 1151 | 91.24120000 |

|         |     |          |   |
|---------|-----|----------|---|
| 13,839  | 0   | -13,839  | The program provides for an action - donation   |
| 49,880  | 0   | -49,880  | The program provides for an action - donation   |
| 11,094  | 0   | -11,094  | The program provides for an action - donation   |
| 10,021  | 0   | -10,021  | The program provides for an action - donation   |
| 51,413  | 0   | -51,413  | The program provides for an action - donation   |
| 852     | 250 | -602     | Disposed by way of sale without announcing the price in accordance with the Alienation Program of Non-Core Assets |
| 105     | 295 | 190      | Disposed by way of sale without announcing the price in accordance with the Alienation Program of Non-Core Assets |
| 3,506   | 0   | -3,506   | The program provides for an action - liquidation  |
| 27,561  | 0   | -27,561  | The program provides for an action - liquidation  |
| 3,321   | 0   | -3,321   | The program provides for an action - liquidation  |
| 1,793   | 0   | -1,793   | The program provides for an action - liquidation  |
| 4,190   | 0   | -4,190   | The program provides for an action - liquidation  |
| 3,690   | 0   | -3,690   | The program provides for an action - liquidation  |
| 2,116   | 0   | -2,116   | The program provides for an action - liquidation  |
| 7,306   | 0   | -7,306   | The program provides for an action - liquidation  |
| 1,648   | 0   | -1,648   | The program provides for an action - liquidation  |
| 36,168  | 0   | -36,168  | The program provides for an action - liquidation  |
| 3,716   | 0   | -3,716   | The program provides for an action - liquidation  |
| 158,517 | 0   | -158,517 | The program provides for an action - liquidation  |
| 10,647  | 0   | -10,647  | The program provides for an action - liquidation  |
| 3,409   | 0   | -3,409   | The program provides for an action - liquidation  |

|     |   |                    |               |             |
|-----|---|--------------------|---------------|-------------|
| 269 | Fire water tank, MSMT   | 1468889            | building 1151 | 91.24120000 |
| 270 | Tent  | 1046531            | building 1151 | 91.24120000 |
| 271 | Approach roads 30.12.1995   | 1046530            | building 1151 | 91.24120000 |
| 272 | Conduit 30.01.1995  | 1046535            | building 1151 | 91.24120000 |
| 273 | Electricity supply<br>30.12.1995  | 1046537            | building 1151 | 91.24120000 |
| 274 | Telephonisation 30.12.1996  | 1046536            | building 1151 | 91.24120000 |
| 275 | Runway at ANABAR site,<br>EBELYAKH settlement   | 33227              | building 1151 | 91.24120000 |
| 276 | Calf house  | 1116               | building 1151 | 91.23110000 |
| 277 | Cattle-breeder house  | 1117               | building 1151 | 91.23110000 |
| 278 | Cow shed  | 1118               | building 1151 | 91.23110000 |
| 279 | Cattle-breeder house  | 1119               | building 1151 | 91.23110000 |
| 280 | Waiting room  | 1120               | building 1151 | 91.23110000 |
| 281 | Feed room   | 1121               | building 1151 | 91.23110000 |
| 282 | Shepherd house  | 1125               | building 1151 | 91.23110000 |
| 283 | Airport terminal building   | 832000001084       | building 1151 | 91.23110000 |
| 284 | Non-residential structure (annex<br>to repair mechanical workshops of<br>construction unit-887) | 0098686            | building 1151 | 91.23110000 |
| 285 | Plot for repair mechanical<br>workshops (1,800 sq. m)   | 33000101241 (AGOK) | building 1151 | 91.23110000 |
| 286 | Plot for the fire tank  | 0000847            | building 1151 | 91.24120000 |
|     | <b>Section 2, Total</b>   | -                  | -             | -           |

|                  |                |     |                   |  |
|------------------|----------------|-----|-------------------|--|
| 13,839           | 0              | -13 | 839               | The program provides for an action - liquidation   |
| 6                | 0              |     | -6                | The program provides for an action - liquidation   |
| 110              | 0              |     | -110              | The program provides for an action - liquidation   |
| 0                | 0              |     | 0                 | The program provides for an action - liquidation   |
| 0                | 0              |     | 0                 | The program provides for an action - liquidation   |
| 0                | 0              |     | 0                 | The program provides for an action - liquidation   |
| 73,832           | 0              |     | -73,832           | The program provides for an action - liquidation   |
| 0                | 7              |     | 7                 | The program provides for an action - liquidation   |
| 0                | 0              |     | 0                 | The program provides for an action - liquidation   |
| 0                | 0              |     | 0                 | Sales cost according to the report of market value |
| 0                | 4              |     | 4                 | Sales cost according to the report of market value |
| 0                | 3              |     | 3                 | Sales cost according to the report of market value |
| 0                | 0              |     | 0                 | Sales cost according to the report of market value |
| 0                | 3              |     | 3                 | Sales cost according to the report of market value |
| 481              | 165            |     | -316              | Sold for the market price                          |
| 120              | 0              |     | 120               | Sales cost according to the report of market value |
| 817              | 850            |     | 33                | Sales cost according to the report of market value |
| 202              | 0              |     | -202              | The program provides for an action - liquidation   |
| <b>2,721,125</b> | <b>929,561</b> |     | <b>-1,791,564</b> |  |

| No.  | Description of asset   | Asset reference number<br>(if applicable) | Balance sheet line which<br>displays an asset on the<br>balance sheet date prior<br>to asset sales | Book-keeping accounts<br>(including analytics)<br>which display income<br>and expenditure after asset<br>retirement (91.1xxx/91.2xxx) |
|--|--|---|--|---|
| <b>Section III. Register of non-core assets in the form of facilities under construction</b> |  |   |  |   |
| 1  | Compressor MKSM  | 12081516                                  | 1152   | 9124500000  |
| 2  | Water supply Arylakh   | 2430013                                   | 1152   | 9124500000  |
| 3  | Motor road to<br>Orto Nakhar from the highway<br>Lensk Mirny                 | 12070711                                  | 1152   | 9124500000  |
| 4  | ETL-10KV Communication<br>Line   |   | 1152   | 9124500000  |
| 5  | City step-down substation  | 12560009                                  | 1152   | 9124500000  |
| 6  | Udachny Airport Blocked MTI<br>building                                      | 2430015                                   | 1152   | 91.24120000   |
| 7  | Udachny Residential House<br>No. 84  | 20350088                                  | 1152   | 91.24120000   |
| 8  | Udachny Kindergarten No. 86  | 203560086                                 | 1152   | 91.23110000   |
| 9  | Udachny MSCh Hospital with<br>a polyclinic                                   | 204560078                                 | 1152   | 91.23110000   |
| 10   | Sytykanskaya Dry enrichment<br>installation (PIR)                            | 33560927                                  | 1152   | 91.23110000   |
| 11   | TL 2*10kV from Rayonnaya<br>Substation to OF No. 3 (PIR)                     |   | 1152   | 91.25110000   |
| 12   | Internatsionalny<br>Fuel warehouse with filling<br>station (PIR)             | 11022001                                  | 1152   | 91.25110000   |
| 13   | Cottage Building in Khaynada-<br>kh micro district                           | 2410016                                   | 1152   | 91.24120000   |
| 14   | Heat unit UKS with utilities<br>Lensk  | 12070716                                  | 1152   | 91.24120000   |
| 15   | Transformer MKSM   | 12081515                                  | 1152   | 91.24120000   |
| 16   | Internal quarter utilities and<br>amenities in Zarechensky<br>micro district | 12070716                                  | 1152   | 91.24120000   |
| 17   | Training centre  | 12081515                                  | 1152   | 91.24120000   |
| 18   | Summer washer with<br>treatment facilities and water<br>reuse                | 80000000011                               | 1152   | 91.24120000   |
|  | <b>Section 3, Total</b>  | -   | -  | -   |
|  | <b>Total for the Program</b>   | -   | -  | -   |



| <i>Book value of an asset, thousand RUB</i> | <i>Actual sales cost, thousand RUB</i> | <i>Deviation of the actual sales cost from the book value of an asset, thousand RUB</i> | <i>Reasons for deviation of the actual sales cost from the book value of an asset</i>  |
|---|--|---|--|
| 1,419.3                                     | 0                                      | -1,419.3  | The program provides for an action – liquidation   |
| 17,152.4                                    | 0.0                                    | 17,152.4  | The program provides for an action – liquidation   |
| 26,898.6                                    | 0.0                                    | -26,898.6   | The program provides for an action – liquidation   |
| 17,519.9                                    | 0,0                                    | -17,519.9   | The program provides for an action – liquidation   |
| 1,620.8                                     | 0.0                                    | -1,620.8  | The object is written-off in 3Q 2015   |
| 8,025.8                                     | 0.0                                    | -8,025.8  | The ownership to the object was transferred free of charge to the administration of municipal entity Udachny town  |
| 12,512.3                                    | 0.0                                    | -12,512.3   | The ownership to the object was transferred free of charge to the administration of municipal entity Udachny town  |
| 1,289.5                                     | 0.0                                    | -1 289.5  | The ownership to the object was transferred free of charge to the administration of municipal entity Udachny town  |
| 2,343.0                                     | 0.0                                    | -2,343.0  | The program provides for an action – liquidation   |
| 10,064.8                                    | 0.0                                    | -10,064.8   | The program provides for an action – liquidation   |
| 1,704.0                                     | 0.0                                    | -1,704.0  | The program provides for an action – liquidation   |
| 3,013.8                                     | 0.0                                    | -3,013.8  | The program provides for an action – liquidation   |
| 2,830.4                                     | 1,779.7                                | -1,050.7  | The facility was sold to an individual, the sales price corresponds to the price provided by the buyer at the open auction. Starting price at the auction is equal to the price of the facility calculated by an independent appraiser |
| 6,088.4                                     | 0.0                                    | -6 088,4  | The program provides for an action – liquidation   |
| 643.2                                       | 0,0                                    | -643.2  | The program provides for an action – liquidation   |
| 5,109.0                                     | 0.0                                    | -5,109.0  | The object is written-off in 1Q 2015   |
| 33,812.5                                    | 0,0                                    | 33,812.5  | The ownership to the facility was transferred free of charge to the Republic of Sakha (Yakutia)  |
| 1,614.7                                     | 0.0                                    | -1,614.7  | The program provides for an action - writing-off   |
| <b>153,662.5</b>                            | <b>1,779.7</b>                         | <b>-151,882.8</b>   |  |
| <b>3,720,896.8</b>                          | <b>1,202,666.2</b>                     | <b>- 2,518,230.6</b>  |  |

## 6.9. INFORMATION ON THE RESULTS OF THE EXECUTION OF INSTRUCTIONS

### INFORMATION ON THE EXECUTION OF THE INSTRUCTIONS OF THE PRESIDENT OF THE RUSSIAN FEDERATION AND GOVERNMENT OF THE RUSSIAN FEDERATION

#### LONG-TERM PLANNING, USE OF THE KEY PERFORMANCE INDICATORS SYSTEM

1. To execute the List of Instructions (No. Пр-3086, clause 1, subclause 32 dated 27.12.2013) on implementation of the Message of the President of the Russian Federation to the Federal Assembly dated 12.12.2013, the Directives of the Government of the Russian Federation (No. 4955п-П13 dated 17.07.2014) to representatives of the interests of the Russian Federation for attendance at meetings of the Board of Directors (Supervisory Boards) of open joint-stock companies On development and approval of the Long-term development program for ALROSA Group up to 2023; on the audit of implementation of the Long-term program and approval of such audit standard, and on amendments to the Regulations on remuneration to the President of PJSC ALROSA, the Company elaborated the Long-term development program for ALROSA Group up to 2023 (hereinafter – the Long-term program).

The Long-term program determines the prospects for the ALROSA Group development up to 2023, particular activities, allowing the Company to implement the strategy of ALROSA Group, financial and economic indicators of ALROSA Group up to 2023, key performance indicators, as well as the risks of implementation of the Long-term development program. The Program consists of the List, calculation method and ratio of the key performance indicators of ALROSA Group in the structure of remuneration to the President and members of the Executive committee of the Company.

On 11.12.2014 the Supervisory Board (Minutes No. A01/223-ПП-НС) approved the Long-term development program for ALROSA Group up to 2023, the Standard

for audit of implementation of the Long-term development program for ALROSA Group and the Work order for audit of implementation of the Long-term program.

In the second quarter of 2015 the Report on implementation of the Long-term development program in 2014 for ALROSA Group up to 2023 and the Audit report on the results of audit of the implementation of the Long-term program in 2014 have been prepared. The above-mentioned documents were included into the list of materials, presented to the shareholders in the preparation of the annual General meeting of shareholders of the Company by the end of 2014.

Information on the implementation of the Long-term development program for ALROSA Group in 2015 will be reflected in Annual report of PJSC ALROSA for 2015 and submitted to the Supervisory Board and the annual General meeting of the shareholders of the Company in accordance with the defined corporate procedures.

2. To execute the subclause 4 of clause 1 of the List of instructions of the President of the Russian Federation No. Пр-2821 dated 05.12.2014, clause 4 of the Instruction of the Government of the Russian Federation No. АД-П9-9176 dated 08.12.2014, the Directives of the Government of the Russian Federation to representatives of the Russian Federation No. 1346п-П13 dated 05.03.2015 On amendments to the Long-term development program of the Company and resolution of the Supervisory Board of the Company dated 20.03.2015 (Minutes No. A01/226-ПП-НС):

– the Commission for examination of

acquisition of material and technical resources and equipment of foreign origin was established under the chairmanship of I. V. Sobolev, the First Vice President and Executive Director of the Company in December 2014.

In 2015, domestic equivalents replaced 121 stock keeping units of the foreign equipment to the amount of RUB 1,397 mn.

– the “Road Map” for the development of the set of measures (list of activities), oriented to the scheduled and phased substitution of foreign product purchase to the purchase of Russian products equivalent by the technical characteristics and customer performance was prepared in 2015.

A program of measures, focused on the phased import substitution with the inclusion of the target indicators values of the measures implementation into the Long-term development program for ALROSA Group with its adjustment, will be prepared according to the results of the “Road Map” implementation in 2015-2016.

3. To execute the Directives of the Government of the Russian Federation No. 2007п-П13 dated 06.04.2015 to the representatives of the interests of the Russian Federation for attendance at meetings of the Board of Directors (Supervisory Boards) On changing the structure of the Annual report of the Company and On presentation of the reports on the implementation of the Long-term development program and on achievement of the approved key performance indicators and relevant decision of the Supervisory Board dated 23.04.2015 (Minutes No. A01/229-ПП-НС) the audit report on the implementation of the Long-term program, reports on the execution of the Long-term development programs, information on achievement of the approved key performance indicators for ALROSA Group (KPIs) and availability of their matching with the amount of remuneration of sole and collegial executive bodies of the Company's management are included in materials,

compulsory for preparation and holding the annual General meetings of the shareholders.

Financial and economic KPIs, determined as being compulsory by the Guidelines on application of key performance indicators by public corporations, state-owned companies, state unitary enterprises and business entities with a share of the authorized capital owned by the Russian Federation or a constituent entity of the Russian Federation totalling over fifty percent, affiliate KPIs and bonus cancellation indicators are included in the current system of remuneration of the President and members of the Executive Committee of the Company.

Additions/amendments to the Regulations On remuneration to the President of PJSC ALROSA and Regulations On remuneration to the members of the Executive Committee of PJSC ALROSA, providing an integration of KPIs into the motivation system with the establishment of the direct relation between the amount of remuneration of sole and collegial executive bodies and the level of achievement of the target values of KPIs are approved by the Supervisory Board in December 2014 (Minutes No. A01/223-ПП-НС dated 11.12.2014).

New edition of the above-mentioned documents with account for the practice of implementation of the KPIs system was approved by the Supervisory Board on 10.11.2015 (Minutes No. A01/236-ПП-НС).

## **INTRODUCTION OF PROVISIONS OF THE CORPORATE GOVERNANCE CODE**

To execute the Instructions of the Government of the Russian Federation No. ИШ-П13-5859 dated 31.07.2014 and Directives No. 649п-П13 dated 06.02.2015 to representatives of the interests of the Russian Federation for attendance at meetings of the Board of Directors (Supervisory Boards) of open joint-stock companies On approval of the plan of measures ("Road Map") on implementation of the Corporate Governance Code's regulations, the Supervisory Board of the Company on 20.03.2015 (Minutes No. A01/226-ПП-НС) approved the plan of measures ("Road Map") on implementation of the key provisions of the Corporate Governance Code into the Company's activity.

Within the framework of the implementation of the Plans of measures on introduction of the key provisions of the Corporate Governance Code:

- on 25.06.2015 by the decision of the annual General meeting of the shareholders of the Company (Minutes No. 33) the Charter, Regulations on general meeting of shareholders, Regulations on Supervisory Board have been amended;
- on 10.11.2015 the Supervisory Board (Minutes No. A01/236-ПП-НС) approved new editions of the Regulations on remuneration to the members of the Supervisory Board, the President and the Executive Committee of the Company;
- on 23.12.2015 the Supervisory Board (Minutes No. A01/239-ПП-НС) approved the Information policy of the Company;
- necessary amendments and additions are introduced into the Corporate Governance Code of the Company, which new edition was approved by the Supervisory Board on 23.04.2015 (Minutes No. A01/229-ПП-НС) and entered into force from 01.07.2015.

## **ENSURING EFFICIENCY OF PROCUREMENT FROM SMALL AND MEDIUM BUSINESSES ENTITIES, INCLUDING PROCUREMENT OF INNOVATIVE AND HIGH-TECHNOLOGY PRODUCTS**

Ensuring efficiency of procurement from small and medium businesses entities, including procurement of innovative and high-technology products

To execute the Decree of the Government of the Russian Federation No. № 867-p dated May 29, 2013, the Order of the Ministry of Economic Development of the Russian Federation No. 352 dated June 21, 2013 On organization of work for implementation of the action plan ("Road Map") Increase in access for small and medium business entities to the procurement processes of infrastructure monopolies and companies with state participation, and a number of directives to the representatives of the Russian Federation in the Boards of Directors of the joint-stock companies with state participation on commencement of discussion at the meetings of the Boards of Directors of the issue On the increase in access for small and medium business

entities to the performed procurement processes on 06/05/2014, the President of the Company approved the Plan of PJSC ALROSA on actions implementation ("Road Map") Increase in access for small and medium business entities to the procurement processes of infrastructure monopolies and companies with state participation.

Within the framework of implementation of provisions of the stated plan, the Supervisory Board of the Company approved the Regulations on Advisory body of PJSC ALROSA, responsible for the public audit of efficiency of the procurement activities, including the use of advanced technological solutions, and its Governance in 2014. Information about the activity of the Advisory body, responsible for the public audit of the efficiency of the procurement activities, shall be post on the Internet at the corporate web-site of the Company, section Procurement.



To execute the implementation of the action plan the Partnership program, aimed at establishment of a network of qualified and responsible partners from small and medium business entities supplying goods (work, services) to the Company, including those in the field of design and creation of innovative products, was developed. Information on implementation of the Partnership program shall be posted on the Internet at the corporate web-site of the Company, section Procurement.

Within the framework of the execution of the Directives of the Government of the Russian Federation No. 6362п-П13 dated 24.10.2013 and No. 7377п-П13 dated 07.12.2013 (to execute the action plan Increase in access for small and medium business entities to the procurement processes of infrastructure monopolies and companies with state participation) reports on the performed work shall be posted twice a year in personal account of the Company at the Interdepartmental portal for state property management.

The Supervisory Board on 24.03.2015 (Minutes No. A01/227-ПП-НС) approved a new edition of the Regulations on procurements of PJSC ALROSA, which includes, particularly, the relevant

amendments in report form on procurement activity of the Company; a new section Procurement of goods, works, services from the small and medium business entities, a number of proposals on simplification of the procurement procedure for small and medium business entities, an inclusion into procurement procedure of evaluation and comparison criteria for application forms Life cycle cost of goods or object created during the work fulfilment for innovative, high-technology or technically sophisticated products, etc. are prepared.

To execute the Directives of the Government of the Russian Federation No. 4537п-П13 dated 14.07.2014 and No. 3425п-П13 dated 01.06.2015, the Regulations on procurement of the Company have been amended. The amendments are related to the procurement of petro- and gas chemical production from Russian producers primarily and procurement of coil (shale coil) and (or) the product of its processing by execution of the contracts for delivery of coil products only with the contract's duration more than one year and directly with coil product producers or companies, included into one group with the coil product producers.

## **DEVELOPMENT OF THE INTERNAL DOCUMENTS OF THE COMPANY**

In accordance with the Directives of the Government of the Russian Federation to the representatives of interests of the Russian Federation No. 3984п-П13 dated 24.06.2015 On the use of the guidelines for development of internal documents regulating the Company's activity, the following internal documents were developed and approved by the Supervisory Board of the Company in November 2015 (Minutes No. A01/236-ПП-НС dated 10.11.2015, Minutes No. A01/237-ПП-НС dated 19.11.2015):

- Regulations on internal audit of PJSC ALROSA;
- Regulations on risk management of PJSC ALROSA;
- Regulations of the quality management system of PJSC ALROSA;
- Regulations on the plan and execution of the Innovative Development and Technological Modernization Program of PJSC ALROSA;
- Order on increase in investing and operating efficiency and decrease in expenses of PJSC ALROSA.

## **ON DECREASE OF OPERATING EXPENSES (COSTS) NOT LESS THAN 2-3 PERCENT ANNUALLY**

To execute the Directives of the Government of the Russian Federation No. 2303н-П13 dated 16.04.2015 the Supervisory Board of PJSC ALROSA on 15.05.2015 (Minutes No. A01/230-ПП-НС) noted that the Company developed the list of production, innovative, investing, management, personnel measures, as well as the set of measures for increase in labour productivity, creation and modernization of highly efficient work positions, which are focused on the complex cost reduction. Indicators values of the specified measures implementation consider the reduction in operating expenses not less than 2-3 percent annually.

The List of measures and indicators values of the specified measures implementation are contained in the Long-term development program for ALROSA Group up to 2023, approved by

the Supervisory Board on 11.12.2014 (Minutes No. A01/223-ПП-НС).

Target values of key performance indicators of the Company's management are also determined by the Long-term development program for ALROSA Group up to 2023 and include:

- Indicator of share of the cost of sales in the sales revenue,
- Indicator of profitability on EBITDA,
- Indicator of net profit.

An achievement of values of the specified indicators reflects the reduction in operating expenses, and is taken into account in decision making on remuneration and personnel solutions and correlated to the amount of remuneration of PJSC ALROSA management.

## **ON POSSIBILITY TO PERFORM EXPORT SETTLEMENTS IN ROUBLES**

To execute the Directives of the Government of the Russian Federation No. 4807н-П13 dated 23.07.2015 on the possibility to perform the settlements in roubles, as well as to establish the motivated minimum proportion of export settlements, performed in Russian roubles, the Supervisory Board on

02.10.2015 (Minutes No. A01/234-ПП-НС) requested the Executive Committee of the Company to provide the possibility of settlements in Russian roubles when executing the export contracts, as well as to establish the motivated minimum proportion of export settlements, performed in Russian roubles.

## **DISPOSAL OF NON-CORE ASSETS**

The main principles of the Program on disposal of non-core assets of PJSC ALROSA (hereinafter - the Program) and the Register of non-core assets of the Company were developed to execute the Instructions of the President of the Russian Federation No. Пр-3668 dated 06.12.2011 and approved by the Supervisory Board in 2013.

The Program defines the objectives and tasks on disposal of non-core assets, criteria of indicating assets as the non-core, requirements to the Register of non-core assets, key events (actions),

which can be implemented by the Company relating to the non-core assets.

In 2014, in accordance with Recommendations of the Federal Agency for state property management (Rosimushchestvo), letter No. ОД-05/589 dated 17.02.2014, the Program was improved and the Supervisory Board approved it in the new edition on 11.12.2014 (Minutes No. A01/223-ПП-НС).

The Program includes a detailed description of methods for non-core

assets sale; it specifies the order of sales actions execution. Criteria of claimants' permission to sales, procedure for determining the winners, time frames of any sales stages are outlined. Articles, describing in details the information support of sales and requirements to the documents, provided by the sales participants, are included. The amendments are based on the provisions of the Federal Law No. 178-ФЗ dated 21.12.2001 On Privatization of state and municipal property

In 2015, as part of work continuation on the improvement of mechanisms for disposal of non-core assets of the Company, with account of the results of numerous discussions with members of the Supervisory Board and representative of Rosimushchestvo, a new edition of the Program for disposal of non-core assets of PJSC ALROSA (hereinafter - the Program) was prepared.

The Program clarifies some aspects of assets sale by tender.

Ranking of assets on their cost is introduced. In regard to the property of depreciated book value or market value more than RUB 500 mn, an extended period for customers' application submission is established. Moreover, such property cannot be disposed by the sale with price unannounced.

Asset sale of balance or market value more than RUB 1 (one) bn by the search of strategic investor will be performed with the assistance of an investment advisor through many-sided competitive negotiations.

In regard to the assets in the form of shares (stakes in authorized capital) of business entities there is introduced an obligation of notification of the Supervisory Board by the Executive Committee:

- on the fact of declaration of a bidding process as void;
- on the beginning of the asset sale procedure at below-market prices, determined by the assessor at the time of making a decision on the assets sale by the Supervisory Board;
- on the beginning of the asset sale procedure at price below the price

determined by the assessor at the time of making a decision on the assets sale by the Supervisory Board, if after this decision taking a new assessment of the market value of the asset is performed.

Draft of a new edition of the Program has been examined and adopted by Rosimushchestvo without objections (Letter No. 05/46722 dated 06.11.2015).

On 22.12.2015 the Supervisory Board (Minutes No. A01/238-ПП-НС) approved the Non-core Assets Disposal Program and Sections II and III of the Register of non-core assets of PJSC ALROSA in a new edition, instructed the Executive Committee of the Company to represent the Section I of the Register in the form of shares (stakes in authorized capital) of business entities under consideration of the Supervisory Board of PJSC ALROSA in the I quarter of 2016.



## 6.10. INFORMATION ON MAJOR TRANSACTIONS, INTERESTED PARTY TRANSACTIONS, APPROVED BY THE SUPERVISORY BOARD AND THE GENERAL MEETING OF SHAREHOLDERS

### INFORMATION ON MAJOR TRANSACTIONS

Recognized in accordance with the Federal Law On Joint-Stock Companies No. 208-ФЗ dated 26.12.1995 the major transactions were not performed by the Company in 2015.

| <i>Counterparties and participants in the transactions</i> | <i>Subject of the contract</i>    | <i>Currency of the contract</i> |
|--|-----------------------------------|---------------------------------|
| ALROSA Air Company Limited                                 | Aircraft services                 | RUB                             |
| ALROSA Air Company Limited                                 | Aircraft services                 | RUB                             |
| ALROSA Air Company Limited                                 | Aircraft services                 | RUB                             |
| ALROSA Air Company Limited                                 | Lease of non-residential premises | RUB                             |
| ALROSA Air Company Limited                                 | Property lease                    | RUB                             |
| ALROSA Air Company Limited                                 | Provision of services             | RUB                             |
| ALROSA Air Company Limited                                 | Fuels and lubricants              | RUB                             |
| JSC Almazy Anabara   | Real estate lease                 | RUB                             |
| JSC Almazy Anabara   | Provision of services             | RUB                             |
| JSC Almazy Anabara   | Property lease                    | RUB                             |
| JSC Almazy Anabara   | Provision of services             | RUB                             |
| JSC Shipping company ALROSA-Lena                           | Fuels and lubricants              | RUB                             |
| JSC NPP Bourestnik   | Lease of non-residential premises | RUB                             |
| CJSC MMC Timir   | Property lease                    | RUB                             |
| OJSC ALROSA-Gas  | Provision of services             | RUB                             |
| OJSC ALROSA-Gas  | Real estate lease                 | RUB                             |
| OJSC ALROSA-Gas  | Real estate lease                 | RUB                             |





| <i>Contract amount in rouble terms</i> | <i>Parties, recognized as interested in transaction</i> | <i>Governing body, determined on approval</i> |
|--|---|---|
| 388,543.00                             | interested member of the Executive Committee            | Supervisory Board                             |
| 1,057,285.00                           | interested member of the Executive Committee            | Supervisory Board                             |
| 2,125,068.00                           | interested member of the Executive Committee            | Supervisory Board                             |
| 20,748,764.12                          | interested member of the Executive Committee            | Supervisory Board                             |
| 60,035,713.14                          | interested member of the Executive Committee            | Supervisory Board                             |
| 918,037,388.00                         | interested member of the Executive Committee            | Supervisory Board                             |
| 1,127,227,534.63                       | interested member of the Executive Committee            | Supervisory Board                             |
| 158,031.50                             | interested member of the Executive Committee            | Supervisory Board                             |
| 5,000,000.00                           | interested member of the Executive Committee            | Supervisory Board                             |
| 13,243,599.00                          | interested member of the Executive Committee            | Supervisory Board                             |
| 830,000,000.00                         | interested member of the Executive Committee            | Supervisory Board                             |
| 27,241,557.29                          | interested member of the Executive Committee            | Supervisory Board                             |
| 140,361.32                             | interested member of the Executive Committee            | Supervisory Board                             |
| 128,740.36                             | interested member of the Executive Committee            | Supervisory Board                             |
| 162,689.90                             | interested member of the Executive Committee            | Supervisory Board                             |
| 4,451,832.00                           | interested member of the Executive Committee            | Supervisory Board                             |
| 20,374,960.00                          | interested member of the Executive Committee            | Supervisory Board                             |

|                                  |                                   |     |
|----------------------------------|-----------------------------------|-----|
| ALROSA Air Company Limited       | Aircraft services                 | RUB |
| ALROSA Air Company Limited       | Aircraft services                 | RUB |
| ALROSA Air Company Limited       | Aircraft services                 | RUB |
| ALROSA Air Company Limited       | Lease of non-residential premises | RUB |
| ALROSA Air Company Limited       | Property lease                    | RUB |
| ALROSA Air Company Limited       | Provision of services             | RUB |
| ALROSA Air Company Limited       | Fuels and lubricants              | RUB |
| JSC Almazy Anabara               | Real estate lease                 | RUB |
| JSC Almazy Anabara               | Provision of services             | RUB |
| JSC Almazy Anabara               | Property lease                    | RUB |
| JSC Almazy Anabara               | Provision of services             | RUB |
| JSC Shipping company ALROSA-Lena | Fuels and lubricants              | RUB |
| JSC NPP Bourestnik               | Lease of non-residential premises | RUB |
| CJSC MMC Timir                   | Property lease                    | RUB |
| OJSC ALROSA-Gas                  | Provision of services             | RUB |
| OJSC ALROSA-Gas                  | Real estate lease                 | RUB |
| OJSC ALROSA-Gas                  | Real estate lease                 | RUB |
| OJSC ALROSA-Gas                  | Fuels and lubricants              | RUB |
| JSC Nizhne-Lenskoe               | Provision of services             | RUB |
| JSC Nizhne-Lenskoe               | Provision of services             | RUB |
| LLC ALROSA-Spetsbureniye         | Equipment lease                   | RUB |
| LLC ALROSA-Spetsbureniye         | Fuels and lubricants              | RUB |
| PJSC ALROSA-Nyurba               | Real estate lease                 | RUB |
| PJSC ALROSA-Nyurba               | Fuels and lubricants              | RUB |
| PJSC ALROSA-Nyurba               | Provision of services             | RUB |
| PJSC ALROSA-Nyurba               | Geological contract               | RUB |
| PJSC ALROSA-Nyurba               | Provision of services             | RUB |
| ALROSA Air Company Limited       | Aircraft services                 | RUB |
| LLC ALROSA-Spetsbureniye         | Paid services                     | RUB |
| OJSC Almazy Mir                  | Lease of non-residential premises | RUB |

|                  |  |                   |
|------------------|--|-------------------|
| 388,543.00       | interested member of the Executive Committee | Supervisory Board |
| 1,057,285.00     | interested member of the Executive Committee | Supervisory Board |
| 2,125,068.00     | interested member of the Executive Committee | Supervisory Board |
| 20,748,764.12    | interested member of the Executive Committee | Supervisory Board |
| 60,035,713.14    | interested member of the Executive Committee | Supervisory Board |
| 918,037,388.00   | interested member of the Executive Committee | Supervisory Board |
| 1,127,227,534.63 | interested member of the Executive Committee | Supervisory Board |
| 158,031.50       | interested member of the Executive Committee | Supervisory Board |
| 5,000,000.00     | interested member of the Executive Committee | Supervisory Board |
| 13,243,599.00    | interested member of the Executive Committee | Supervisory Board |
| 830,000,000.00   | interested member of the Executive Committee | Supervisory Board |
| 27,241,557.29    | interested member of the Executive Committee | Supervisory Board |
| 140,361.32       | interested member of the Executive Committee | Supervisory Board |
| 128,740.36       | interested member of the Executive Committee | Supervisory Board |
| 162,689.90       | interested member of the Executive Committee | Supervisory Board |
| 4,451,832.00     | interested member of the Executive Committee | Supervisory Board |
| 20,374,960.00    | interested member of the Executive Committee | Supervisory Board |
| 23,143,374.16    | interested member of the Executive Committee | Supervisory Board |
| 5,000,000.00     | interested member of the Executive Committee | Supervisory Board |
| 760,000,000.00   | interested member of the Executive Committee | Supervisory Board |
| 1,888,770.99     | interested member of the Executive Committee | Supervisory Board |
| 39,569,166.13    | interested member of the Executive Committee | Supervisory Board |
| 307,454.00       | interested member of the Executive Committee | Supervisory Board |
| 548,681.50       | interested member of the Executive Committee | Supervisory Board |
| 14,510,000.00    | interested member of the Executive Committee | Supervisory Board |
| 439,417,000.00   | interested member of the Executive Committee | Supervisory Board |
| 2,275,000,000.00 | interested member of the Executive Committee | Supervisory Board |
| 4,040,623.00     | interested member of the Executive Committee | Supervisory Board |
| 701,620.92       | interested member of the Executive Committee | Supervisory Board |
| 20,536,055.59    | interested member of the Executive Committee | Supervisory Board |

|  |   |     |
|--|---|-----|
| ALROSA Air Company Limited   | Aircraft services                               | RUB |
| ALROSA Air Company Limited   | Lease of non-residential premises               | RUB |
| JSC Almazy Anabara   | Storage of and refill with fuels and lubricants | RUB |
| LLC ALROSA-Spetsbureniye   | Drilling  | RUB |
| JSC Almazy Anabara   | Provision of services                           | RUB |
| OJSC ALROSA-Gas  | Provision of services                           | RUB |
| OJSC ALROSA-Gas  | Construction contract                           | RUB |
| LLC ALROSA-Spetsbureniye   | Paid services                                   | RUB |
| ALROSA Air Company Limited   | Property lease                                  | RUB |
| JSC Almazy Anabara   | Property storage                                | RUB |
| JSC NPP Bourestnik   | Spares  | RUB |
| Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) | Real estate lease                               | RUB |
| OJSC ALROSA-Gas  | Heat supply contract                            | RUB |
| OJSC ALROSA-Gas  | Power supply contract                           | RUB |
| LLC VTB Strakhovanie Insurance company                                     | Insurance services                              | USD |
| JSC Almazy Anabara   | Provision of services                           | RUB |
| JSC Shipping company ALROSA-Lena   | Cargo transportation                            | RUB |
| PJSC Severalmaz  | Lease of non-residential premises               | RUB |
| OJSC ALROSA-Gas  | Fuels and lubricants                            | RUB |
| ALROSA Air Company Limited   | Aircraft services                               | RUB |
| ALROSA Air Company Limited   | Lease of non-residential premises               | RUB |
| LLC ALROSA-Spetsbureniye   | Performance of work                             | RUB |
| JSC NPP Bourestnik   | Lease of non-residential premises               | RUB |
| LLC ALROSA-Spetsbureniye   | Performance of work                             | RUB |
| OJSC Almazny Mir   | Lease of non-residential premises               | RUB |
| LLC ALROSA-Spetsbureniye   | Provision of services                           | RUB |
| OJSC ALROSA-Gas  | Paid services                                   | RUB |
| LLC ALROSA-Spetsbureniye   | Explosives                                      | RUB |
| LLC ALROSA-Spetsbureniye   | Provision of services                           | RUB |
| PJSC Severalmaz  | Issuance of a loan                              | RUB |

|                |   |                                 |
|----------------|---|---------------------------------|
| 7,747,287.00   | interested member of the Executive Committee                        | Supervisory Board               |
| 26,977,088.63  | interested member of the Executive Committee                        | Supervisory Board               |
| 232,722.44     | interested member of the Executive Committee                        | Supervisory Board               |
| 11,719,736.00  | interested member of the Executive Committee                        | Supervisory Board               |
| 101,446.80     | interested member of the Executive Committee                        | Supervisory Board               |
| 227,235.66     | interested member of the Executive Committee                        | Supervisory Board               |
| 5,732,440.00   | interested member of the Executive Committee                        | Supervisory Board               |
| 90,000.00      | interested member of the Executive Committee                        | Supervisory Board               |
| 3,080,038.78   | interested member of the Executive Committee                        | Supervisory Board               |
| 4,001,371.08   | interested member of the Executive Committee                        | Supervisory Board               |
| 10,301,539.23  | interested member of the Executive Committee                        | Supervisory Board               |
| 125,764.58     | interested shareholder  | Supervisory Board               |
| 78,187.86      | interested member of the Executive Committee                        | Supervisory Board               |
| 466,494.59     | interested member of the Executive Committee                        | Supervisory Board               |
| 140,000.00     | interested members of the Supervisory Board and Executive Committee | General Meeting of Shareholders |
| 588,720.88     | interested member of the Executive Committee                        | Supervisory Board               |
| 9,862,180.22   | interested member of the Executive Committee                        | Supervisory Board               |
| 326,079.93     | interested member of the Executive Committee                        | Supervisory Board               |
| 377,155.95     | interested member of the Executive Committee                        | Supervisory Board               |
| 63,461.00      | interested member of the Executive Committee                        | Supervisory Board               |
| 27,030,012.31  | interested member of the Executive Committee                        | Supervisory Board               |
| 4,987,643.00   | interested member of the Executive Committee                        | Supervisory Board               |
| 147,379.43     | interested member of the Executive Committee                        | Supervisory Board               |
| 14,414,899.00  | interested member of the Executive Committee                        | Supervisory Board               |
| 56,474,153.78  | interested member of the Executive Committee                        | Supervisory Board               |
| 215,483.59     | interested member of the Executive Committee                        | Supervisory Board               |
| 300,000.00     | interested member of the Executive Committee                        | Supervisory Board               |
| 1,209,687.00   | interested member of the Executive Committee                        | Supervisory Board               |
| 3,705,460.00   | interested member of the Executive Committee                        | Supervisory Board               |
| 850,000,000.00 | interested member of the Executive Committee                        | Supervisory Board               |

|                                  |                               |     |
|----------------------------------|-------------------------------|-----|
| LLC ALROSA-Spetsbureniye         | Paid services                 | RUB |
| OJSC ALROSA-Gas                  | Chemicals                     | RUB |
| JSC NPP Bourevestnik             | Research and development work | RUB |
| JSC NPP Bourevestnik             | Research and development work | RUB |
| JSC NPP Bourevestnik             | Research and development work | RUB |
| OJSC Almazny Mir                 | Paid services                 | RUB |
| JSC Almazny Anabara              | Real estate                   | RUB |
| LLC ALROSA-Spetsbureniye         | Explosives                    | RUB |
| JSC Shipping company ALROSA-Lena | Cargo transportation          | RUB |
| LLC ALROSA-Spetsbureniye         | Drilling                      | RUB |
| PJSC Severalmaz                  | Research and survey work      | RUB |
| JSC NPP Bourevestnik             | Screening equipment           | RUB |
| LLC ALROSA-Spetsbureniye         | Motor transport               | RUB |
| ALROSA Air Company Limited       | Cargo transportation          | RUB |
| ALROSA Air Company Limited       | Aircraft services             | RUB |
| ALROSA Air Company Limited       | Aircraft services             | RUB |
| ALROSA Air Company Limited       | Property lease                | RUB |
| ALROSA Air Company Limited       | Provision of services         | RUB |
| ALROSA Air Company Limited       | Aircraft services             | RUB |
| ALROSA Air Company Limited       | Provision of services         | RUB |
| PJSC ALROSA-Nyurba               | Geological exploration        | RUB |
| PJSC ALROSA-Nyurba               | Geological exploration        | RUB |
| PJSC ALROSA-Nyurba               | Geological contract           | RUB |
| OJSC Vilyuiskaya HPP-3           | Provision of services         | RUB |
| ALROSA Air Company Limited       | Aircraft services             | RUB |
| OJSC ALROSA-Gas                  | Fuels and lubricants          | RUB |
| LLC ALROSA-Spetsbureniye         | Fuels and lubricants          | RUB |
| PJSC ALROSA-Nyurba               | Fuels and lubricants          | RUB |
| JSC Shipping company ALROSA-Lena | Transport services            | RUB |
| ALROSA Air Company Limited       | Aircraft services             | RUB |

|                |  |                   |
|----------------|--|-------------------|
| 188,623.00     | interested member of the Executive Committee | Supervisory Board |
| 200,307.01     | interested member of the Executive Committee | Supervisory Board |
| 11,420,806.99  | interested member of the Executive Committee | Supervisory Board |
| 19,021,366.62  | interested member of the Executive Committee | Supervisory Board |
| 20,317,479.73  | interested member of the Executive Committee | Supervisory Board |
| 169,200.00     | interested member of the Executive Committee | Supervisory Board |
| 21,601,442.00  | interested member of the Executive Committee | Supervisory Board |
| 3,272,832.00   | interested member of the Executive Committee | Supervisory Board |
| 585,971,443.37 | interested member of the Executive Committee | Supervisory Board |
| 56,400,671.00  | interested member of the Executive Committee | Supervisory Board |
| 4,189,961.70   | interested member of the Executive Committee | Supervisory Board |
| 26,829,893.09  | interested member of the Executive Committee | Supervisory Board |
| 2,432,627.95   | interested member of the Executive Committee | Supervisory Board |
| 950,000.00     | interested member of the Executive Committee | Supervisory Board |
| 29,294.00      | interested member of the Executive Committee | Supervisory Board |
| 149,701.00     | interested member of the Executive Committee | Supervisory Board |
| 1,127,608.02   | interested member of the Executive Committee | Supervisory Board |
| 2,183,260.00   | interested member of the Executive Committee | Supervisory Board |
| 6,162,224.00   | interested member of the Executive Committee | Supervisory Board |
| 182,135,063.00 | interested member of the Executive Committee | Supervisory Board |
| 453,474.00     | interested member of the Executive Committee | Supervisory Board |
| 690,244.54     | interested member of the Executive Committee | Supervisory Board |
| 2,389,370.20   | interested member of the Executive Committee | Supervisory Board |
| 1,151,160.12   | interested member of the Executive Committee | Supervisory Board |
| 89,301.00      | interested member of the Executive Committee | Supervisory Board |
| 75,881.02      | interested member of the Executive Committee | Supervisory Board |
| 106,151.37     | interested member of the Executive Committee | Supervisory Board |
| 2,182.39       | interested member of the Executive Committee | Supervisory Board |
| 11,776,452.22  | interested member of the Executive Committee | Supervisory Board |
| 52,580.00      | interested member of the Executive Committee | Supervisory Board |

|   |                                   |     |
|---|-----------------------------------|-----|
| ALROSA Air Company Limited                | Aircraft services                 | RUB |
| ALROSA Air Company Limited                | Aircraft services                 | RUB |
| JSC Nizhne-Lenskoe                        | Paid services                     | RUB |
| JSC Nizhne-Lenskoe                        | Paid services                     | RUB |
| LLC ALROSA-Spetsbureniye                  | Provision of services             | RUB |
| JSC NPP Bourestnik                        | Equipment                         | RUB |
| JSC NPP Bourestnik                        | Equipment                         | RUB |
| PJSC ALROSA-Nyurba                        | Provision of services             | RUB |
| PJSC Severalmaz                           | Measuring equipment               | RUB |
| JSC Almazy Anabara                        | Scientific and survey work        | RUB |
| OJSC ALROSA-Gas                           | Provision of services             | RUB |
| OJSC ALROSA-Gas                           | Gas supply contract               | RUB |
| LLC ALROSA-Spetsbureniye                  | Paid services                     | RUB |
| OJSC ALROSA-Gas                           | Paid services                     | RUB |
| LLC ALROSA-Spetsbureniye                  | Paid services                     | RUB |
| OJSC ALROSA-Gas                           | Training services                 | RUB |
| Suntartseolit LLC                         | Machinery                         | RUB |
| PJSC ALROSA-Nyurba                        | Real estate lease                 | RUB |
| JSC Shipping company ALROSA-Lena          | Cargo transportation              | RUB |
| CJSC ALROSA-Torg                          | Food commodities                  | RUB |
| PJSC ALROSA-Nyurba                        | Property lease                    | RUB |
| JSC Almazy Anabara                        | Provision of services             | RUB |
| PJSC ALROSA-Nyurba                        | Provision of services             | RUB |
| JSC Golubaya Volna Resort                 | Sanatorium and spa treatment      | RUB |
| JSC NPP Bourestnik                        | Training services                 | RUB |
| JSC NPP Bourestnik                        | Training services                 | RUB |
| JSC Almaznaya Osen Non-State Pension Fund | Lease of non-residential premises | RUB |
| JSC NPP Bourestnik                        | Training services                 | RUB |
| JSC NPP Bourestnik                        | Training services                 | RUB |
| JSC Almazy Anabara                        | Personal estate                   | RUB |



|                  |  |                   |
|------------------|--|-------------------|
| 761,098.00       | interested member of the Executive Committee | Supervisory Board |
| 35,412,683.00    | interested member of the Executive Committee | Supervisory Board |
| 87,929.77        | interested member of the Executive Committee | Supervisory Board |
| 8,904,988.00     | interested member of the Executive Committee | Supervisory Board |
| 27,060,580.00    | interested member of the Executive Committee | Supervisory Board |
| 4,351,279.13     | interested member of the Executive Committee | Supervisory Board |
| 14,411,958.63    | interested member of the Executive Committee | Supervisory Board |
| 5,148,000.00     | interested member of the Executive Committee | Supervisory Board |
| 323,190.00       | interested member of the Executive Committee | Supervisory Board |
| 818 802.44       | interested member of the Executive Committee | Supervisory Board |
| 2,124,000.00     | interested member of the Executive Committee | Supervisory Board |
| 2,448,428,000.00 | interested member of the Executive Committee | Supervisory Board |
| 45,270.52        | interested member of the Executive Committee | Supervisory Board |
| 10,620.00        | interested member of the Executive Committee | Supervisory Board |
| 3,540.00         | interested member of the Executive Committee | Supervisory Board |
| 21,523.20        | interested member of the Executive Committee | Supervisory Board |
| 66,590.00        | interested member of the Executive Committee | Supervisory Board |
| 3,381,994.00     | interested member of the Executive Committee | Supervisory Board |
| 133,536,189.16   | interested member of the Executive Committee | Supervisory Board |
| 12,987,000.00    | interested member of the Executive Committee | Supervisory Board |
| 11,947,006.76    | interested member of the Executive Committee | Supervisory Board |
| 138,990.99       | interested member of the Executive Committee | Supervisory Board |
| 45,116,870.80    | interested member of the Executive Committee | Supervisory Board |
| 681,255.72       | interested member of the Executive Committee | Supervisory Board |
| 115,990.93       | interested member of the Executive Committee | Supervisory Board |
| 171,430.85       | interested member of the Executive Committee | Supervisory Board |
| 133,664.14       | interested member of the Executive Committee | Supervisory Board |
| 124,090.45       | interested member of the Executive Committee | Supervisory Board |
| 195,729.41       | interested member of the Executive Committee | Supervisory Board |
| 7,127,906.82     | interested member of the Executive Committee | Supervisory Board |

|   |                                   |     |
|---|-----------------------------------|-----|
| JSC Almazy Anabara  | Motor transport                   | RUB |
| JSC Almazy Anabara  | Automotive vehicles               | RUB |
| Almazik Autonomous Non-Profit Pre-School Education Organization | Paid services                     | RUB |
| ALROSA Air Company Limited                                      | Chemicals                         | RUB |
| JSC NPP Bourestnik  | Equipment                         | RUB |
| OJSC ALROSA-Gas   | Lease of non-residential premises | RUB |
| OJSC ALROSA-Gas   | Property lease                    | RUB |
| OJSC ALROSA-Gas   | Real estate lease                 | RUB |
| LLC ALROSA-Spetsbureniye  | Provision of services             | RUB |
| PJSC Severalmaz   | Field supervision                 | RUB |
| JSC Shipping company ALROSA-Lena                                | Cargo transportation              | RUB |
| JSC Almazy Anabara  | Provision of services             | RUB |
| OJSC ALROSA-Gas   | Training services                 | RUB |
| JSC Almaznaya Osen Non-State Pension Fund                       | Co-investment                     | RUB |
| JSC NPP Bourestnik  | Electrical equipment              | RUB |
| ALROSA Air Company Limited                                      | Aircraft services                 | RUB |
| JSC Almaznaya Osen Non-State Pension Fund                       | Health services                   | RUB |
| OJSC Almazny Mir  | Health services                   | RUB |
| LLC ALROSA-Spetsbureniye  | Provision of services             | RUB |
| ALROSA Air Company Limited                                      | Aircraft services                 | RUB |
| ALROSA Air Company Limited                                      | Aircraft services                 | RUB |
| JSC Sakhaneftegazsbyt   | Provision of services             | RUB |
| JSC Sakhaneftegazsbyt   | Provision of services             | RUB |
| JSC Sakhaneftegazsbyt   | Provision of services             | RUB |
| LLC ALROSA-Spetsbureniye  | Construction contract             | RUB |
| JSC Shipping company ALROSA-Lena                                | Paid services                     | RUB |
| OJSC Vilyuiskaya HPP-3  | Health services                   | RUB |
| LLC ALROSA-Spetsbureniye  | Construction contract             | RUB |
| ALROSA Air Company Limited                                      | Aircraft services                 | RUB |
| OJSC ALROSA-Gas   | Provision of services             | RUB |

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|------------------|--|-------------------|
| 8,083,442.50     | interested member of the Executive Committee | Supervisory Board |
| 11,296,993.14    | interested member of the Executive Committee | Supervisory Board |
| 1,501.98         | interested member of the Executive Committee | Supervisory Board |
| 170,176.14       | interested member of the Executive Committee | Supervisory Board |
| 427,850,300.00   | interested member of the Executive Committee | Supervisory Board |
| 727,058.42       | interested member of the Executive Committee | Supervisory Board |
| 13,952,348.00    | interested member of the Executive Committee | Supervisory Board |
| 86,750,768.00    | interested member of the Executive Committee | Supervisory Board |
| 108,730.69       | interested member of the Executive Committee | Supervisory Board |
| 6,858,589.52     | interested member of the Executive Committee | Supervisory Board |
| 67,252,621.17    | interested member of the Executive Committee | Supervisory Board |
| 3,027,039.01     | interested member of the Executive Committee | Supervisory Board |
| 32,851.20        | interested member of the Executive Committee | Supervisory Board |
| 300,000,000.00   | interested member of the Executive Committee | Supervisory Board |
| 1,032,992.98     | interested member of the Executive Committee | Supervisory Board |
| 1,470,907.00     | interested member of the Executive Committee | Supervisory Board |
| 34,580.00        | interested member of the Executive Committee | Supervisory Board |
| 204,000.00       | interested member of the Executive Committee | Supervisory Board |
| 15,973,513.86    | interested member of the Executive Committee | Supervisory Board |
| 904,555.00       | interested member of the Executive Committee | Supervisory Board |
| 1,000,000.00     | interested member of the Executive Committee | Supervisory Board |
| 10,473.72        | interested shareholder                       | Supervisory Board |
| 25,170.43        | interested shareholder                       | Supervisory Board |
| 330,282.26       | interested shareholder                       | Supervisory Board |
| 3,434,092,850.00 | interested member of the Executive Committee | Supervisory Board |
| 222,114.57       | interested member of the Executive Committee | Supervisory Board |
| 51,100.00        | interested member of the Executive Committee | Supervisory Board |
| 53,000,000.00    | interested member of the Executive Committee | Supervisory Board |
| 767,244.00       | interested member of the Executive Committee | Supervisory Board |
| 4,083,829.00     | interested member of the Executive Committee | Supervisory Board |

|   |                                   |     |
|---|-----------------------------------|-----|
| ALROSA Air Company Limited                | Aircraft services                 | RUB |
| ALROSA Air Company Limited                | Property lease                    | RUB |
| OJSC Vilyuiskaya HPP-3                    | Issuance of a loan                | RUB |
| JSC Almazy Anabara                        | Explosives                        | RUB |
| LLC ALROSA-Spetsbureniye                  | Paid services                     | RUB |
| OJSC ALROSA-Gas                           | Health services                   | RUB |
| ALROSA Air Company Limited                | Training services                 | RUB |
| OJSC ALROSA-Gas                           | Provision of services             | RUB |
| OJSC ALROSA-Gas                           | Building materials                | RUB |
| LLC ALROSA-Spetsbureniye                  | Drilling                          | RUB |
| PJSC Severalmaz                           | Research and survey work          | RUB |
| JSC Almazy Anabara                        | Real estate                       | RUB |
| OJSC ALROSA-Gas                           | Real estate lease                 | RUB |
| PJSC Severalmaz                           | Issuance of a loan                | RUB |
| OJSC Almazny Mir                          | Lease of non-residential premises | RUB |
| PJSC Severalmaz                           | Scientific and survey work        | RUB |
| JSC Almazy Anabara                        | Scientific and survey work        | RUB |
| JSC Golubaya Volna Resort                 | Sanatorium and spa treatment      | RUB |
| LLC ALROSA-Spetsbureniye                  | Issuance of a loan                | RUB |
| OJSC Vilyuiskaya HPP-3                    | Provision of services             | RUB |
| OJSC Vilyuiskaya HPP-3                    | Provision of services             | RUB |
| PJSC Severalmaz                           | Issuance of a loan                | RUB |
| JSC Almaznaya Osen Non-State Pension Fund | Co-investment                     | RUB |
| OJSC Vilyuiskaya HPP-3                    | Real estate lease                 | RUB |
| Suntartseolit LLC                         | Coal and coke                     | RUB |
| JSC Almazy Anabara                        | Issuance of a loan                | RUB |
| JSC Almaznaya Osen Non-State Pension Fund | Co-investment                     | RUB |
| JSC Almaznaya Osen Non-State Pension Fund | Co-investment                     | RUB |
| OJSC ALROSA-Gas                           | Training services                 | RUB |
| ALROSA Air Company Limited                | Fuels and lubricants              | RUB |

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|------------------|--|-------------------|
| 71,293.00        | interested member of the Executive Committee | Supervisory Board |
| 603,874.44       | interested member of the Executive Committee | Supervisory Board |
| 5,525,000,000.00 | interested member of the Executive Committee | Supervisory Board |
| 2,861,643.00     | interested member of the Executive Committee | Supervisory Board |
| 67,493.29        | interested member of the Executive Committee | Supervisory Board |
| 582,400.00       | interested member of the Executive Committee | Supervisory Board |
| 35,400.00        | interested member of the Executive Committee | Supervisory Board |
| 107,203.62       | interested member of the Executive Committee | Supervisory Board |
| 2,299,425.17     | interested member of the Executive Committee | Supervisory Board |
| 9,540,260.00     | interested member of the Executive Committee | Supervisory Board |
| 12,856,863.46    | interested member of the Executive Committee | Supervisory Board |
| 2,548,060.00     | interested member of the Executive Committee | Supervisory Board |
| 692,114.00       | interested member of the Executive Committee | Supervisory Board |
| 408,000,000.00   | interested member of the Executive Committee | Supervisory Board |
| 14,000.00        | interested member of the Executive Committee | Supervisory Board |
| 7,262,462.63     | interested member of the Executive Committee | Supervisory Board |
| 589,426.96       | interested member of the Executive Committee | Supervisory Board |
| 413,640.00       | interested member of the Executive Committee | Supervisory Board |
| 39,400,000.00    | interested member of the Executive Committee | Supervisory Board |
| 2,113,567.62     | interested member of the Executive Committee | Supervisory Board |
| 33,484,180.00    | interested member of the Executive Committee | Supervisory Board |
| 842,000,000.00   | interested member of the Executive Committee | Supervisory Board |
| 38,414,000.00    | interested member of the Executive Committee | Supervisory Board |
| 107,176.70       | interested member of the Executive Committee | Supervisory Board |
| 1,028,000.00     | interested member of the Executive Committee | Supervisory Board |
| 5,000,000,000.00 | interested member of the Executive Committee | Supervisory Board |
| 69,885,832.00    | interested member of the Executive Committee | Supervisory Board |
| 180,320,103.00   | interested member of the Executive Committee | Supervisory Board |
| 25,488.00        | interested member of the Executive Committee | Supervisory Board |
| 10,944.66        | interested member of the Executive Committee | Supervisory Board |

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|--|--|-----|
| Almazik Autonomous Non-Profit Pre-School Education Organization            | Property lease                           | RUB |
| JSC Almazy Anabara   | On cooperation                           | RUB |
| PJSC ALROSA-Nyurba   | Provision of services                    | RUB |
| Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) | Land lease                               | RUB |
| Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) | Land lease                               | RUB |
| Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) | Land lease                               | RUB |
| Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) | Land lease                               | RUB |
| Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) | Land lease                               | RUB |
| Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) | Land lease                               | RUB |
| Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) | Land lease                               | RUB |
| Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) | Land lease                               | RUB |
| LLC ALROSA-Spetsbureniye   | Drilling                                 | RUB |
| OJSC ALROSA-Gas  | Training services                        | RUB |
| ALROSA Air Company Limited   | Provision of services                    | RUB |
| ALROSA Air Company Limited   | Airport and ground handling of aircrafts | RUB |
| ALROSA Air Company Limited   | Airport and ground handling of aircrafts | RUB |
| ALROSA Air Company Limited   | Airport and ground handling of aircrafts | RUB |
| ALROSA Air Company Limited   | Airport and ground handling of aircrafts | RUB |
| ALROSA Air Company Limited   | Airport and ground handling of aircrafts | RUB |
| ALROSA Air Company Limited   | Airport and ground handling of aircrafts | RUB |
| Almazik Autonomous Non-Profit Pre-School Education Organization            | Real estate lease                        | RUB |
| OJSC ALROSA-Gas  | Real estate lease                        | RUB |
| JSC Almazy Anabara   | Provision of services                    | RUB |
| JSC Almazy Anabara   | Measuring equipment                      | RUB |
| OJSC ALROSA-Gas  | Heat supply contract                     | RUB |
| OJSC ALROSA-Gas  | Power supply contract                    | RUB |
| LLC ALROSA-Spetsbureniye   | Drilling                                 | RUB |
| JSC NPP Bourestnik   | Maintenance                              | RUB |
| PJSC ALROSA-Nyurba   | Property lease                           | RUB |
| JSC Shipping company ALROSA-Lena   | Paid services                            | RUB |

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|----------------|--|-------------------|
| 7,530,447.96   | interested member of the Executive Committee | Supervisory Board |
| 12,295,620.85  | interested member of the Executive Committee | Supervisory Board |
| 39,845,835.26  | interested member of the Executive Committee | Supervisory Board |
| 41,315.55      | interested shareholder                       | Supervisory Board |
| 138,382.49     | interested shareholder                       | Supervisory Board |
| 146,350.72     | interested shareholder                       | Supervisory Board |
| 332,262.00     | interested shareholder                       | Supervisory Board |
| 1,004,199.34   | interested shareholder                       | Supervisory Board |
| 1,612,416.69   | interested shareholder                       | Supervisory Board |
| 3,634,851.65   | interested shareholder                       | Supervisory Board |
| 6,053,935.21   | interested shareholder                       | Supervisory Board |
| 9,431,114.00   | interested member of the Executive Committee | Supervisory Board |
| 67,968.00      | interested member of the Executive Committee | Supervisory Board |
| 1,401,336.78   | interested member of the Executive Committee | Supervisory Board |
| 5,420,314.00   | interested member of the Executive Committee | Supervisory Board |
| 25,646,926.00  | interested member of the Executive Committee | Supervisory Board |
| 48,329,611.00  | interested member of the Executive Committee | Supervisory Board |
| 73,975,969.00  | interested member of the Executive Committee | Supervisory Board |
| 27,365,525.00  | interested member of the Executive Committee | Supervisory Board |
| 503,726,179.00 | interested member of the Executive Committee | Supervisory Board |
| 27,096,412.16  | interested member of the Executive Committee | Supervisory Board |
| 4,412,140.00   | interested member of the Executive Committee | Supervisory Board |
| 110,917.09     | interested member of the Executive Committee | Supervisory Board |
| 246,978.72     | interested member of the Executive Committee | Supervisory Board |
| 161,428.00     | interested member of the Executive Committee | Supervisory Board |
| 532,084.00     | interested member of the Executive Committee | Supervisory Board |
| 82,118,683.00  | interested member of the Executive Committee | Supervisory Board |
| 7,545,467.76   | interested member of the Executive Committee | Supervisory Board |
| 11,006,609.46  | interested member of the Executive Committee | Supervisory Board |
| 483,497.73     | interested member of the Executive Committee | Supervisory Board |

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|---|--|-----|
| PJSC Severalmaz                           | Scientific and survey work               | RUB |
| JSC Nizhne-Lenskoe                        | Production of diamonds                   | RUB |
| JSC Shipping company ALROSA-Lena          | Paid services                            | RUB |
| LLC ALROSA-Spetsbureniye                  | Provision of services                    | RUB |
| ALROSA Air Company Limited                | Aircraft services                        | RUB |
| OJSC ALROSA-Gas                           | Provision of services                    | RUB |
| OJSC ALROSA-Gas                           | Motor transport services                 | RUB |
| JSC NPP Bourestnik                        | Measuring equipment                      | RUB |
| PJSC Severalmaz                           | Research and survey work                 | RUB |
| ALROSA Air Company Limited                | Agency contract                          | RUB |
| OJSC ALROSA-Gas                           | Fuels and lubricants                     | RUB |
| LLC ALROSA-Spetsbureniye                  | Explosives                               | RUB |
| JSC Almaznaya Osen Non-State Pension Fund | Co-investment                            | RUB |
| OJSC ALROSA-Gas                           | Training services                        | RUB |
| OJSC ALROSA-Gas                           | Provision of services                    | RUB |
| LLC ALROSA-Spetsbureniye                  | Drilling                                 | RUB |
| PJSC Severalmaz                           | Property lease                           | RUB |
| LLC ALROSA-Spetsbureniye                  | Provision of services                    | RUB |
| ALROSA Air Company Limited                | Aircraft services                        | RUB |
| LLC ALROSA-Spetsbureniye                  | Provision of services                    | RUB |
| JSC NPP Bourestnik                        | Measuring instrumentations               | RUB |
| LLC ALROSA-Spetsbureniye                  | Performance of work                      | RUB |
| OJSC ALROSA-Gas                           | Provision of services                    | RUB |
| PJSC Severalmaz                           | Research and survey work                 | RUB |
| JSC Almazny Anabara                       | Issuance of a loan                       | RUB |
| ALROSA Air Company Limited                | Aircraft services                        | RUB |
| ALROSA Air Company Limited                | Airport and ground handling of aircrafts | RUB |
| JSC Almazny Anabara                       | Paid services                            | RUB |
| ALROSA Air Company Limited                | Airport and ground handling of aircrafts | RUB |
| ALROSA Air Company Limited                | Aircraft services                        | RUB |



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|----------------|--|-------------------|
| 7,262,462.63   | interested member of the Executive Committee | Supervisory Board |
| 4,348,676.93   | interested member of the Executive Committee | Supervisory Board |
| 33,788.36      | interested member of the Executive Committee | Supervisory Board |
| 3,842,932.20   | interested member of the Executive Committee | Supervisory Board |
| 7,223,449.00   | interested member of the Executive Committee | Supervisory Board |
| 7,715.89       | interested member of the Executive Committee | Supervisory Board |
| 296,768.80     | interested member of the Executive Committee | Supervisory Board |
| 127,121.40     | interested member of the Executive Committee | Supervisory Board |
| 650,352.28     | interested member of the Executive Committee | Supervisory Board |
| 40,000,000.00  | interested member of the Executive Committee | Supervisory Board |
| 21,455,695.49  | interested member of the Executive Committee | Supervisory Board |
| 4,358,002.00   | interested member of the Executive Committee | Supervisory Board |
| 39,190,000.00  | interested member of the Executive Committee | Supervisory Board |
| 24,544.00      | interested member of the Executive Committee | Supervisory Board |
| 536,640.00     | interested member of the Executive Committee | Supervisory Board |
| 1,228,072.00   | interested member of the Executive Committee | Supervisory Board |
| 512,710.00     | interested member of the Executive Committee | Supervisory Board |
| 35,270.52      | interested member of the Executive Committee | Supervisory Board |
| 8,535,384.47   | interested member of the Executive Committee | Supervisory Board |
| 20,587.68      | interested member of the Executive Committee | Supervisory Board |
| 37,006,269.38  | interested member of the Executive Committee | Supervisory Board |
| 3,165,450.00   | interested member of the Executive Committee | Supervisory Board |
| 164,730.00     | interested member of the Executive Committee | Supervisory Board |
| 8,884,133.86   | interested member of the Executive Committee | Supervisory Board |
| 800,000,000.00 | interested member of the Executive Committee | Supervisory Board |
| 13,570.00      | interested member of the Executive Committee | Supervisory Board |
| 35,564,121.00  | interested member of the Executive Committee | Supervisory Board |
| 13,736,380.00  | interested member of the Executive Committee | Supervisory Board |
| 12,452,773.00  | interested member of the Executive Committee | Supervisory Board |
| 762,720.00     | interested member of the Executive Committee | Supervisory Board |

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|----------------------------|--|-----|
| OJSC Vilyuiskaya HPP-3     | Air tickets                              | RUB |
| OJSC Vilyuiskaya HPP-3     | Air tickets                              | RUB |
| OJSC Vilyuiskaya HPP-3     | Air tickets                              | RUB |
| ALROSA Air Company Limited | Airport and ground handling of aircrafts | RUB |
| LLC ALROSA-Spetsbureniye   | Drilling                                 | RUB |
| JSC Golubaya Volna Resort  | Sanatorium and spa treatment             | RUB |
| LLC ALROSA-Spetsbureniye   | Drilling                                 | RUB |
| LLC ALROSA-Spetsbureniye   | Drilling                                 | RUB |
| JSC Sakhaneftegazsbyt      | Fuels and lubricants                     | RUB |
| JSC Sakhaneftegazsbyt      | Fuels and lubricants                     | RUB |
| PJSC ALROSA-Nyurba         | Geological contract                      | RUB |
| PJSC ALROSA-Nyurba         | Research and technical services          | RUB |
| ALROSA Air Company Limited | Aircraft services                        | RUB |
| LLC ALROSA-Spetsbureniye   | Provision of services                    | RUB |
| ALROSA Air Company Limited | Fuels and lubricants                     | RUB |
| JSC Almazy Anabara         | Sorting and valuation of diamond         | RUB |
| JSC Nizhne-Lenskoe         | Sorting and valuation of diamond         | RUB |
| LLC ALROSA-Spetsbureniye   | Health services                          | RUB |
| JSC NPP Bourestnik         | Training services                        | RUB |
| JSC NPP Bourestnik         | Training services                        | RUB |
| OJSC Vilyuiskaya HPP-3     | Performance of work                      | RUB |
| ALROSA Air Company Limited | Fuels and lubricants                     | RUB |
| ALROSA Air Company Limited | Aircraft services                        | RUB |
| LLC ALROSA-Spetsbureniye   | Construction contract                    | RUB |
| JSC NPP Bourestnik         | Measuring equipment                      | RUB |
| LLC ALROSA-Spetsbureniye   | Provision of services                    | RUB |
| OJSC ALROSA-Gas            | Training services                        | RUB |
| OJSC ALROSA-Gas            | Training services                        | RUB |
| LLC ALROSA-Spetsbureniye   | Drilling                                 | RUB |
| LLC ALROSA-Spetsbureniye   | Property storage                         | RUB |

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|------------------|--|-------------------|
| 2,000,000.00     | interested member of the Executive Committee | Supervisory Board |
| 3,000,000.00     | interested member of the Executive Committee | Supervisory Board |
| 5,000,000.00     | interested member of the Executive Committee | Supervisory Board |
| 27,869,419.00    | interested member of the Executive Committee | Supervisory Board |
| 5,201,962.74     | interested member of the Executive Committee | Supervisory Board |
| 183,469,188.00   | interested member of the Executive Committee | Supervisory Board |
| 137,089,285.73   | interested member of the Executive Committee | Supervisory Board |
| 176,426,731.00   | interested member of the Executive Committee | Supervisory Board |
| 56,820,613.51    | interested shareholder                       | Supervisory Board |
| 290,537,308.44   | interested shareholder                       | Supervisory Board |
| 19,097,000.00    | interested member of the Executive Committee | Supervisory Board |
| 6,814,500.00     | interested member of the Executive Committee | Supervisory Board |
| 1,453,145.00     | interested member of the Executive Committee | Supervisory Board |
| 9,263,647.00     | interested member of the Executive Committee | Supervisory Board |
| 207,044.21       | interested member of the Executive Committee | Supervisory Board |
| 14,206,341.31    | interested member of the Executive Committee | Supervisory Board |
| 14,796,538.02    | interested member of the Executive Committee | Supervisory Board |
| 450,800.00       | interested member of the Executive Committee | Supervisory Board |
| 111,941.17       | interested member of the Executive Committee | Supervisory Board |
| 199,779.17       | interested member of the Executive Committee | Supervisory Board |
| 923,033.36       | interested member of the Executive Committee | Supervisory Board |
| 12,545,906.81    | interested member of the Executive Committee | Supervisory Board |
| 21,228,145.00    | interested member of the Executive Committee | Supervisory Board |
| 1,552,150,266.00 | interested member of the Executive Committee | Supervisory Board |
| 582,942.42       | interested member of the Executive Committee | Supervisory Board |
| 944,000.00       | interested member of the Executive Committee | Supervisory Board |
| 2,643.20         | interested member of the Executive Committee | Supervisory Board |
| 174,451.20       | interested member of the Executive Committee | Supervisory Board |
| 27,046,248.70    | interested member of the Executive Committee | Supervisory Board |
| 59,501.10        | interested member of the Executive Committee | Supervisory Board |

## 6.11. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The report on compliance with principles and recommendations of the Corporate Governance Code was developed and prepared in accordance with Recommendations of the Bank of Russia No. IH-06-52/8 On Disclosure in the annual report of a public joint-stock company of the report on compliance with principles and recommendations of the Corporate Governance Code dated 17.02.2016.

This report on compliance with principles and recommendations of the Corporate Governance Code was reviewed by the Supervisory Board of PJSC ALROSA at meeting on April 28, 2016. Supervisory Board confirms that the represented data in this report contains complete and accurate information on compliance with principles and recommendations of the Corporate Governance Code by the Company for the year 2015.

| No. of item | Corporate governance principles   | Criteria for evaluation of compliance with the principle of corporate governance   | Status of compliance with the principle of corporate governance | Explanation of deviation from criteria for evaluation of compliance with the principle of corporate governance |
|-------------|---|--|---|--|
| <b>1.1</b>  | <b>The Company shall ensure an equal and fair treatment of all shareholders in the exercise of their right to participate in the governance of the Company.</b>   |  |   |  |
| 1.1.1       | The Company creates the most favourable conditions for participation at the General meeting, conditions for formulation of sound position on agenda of General meeting, coordination of its actions, as well as the possibility to express their opinion on issues under consideration. | <ol style="list-style-type: none"> <li>1. An internal document of the Company, approved by the General Meeting of the shareholders and defining procedures for holding of the General Meeting is available to the public.</li> <li>2. The Company provides the accessible method of communication with it, such as "hot line", e-mail or forum on the Internet, allowing the shareholders to express their opinion and address the questions in relation to the agenda during the procedure of preparation for the General Meeting. The mentioned actions were undertaken by the Company the day before each General Meeting, passed in the reporting period.</li> </ol> | complied with   |  |
| 1.1.2       | Procedure of General meeting notification and materials provision to the General Meeting gives the shareholders the possibility to prepare for participation in a proper manner.  | <ol style="list-style-type: none"> <li>1. General meeting notification is placed (posted) at web-site on the Internet not less than 30 days before the date of General Meeting.</li> <li>2. Meeting's location and documents required for access into the building are specified in the meeting notification.</li> <li>3. Shareholders were provided with the access to information</li> </ol>   | complied with   |  |

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| 1.1.1 |  | concerning who suggested the agenda and who nominated the candidates to the Board of Directors and Auditing Committee of the Company.  | complied with |  |
| 1.1.3 | During the preparation and holding of the General Meeting shareholders had an opportunity freely and timely to obtain the information on the Meeting and materials to it, to ask the questions to executive bodies and members of the Board of Directors, and to communicate with one another. | <ol style="list-style-type: none"> <li>1. In the reporting period, shareholders had an opportunity to ask questions to members of the executive bodies and the Board of Directors of the Company the day before and during the holding of the annual General Meeting.</li> <li>2. An attitude of the Board of Directors (including dissenting opinion, introduced in the Minutes), on each of the issues of the agenda of the General meeting, held in the reporting period, was included in the materials to the General meeting of shareholders.</li> <li>3. The Company provided the shareholders, having the right for it, the access to the list of persons, having the right to participate in the General meeting, from the date of its receipt by the Company, in all cases of holding the General meeting in the reporting period.</li> </ol> | complied with |  |
| 1.1.4 | Exercise of a shareholder's right to call for the General meeting, nominate the candidates to the governance bodies and propose for inclusion them in the agenda of the General meeting was not associated with needless complexity.   | <ol style="list-style-type: none"> <li>1. In reporting period shareholders had an opportunity to propose for an inclusion in the agenda of the annual General meeting within not less than 60 days after the ending of the relevant calendar year.</li> <li>2. In the reporting period the Company did not refuse the acceptance of</li> </ol>   | complied with |  |

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| 1.1.5 | Each shareholder had an opportunity to exercise the right to vote freely in the easiest and convenient for him way.   | 1. Internal document (internal policy) of the Company contains the regulations, according to which every participant of the General meeting may require the copy of bulletin filled by them and certified by Counting board before the finishing of the relevant meeting.  | complied with |
| 1.1.6 | Established by the Company procedure of holding the General meeting provides the equal opportunity for all persons, attending the meeting, to express their opinion and to ask questions of their interest. | <p>1. In reporting period the holding of the General meetings of shareholders in the form of meeting (joint attendance of shareholders) sufficient time for the reports on agenda and time for these issues discussion was provided.</p> <p>2. Candidates to the governance and supervision bodies of the Company were available for answers to the questions of shareholders at the meeting, where their candidacies were nominated for voting.</p> <p>3. The Board of Directors within taking the decisions, related to preparation and holding of the General meetings of shareholders, considered the use of telecommunications to provide the shareholders a remote access for participation in the General meetings in reporting period.</p> | complied with |

**1.2 The shareholders have been given an equal and fair opportunity to participate in the Company's profits through dividends receipt.**

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| 1.2.1 | The Company developed and introduced transparent and understandable methods to calculate the amount of dividends and their payment.  | <ol style="list-style-type: none"> <li>1. The Company developed, approved by the Board of Directors and disclosed the dividend policy.</li> <li>2. If the dividend policy of the Company uses indicators of the Company's reporting to calculate the amount of dividends, the appropriate regulations of the dividend policy take into account the consolidated indicators of financial reporting.</li> </ol>  | complied with |  |
| 1.2.2 | The Company does not take a decision on the dividends payment, if such decision, officially complying with limitations, established by the legislation, is economically unjustified and may lead to creation of false presentations on the Company's activity. | <ol style="list-style-type: none"> <li>1. Dividend policy of the Company contains clear directions for financial/ economic conditions, when the Company shall not pay the dividends.</li> </ol>  | complied with |  |
| 1.2.3 | The Company does not allow the impairment of dividend rights of current shareholders.  | <ol style="list-style-type: none"> <li>1. In reporting period the Company did not take actions, leading to the impairment of dividend rights of current shareholders.</li> </ol>   | complied with |  |
| 1.2.4 | The Company tends to exclude the use by shareholders of other ways to receive the profit (income) at the Company's expense, besides the dividends and disposal value.  | <ol style="list-style-type: none"> <li>1. To exclude the other ways for receipt of profit (income) by shareholders at the Company's expense, besides the dividends and disposal value, the control methods are established in internal documents of the Company, which provide early recognition and procedure of transactions approval with parties, affiliated (related) with substantial shareholders (persons, having right to control the votes, attached to the voting shares), in cases when the law officially does not recognize such transactions as interested party transactions.</li> </ol> | complied with |  |

**1.3 The system and practice of the corporate governance ensure equal conditions for all shareholders - owners of shares of one category (type), including minority (small) shareholders and foreign shareholders, as well as equal treatment of them by the Company.**

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| 1.3.1 | The Company developed the conditions for fair treatment of every shareholder from the side of governance bodies and controlling persons of the Company, including conditions, providing inadmissibility of abuses from the side of major shareholders in relation to minority shareholders. | 1. Within the reporting period procedures to control the potential conflicts of interest of substantial shareholders are effective, and the Board of Directors paid due attention to conflicts between shareholders, if any | complied with |  |
| 1.3.2 | The Company does not take actions, which lead or may lead to artificial redistribution of corporate governance.   | 1. Quasi treasury shares are absent or have not participated in the voting within the reporting period.   | complied with |  |

**1.4 Shareholders are provided with reliable and efficient methods of share rights consideration, as well as the possibility of free and easy disposal of their shares.**

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| 1.4 | Shareholders are provided with reliable and efficient methods of share rights consideration, as well as the possibility of free and easy disposal of their shares. | 1. Quality and reliability of the activities on maintenance of securities holders register, performed by the Company's registrar, correspond to needs of the Company and its shareholders. | complied with |  |
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**2.1 The Board of Directors performs the strategic governance by the Company, determines the main principles and approaches to the organization in the Company of risk management and internal control system, controls the activity of executive bodies of the Company, and implements the other key functions.**

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| 2.1.1 | The Board of Directors is responsible for taking the decisions, related to the assignment and release from the held positions of executive bodies, including improper execution of their duties. The Board of Directors also supervises to ensure executive bodies of the Company act in accordance with the approved development strategies and core activities of the Company. | 1. The Board of Directors has powers, fixed in the Charter, to assign, release from the held position and determine the terms and conditions of agreements with respect to the members of executive bodies.<br>2. The Board of Directors considered the report (reports) of individual executive body and members of collective executive body on the implementation of the Company's strategy. | complied with |  |
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| 2.1.2 | <p>The Board of Directors establishes the guiding principles of the Company's activities for the long-term period, estimates and approves key performance indicators and main business objectives of the Company, estimates and approves the strategy and business plans on core business of the Company.</p> | <p>1. During the reporting period, the issues, related to the progress of implementation and updating of the strategy, approval of financial and economic plan (budget) of the Company, and consideration of criteria and indicators (including intermediate) of implementation of the strategy and business plans of the Company was considered at meetings of the Board of Directors.</p> | <p>complied with</p>           |  |
| 2.1.3 | <p>The Board of Directors determines the principles and approaches to arrange the risk management and internal control system in the Company.</p>   | <p>1. The Board of Directors determined the principles and approaches to arrange the risk management and internal control system in the Company.<br/>2. The Board of Directors assessed the risk management and internal control system of the Company within the reporting period.</p>   | <p>partially complied with</p> | <p>1. The Supervisory Board of the Company determined the principles and approaches to organization of the risk management and internal control system of the Company by approval of the Policy on risk management (approved on 11.12.2014, Minutes No. A01/223-ПР-НС), Provisions for risk management (approved on 10.11.2015, Minutes No. A01/236-ПР-НС), and the Regulations on the procedures of internal control for financial and economic activity of PJSC ALROSA (approved by the decision on 16.03.2012 (Minutes No. 179), with amendments, approved on 09.12.2012 (Minutes No. 185)).<br/>2. For the purposes of regulatory and methodological support of the processes of risk management system, in reporting period the Company developed the portfolio of methodological documents, regulating the operation of risk management system (informational regulations for risk management, risk classifier, risk assessment methodology, risk management system assessment methodology). In 2016, it is planned to study the present portfolio of documents for approval, and to start the preparation of information on risks (report of risks) for the Supervisory Board of the Company.</p> |

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| 2.1.4 | The Board of Directors determines the policy of the Company on remuneration and (or) reimbursement of expenses (compensations) for members of the Board of Directors, executive bodies and other key officers of the Company. | <ol style="list-style-type: none"> <li>1. In the Company policy (policies) on remuneration and (or) reimbursement of expenses (compensations) for members of the Board of Directors, executive bodies and other key officers of the Company, approved by the Board of Directors, is developed and implemented.</li> <li>2. Within the reporting period the issues related to the mentioned policy (policies) have been considered at the meetings of the Board of Directors.</li> </ol> | complied with |  |
| 2.1.5 | The Board of Directors plays key role in prevention, reveal and settlement of internal conflicts between bodies, shareholders and workers of the Company.   | <ol style="list-style-type: none"> <li>1. The Board of Directors plays key role in prevention, reveal and settlement of internal conflicts.</li> <li>2. The Company developed the transactions identification system, related to the conflict of interest, and measures, oriented to the settlement of such conflicts.</li> </ol>   | complied with |  |
| 2.1.6 | The Board of Directors plays key role in providing transparency of the Company, full and timely disclosure of information, easy access for shareholders to the Company's documents.   | <ol style="list-style-type: none"> <li>1. The Board of Directors approved the Regulations on information policy.</li> <li>2. Persons, responsible for the implementation of the information policy, are determined in the Company.</li> </ol>   | complied with |  |
| 2.1.7 | The Board of Directors controls the practice of corporate governance in the Company and plays key role in essential corporate events of the Company.  | <ol style="list-style-type: none"> <li>1. Within the reporting period the Board of Directors considered the problem of corporate governance practice in the Company.</li> </ol>   | complied with |  |

## 2.2 The Board of Directors is accountable to the Company's shareholders

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| 2.2.1 | Information on the work of the Board of Directors is disclosed and provided to the shareholders. | <ol style="list-style-type: none"> <li>1. The Annual report of the Company for the reporting period includes the information on meetings attendance of Board of Directors and committees by particular Directors.</li> <li>2. The Annual report contains the information on the main assessment results of the work of Board of Directors, performed within the reporting period.</li> </ol> | complied with |  |
| 2.2.2 | The Chairman of the Board of Directors is contactable for the Company's shareholders.            | <ol style="list-style-type: none"> <li>1. There is a transparent procedure in the Company, providing the shareholders with the opportunity to submit questions to the Chairman of the Board of Directors and their attitude to them.</li> </ol>  | complied with |  |

## 2.3 The Board of Directors is efficient and professional governance body of the Company, able to make independent objective estimation and take decisions that meet public interest and interests of shareholders

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| 2.3.1 | Only persons with excellent business and personal reputation and with knowledge, skills and experience, necessary for making decisions, relating to the responsibility of the Board of Directors and required for effective performance of its functions shall be elected members of the Board of Directors. | <ol style="list-style-type: none"> <li>1. Accepted in the Company the assessment procedure of work efficiency of the Board of Directors includes the assessment of professional skills of the members of the Board of Directors.</li> <li>2. In the reporting period the Board of Directors (or its Nomination Committee) assessed the candidates to the Board of Directors in the context of their necessary experience, knowledge, business reputation, absence of interest conflict, etc.</li> </ol> | complied with |  |
| 2.3.2 | The members of the Board of Directors of the Company are elected by the transparent procedure, allowing the shareholders to get information on the candidates, sufficient to form the perception about their personal and professional qualities.  | <ol style="list-style-type: none"> <li>1. In all cases of holding the General meeting of shareholders in reporting period, the agenda of which included the issues on the election of the Board of Directors, the Company provided shareholders with biographic information of all candidates to the Board of Directors, results</li> </ol>   | complied with |  |

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|            |  | of candidates assessment, performed by the Board of Directors (or its Nomination Committee), and the information of candidate's compliance with the independence criteria, in accordance with Recommendations 102 - 107 of the Code and written consent of candidates for election to the Board of Directors. |               |  |
| 2.3.3      | The Board of Directors is balanced, including the qualifications of its members, their experience, knowledge and business qualities, and is in confidence of shareholders.   | 1. Within the procedure of work assessment of the Board of Directors, performed in the reporting period, the Board of Directors analysed its needs in the field of professional qualification, experience and business skills.  | complied with |  |
| 2.3.4      | Number of members of the Board of Directors gives the opportunity to organize the activities of the Board of Directors in the most efficient manner, including the possibility to form the committees of the Board of Directors, as well as provides an opportunity to significant minority shareholders of the Company to elect the candidate for whom they vote in the Board of Directors.       | 1. Within the procedure of the Board of Directors assessment, performed in the reporting period, the Board of Directors discussed the compliance of number of the members of the Board of Directors with the Company's need and shareholders' interests.  | complied with |  |
| <b>2.4</b> | <b>The Board of Directors consists of sufficient number of Independent Directors</b>   |   |               |  |
| 2.4.1      | An Independent Director is a person, who has sufficient professional competence, experience and independence to establish their own attitude, can judge objectively and conscientiously, independent from the influence of the executive bodies of the Company, certain groups of shareholders or other interested parties. It should be noted that in normal conditions the candidate (an elected | 1. In the reporting period all independent members of the Board of Directors fit all independence criteria specified in the Recommendations 102-107 of the Code, or were recognized as independent by the decision of the Board of Directors.   | complied with |  |

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|       | <p>member of the Board of Directors), who is connected to the Company, its sufficient shareholder, sufficient counterparty or competitor of the Company or related to the state cannot be considered as independent.</p>  |  |                          |  |
| 2.4.2 | <p>An assessment of candidates' compliance to members of Board of Directors with the independence criteria is held, and regular analyses of compliance of independent members of the Board of Directors with the independence criteria is performed. The assessment content should prevail over the form.</p> | <p>1. In reporting period the Board of Directors (or Nomination Committee of the Board of Directors) formed a judgement on independence of each candidate to the Board of Directors and presented to shareholders the relevant conclusion.<br/>2. For reporting period the Board of Directors (or Nomination Committee of the Board of Directors) at least one time considered the independence of current members of the Board of Directors, whom the Company indicates in the annual report as the Independent Directors.<br/>3. In the Company the procedures determining necessary actions of the member of the Board of Directors if they cease to be independent, including obligations to timely inform the Board of Directors on this are developed.</p> | <p>complied with</p>     |  |
| 2.4.3 | <p>Independent directors shall comprise not less than one-third of the elected members of the Board of Directors.</p>   | <p>1. Independent directors shall comprise not less than one-third of the members of the Board of Directors.</p>   | <p>not complied with</p> | <p>In accordance with Listing Rules of MICEX CJSC there are 3 Independent Directors in the Supervisory Board</p> |
| 2.4.4 | <p>Independent directors play key role in prevention of internal conflicts in the Company and in significant corporate actions of the Company.</p>  | <p>1. Independent directors (who have no conflict of interest) assess preliminary the major corporate actions, related to the possible conflict of interest, and the Board of Directors is provided with the assessment results.</p>   | <p>complied with</p>     |  |

| 2.5   | <b>The Chairman of the Board of Directors contributes to more effective implementation of the functions assigned to the Board of Directors.</b>  |   |                         |   |
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| 2.5.1 | An Independent Director is elected to be the Chairman of the Board of Directors; or a senior Independent Director is elected among Independent Directors who coordinates the work of Independent Directors and is responsible for interaction with the Chairman of the Board of Directors. | 1. Chairman of the Board of Directors is an Independent Director, or a senior Independent Director is elected among Independent Directors <sup>39</sup> .<br>2. Role, rights and obligations of the Chairman of the Board of Directors (and a senior Independent Director, if applicable) are duly determined in internal documents of the Company. | complied with           |   |
| 2.5.2 | The Chairman of the Board of Directors provides the constructive atmosphere of meeting's holding, free discussion of the meeting's agenda, control of the execution of decisions taken by the Board of Directors.  | 1. Work efficiency of the Chairman of the Board of Directors was estimated within the procedure of efficiency assessment of the Board of Directors in reporting period.   | partially complied with | Work efficiency assessed by the HR and Remunerations Committee under the Supervisory Board of PJSC ALROSA on 09.10.2015 |
| 2.5.3 | Chairman of the Board of Directors shall take necessary measures for timely provision of information to members of the Board of Directors, necessary for decision making on the agenda.  | 1. An obligation of the Chairman of the Board of Directors to take measures to ensure the timely provision of materials to members of the Board of Directors on the agenda of the meeting of the Board is fixed in internal documents of the Company.   | complied with           |   |

| 2.6   | <b>Members of the Board of Directors act reasonably and in good faith in the interests of the Company and its shareholders on the basis of sufficient information awareness, with due care and diligence.</b> |  |               |  |
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| 2.6.1 | Members of the Board of Directors take decisions with all available information, no conflict of interest, and equal attitude to the Company's shareholders, within the ordinary business risk.                | <ol style="list-style-type: none"> <li>1. Internal documents of the Company establish that the member of the Board of Directors shall notify the Board, if they have a conflict of interest concerning any issue of the agenda at the meeting of the Board of Directors or committee of the Board of Directors, prior to the discussion of the relevant agenda's issue.</li> <li>2. Internal documents of the Company provide that the member of the Board of Directors shall abstain from voting on any issue, in which they have a conflict of interest.</li> <li>3. The Company established the procedure which allows the Board of Directors to receive professional consultations on issues within its competence at the Company's expenses.</li> </ol> | complied with |  |
| 2.6.2 | Rights and obligations of the members of the Board of Directors are clearly defined and fixed in internal documents of the Company.   | <ol style="list-style-type: none"> <li>1. The Company adopted and published an internal document, clearly defining the rights and obligations of the members of the Board of Directors.</li> </ol>   | complied with |  |
| 2.6.3 | Members of the Board of Directors have sufficient time to perform their obligations.  | <ol style="list-style-type: none"> <li>1. Individual attendance of the Board and committee meetings, and the time devoted to the preparation for participation at meetings, was taken into account during the assessment procedure of the Board of Directors, in reporting period.</li> <li>2. In accordance with internal documents of the Company, members of the Board of Directors shall notify the Board of Directors on their intention to join the governance bodies of other organizations (besides subordinated</li> </ol>  | complied with |  |

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|            |  | and related organizations of the company), as well as the fact of such assignment.  |                         |   |
| 2.6.4      | All members of the Board of Directors have equal access to the documents and information of the Company. The newly elected members of the Board of Directors in maximum possible short time are provided by sufficient information about the Company and the work of the Board of Directors. | <ol style="list-style-type: none"> <li>1. In accordance with internal documents of the Company, members of the Board of Directors are entitled to access to documents and to make requests on the Company and organizations controlled by it, and executive bodies of the Company shall provide the relevant information and documentation.</li> <li>2. There is a formalized program of introductory events in the Company for newly elected members of the Board of Directors.</li> </ol> | partially complied with | Regulations on the Supervisory Board of PJSC ALROSA provide the right of the member of the Supervisory Board to get acquainted with all documents and materials of the Company, necessary to form an attitude on agenda of the meeting of the Supervisory Board. The Company does not plan the implementation of the formalized program of introductory events for newly elected members of the Board of Directors. |
| <b>2.7</b> | <b>The Board of Directors' meetings, preparation to them and participation of members of the Board of Directors ensures an effective operation of the Board of Directors</b>   |   |                         |   |
| 2.7.1      | Meetings of the Board of Directors are held if necessary, taking into account the scale of activity and challenges facing the Company in a certain period of time.   | <ol style="list-style-type: none"> <li>1. The Board of Directors held not less than six meetings during reporting period.</li> </ol>  | complied with           |   |
| 2.7.2      | Internal documents of the Company specify the procedure for preparation and holding the meetings of the Board of Directors that provides an opportunity for the members of the Board of Directors to adequately get prepared for the meeting.  | <ol style="list-style-type: none"> <li>1. The Company approved the internal document, specifying the procedure to prepare and hold the meetings of the Board of Directors, which establishes that notification on the meeting holding shall be done, as a rule, not less than 5 days prior to date of its holding.</li> </ol>   | complied with           |   |
| 2.7.3      | Form of holding the meeting of the Board of Directors is defined taking into account the importance of the agenda. The most important issues shall be solved at meetings held in person.   | <ol style="list-style-type: none"> <li>1. The Charter or internal document of the Company provides that the most important questions (according to the list given in recommendation 168 of the Code) shall be considered at the Board's meetings in person.</li> </ol>  | complied with           |   |



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| 2.7.4 | Decisions on the most important issues of the Company's activities are taken at meetings of the Board of Directors by the qualified majority or majority votes of all elected members of the Board of Directors. | 1. The Charter of the Company provides that decisions on the most important issues, stated in recommendation 170 of the Code, shall be taken at meeting of the Board of Directors by the qualified majority, not less than three fourths of votes, or by majority votes of all elected members of the Board of Directors. | partially complied with | In accordance with the Charter of the Company decisions on the following questions are taken by the majority of ¾ (three fourth) of votes of members of the Supervisory Board:<br>1. Announcement at the General meeting of shareholders on the reorganization or liquidation of the company.<br>2. Announcement at the General meeting of shareholders of issues on increase or decrease in the authorized capital of the Company, assets price (monetary value) determination, deposited as payment for placement of additional shares.<br>Clause 1.2 of Shareholders Agreement No. 01-05/533 dated 18.11.2013 provides that the Russian Federation and Republic of Sakha (Yakutia) undertakes to make every effort to coordinate by their representatives a unified position on the competence of the General Meeting of shareholders and Supervisory Board of the Company. |
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**2.8 The Board of Directors establishes committees for the preliminary consideration of the most important issues of the Company's activity.**

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| 2.8.1 | For preliminary discussion of the issues on control of financial and economic activity of the Company, Audit Committee, consisting of Independent Directors, has been established. | 1. The Board of Directors has formed an Audit Committee, consisting entirely of Independent Directors.<br>2. Internal documents of the Company determine the tasks of the Audit Committee, including tasks which are contained in Recommendation 172 of the Code.<br>3. At least one member of the Audit Committee, an Independent Director, has an experience and knowledge in the fields of preparation, analysis, assessment and audit of accounting (financial) reports.<br>4. Meetings of the Audit Committee were held at least once per quarter during the reporting period. | partially complied with | Not complied with number because of general lack of Independent Directors. |
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| 2.8.2 | For preliminary discussion of the questions, related to the development of the efficient and transparent remuneration practice, Remunerations Committee, consisting of Independent Directors and chaired by Independent Director, who is not a chairman of the Board of Directors, was established.   | <ol style="list-style-type: none"> <li>1. The Board of Directors established the Remunerations Committee, which consists only of Independent Directors.</li> <li>2. The Chairman of the Remunerations Committee is an independent director, who is not the Chairman of the Board of Directors.</li> <li>3. Internal documents of the Company determine the tasks of the Remunerations committee, including tasks which are contained in Recommendation 180 of the Code.</li> </ol>                                | partially complied with | Not complied with number because of general lack of Independent Directors.  |
| 2.8.3 | For preliminary discussion of personnel planning (succession planning) implementation, professional structure and efficiency of the Board of Directors' activities, Nomination Committee (appointments, personnel), most members of which are Independent Directors, was developed.   | <ol style="list-style-type: none"> <li>1. The Board of Directors established the Nomination Committee (or its tasks, specified in recommendation 186 of the Code, are implemented within the other Committee<sup>40</sup>), most members of which are Independent Directors.</li> <li>2. Internal documents of the Company determine the tasks of the Nomination Committee (or the relevant Committee with combined functions), including tasks which are contained in Recommendation 186 of the Code.</li> </ol> | partially complied with | Not complied with number in terms of general lack of Independent Directors. |
| 2.8.4 | Taking into account the scope of activities and risk level, the Board of Directors ascertained that the number of its committees fully meets the objectives of the Company. Additional committees were either established or were not deemed necessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Executive Committee, Budget Committee, Committee on health, safety and the environment, etc.). | 1. In reporting period the Board of Directors discussed the compliance of number of its committees with the tasks of the Board of Directors and the objectives of the Company's activities. Additional committees were either established or were not deemed necessary.   | complied with           |   |

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| 2.8.5 | The committees are defined in such a way that they allow a full discussion of the preliminary discussed issues, taking into account the different views. | <ol style="list-style-type: none"> <li>1. Committees of the Board of Directors are chaired by the Independent Directors.</li> <li>2. Internal documents (policies) of the Company include regulations, under which persons who are not members of the Audit Committee, the Nomination committee and the Remunerations Committee may attend the committee meetings only at the invitation of the Chairman of the relevant committee.</li> </ol> | partially complied with | Committees are chaired by Non-Executive Directors in accordance with the decision of the Supervisory Board of PJSC ALROSA dated 14.07.2015 (Minutes No. A01/233-PP-HC). |
| 2.8.6 | Chairmen of the Committees shall regularly inform the Board of Directors and its Chairman on the work of their committees.                               | <ol style="list-style-type: none"> <li>1. During the reporting period, the chairmen of the committees report regularly on the work of committees to the Board of Directors.</li> </ol>   | complied with           |   |

## 2.9 The Board of Directors ensures the performance of assessment of the Board of Directors, its committees and members of the Board of Directors

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| 2.9.1 | Assessment of the work quality of the Board of Directors is aimed at determining the degree of effectiveness of the Board of Directors, committees and members of the Boards, their work compliance with the development needs of the Company, activation of work of the Board of Directors and identification of areas wherein their work can be improved. | <ol style="list-style-type: none"> <li>1. Self-assessment and external evaluation of work of the Board of Directors, held during the reporting period, included the evaluation of the work of committees, individual members of the Board of Directors and the Board of Directors as a whole.</li> <li>2. The results of self-assessment and external evaluation of the Board of Directors, held during the reporting period, were discussed at the internal meeting of the Board of Directors.</li> </ol> | partially complied with | According to the method of evaluation of the Supervisory Board and its Committees, the Chairman, the members of the Supervisory Board and the Corporate Secretary, an external evaluation is carried out every three years; assessment by CJSC Board Solutions was performed in 2014. The evaluation results are reviewed by the Supervisory Board twice in 2014. The next evaluation will be performed in 2017. |
| 2.9.2 | Work assessment of the Board of Directors, committees and the members of the Board of Directors is performed on a regular basis at least once a year. To carry out an independent assessment of the work quality of the Board of Directors, an external organization (consultant) is involved at least once every three years.                              | <ol style="list-style-type: none"> <li>1. To carry out an independent assessment of the work quality of the Board of Directors for the past three reporting periods, at least once the Company was involved an external organization (consultant).</li> </ol>  | complied with           |  |

**3.1 Corporate Secretary of the Company carries out an effective current interaction with the shareholders, the company's coordinating actions to protect the rights and interests of shareholders, and support of the effective work of the Board of Directors.**

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| 3.1.1 | Corporate Secretary has the knowledge, experience and qualification, sufficient for the execution of his duties, a clean reputation and enjoys the confidence of shareholders. | 1. The Company adopted and disclosed an internal document – the Regulations on a Corporate Secretary.<br>2. The Company's website on the Internet and the annual report provides biographical information about the Corporate Secretary, with the same level of detail as to the members of the Board of Directors and executive management of the Company. | complied with |
| 3.1.2 | Corporate Secretary has sufficient independence from the executive bodies of the Company and has the necessary powers and resources to carry out assigned tasks.               | 1. The Board of Directors approves the appointment, removal from the post and the additional remuneration of the Corporate Secretary.   | complied with |

**4.1 The level of remuneration paid by the Company is sufficient to attract, motivate and retain persons with competence and expertise required for the Company. Payment of remuneration to the members of the Board of Directors, executive bodies and other key officers of the Company is made in accordance with the Remuneration Policy of the Company**

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| 4.1.1 | The level of remuneration provided by the Company to the members of the Board of Directors, executive bodies and other key officers, creates a sufficient motivation for their efficient work, allowing the Company to attract and retain competent and skilled specialists. The Company avoids the level of remuneration more than is necessary, as well as unjustifiably large gap between the levels of remuneration of the mentioned persons and workers of the Company. | 1. The Company adopted an internal document (documents) – the policy (policies) on the remuneration to members of the Board of Directors, executive bodies and other key officers, wherein approaches to the remuneration of these persons are clearly defined. | complied with |
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| 4.1.2 | Remuneration policy of the Company is developed by the Remunerations Committee and approved by the Board of Directors. The Board of Directors, with the support of the Remunerations Committee monitors the introduction and implementation of the Remuneration policy in the Company, and if necessary – reviews and makes adjustments to it. | 1. During the reporting period, the Remunerations Committee reviewed the Remuneration policy (policies) and practice of its implementation and, as necessary, provided appropriate recommendations to the Board of Directors.   | complied with |
| 4.1.3 | The remuneration policy of the Company contains transparent mechanisms to determine the remuneration of members of the Board of Directors, executive bodies and other key officers of the Company, as well as regulates all types of payments, benefits and privileges provided to the specified persons.                                      | 1. The Remuneration policy (policies) of the Company contains transparent mechanisms to determine the remuneration of members of the Board of Directors, executive bodies and other key officers of the company, as well as regulates all types of payments, benefits and privileges provided to the specified persons. | complied with |
| 4.1.4 | The Company determines the expenses recovery policy (compensation) specifying the list of reimbursable expenses and the level of service, on which the members of the Board of Directors, executive bodies and other key executives of the Company may pretend. This policy can be a part of the Remuneration policy of the Company.           | 1. Remuneration policy (policies) or any other internal documents of the Company establishes the reimbursement rules for member of the Board of Directors, executive bodies and other key officers of the Company.  | complied with |

**4.2 The system for remuneration of the members of the Board of Directors provides convergence of the directors’ financial interests and the shareholders’ long-term financial interests**

|       |  |  |               |
|-------|--|--|---------------|
| 4.2.1 | The Company pays a fixed annual remuneration to the members of the Board of Directors. The Company does not pay remuneration for participation in separate meetings of the Board of Directors or its committees. The Company does not use the short-term motivation form and additional remunerative incentives in respect of the members of the Board of Directors. | 1. Fixed annual remuneration was the only form of monetary remuneration of the Board members for their work in the Board of Directors during the reporting period. | complied with |
|-------|--|--|---------------|

|       |   |   |               |  |
|-------|---|---|---------------|--|
| 4.2.2 | Long-term ownership of the Company's shares to the utmost conduce the convergence of the financial interests of the members of the Board of Directors with the long-term interests of shareholders. However the Company does not stipulate the right to sell shares by achievement of certain activities indicators performance, and the members of the Board of Directors do not participate in stock options plans. | 1. If the internal document (documents) – the policy (policies) on remunerations of the Company include the provision of the company's shares to the members of the Board of Directors, clear rules of shares ownership by the members of the Board of Directors, aimed at promoting long-term ownership of such shares, shall be provided and disclosed.   | complied with |  |
| 4.2.3 | The Company does not provide any additional payments or compensations in case of early termination of powers of the members of the Board of Directors in connection with the transfer of control over the Company or other circumstances.   | 1. The Company does not provide any additional payments or compensations in case of early termination of powers of the members of the Board of Directors in connection with the transfer of control over the Company or other circumstances.  | complied with |  |
| 4.3   | <b>The system for remuneration of the Company's executive bodies and other key officers considers dependence of remuneration on the Company's performance and their personal contribution to this performance.</b>  |   |               |  |
| 4.3.1 | Remuneration of the executive bodies' members and other key officers of the Company is determined to provide a reasonable and justified ratio of fixed remuneration and variable remuneration, depending on the results of the Company performance and personal (individual) worker's contribution to the final result.   | 1. During the reporting period, annual rates of efficiency approved by the Board of Directors were used in determining the amount of variable remuneration of the members of executive bodies and other key officers of the Company.<br>2. Within the last performed remuneration system assessment of the members of executive bodies and other key officers of the Company, the Board of Directors (Remunerations Committee) ascertained that the Company uses effective ratio of the fixed remuneration and variable remuneration.<br>3. The Company provides a procedure which ensures a return to the Company of bonuses unlawfully obtained by members of the executive bodies and other key officers of the Company. | complied with |  |

|       |  |   |                          |  |
|-------|--|---|--------------------------|--|
| 4.3.2 | <p>The Company implemented a long-term motivation program for the members of executive bodies and other key officers of the Company, using the Company's shares (options or other derivative financial instruments whose underlying asset is shares of the Company).</p>   | <p>1. The Company implemented a long-term motivation program for the members of executive bodies and other key officers of the Company, using the Company's shares (financial instruments based on the Company's shares).<br/> 2. Long-term motivation program for the members of executive bodies and other key officers of the Company provides that the right to sell shares and other financial instruments used in such a program enters into force not earlier than three years from the date of their submission. In this case their implementation right is stipulated by the achievement of certain performance indicators of the Company.</p> | <p>not complied with</p> | <p>The Company is working to improve the quality of corporate governance, including the implementation of long-term motivation program for the members of executive bodies and other key officers of the Company. Currently, the Executive committee of the Company considered and recommended for approval by the Supervisory Board the draft on the long-term motivation program of officers of PJSC ALROSA.</p> |
| 4.3.3 | <p>The amount of compensation (golden handshake) paid by the Company in case of early termination of powers of the members of the executive bodies or key officers at the initiative of the Company and in the absence of unscrupulous actions from their part, does not exceed twofold amount of the fixed part of the annual remuneration.</p> | <p>1. The amount of compensation (golden handshake), paid by the Company in case of early termination of powers of the members of the executive bodies or key officers at the initiative of the Company and in the absence of unscrupulous actions from their part, in reporting period did not exceed twofold amount of the fixed part of the annual remuneration.</p>   | <p>complied with</p>     |  |

**5.1 A well-functioning of risk management and internal control system designed to ensure reasonable assurance of achieving the Company's objectives is established in the Company**

|       |  |   |                   |  |
|-------|--|---|-------------------|--|
| 5.1.1 | The Board of Directors of the Company set the principles and approaches to arrange the risk management and internal control system in the Company.   | 1. The functions of the various executive bodies and divisions of the Company in the risk management and internal control systems are clearly defined in the internal documents / the respective Company's policy approved by the Board of Directors.                         | complied with     |  |
| 5.1.2 | The executive bodies ensure the establishment and maintenance of an effective risk management and internal control system in the Company.  | 1. The executive bodies of the Company ensured the distribution of functions and responsibilities in respect of risk management and internal control between accountable to them the managers (heads) of divisions and departments.   | complied with     |  |
| 5.1.3 | Risk management and internal control system in the Company provides an objective, fair and clear picture of the current state and prospects of the Company, integrity and transparency of the Company's reporting, the reasonableness and acceptability of the risks taken by the Company. | 1. The Company approved a policy on combating the corruption.<br>2. The Company organized an affordable way to inform the Board of Directors or the Audit committee of the Board of Directors on breaches of legislation, internal procedures, code of ethics of the Company. | complied with     |  |
| 5.1.4 | The Board of Directors takes the necessary measures to ensure that the current risk management and internal control system of the Company meets the principles and approaches to its organization, defined by the Board of Directors, and functions effectively.                           | 1. During the reporting period, the Board of Directors or Audit Committee of the Board of Directors assessed the risk management and internal control system of the Company. Information on the main results of this assessment is included in the Company's annual report.   | not complied with | In the reporting year the Methodology for assessment of efficiency of risk management system (Order of the Company No. A01/248-П dated 05.10.2015) was developed and approved by the President of the Company. Due to the fact that the package of methodological documents regulating the functioning of the risk management system is planned to be considered for approval in 2016, the assessment of the effectiveness of the risk management system was not carried out. Development of Methodology for |



assessment of efficiency of internal control system is planned in 2016.

**5.2 The Company shall carry out internal audit for systematic independent evaluation of reliability and effectiveness of the risk management and internal control system, as well as corporate governance practices**

|       |   |   |                                |   |
|-------|---|---|--------------------------------|---|
| 5.2.1 | <p>For the purposes of the internal audit, the Company established a separate structural division or contracted an independent external organization. Functional and administrative accountability of the internal audit division are distinguished. Functional division of internal audit is subordinated to the Board of Directors.</p> | <p>1. To perform the internal audit in Company, a separate structural division of the internal audit, functionally accountable to the Board of Directors or to the Audit Committee is created, or independent external organization with the same principle of accountability is engaged.</p> | <p>complied with</p>           |   |
| 5.2.2 | <p>The division of internal audit assesses the effectiveness of internal control systems, the effectiveness of the risk management system, as well as corporate governance system</p> <p>The Company uses generally accepted activities' standards in the field of internal audit.</p>  | <p>1. During the reporting period within the internal audit, the effectiveness of internal control and risk management system is evaluated.</p> <p>2. The Company uses generally accepted approaches to internal control and risk management.</p>   | <p>partially complied with</p> | <p>1. In the reporting year, the Methodology for assessment of efficiency of risk management system (Order of the Company No. A01/248-П dated 05.10.2015) was developed and approved by the President of the Company. Due to the fact that the package of methodological documents regulating the functioning of the risk management system is planned to be considered for approval in 2016, the assessment of the effectiveness of the risk management system was not carried out. Development of Methodology for assessment of efficiency of internal control system is planned in 2016.</p> |

**6.1 The Company and its activities are transparent to the shareholders, investors and other stakeholders**

|       |   |   |                         |  |
|-------|---|---|-------------------------|--|
| 6.1.1 | The Company developed and implemented an information policy to ensure effective information interaction of the Company, shareholders, investors and other stakeholders.                       | <ol style="list-style-type: none"> <li>1. The Board of Directors of the Company approved an information policy of the Company, developed together with recommendations of the Code.</li> <li>2. The Board of Directors (or one of its committees) discussed the issues related to the Company's compliance with its information policy at least once during the reporting period.</li> </ol>  | complied with           |  |
| 6.1.2 | The Company discloses information on the system and practice of corporate governance, including detailed information on the implementation of the principles and recommendations of the Code. | <ol style="list-style-type: none"> <li>1. The Company discloses information on corporate governance system in the Company and the general principles of corporate governance applied in the Company, including at the Company's web-site.</li> <li>2. The Company discloses information on the number of the executive bodies and the Board of Directors, the independence of the Board members and their membership in the committees of the Board of Directors (as defined in the Code).</li> <li>3. If there is any person, controlling the Company, the Company publishes a memorandum of controlling person concerning the plans of the person in respect of corporate governance in the Company.</li> </ol> | partially complied with | The Company has no a shareholder with a share in the authorized capital, exceeding of 50% of the authorized capital. Rosimushchestvo and the Ministry of Land and Property Regulations, as major shareholders jointly controlling the Company, entered into Stockholders Agreement No. 01-05/533 dated 18.11.2013. In view of the established by legislation the complex distribution of competences between public authorities implementing powers of a shareholder on behalf of the Russian Federation and the Republic of Sakha (Yakutia) and officials, execution of the memorandum does not seem possible. Moreover the impossibility of memorandum to limit the powers of the major shareholders' governance bodies, which are expressly provided for by the legislation, makes this memorandum invalid. |

| 6.2   | <b>The Company promptly discloses complete, current and reliable information on the Company to provide an opportunity of taking reasonable decisions by the Company's shareholders and investors</b>                           |  |                      |  |
|-------|--|--|----------------------|--|
| 6.2.1 | <p>The Company discloses information in accordance with the principles of regularity, consistency and operational efficiency, as well as the availability, accuracy, completeness and comparability of the data disclosed.</p> | <ol style="list-style-type: none"> <li>1. Approaches and criteria for determining the information that could essentially affect the assessment of the Company and the cost of its securities and procedures, ensuring the timely disclosure of such information, are defined in the information policy of the Company.</li> <li>2. If the securities of the Company are traded on foreign organized markets, the disclosure of substantial information in the Russian Federation and in such markets is performed simultaneously and equivalently during the reporting year.</li> <li>3. If foreign shareholders hold a substantial amount of the Company's shares, then during the reporting year the disclosure of information was carried out not only in Russian, but also in one of the most common foreign languages.</li> </ol> | <p>complied with</p> |  |
| 6.2.2 | <p>The Company avoids a formal approach to the disclosure of information and reveals important information about their activities, even if such disclosure is not required by the legislation.</p>                             | <ol style="list-style-type: none"> <li>1. During the reporting period, the Company discloses the annual and semi-annual financial statements prepared under IFRS. The annual report of the Company for the reporting period included the annual financial statements that have been prepared in accordance with IFRS, together with the auditor's report.</li> <li>2. The Company shall disclose full information on the capital structure of the Company in accordance Recommendation 290 of the Code in the annual report and on the Company's web-site.</li> </ol>  | <p>complied with</p> |  |

**6.3 The Company provides the information and documents upon shareholders' requests in accordance with the principles of fairness and simplicity**

|       |   |   |               |
|-------|---|---|---------------|
| 6.3.1 | The information and documents are provided by the Company upon shareholders' requests in accordance with the principles of fairness and simplicity.   | 1. Information policy of the Company defines non-burdensome procedure of providing shareholders with access to information, including information about the legal entities controlled by the Company, at the request of the shareholders.   | complied with |
| 6.3.2 | Providing the information to the shareholders, the Company provides a reasonable balance between the interests of specific shareholders and the interests of the Company, which is interested in the preservation of important commercial information's confidentiality that may have a sufficient impact on its competitiveness. | 1. During the reporting period, the Company did not refuse to satisfy the shareholders' requests for information, or such refusals were justified.<br>2. In cases determined by the information policy of the Company, the shareholders are warned on the confidential nature of the information and take the responsibility to preserve its confidentiality. | complied with |

**7.1 Actions that significantly affect, or may affect the equity structure and the Company's financial position and, consequently, the position of the shareholders (major corporate actions) are taken on the basis of fair terms ensuring observance of rights and interests of the shareholders and other stakeholders**

|       |   |   |               |
|-------|---|---|---------------|
| 7.1.1 | Reorganization of the Company, the acquisition of 30 percent or more of voting shares (takeover), the Company's major transactions, increase or decrease in the authorized capital of the Company, the implementation of the listing and delisting of the shares of the Company, as well as other actions that may lead to a significant change in the rights of the shareholders or violation of their interests, are recognized as significant corporate actions. The Charter of the Company contains a list (criteria) of transactions or other actions that are significant corporate actions and such actions are within the competence of the Board of Directors. | 1. The Charter of the Company contains a list of transactions or other actions that are significant corporate actions and the criteria for their definition. Taking decisions regarding significant corporate actions is attributed to the competence of the Board of Directors. In cases when the implementation of these corporate actions directly related by the legislation to the competence of the General meeting of the shareholders, the Board of Directors provides the shareholders with appropriate recommendations.<br>2. The Charter of the Company attributed to significant corporate actions, at least: the reorganization of the | complied with |
|-------|---|---|---------------|

|            |   |  |               |  |
|------------|---|--|---------------|--|
|            |   | Company, the acquisition of 30 percent or more of voting shares (takeover), the Company's major transactions, increase or decrease in the authorized capital of the Company, the implementation of the listing and delisting of shares.  |               |  |
| 7.1.2      | The Board of Directors plays a key role in making the decisions or developing the recommendations about significant corporate actions; the Board of Directors is based on the position of Independent Directors of the Company.   | 1. The Company has a procedure in accordance with which the Independent Directors declare their positions on significant corporate actions prior to their approval.  | complied with |  |
| 7.1.3      | Taking sufficient corporate actions, affecting the rights and legitimate interests of shareholders, the equal conditions for all shareholders are provided; and in case of insufficiency of the provided by the legislation mechanisms, aimed at protecting the rights of shareholders, additional measures protecting the rights and legitimate interests of the shareholders of the Company are provided. The Company is governed by the compliance with the formal requirements of the legislation, as well as the principles of corporate governance set out in the Code. | 1. Charter of the Company, taking into account the peculiarities of its activities, set minimum criteria for classifying transactions of the company to significant corporate actions, lower than provided by the legislation.<br>2. During the reporting period, all major corporate actions passed the approval process before their implementation. | complied with |  |
| <b>7.2</b> | <b>The Company ensures the procedure for implementing major corporate actions, which allows the shareholders to receive complete information on such actions in a timely manner, provides them with an opportunity to influence the implementation of such actions and guarantees the observance and an adequate level of protection of their rights while performing such actions.</b>   |  |               |  |
| 7.2.1      | Information on committing significant corporate action is disclosed with an explanation of the causes, conditions and consequences of such actions.   | 1. During the reporting period, the Company promptly and thoroughly disclosed the information on essential corporate actions of the Company, including the reasons and duration the actions.   | complied with |  |

|       |   |  |                      |  |
|-------|---|--|----------------------|--|
| 7.2.2 | <p>The rules and procedures related to the implementation of significant corporate actions by the Company are established in the internal documents of the Company.</p> | <ol style="list-style-type: none"> <li>1. The Company's internal documents provide the procedure of an independent appraiser engagement to determine the cost of property, disposing or acquiring in major transaction or a related party transaction.</li> <li>2. Internal documents of the Company provide the procedure of an independent appraiser engagement to assess the cost of acquisition and repurchase the Company's shares.</li> <li>3. Internal documents of the Company provide an extended list of reasons based on which the members of the Board of Directors of the Company and any other persons specified by the legislation are deemed interested in the transactions of the Company.</li> </ol> | <p>complied with</p> |  |
|-------|---|--|----------------------|--|



## 6.12. REPORT OF THE AUDITING COMMITTEE

### **REPORT of the Auditing Committee based on the results of the audit of the financial and business activities of PJSC ALROSA for 2015**

Moscow

April 22, 2016

The Auditing Committee of PJSC ALROSA (hereinafter – the Company) elected by the Company's Annual General Meeting of shareholders on June 25, 2015, consisting of:

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),

Andrey Vladimirovich Glinov – Deputy Director of the Administrative Department of the Ministry of Finance of the Russian Federation, Chairman of the Auditing Committee;

Denis Penkhvaevich Kim – Principal adviser of the companies and enterprises management section of the Property Relations Department at the Ministry of Economic Development of the Russian Federation, from 13.01.2016 – Head of the Corporate Governance Department of the Roscosmos State Corporation;

Marina Vitalyevna Mikhina – Adviser to the Head of the Federal Agency for State Property Management;

Viktor Nikolaevich Pushmin – Deputy Finance Minister of the Republic of Sakha (Yakutia) carried out an annual audit (revision) of the financial and business activities of PJSC ALROSA (hereinafter – the Company) for 2015.

The audit was carried out in accordance with the requirements of the Federal Law No. 208-FZ dated December 26, 1995, On Joint Stock Companies, Charter of the Company, Regulations on the Auditing Committee of the Company and the applicable accounting and reporting regulations of the Russian Federation.

The audit was carried out in the following areas in accordance with the plan approved by the Auditing Committee:

1. Analysis of accounting (financial) statements.
2. Analysis of the implementation of the basic production indicators and planned economical indicators, including the analysis of actually achieved financial results.
3. Analysis of net profit spending.
4. Analysis of accuracy of calculation and payment of dividends.
5. On fulfilment of the Non-core assets disposal program in 2015.
6. Analysis of the results of innovative implementations in 2015.
7. Analysis of the results of the sales policy of PJSC ALROSA on the domestic and foreign markets in 2015.
8. Assessment of the results (status) of instructions of the President of the Russian Federation and Government of the Russian Federation.

9. Analysis of the purchasing performance by PJSC ALROSA in 2015.

10. Analysis of the performed corrective actions following the previous internal audit.

The Auditing Committee considered the following documents submitted by the Company:

1. Draft Annual Report of PJSC ALROSA for 2015.
2. Auditor's Report on the accounting (financial) reports for 2015.
3. Accounting (financial) reporting of PJSC ALROSA for 2015: balance sheet marked by a tax inspection; profit and loss statement; statement of changes in equity; cash flow statement; note to the accounting reports.
4. Order on accounting policy for 2015.
5. Information on the table layout Performance analysis of PJSC ALROSA for 2015.



6. Report on the disposition of profit of PJSC ALROSA for 2015.
7. Report on payment of taxes, duties and other mandatory payments by PJSC ALROSA for 2014-2015.
8. Information on accrued and paid dividends for 2015.
9. Certificate on the activities of the Supervisory Board and Executive Committee for 2015.
10. Information on the execution of the instructions of the President of the Russian Federation and Government of the Russian Federation.
11. Report on elimination of deficiencies identified during the previous audit.
12. Register of the credit agreements specifying the intended purpose, loan amount, interest rate, time period for issuing, collateral pledge, and repayment schedule broken down by principal and interests.
13. Register of financial investments by their types: deposits, securities, contributions to the charter capital of other organisations, loans granted to other organisations, accounts receivable acquired on the grounds of assignment of claims with documentary evidence attached.
14. Fulfilment of the cash budget of the Company for 2015 (electronically).
15. Register of the agreements in the amount exceeding RUB 10 mn executed by the Company in 2015.

Under the individual requirement of the members of the Auditing Committee: copies of agreements, supplemental agreements thereto, copies of the procurement documentation.

16. Report on fulfilment of the Non-core Assets Disposal Program in 2015.
17. Report on the fulfilment of the Innovation Development Program (IDP and TU) in 2015.
18. Analytical report on the procurements in 2015.
19. Results of the sales policy of PJSC ALROSA in domestic and foreign markets in 2015. Summarised information on import/export of rough and polished diamonds (in physical and monetary indicators), including export under agency agreements.
20. Report on diamond production for ALROSA Group for 2014-2015 (by enterprises, MPDs, deposits).
21. Report on diamond production by assessment of the USO for ALROSA Group for 2014-2015 under the classification of Russian National Product Classifier 14.50.21.120 and Russian National Product Classifier 14.50.22.110 (monthly, by licensee, in carats and USD).
22. Report on performance of mining for ALROSA Group for 2014-2015 (by MPDs, enterprises).
23. The consolidated budget of labour costs for ALROSA Group for 2014-2015 by structural subdivisions (number, payroll fund, average salary).

For 2015 ALROSA Group has extracted 38.26 mn carats of rough diamonds, including PJSC ALROSA – 23,527.8 thousand carats (100.1%) for the amount of USD 2,874.1 mn. (100.3%).

In 2015, the diamond sales in ALROSA Group amounted to USD 3,437.1 mn, that is 29.9% less than in 2014 (USD 4,900.6 mn).

Compared with 2014, the revenue of PJSC ALROSA from sale of products, works, services, for 2015 increased by RUB 26,102.3 mn (16.4%) and amounted to RUB 185,276.8 mn. The main factor of increase of the Company's revenue was as follows:

- increase of revenue from sales of rough diamonds, diamond grits and polished diamonds by 22,118.8 or 16.1% in comparison with 2014, which is associated with the rise in the USD rate in 2015 (RUB +58,719.6 mn) during the decrease of sales by USD 966.8 mn (RUB -36,600.8 mn). In 2015, sales volume in physical terms reduced by 4,105.9 thousand carats, an average price for 1 carat declined by 7.6% in comparison with the same period in the previous year and amounted to USD 114.4. In addition, an average price for 1 carat of gem diamonds changed insignificantly (-1.1%) and amounted to USD 169.5 in the reporting period;
- increase in the income from services for PJSC ALROSA-Nyurba by RUB 3,338.4 mn or 30.4%, that is related to the production start-up of the deposit of the Botuobinskaya pipe;
- increase in the income from other types of industrial activities by RUB 2,040.3 mn generally

due to the increase of tariff for services provision on sale of rough diamonds of affiliates within the unified general licence and rise in USD against RUB.

Net profit amounted to RUB 21,229.5 mn for 2015, reduction to the indicator of 2014 - by 9.5%.

In 2015, the Company charged RUB 33,469.5 mn taxes and mandatory payments to budgetary and non-budgetary funds, which is lower than planned targets by 9.1% or RUB 3,364.9 mn due to the increase of foreign exchange loss subsequent to the rise in the USD against RUB.

In accordance with the decision of the General Meeting of shareholders dated 25.06.2015, Minutes No. 33, the following distribution of the net profit obtained during the year 2014 was approved:

|   |                  |
|---|------------------|
| For payment of dividends on shares                                  | RUB 10,826.5 mn; |
| For payment of remuneration to the members of the Supervisory Board | RUB 40.7 mn;     |
| Profit remaining at the Company                                     | RUB 12,602.0 mn. |

The total dividends paid according to the results of 2014 amount to RUB 10,807.8 mn, including:

– federal agencies of executive authorities, executive government body of the constituent entities of the Russian Federation, executive local self-government bodies in the amount of RUB 8,328.4 mn, including:

The Russian Federation represented by the Federal Agency for State Property Management RUB 4,755.6 mn;

The Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) RUB 2,706.6 mn;

Regions (uluses) of the Republic of Sakha (Yakutia) RUB 866.2 mn;

– other shareholders RUB 2,479.4 mn.

The dividends have not been paid out in full by reason of failure of shareholders to provide reliable and complete information required to receive dividends (wrong bank details, missing bank details, wrong postal addresses, return of postal transfers).

In accordance with the Russian accounting regulations, the annual audit of the Company based on the results of 2015 approved by the Annual General Meeting of the Company's Shareholders on 25.06.2015, Minutes No. 33, was carried out by LLC Finansovyye i Bukhgalterskie Konsultanty (Financial and Accounting Advisors), the Company's Auditor. The Company's Auditor confirms reliability of the accounting (financial) statements as of 31.12.2015, results of financial and business activities and cash flow for 2015.

Based on consideration of documents submitted by the Company, the Auditing Committee made a conclusion that PJSC ALROSA carried out its financial and business activities in 2015 in accordance with the legislation of the Russian Federation, reliability and completeness of the data of the accounting (financial) statements are confirmed by a sampling audit.

There were no violations of the procedure for maintaining of accounting, financial and tax statements established by the legal acts of the Russian Federation and violations of legal acts of the Russian Federation in the course of performance of its financial and business activities.

**Chairman of the Auditing Committee**



**A.V. Glinov**

**Members of the Auditing Committee:**



**A.I. Vasilyeva**



**D.P. Kim**



**M.V. Mikhina**

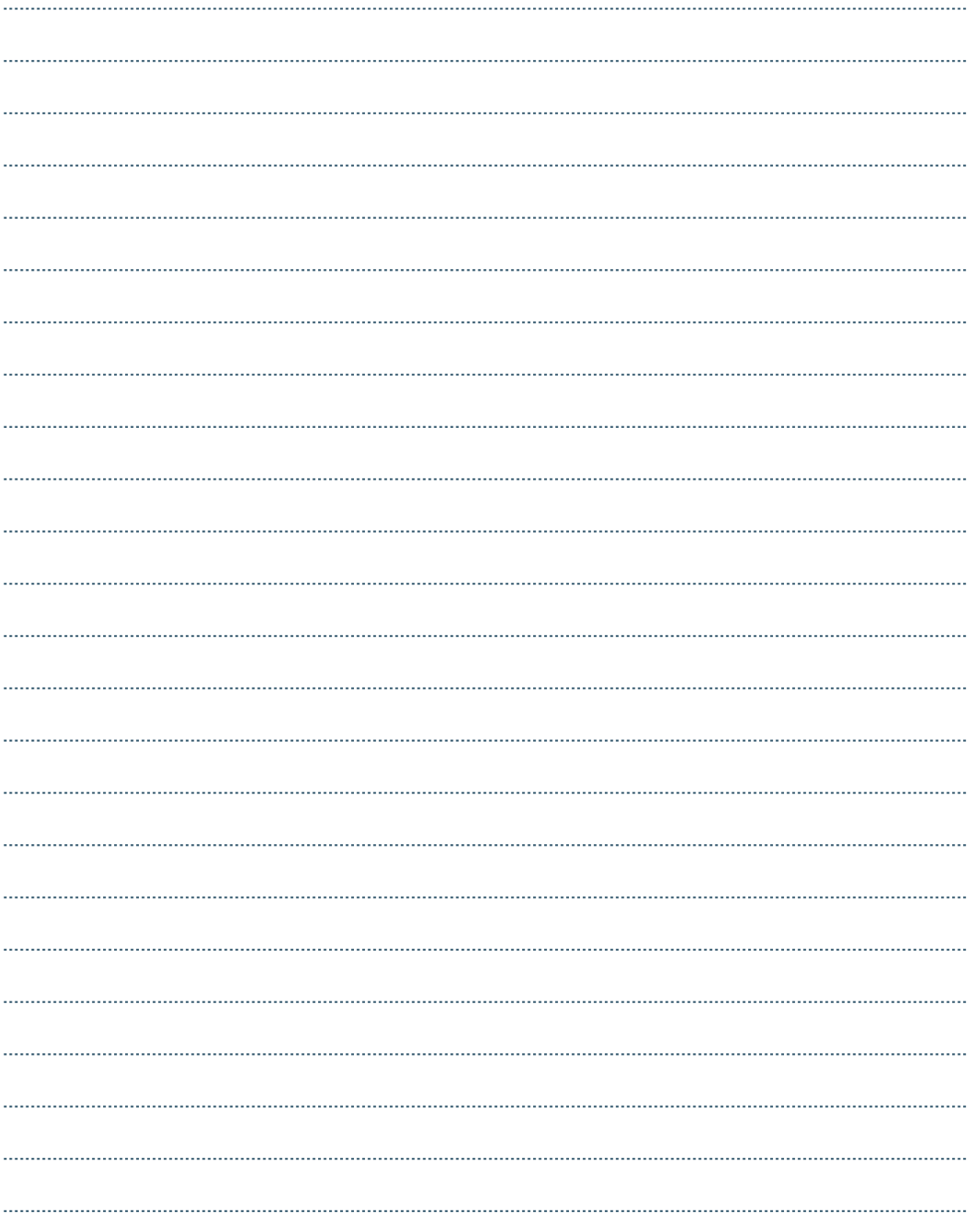


**V.N. Pushmin**



## FOR NOTES

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**FOR NOTES**

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