

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

According to the applicable laws and the Charter, PJSC ALROSA (hereinafter, the Company) must prepare an annual report. Approval of the annual report falls within the competence of the General Meeting of Shareholders (Par. 11, Cl. 1, Art. 48 of the Federal Law on Joint Stock Companies).

On April 19, 2017, the Company's Supervisory Board considered and preliminary approved the Annual Report of PJSC ALROSA for 2016 and recommended that the Annual General Meeting of the Company's Shareholders resolves to approve it (Cl. 4 Art. 88 of the Federal Law on Joint Stock Companies).

Considering the abovementioned, the Annual Report of PJSC ALROSA for 2016 is submitted for approval of the Annual General Meeting of the Company's Shareholders.