Explanatory Note to items 3, 4, 5 of the Agenda of the Annual General Meeting of Shareholders of PJSC ALROSA

According to the Regulations on Dividend Policy of PJSC ALROSA (hereinafter – the Company) approved by the Supervisory Board of the Company on December 20, 2011 (Minutes N 177) with amendments, approved by the Supervisory Board on November 29, 2013 (Minutes N 205), the Supervisory Board of the Company in the event of determining the size of dividends recommended to the General Meeting of Shareholders of the Company, proceeds from the fact the amount of funds allocated for dividends may not be less than 35% of net profit calculated, based on the consolidated financial statements prepared according to the IFRS (provided that the reserve fund is established in full in accordance with the Company's Articles of Association).

According to the consolidated financial statements of PJSC ALROSA and its subsidiaries, prepared in compliance with the IFRS for the year ended on December 31, 2017 (auditor's report submitted on March 15, 2018), the net profit for the year amounted to RUB 78,616 million, out of which RUB 77,075 million – profit for shareholders of PJSC ALROSA, RUB 1,541 million – profit for non-controlling interest.

According to the legislation of the Russian Federation, Articles of Association of the Company, Regulations on Dividend Policy of the Company, Regulations on Remuneration to Members of the Supervisory Board of the Company, as well as Regulations on Remuneration and Compensation to Members of the Auditing Committee net profit may be allocated for dividends on shares, forming the reserve fund, remuneration to members of the Supervisory Board and the Auditing Committee.

According to the data of accounting (financial) statements (auditor's report is submitted on February 12, 2018) the Company's net profit amounted to RUB 16,584,208,000.

Considering the abovementioned, it is proposed to determine the amount of funds allocated for dividends according to the Company's performance in 2017 as RUB 38,592,419,901.20 in absolute terms, which is equivalent to the size of dividend per one ordinary registered share of the Company with par value of 50 kopecks - 5 rubles 24 kopecks (RUB 38,592,419,901.20 is divided into the total number of 7,364,965,630 shares within the accuracy of one kopeck) taking into account the rounding of the result of dividing the net profit by the number of shares to kopecks, which will amount to 50.07% of the net profit, disclosed in the consolidated financial statements prepared in accordance with IFRS.

Implementation of the current proposal is in the interests of the Russian Federation, ensures the balance of short-term and long-term interests of shareholders, aimed at increasing investment attractiveness of the Company and its capitalization.

According to the Company's Articles of Association, the reserve fund shall be established in the amount of no less than 5% of the authorized capital, which is RUB 184,124,150 (5% from 3,628,483,000). According to the Company's accounting statements for 2017, the Company's reserve fund was established and amounted to RUB 736,500,000.

In this regard, it is proposed to distribute the Company's net profit in the amount of RUB 16,854,208,000.00 upon the results of 2017, as follows:

- For remuneration payment to members of the Supervisory Board – RUB 43,350,000.00;
- For dividend payment on shares – RUB 38,592,419,901.20, including at the expense of undistributed profit of prior years – RUB 21,781,561,901.20;
- Profit available to the Company – RUB 0.

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

On April 28, 2018, the Supervisory Board considered this issue and recommended the Annual General Meeting of Shareholders of the Company to adopt the resolution on profit distribution upon the results of 2017, as well as undistributed profit of prior years, including on size of dividends on shares of PJSC ALROSA and their payment procedure according to the draft resolution.