

APPROVED

by the Supervisory Board
of PJSC ALROSA
on «24» June 2019,
Minutes No. 01/296-ПР-НС

REGULATIONS

ON THE DIVIDEND POLICY OF PJSC ALROSA (new edition)

2019

1. GENERAL PROVISIONS

1.1. These Regulations on the Dividend Policy of PJSC ALROSA (the “Regulations”) were designed to provide maximum clarity to the shareholders and other stakeholders on the strategy followed by PJSC ALROSA (the “Company”) in the distribution and use of its net profit.

1.2. For the purposes of these Regulations, dividends are understood to mean a part of the Company’s net profit distributed among the shareholders in proportion to the Company’s shares they hold.

1.3. When deciding on net profit distribution, the Company’s management seeks to ensure the balance between the interests of the Company and its shareholders when the amounts of dividends are determined, as well as between the short-term (profit making) and long-term (development and growth in capitalisation of the Company) interests of the shareholders.

1.4. These Regulations have been prepared in accordance with the applicable laws of the Russian Federation, the Articles of Association and bylaws of the Company, the recommendations of the Corporate Governance Code, and other regulatory documents.

1.5. The Supervisory Board issues recommendations to the General Meeting of Shareholders on the payment of dividends based on these Regulations. These Regulations shall not be treated as a directive to the General Meeting of Shareholders. The General Meeting of Shareholders may disagree with the recommendation of the Supervisory Board regarding the amount of dividends and decide to pay dividends in the amount less than that recommended by the Company’s Supervisory Board or not to pay dividends on the shares.

2. CONDITIONS AND BASIS OF DIVIDEND PAYMENT

2.1. The Company’s shareholders are entitled to dividends subject to the following conditions:

1) the Company has net profit and/or retained earnings reflected in the accounting (financial) statements prepared in compliance with the Russian laws on accounting;

2) the current and projected Net Debt¹/EBITDA² ratio does not exceed 1.5x;

3) the applicable laws of the Russian Federation do not restrict the payment of dividends.

2.2. Dividends are to be accrued and paid to the Company’s shareholders based on the decision of the General Meeting of Shareholders made with due account of the Supervisory Board’s recommendations regarding the amount of dividends.

3. FREQUENCY AND DETERMINING THE AMOUNT OF DIVIDENDS

3.1. Dividends are paid annually, and under the base-case scenario, the dividends attached to the outstanding shares are paid with the following frequency:

1) based on the Company’s performance for the first six months of the reporting year;

2) based on the Company’s performance for the full reporting year (net of dividends paid previously for the first six months).

3.2. In determining the recommended amount of dividends, the Supervisory Board is guided by these Regulations, recommendations of the Supervisory Board’s Audit Committee as to the net profit to be distributed as dividends taking into account financial results of the Company and proposals of the Company’s management.

3.3. The Supervisory Board determines the amount of dividends to be recommended to the General Meeting of Shareholders on the premise that:

¹ Net debt is defined by the International Financial Reporting Standards (IFRS) as the amount of debt less cash and cash equivalents as well as bank deposits at each reporting date.

² EBITDA stands for earnings before interest, taxes, depreciation and amortisation of fixed and intangible assets calculated for the past twelve months in accordance with the International Financial Reporting Standards (IFRS).

- the amount to be distributed as dividends is determined based on the Company's free cash flow (FCF)³ calculated on the basis of the IFRS consolidated financial statements:

1) if the Net Debt / EBITDA ratio as at the end of the first half of the year or as at the end of the year is below 0.0x, the semi-annual dividend payout ratio is more than 100% of the FCF for the respective half of the reporting year;

2) if the Net Debt / EBITDA ratio as at the end of the first half of the year or as at the end of the year is within the range of 0.0x to <0.5x, the semi-annual dividend payout ratio is 100% of the FCF for the respective half of the reporting year;

3) if the Net Debt / EBITDA ratio as at the end of the first half of the year or as at the end of the year is within the range of 0.5x to <1.0x, the semi-annual dividend payout ratio is from 70% to 100% of the FCF for the respective half of the reporting year;

4) if the Net Debt / EBITDA ratio as at the end of the first half of the year or as at the end of the year is within the range of 1.0x to 1.5x, the semi-annual dividend payout ratio is from 50% to 70% of the FCF for the respective half of the reporting year.

- the amount to be distributed as dividends for the reporting year should be no less than 50% of the Company's net profit for the year calculated on the basis of the IFRS consolidated financial statements;

- should the Company's free cash flow calculated on the basis of the IFRS consolidated financial statements exceed the net profit reflected in the accounting (financial) statements of the Company, the dividends are to be paid from the Company's retained earnings.

As the amount of dividends is determined, the result is rounded up to whole number of kopecks. Taking into account this condition, the actual dividend payout ratio to FCF, mentioned above, may slightly deviate to the higher side.

4. PROCEDURE FOR DIVIDEND PAYMENT

4.1. The decision to pay (declare) dividends for the first six months of the reporting year may be adopted by the Extraordinary General Meeting of Shareholders within three months after the end of the relevant period. The payment (declaration) of dividends is considered as a separate item on the agenda of the Extraordinary General Meeting of Shareholders.

The decision to pay (declare) dividends for a reporting year is made by the Annual General Meeting of Shareholders. The payment (declaration) of dividends for a reporting year is considered as a separate item on the agenda of the General Meeting of Shareholders or as part of the item concerning distribution of the Company's net profit for a reporting year.

The decisions are made by a simple majority of votes of shareholders who own voting shares participating in the meeting.

4.2. The decision to pay dividends made by the General Meeting of Shareholders should determine:

- the amount of dividends per share net of withholding taxes;
- the form of dividend payment;
- dividend record date.

The decision to pay dividends is made by the General Meeting of Shareholders based on the recommendation of the Company's Supervisory Board. The amount of dividends shall not exceed the amount recommended by the Company's Supervisory Board.

5. DIVIDEND PAYMENT

5.1. The dividend record date set by a decision to pay (declare) dividends is determined in accordance with the applicable laws of the Russian Federation.

5.2. According to the Federal Law *On Joint-Stock Companies*, dividends are paid in the

³ Free cash flow (FCF) is the operating cash flow calculated in accordance with the International Financial Reporting Standards (IFRS) net of capital expenditure (posted as Purchase of Property, Plant and Equipment in the consolidated IFRS statement of cash flows).

declared amount in cash in the currency of the Russian Federation as follows: to a nominee shareholder or a trustee acting as a professional participant of the securities market listed on the Company's share register – within 10 business days; to other persons listed on the Company's share registry – within 25 business days after the record date.

The decision to pay (declare) dividends may determine a dividend payment period that is shorter than that established by applicable federal laws.

5.3. Dividends are paid to the Company's shareholders based on the information submitted by the Registrar.

5.4 The dividends paid are taxed in accordance with the laws of the Russian Federation.

6. INFORMING THE SHAREHOLDERS

6.1. Based on the principles of information transparency, the Company posts these Regulations and any and all amendments hereto on the Company's website at www.alrosa.ru.

6.2. The Company publishes the information about the decision made by the General Meeting of Shareholders on payment (declaration) of dividends, as well as on fulfilment of the obligations to pay dividends in accordance with the requirements of the laws of the Russian Federation on information disclosure.

7. FINAL PROVISIONS

7.1. These Regulations are approved by the Company's Supervisory Board and come into effect on the date of their approval.

7.2. These Regulations may be amended and supplemented by the decision of the Company's Supervisory Board.

Any amendments and supplements to these Regulations come into effect from the date when the Company's Supervisory Board adopts a decision to make such amendments and supplements, unless otherwise specified in the decision of the Company's Supervisory Board.

7.3. If some provisions of these Regulations come into conflict with the laws of the Russian Federation and/or the Company's Articles of Association, they shall become invalid, and until amendments are made to these Regulations, the relevant provisions of the laws of the Russian Federation and/or the Company's Articles of Association shall apply.

The invalidity of individual provisions of these Regulations shall not affect the validity of other provisions and the Regulations as a whole.