



ANNUAL
REPORT

2016



ABOUT THE COMPANY

PJSC ALROSA ("The Company", "ALROSA") is a Russian partially state-owned diamond mining company. ALROSA is the industry leader that accounts for one third of the reserves and more than a quarter of the production of the global rough diamond market.

PJSC ALROSA has a long and successful history of development, the foundation of the first industrial diamond mining was laid 60 years ago in 1957.

PJSC ALROSA pursues a single-product strategy with a focus on rough diamond exploration and production as the most attractive and high-margin segment of the rough diamond industry. In 2016, PJSC ALROSA and its subsidiaries ("the Group", "ALROSA Group") produced 37.4 million carats of rough diamonds, sales revenue increased by 41.2% compared to 2015 and amounted to RUB 317.1 billion. At the end of the year, the rough diamond segment accounted for more than 92% of consolidated revenue.

The core activities of PJSC ALROSA 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.

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I

STRATEGIC REPORT

KEY EVENTS AND PERFORMANCE INDICATORS FOR 2016

↑ EBITDA

176.4

RUB bn (+48.9%)

 ↑
 EBITDA margin
55.6%
 (+2.8%)

KEY EVENTS

Rough diamond production by ALROSA Group — **37.4** (-2.4%) million carats

95% in Russia,
29% worldwide

Record-breaking consolidated profit — **133.5** (+1.1x) RUB bn

Debt load reduction (net debt/EBITDA) to **0.6x** (-1.1x)

Growth of ALROSA Group rough diamond reserves to **58.4** mn carats

Successful privatization of a part of the Company's shareholding belonging to the Russian Federation (10.9%), on the Moscow Exchange

Reaching the design capacity by Mir underground mine — extraction of **1** mn tons of ore

Putting into operation the 2nd stage of the fifth start-up section of Internatsionalny underground mine

Starting the development of a new primary diamond deposit — Zarya pipe

Investment agreement with the Ministry for the Development of the Russian Far East regarding the development of the Verkhne-Munskoye diamond deposit — the total volume of investment amounts to **63.0** RUB bn

Beginning of technological passage and infrastructure facilities construction at the Verkhne-Munskoye deposit

We obtained the right to explore and extract diamonds from deep horizons of the Yubileynaya pipe and diamonds on the Lyaseger-Yuryakh creek

We obtained the certificate of compliance confirming the implementation and maintenance of the social responsibility management system (SRMS)

Vice President, PJSC ALROSA, became head of the World Diamond Council

PJSC ALROSA joined the Responsible Jewellery Council (RJC)

Higher National corporate governance rating — **7++**
“Developed Corporate Governance Practice”

↑ As of January 01, 2017, the reserves according to State Reserves Committee amounted to

1,152.8

mn carats (+4.1%)

↑
Sales of rough diamonds
40.0
mn carats (+33.2%)

↑
Social expenses
6.5
RUB bn (+19.9%)

↓ Capital investments

31.8

RUB bn (-7.3%)

↑
Revenue
317.1
RUB bn (+41.2%)

↑
Net cash flow
111.4
RUB bn (2.7x)

↑ Record dividends for 2015

15.4

BUB bn (+42.2%)

CORE ACTIVITY GLOBAL REACH



HISTORY OF THE COMPANY



1957

Yakutalmaz Trust was created, processing plant No. 1 produced industrial rough diamonds for the first time.

1960

Aikhal pipe was discovered.

1966

First rough diamonds produced at processing plant No. 3 in Mirny.

1967

The Udachny mine was created, processing plant No. 11 produced first rough diamonds.

1975

Yubileynaya pipe was discovered.

1976

First stage facilities of Udachny MPD were put in operation.

1978

Mirny Geological Exploration Expedition was established.

1986

Aikhal Mining and Processing Division was established.

1991

Mirny Mining and Processing Division was established.

1992

Closed Joint Stock Company (CJSC) ALROSA was established.

1997

First rough diamonds were produced at the plant of Catoka Ltd. Mining Company (joint venture) in the Republic of Angola.

2003

Processing plant No. 16 at the Nyurbinskaya pipe was commissioned. Nyurba Mining and Processing Division was launched.

2005

Diamond production by PJSC Severalmaz was launched in Arkhangelsk Region.

2009

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

2011

The type of the Company was changed from closed joint stock company to open joint stock company. Shares of OJSC ALROSA were admitted to trading on the stock market. The Agreement for social and economic development of the Republic of Sakha (Yakutia) was concluded.

2012

Botuobinskaya kimberlite pipe mining was commenced.

2013

Stage 3 of Aikhal underground mine was commissioned. JSC Nizhne-Lenskoye became part of ALROSA Group. Shares of OJSC ALROSA were placed on the Moscow Exchange.

2014

Stage 2 facilities of the processing plant of PJSC Severalmaz were commissioned.

2015

ALROSA started mining the Botuobinskaya pipe of the Nyurba MPD. Completion of open-pit mining of Udachnaya pipe.

2016

ALROSA starts the development of a new primary diamond deposit Zarya at Aikhal Mining and Processing Division. Secondary public offer of shares of PJSC ALROSA on the Moscow Exchange was completed. Verkhne-Munskoye deposit development started. Eurasian Diamond Center was launched in Vladivostok.



ADDRESS BY THE CHAIRMAN OF THE SUPERVISORY BOARD



Anton G. Siluanov
*Chairman of the
Supervisory Board
PJSC ALROSA*

*Dear shareholders
and investors,*

In 2016, ALROSA consolidated its status as a world leader in rough diamond production. High operational efficiency, financial performance and profitability for shareholders became possible thanks to skillful actions of the management team in difficult macroeconomic conditions. As a result, by the end of the year, we had achieved target values of key performance indicators of ALROSA Group set by the shareholders.

To ensure further growth of shareholder value and full protection of the rights and interests of all shareholders, the Company consistently improved the corporate governance system during the reporting period in line with the best world practices.

In June 2016, the Company approved the Corporate Governance Code (new version) and amendments to the Company's Charter and the Regulations on the Supervisory Board. In August 2016, the Supervisory Board adjusted

the Regulations on Remuneration to the President and members of the ALROSA Executive Committee taking into account changes in the Company's KPIs.

On October 25, 2016, the Russian Institute of Directors performed reassessment of the Company's corporate governance according to the updated methodology. Development of the corporate governance system allowed the experts to revise ALROSA's rating and upgrade it to NCGR (National Corporate Governance Rating) 7 ++ "Developed Corporate Governance Practices". The rating is the indicator of the Company's reliability and contributes to enhancement of confidence of shareholders and investors.

Besides, based on the results of 2016, ALROSA won the contest "For the active corporate policy in the area of information disclosure", organized by the Association of Independent Directors and the Russian Union of Industrialists and Entrepreneurs.

In the past year, the Company continued to implement the general strategy approved by the Supervisory Board. ALROSA not only implements the largest investment projects aimed at expanding the resource base, reconstructs production facilities, but also effectively solves social development issues and actively participates in the public life in Yakutia.

ALROSA continues contributing to the development of the regions in which the Company operates by allocating significant funds to social infrastructure facilities, donating to child welfare facilities, scientific, educational, sports, and cultural institutions.

The recovery of demand for rough diamonds and cost control made it possible for the Company to earn record-breaking net profit in the past year, reduce the debt load and pay dividends to shareholders, the amount of which increased by more than 42%.

The rapid and successful privatization of the ALROSA shareholding on the Moscow Exchange should be mentioned specifically. Higher free-

float and emergence of large foundations from the Middle East, Europe and Russia in the structure of shareholders made it possible to increase liquidity and attract attention of the increasing number of institutional investors to the Company. Shares privatization proved that an accredited Russian company is of interest to investors even under the conditions of turbulent financial market.

Maintaining leading positions in the industry, concentration on the exploration, extraction and sale of natural rough diamonds, development of unique assets and ensuring the balance of interests in the territories of reach form the basis for ALROSA's development strategy. The impressive results of the Company's activities during the past years confirm the efficiency of the chosen path and allow us to look forward to further sustainable development of ALROSA for the benefit of the Russian Federation, the Republic of Sakha (Yakutia) and other shareholders. I appreciate dedication and commitment of ALROSA Group employees.

ADDRESS BY THE PRESIDENT

Dear shareholders,
partners and employees,

Finance

ALROSA finished the year of 2016 with outstanding financial results. Based on IFRS, ALROSA's revenue increased by 41.2% and reached RUB 317.1 bn. During the reporting period, the Company earned record-breaking consolidated net profit of RUB 133.5 bn. The continuous efforts to cut costs and increase operating efficiency made it possible for ALROSA to attain figures of EBITDA in the amount of RUB 176.4 bn and EBITDA profitability of 55.6%. In the past year, capital investments of ALROSA Group amounted to RUB 31.8 bn, the bulk of which was directed to exploration and extraction of rough diamonds in accordance with the strategy.

Operating activities

Based on the results of 2016, ALROSA Group produced 37.4 million carats of rough diamonds and maintained its leading position among the world's leading diamond mining companies. The growth in demand for rough diamonds made it possible to increase sales of primary products by 33.2% to 40 million carats compared to 2015.



Sergey S. Ivanov
President
PJSC ALROSA

The Company started development of a new primary diamond deposit Zarya. This is one of the largest ALROSA's investment projects and its development guarantees utilization of existing capacities of the Aikhhhal MPD for at least two decades.

ALROSA continues to actively establish a diamond mining enterprise in the Verkhne-Munskoye kimberlite field. In 2016, this promising investment project of the Company received

state infrastructure support, that underlines the significance and viability of the project for the development of the entire Far East.

An equally active work is carried out at the underground complexes of Mirny MPD. In 2016, Mir underground mine reached the design capacity of 1 mn tons of ore per year, and this can be considered a landmark achievement. The proven reserves of the underground mine allow us to feel confident about the future until 2057. In 2016, drilling for deep horizon supplementary exploration was completed at the underground mine of one of the richest deposits of the Internationalnaya pipe. According to preliminary

estimates, the extraction of amenable ore will be conducted there until 2036.

Marketing and international activities

In 2016, the situation in the global rough and polished diamond market compared to that in 2015 was characterized not only by increased trading activity and growth of demand, but also by high volatility. The sales system for long-term contracts has proved its efficiency under such conditions. During 2016, the number of ALROSA's long-term clients increased from 54 to 69, and 69% of rough diamonds was sold under contracts made with them.

In 2016, ALROSA continued being actively engaged in international activities aimed at protection of the Company's interests in the world and efficient development of the global diamond industry together with foreign partners. For example, during the past year, ALROSA actively cooperated with partners within the scope of the World Diamond Council and as an observing party of the Kimberley Process. In September 2016, ALROSA joined the Responsible Jewellery Council (RJC) — an international non-profit organization established to build consumer confidence in the entire jewelry supply chain and introduce responsible business practices. It should be specifically noted that in the reporting year, with the assistance of ALROSA, the Diamond Producers Association launched the first specific marketing campaign in the United States within the scope of the "Real is Rare. Real is a Diamond" concept.

Social responsibility

Along with production tasks, it is no less important for the enterprise to maintain the level of investment in human resources. In 2016, a new collective contract was signed with the

"Profalmaz" trade union aimed at raising the level and quality of employee guarantees. The Company continues implementing its 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. In 2016, ALROSA social expenditures amounted to about RUB 6.5 bn.

Prospects

In 2017, ALROSA will continue developing the production, further improving the energy efficiency of existing production facilities, selling non-core assets, cutting costs and improving the organizational structure.

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.

ALROSA will continue active cooperation with the industry organizations and the global community in developing the rough and polished diamond market and consolidating the ALROSA's global reputation.

I am confident that the implemented measures will make it possible to unlock full potential of ALROSA, raise its status in the world market and increase its capitalization. On behalf of the Company's managers, I sincerely thank our shareholders, 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.

BUSINESS MODEL

¹ ALROSA Group Strategy was approved by the Supervisory Board, Minutes No. A01/202-III-FC dated September 25, 2013..

² The long-term development program of ALROSA Group until 2023 was approved by the Supervisory Board, Minutes No. A01/223-III-FC dated December 11, 2014.

ALROSA Group's business model complies with the goals defined in the Long-Term Development Program¹ and Strategy² and aims at strengthening the leading positions in the rough diamond market, ensuring sustainable long-term growth in production and revenue, as well as shareholder value growth.

ALROSA not only uses its current competitive advantages but also pays great attention to innovation development and use of modern technologies aimed at improvement of the operating efficiency and, as a consequence, profitability of the business.

ALROSA Group traditionally pays special attention to creating conditions for economic growth in the regions where the Company operates. Compliance with high standards of environmental and industrial safety, as well as balance of interests of all stakeholders allow the Company to have a good corporate reputation and ensure long-term sustainable development.

7++

CORPORATE GOVERNANCE RATING

ACCORDING TO STATE RESERVES COMMITTEE, THE RESERVES AMOUNTED TO

1,152.8

MN CARATS

GROWTH OF RESERVES

58.4

MN CARATS

REVENUE

317.1

RUB bn

EBITDA

176.4

RUB bn (EBITDA MARGIN: 55.6%)

Revenue Structure

92.7%

of the revenue — rough diamond segment

Share in the global diamond production

29%

Dividends for 2015

15.4

RUB bn

Accrued taxes and compulsory payments

85.1

RUB bn

171

licenses

0.6x

Net debt/EBITDA

38,104

employees

Capital investments

31.8

RUB bn

Social expenses

6.5

RUB bn

MISSION AND STRATEGY



MISSION

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

STRATEGIC PRIORITIES

Focus on diamond mining

ALROSA focuses its efforts on its core business — exploration and mining of rough diamonds, which is the most attractive segment of the rough diamond industry with the highest operating margin, and on the disposal of a number of non-core assets. Income from the sale of non-core assets will be invested in core activities and reduce the debt of the Company.

Maintenance and expansion of the raw materials base

ALROSA will continue investing in focused geological exploration in promising regions of Russia and Africa, which, according to estimates of the Company, have the highest potential for finding new profitable deposits. ALROSA will also improve effectiveness of development of the existing producing deposits.

Improvement of performance

ALROSA pays great attention to innovation 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 its cost structure at all stages of production. The measures taken by the Group include procurement optimization, application of standards to improve labor 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. ALROSA will also continue to assist the Government of Yakutia in fulfilling its obligations with regard to financing of social infrastructure facilities and social services.

Consolidation of the status of the leader of the rough 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 rough diamond sales regulations.

The Company also intends to actively promote the ALROSA brand and boost the Company's influence in the rough diamond industry through active participation in international organizations.

STRATEGY UPDATING

ALROSA Group continued acting in compliance with the goals and trends defined in the strategy approved in 2013. The Long-term Development Program of ALROSA Group until 2023 was created based on the strategy. Successful implementation of the Program will make it possible for 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.

Policy objectives accomplishment

In 2016, ALROSA Group continued implementing the strategy through the following initiatives:

Initiative	Achievement status
Implementation of an investment approach to planning, monitoring and evaluation of the efficiency of geological exploration, which will maintain the geological exploration budget at the optimal level	<ul style="list-style-type: none"> Ensuring the increase of the Group's rough diamond reserves in 2016 in the amount of 58.4 mn carats PJSC ALROSA obtained the right to exploration and production of rough diamonds at deep horizons of the Yubileynaya pipe Obtaining the rights to geological survey, exploration and mining of rough diamonds at the section "Lyaseger-Yuryakh Creek, the left tributary of the Mayat river" by JSC Almazny Anabara Extending the license of PJSC ALROSA for geological survey of Nizhne-Nakynsky area Implementing the program for the development of Verkhne-Munskoye deposit in terms of preparation of the feasibility report on permanent exploration conditions
Improvement of operational efficiency: cost management, including implementation of resource-saving technologies, modernization of the technical base, informatization and other initiatives, as well as increasing labor productivity	<ul style="list-style-type: none"> Implementation of the program to improve operational efficiency and reduce costs is continued
Rough diamond product sales optimization: improvement of the product portfolio, sorting automation, new pricing policy, stock level reduction	<ul style="list-style-type: none"> Development of a system for annual adjustment of the rough diamonds supply to long-term customers on the basis of their purchasing activity assessment Launch of a specific diamond marketing program within the scope of the Diamond Producers Association Optimization of the corporate sales management model
Non-core assets: release of funds by disposal of non-core assets and optimization of social activities	<ul style="list-style-type: none"> Updating the Non-core Assets Disposal Program Reorganization of the residential and public utility division and diamond cutting and polishing division of PJSC ALROSA
Operational model: implementation of an advanced company management model	<ul style="list-style-type: none"> Further optimization of the Company's corporate governance model Approval of the Memorandum of Further Implementation of the Corporate Governance Code Recommendations into the Company's operations
Technology and R&D: development of/search for new technologies for the development of reserves on the verge of economic feasibility, as well as modernization and technical re-equipment with account of unified technical policies	<ul style="list-style-type: none"> Updating the Innovation Development and Technological Update Program of PJSC ALROSA for 2016-2023 37 scientific and technical developments are implemented and used, 17 documents of title for utility models and inventions are obtained
ALROSA marketing and brand: increasing the industry influence and status of the ALROSA Group's global image	<ul style="list-style-type: none"> ALROSA's representative became head of the World Diamond Council PJSC ALROSA joined the Responsible Jewellery Council (RJC)

Fulfilling the Key Performance Indicators

The system of key performance indicators (KPI) of ALROSA Group was developed and approved by the Supervisory Board of PJSC ALROSA in December 2014 in pursuance of the instructions of the President and the Government of the Russian Federation. The main purpose of introducing the KPIs was to translate the long-term plans and strategies of ALROSA Group into specific indicators. Such indicators make it possible to appraise the current status, form a basis for taking managerial decisions, as well as to develop a motivational system linking interests of individual employees, the Group and its shareholders.

In 2015, the key performance indicators of ALROSA Group were integrated into the effective system of motivation for the managers establishing direct dependence of the amount of remuneration of sole and collective executive bodies of the Company on achieving the KPI targets approved by its shareholders.

In 2016, in pursuance of the directive of the Government of the Russian Federation³, the KPI system was amended to supplement the list of indicators with an integral key indicator of the efficiency of innovation activities of PJSC ALROSA developed in accordance with the recommendations of the Government of the Russian Federation⁴ and the approved minutes of the Interdepartmental Working Group meeting on the implementation of innovation development priorities of the presidium of the Presidential Council of the Russian Federation for Economic Modernization and Innovation Development of Russia⁵.

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, taking into account the supplemented KPI list, were approved by the Supervisory Board in August 2016.

Key performance indicators

Indicator	UoM	2014	2015	2016		% of the plan
				plan	actual	
Financial and economic indicators						
Market return per share	%	46.2	-14.3	>Δ MICEX ⁶	49.9	-
Dividend flow growth	mn RUB	2,013	5,450	>0	53,420 ⁷	-
Adjusted EBITDA profitability	%	45.3	52.8	52.1	55.6	106.7%
Return on equity (ROE)	%	-11.3	22.3	57.7	65.3	113.2%
Net profit	bn RUB	-16.8	32.2	113.6	133.5	117.5%
Industry-specific indicators						
Revenue from sales of core products	mn USD	5,045	3,554	4,350	4,514	103.8%
Rough diamond production	mn carats	36.2	38.3	37.0	37.4	101.0%
Share of the cost of sales in the sales revenue	%	48.0	41.5	40.6	40.9	100.7%
Integral KPI of the innovative activity	%	-	-	100	99.5	99.5%
Bonus cancellation reasons						
Lost Time Injury Frequency Rate (LTIFR)	coefficient	0.06	0.08	≤ 0.1	0.08	-
Net debt/EBITDA	coefficient	1.9	1.7	≤ 2.0	0.6	-

By the end of the year 2016, target values of the key performance indicators of operation set by the shareholders of ALROSA Group were achieved.

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

³ Dated March 03, 2016 No. 1472n-III.

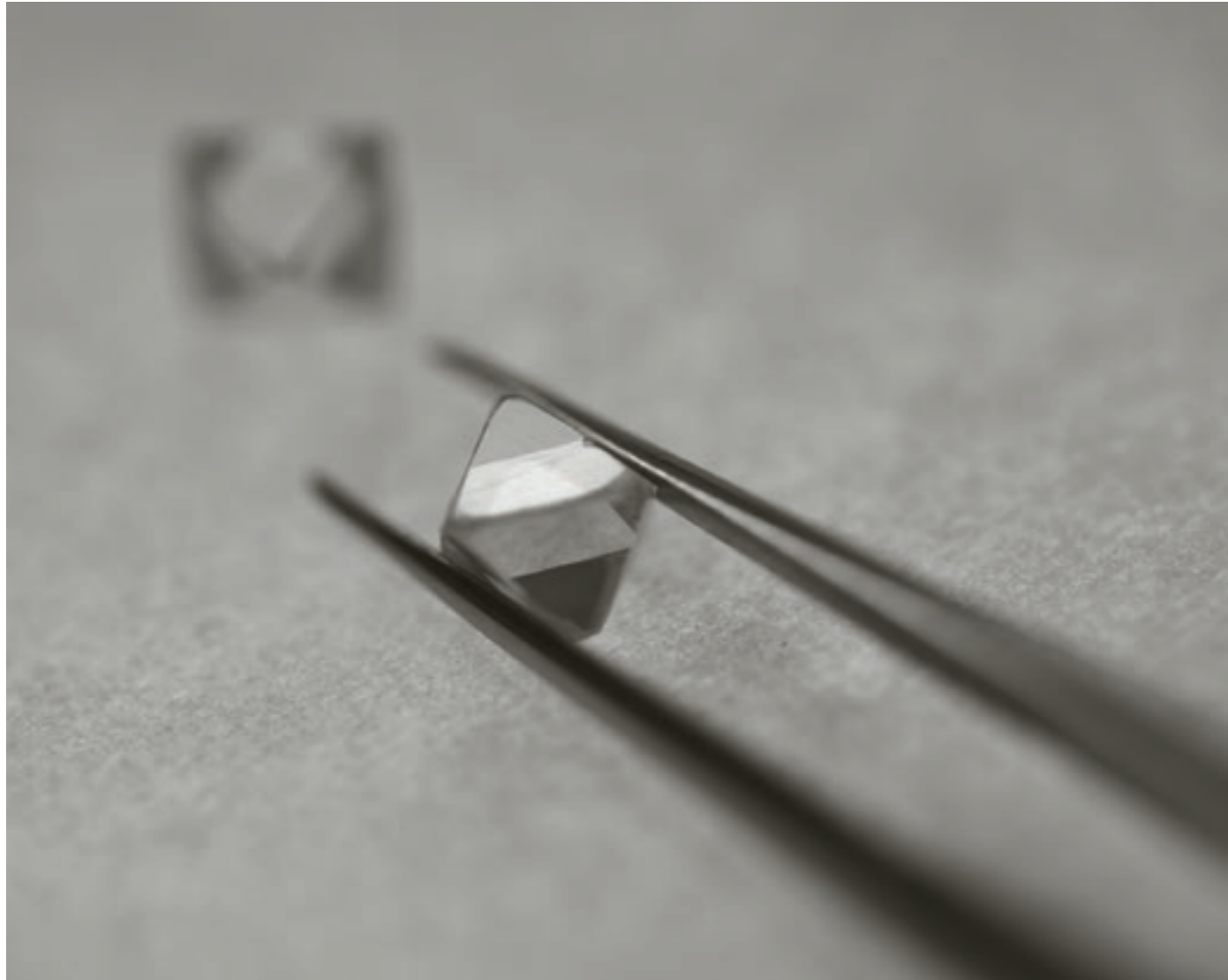
⁴ Dated November 07, 2015 No. 2M-II36-7563.

⁵ Minutes dated December 17, 2015 No. A2-II36-247np.

⁶ Relative change in the market return per PJSC ALROSA share is ahead of 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).

⁷ Value of the indicator was calculated based on RUB 65.8 bn dividend forecast, which is 50% of the total net profit of ALROSA Group for 2016 calculated on the basis of consolidated financial statements prepared in accordance with IFRS.

MARKET



PRINCIPAL COMPETITORS AND MARKET SHARE

ALROSA's principal competitors are as follows: De Beers, Rio Tinto, Dominion Diamond, and Petra Diamonds. The volume of rough diamond production by these companies remained at the level of 2015 and provided for about 70% of the global supply in 2016⁸. Following the results of 2016, ALROSA Group produced 37.4 mn carats of rough diamonds (2015: 38.3 mn carats) and maintained the leading position among the world's leading diamond mining companies with the market share of 29%.

In 2016, ALROSA brought Mir underground mine to its designed capacity, where it is planned to produce about 3 mn carats of rough diamonds per year totaling about USD 400 mn. Besides, during the reporting period, the Company began development of the new rough diamond field Zarya of the Aikhal Mining and Processing Division, where it is planned to produce about 0.3 mn carats of diamonds annually by 2021.

⁸ According to the statistics of the Kimberley Process.

Global rough diamond production in 2014-2016, mn carats

Company	2014	2015	2016	% vs 2015
ALROSA	36.2	38.3	37.4	97.6%
De Beers	32.6	28.7	27.3	95.3%
Rio Tinto	13.9	17.4	18.0	103.2%
Dominion Diamond	6.1	6.3	7.9	125.1%
Petra Diamonds	3.1	3.2	4.1	127.1%
Catoca	6.5	6.7	7.2	107.2%
Other	26.5	26.8	25.4	94.7%
TOTAL WORLDWIDE	124.8	127.4	127.2	99.9%

Source: Companies' reports and assessment by the Analytical Center (for other companies in 2016).

De Beers

A diamond mining company that owns deposits in Botswana, South Africa, Canada, and Namibia. In 2016, De Beers produced 27.3 mn carats of rough diamonds (2015: 28.7 mn carats).

Rio Tinto

A public diversified mining company engaged in exploration, production and processing of natural resources. The rough diamond segment of Rio Tinto business includes deposits Argyle (100% ownership, Australia) and Diavik (60% ownership, Canada). In 2016, Rio Tinto produced 18.0 mn carats of rough diamonds (2015: 17.4 mn carats).

Dominion Diamond

A public company engaged in rough diamond mining. Dominion Diamond owns a 40% share in Diavik diamond deposit (Canada) and 89% share in Ekati diamond deposit (Canada). In 2016, Dominion Diamond produced 7.9 mn carats (2015: 6.3 mn carats).

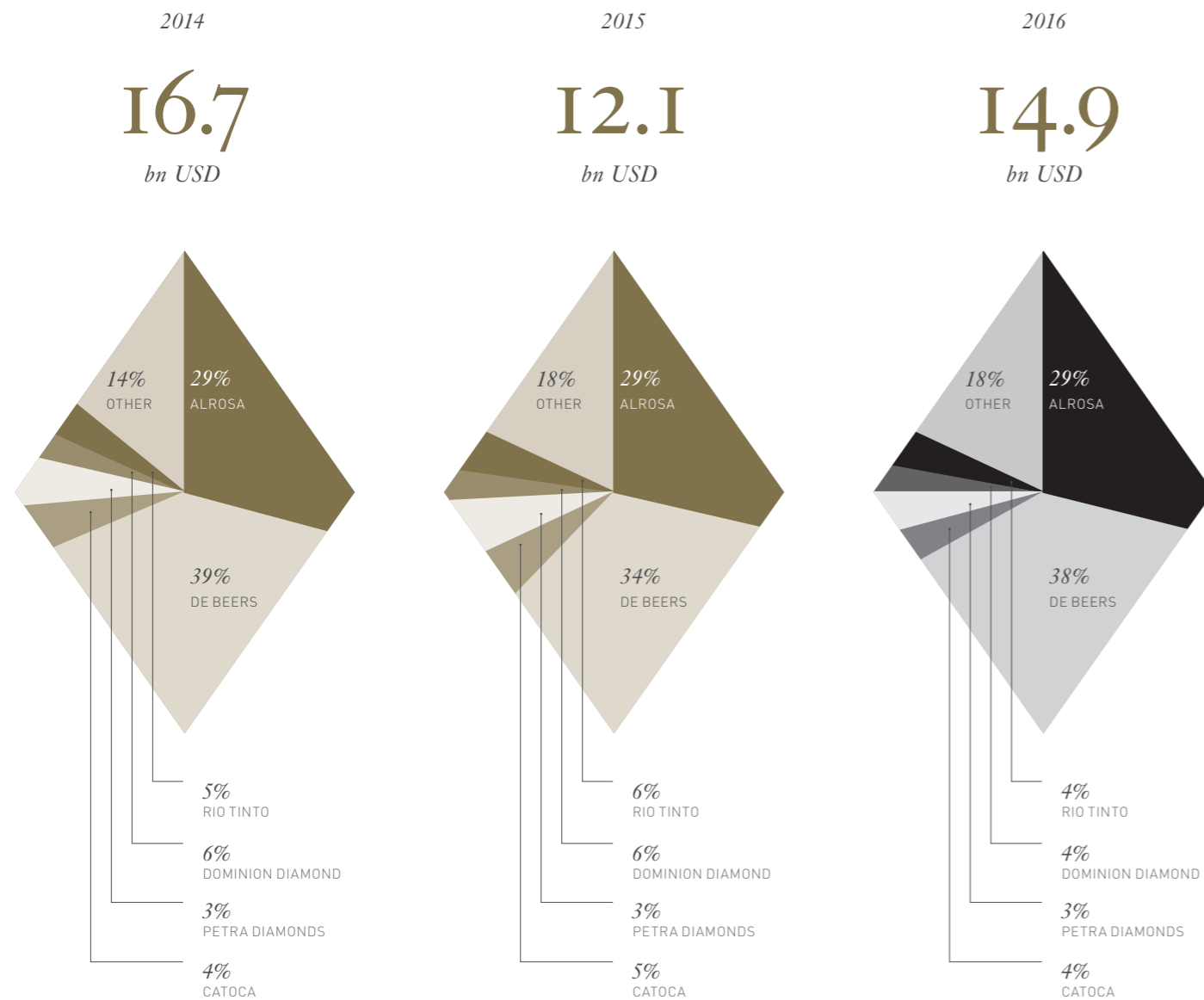
Catoca

A diamond mining company producing rough diamonds at the deposit with the same name located in Angola. In 2016, the company produced 7.2 mn carats of rough diamonds (2015: 6.7 mn carats).

Petra Diamonds

A public diamond mining company developing rough diamond deposits in South Africa and Tanzania. In 2016, Petra Diamonds produced 4.1 mn carats of rough diamonds (2015: 3.2 mn carats). The increase in production by 27.1% compared to 2015 is mainly due to the acquisition of tailing dumps of the Kimberley deposits group (with production volume of 0.8 mn carats per year) from De Beers in late 2015, as well as the beginning of the development of a new part of the Cullinan ore body, characterized by a higher content of diamonds in the ore (in 2016 — 0.27 carats/tons, in 2015 — 0.16 carats/tons).

Market shares of the leading diamond mining companies in 2014-2016 (USD bn.), %



Source: Companies' reports and assessment by the Analytical Center (for other companies in 2016).

In 2016, the world mining of rough diamonds in carats remained at a stable level, while world sales of rough diamonds increased by 25% compared to 2015 due to the sale of residual commercial products that were not sold in 2015.

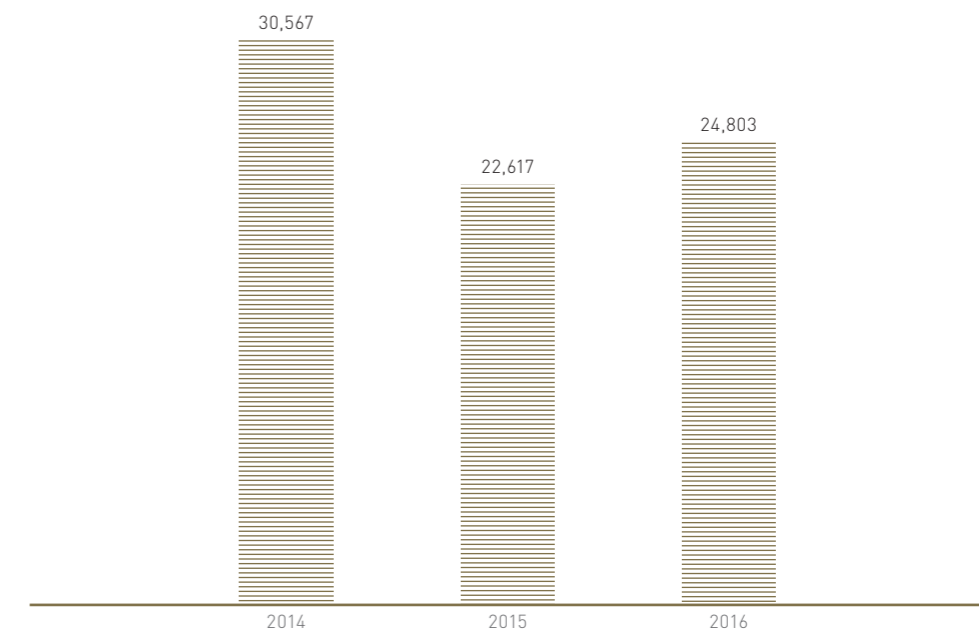
In 2016, De Beers started producing rough diamonds at three new deposits. The Gahcho Kue deposit in Canada (51% owned by De Beers, 49% — by Mountain Province) is open-pit mine. Achievement of the deposit's full capacity is expected in Q1 2017 with an average production volume of about 5 mn carats of rough diamonds per year for 12 years. In 2016, diamond mining began at the Renard field (Canada) owned by Stornoway Diamond with the target production volume of 1.8 mn carats per year. In Lesotho, Firestone Diamonds began production at the Lihobong field with the target production volume of about 1 mn carats per year.

In 2016, De Beers decided to flood the Snap Lake underground mine (Canada), which was closed in December 2015 due to unprofitability and put up for sale (the mine produced about 1.2 mn carats per year). De Beers stopped mining the Letlhakane (Botswana) field due to the expiration of the exploitation period: the open pit mine reached the depth unsafe for further development (about 0.5 mn carats per year were mined at the open pit mine). Starting from 2017, beneficiation of dumps at Letlhakane is planned. The dumps are sufficient for the next 25 years with the production volume of about 0.8 mn carats per year. In South Africa, De Beers completed the sale of tailing dumps of a group of Kimberley fields (they produced about 0.8 mn carats per year) to Ekapa Minerals investment consortium, which included Ekapa Mining (50.1%) and Petra Diamonds (49.9%). Amount of the deal was USD 7.2 mn. Rio Tinto decided to stop implementing the Bunder rough diamond project in India. This reflected the company's desire to increase its shareholder value by saving money and continuing to reduce costs. Dominion Diamond decided to prepare for the development of a new Jay pipe at Ekati field (Canada). Jay pipe commissioning is planned in 2022 and will extend Ekati's production period until 2033. Jay pipe production volume will amount to about 6 mn carats per year.

EXPORT AND IMPORT STATISTICS OF THE MAIN SALES CENTERS

The largest global centers for sales of natural rough diamonds are Belgium and India. Statistics of foreign trade in rough diamonds in these countries is indicative of the global demand for rough diamonds.

Belgian international trade in rough diamonds in 2014-2016, USD mn

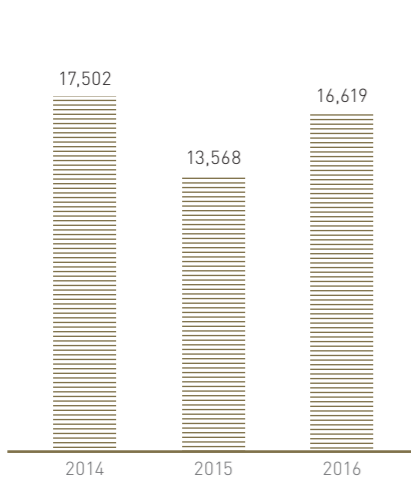


Source: the Antwerp World Diamond Center statistics..

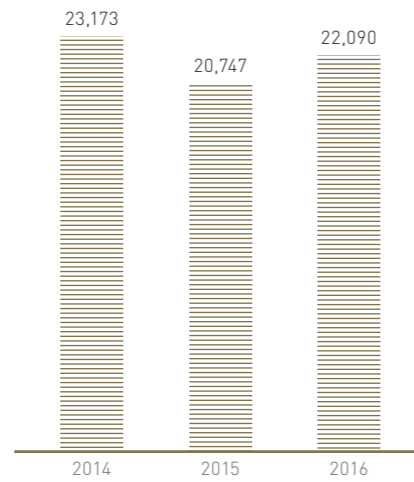
In 2016, Belgian international trade in rough diamonds amounted to USD 24,803 mn, which is 9.7% more as compared to the similar indicator in 2015 (USD 22,617 mn).

International trade transactions in rough and polished diamonds in India in 2014-2016, USD mn

Rough diamonds import to India



Polished diamonds export from India



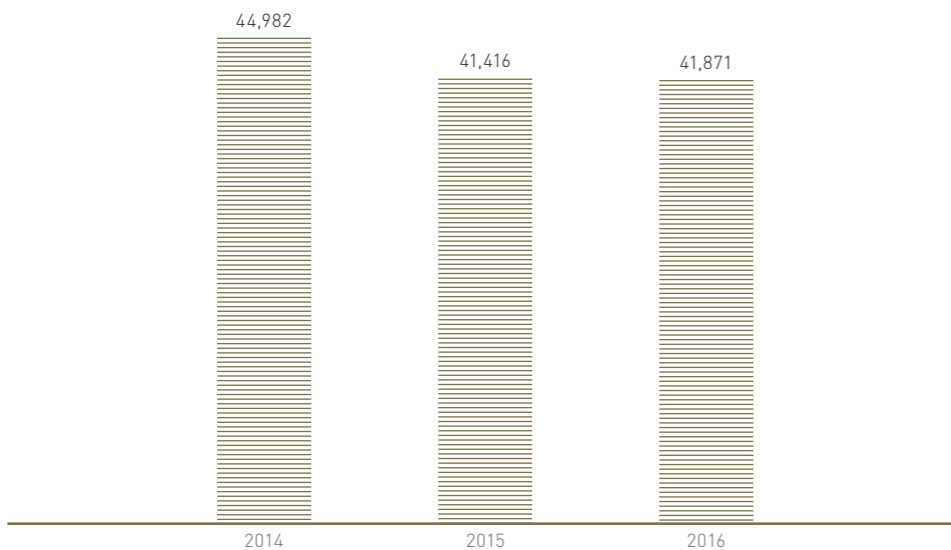
Source: The Gem and Jewellery Export Promotion Council of India.

Based on the results of 2016, rough diamonds import to India, the dominating global polished diamonds producer, amounted to USD 16,619 mn, which is 22.5% more than in 2015. In 2016, the volume of polished diamonds export amounted to USD 22,090 mn, which is 6.5% more than in 2015.

In 2016, the growth of rough diamonds import to India was ahead of the growth rate of polished diamonds export from India, which indicates the replenishment of stocks of cutting companies and market recovery after the industry crisis in 2015.

The trade in the diamond market is characterized by volumes of foreign trade with the USA — the largest consumer of polished diamonds. In 2016, the international trade turnover of US diamonds amounted to USD 41,871 mn, which is 1.1% higher than that for the same period of 2015.

The international trade turnover of US polished diamonds in 2014-2016, USD mn

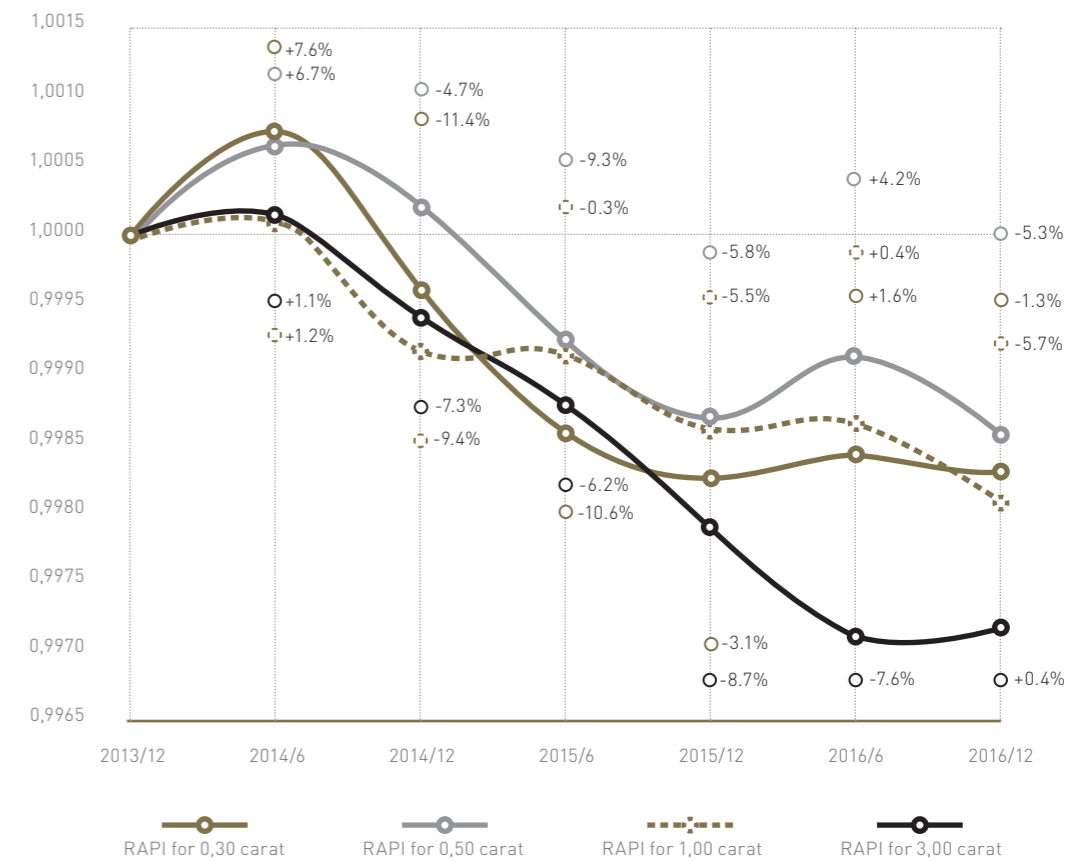


Source: statistics of the US Census Bureau.

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

After the period of declining prices that lasted since the second half of 2014, in the first half of 2016, there was an increase in prices for diamonds of all size categories except for 3.0 carats (in this category, the decline continued). In the second half of 2016, the decline in diamond prices resumed. In general, in 2016, according to Rapaport (RapNet Diamond Index, RAPI), prices for all diamond categories, except for the 0.3 carat category, dropped in the range from 1.3% to at least 5.7%. Prices for 0.3 carat diamond category remained stable compared to the level of 2015.

The polished diamonds market environment in 2013-2016 according to Rapaport (December 2013 = 1), %



In 2016, the decline in diamond prices resulted from the poor market situation. Lower demand for diamonds resulted from negative trends in the world economy and politics, as well as uncertainty in the development of these trends. In such conditions, end consumers prefer to save money rather than spend it on expensive goods.

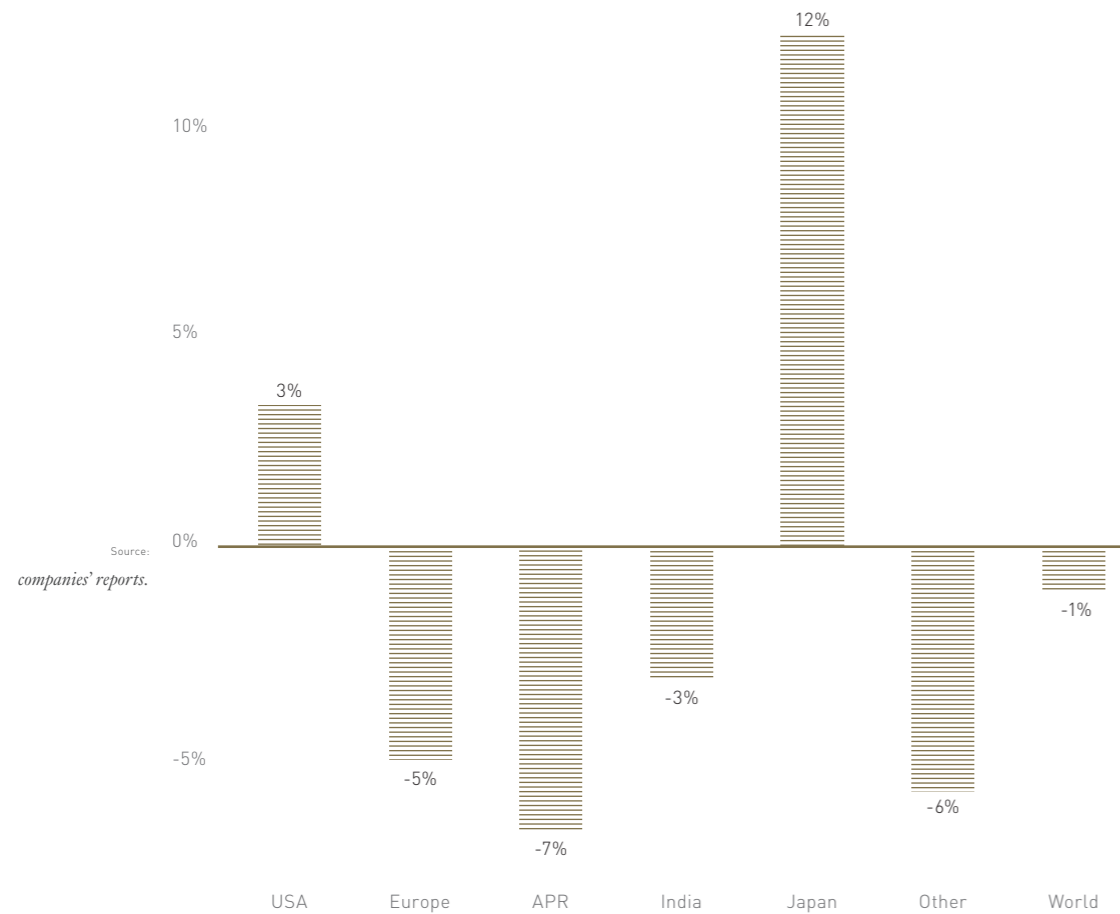
Based on monitoring of the world rough diamond market, the management of PJSC ALROSA decided to adjust prices in order to reduce accumulated reserves. In 2016, the Company's rough diamond sales prices were generally the same as in 2015. In 2016, sales of rough diamonds amounted to USD 4.4 bn, which is 27.8% higher than in 2015.

SALES OF DIAMOND JEWELRY

The main factors influencing the world consumption of jewelry with precious stones (including diamonds) in 2016 were the following:

- In North American countries, sales showed minimal growth in the first half of 2016 against the decreasing income of the population engaged in the fuel and energy sector. By the end of the year, the sales growth accelerated against the increased consumer confidence after the presidential elections in the USA;
- Slowdown in China's economic growth as compared to 2015 led to lower sales in Mainland China;
- Continuing outflow of tourists from Hong Kong and Macao to other countries in the Asia-Pacific region (in particular, to Japan and South Korea) contributed to the continued negative dynamics of retail sales in the region;
- Lack of sales growth in the countries of Continental Europe due to reduced flow of tourists in connection with terrorist attacks;
- Growth of the UK attractiveness for tourists and, as a consequence, growing sales due to weakening British Pound Sterling against other currencies after holding the referendum on the exit from the EU;
- Strengthening of the Japanese Yen to the US Dollar positively influenced the dynamics of sales.

Dynamics of the world jewelry market in 2016, %



In 2016, Japan and the US became the only major markets demonstrating growing demand for diamond jewelry.

The leading diamond jewelry consuming countries are the USA, China and India, whose share in the world consumption of diamond jewelry is about 70%, while the USA accounts for about 50% of the global consumption. The main macroeconomic factors that determine demand for diamond jewelry are growth in personal disposable income and, particularly 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 FOR MAJOR COUNTRIES CONSUMING DIAMOND JEWELRY

Based on 2016 results, economic development of leading diamond jewelry consuming countries slowed down: the US GDP growth rate was 1.6%⁹ in 2016 (2015: 2.6%) against decreasing private domestic investments; in China — 6.7% (2015: 6.9%) due to slower growth of personal disposable income, which is also the reason for lower demand growth in the country's domestic market. In late 2016, the Indian government combating corruption, shadow economy and terrorism began a monetary reform, which had a negative impact on the Indian consumer sector.

⁹ According to preliminary estimates of the Bureau of Economic Analysis of the United States.

¹⁰ IMF estimate.

¹¹ January 2017.

GDP growth rates in major countries consuming diamond jewelry in 2014-2016, %

Company	2014	2015	2016
Global	3.4	3.2	3.1
USA	2.4	2.6	1.6
China	7.3	6.9	6.7
India	7.2	7.9	6.6 ¹⁰

Source: The United States Bureau of Economic Analysis (Q4 2016 and 2016 — preliminary estimate), National Bureaus of Statistics of China and India, IMF.

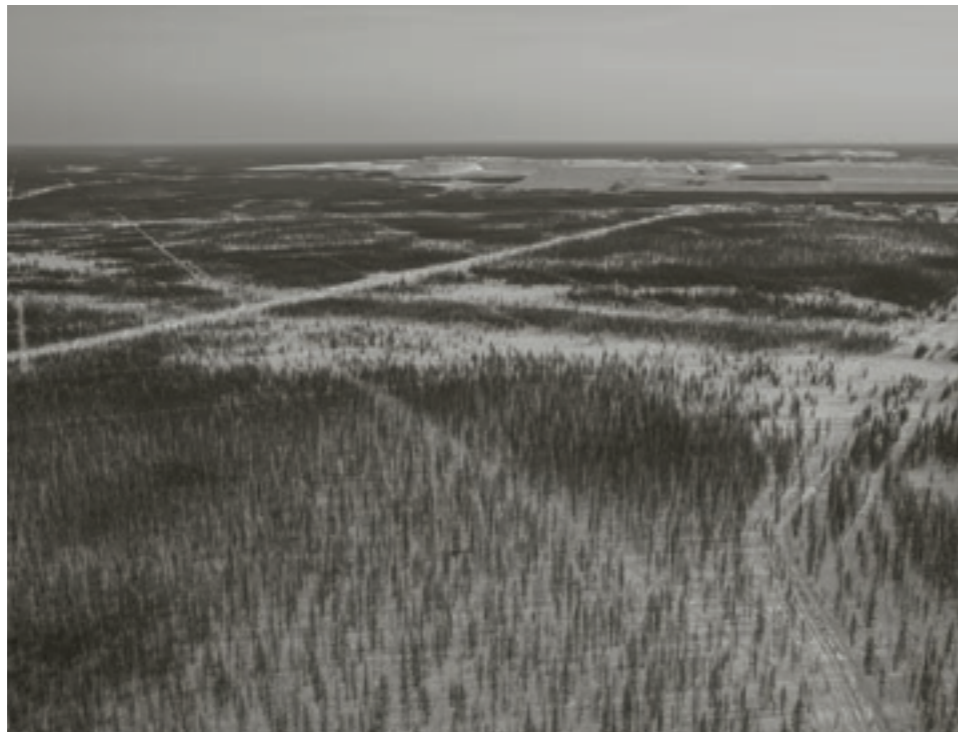
According to the updated macroeconomic forecast of the IMF¹¹, it is expected that the world economy growth rates will increase in 2017 — 2018 as compared with 2016 (2016: 3.1%; 2017: 3.4%; 2018: 3.6%). The forecast for the major countries consuming diamond jewelry is generally favorable: despite the fact that China is expected to face slowdown of the economic growth rates, the US and India are expected to accelerate the economic development rates.

II

OPERATING ACTIVITIES



RESERVES AND EXPLORATION OPERATIONS



ALROSA GROUP

Resource base maintenance and expansion are among major strategic priorities of ALROSA Group. ALROSA Group balance reserves according to the standards of the State Reserves Committee of the Russian Federation (subject to A+B+C1+C2 categories) as of January 01, 2017 amounted to 1,152,808.7 thousand carats (1,107,902.3 thousand carats as of January 01, 2016)¹².

Reserves according to the standards of the State Reserves Committee of the Russian Federation, thousand carats

Company	January 01, 2015	January 01, 2016	January 01, 2017	% compared to January 01, 2016
PJSC ALROSA	688,359.6	680,057.5	736,620.7	108.3%
PJSC ALROSA-Nyurba	166,341.3	179,037.1	172,446.9	96.3%
JSC Almazy Anabara	33,507.1	32,686.9	38,052.0	116.4%
JSC Nizhne-Lenskoye	8,694.8	9,471.8	350.2	3.7%
PJSC Severalmaz	208,607.5	206,649.0	205,338.9	99.4%
TOTAL	1,105,510.3	1,107,902.3	1,152,808.7	104.1%

¹² The reserves do not include the deposits that are being prospected.

Reduction of reserves of JSC Nizhne-Lenskoye is associated with the reissuance of 3 licenses to JSC Almazy Anabara in 2016.

Every year, ALROSA Group strives to ensure that the reserves grow at least at the same level as the production volume. The increase in reserves and prospective resources of ALROSA Group based on the results of work carried out in 2016 amounted to 58.4 mn carats (2015: 43.6 mn carats), while the reserves replenishment ratio amounted to 156.2% (2015: 113.9%). In 2016, exploration operations were carried out by structural subdivisions of PJSC ALROSA (Amakinskaya Exploration Expedition, Botuobinskaya Exploration Expedition, Mirny Exploration Expedition and Geo-Scientific Research Enterprise) and subsidiaries (PJSC ALROSA-Nyurba, PJSC Severalmaz, JSC Almazy Anabara and JSC Nizhne-Lenskoye). Expenditures on geological exploration increased by 1.2% compared to 2015 and amounted to RUB 6,383.0 mn (2015: 6,305.1 mn). The costs of mining and exploration increased by 23.6% compared to 2015 and reached RUB 1,499.5 mn (2015: RUB 1,213.0 mn).

LICENSES

ALROSA Group owns 171 licenses as of January 01, 2017.

List of ALROSA Group licenses

License	Number of licenses	Other activities: underground water abstraction, waste water injection, injection of drainage salt water, 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 effluent injection, exploration and production of peat.
Geological survey for common commercial minerals	11	
Geological survey, exploration and production of common commercial minerals	2	
Geological survey, exploration and diamond production	11	
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	66	
Exploration and diamond production	28	
Gas production	1	
Gas and gas condensate production	1	
Other activities*	29	
Geological survey for rough diamonds	16	
TOTAL	171	

In 2016, the Company obtained new licenses:

- ЯКУ 16031 КЭ for exploration of rough diamond placers in the subsoil area "Lyaseger-Yuryakh Creek, left tributary of the Mayat River";
- APX 01566 КП, APX 01567 КП for geological survey, including search for and assessment of rough diamond deposits at Chernoozerskaya area.

In 2016, PJSC Severalmaz drew up final reports on exploration and prospecting for Brusovitskaya, Kodinskaya and Otugskaya areas, which resulted in early submission of licenses.

PJSC ALROSA

*Reserves according to the standards of the State Reserves Committee
of the Russian Federation, thousand carats*

<i>Deposit</i>	<i>January 01, 2015</i>	<i>January 01, 2016</i>	<i>January 01, 2017</i>
TOTAL ROUGH DIAMOND RESERVES OF THE PRODUCING DEPOSITS	662,128.6	630,359.9	645,454.5
MIRNY MINING AND PROCESSING DIVISION	201,220.9	194,051.6	186,289.0
Mir pipe	141,190.4	138,495.9	135,040.2
Internatsionalnaya pipe	48,886.4	44,679.9	40,914.3
Vodorazdelnye Galechniki	4,869.8	4,842.2	4,812.3
Irelyakh River placer	1,786.1	1,673.1	1,488.5
Gorny site	4,488.2	4,360.5	4,033.7
UDACHNY MINING AND PROCESSING DIVISION	270,651.2	254,751.9	252,143.2
Udachnaya pipe	219,409.7	216,974.6	215,446.1
Zarnitsa pipe	51,241.5	36,772.6	35,912.3
Marginal deluvial placer	0.0	109.5	109.5
Piropovy Creek placer deposit	0.0	895.2	675.3
AIKHAL MINING AND PROCESSING DIVISION	190,256.5	181,556.4	207,022.3
Yubileynaya pipe	146,681.5	139,296.0	133,628.7
Aikhal pipe	41,662.1	40,493.0	71,959.3
Komsomolskaya pipe	1,912.9	1,767.4	1,434.3
TOTAL ROUGH DIAMOND RESERVES FOR PRIMARY DEPOSITS	650,984.5	618,479.4	634,335.2
TOTAL ROUGH DIAMOND RESERVES FOR PLACER DEPOSITS	11,144.1	11,880.5	11,119.3
TOTAL ROUGH DIAMOND RESERVES FOR DEPOSITS IN PREPARATION	8,047.0	32,236.7	74,915.5
Solur-Vostochnaya placer deposit	6,889.5	6,889.5	6,889.5
Piropovy Creek placer deposit	1,048.0	0.0	0.0
Marginal deluvial placer	109.5	0.0	0.0
Dalnyaya pipe	0.0	9,710.5	9,710.5
Maiskaya pipe	0.0	15,338.4	15,338.4
Maiskaya placer deposit	0.0	298.3	298.3
Verkhne-Munskoye field	0.0	0.0	42,375.5
Verkhne-Munskoye field (elluvial-deluvial)	0.0	0.0	303.3
TOTAL ROUGH DIAMOND RESERVES FOR TECHNOGENIC DEPOSITS	10,331.5	10,082.7	9,863.4
Tailing dumps of processing plants No. 2,3	8,541.1	8,541.1	8,541.1
Tailing dump of processing plant No. 5	236.5	119.2	36.1
Dredge dumps	1,330.9	1,199.4	1,063.2
Tailing dump of processing plant No. 11	223.0	223.0	223.0
TOTAL ROUGH DIAMOND STOCK RESERVES	5,363.5	5,100.2	4,248.6
TOTAL ROUGH DIAMOND RESERVES FOR SPECIAL DUMPS	2,489.0	2,278.0	2,138.7
TOTAL	688,359.6	680,057.5	736,620.7

IN 2016, PJSC ALROSA rough diamonds reserves and resources grew by 57.86 mn carats.

In 2016, exploration operations were carried out in 8 districts of the Yakutian diamondiferous province (Sredne-Markhinsky, Muno-Tyungsky, Daldyno-Alakitsky, Morkokinsky, Ygyattinsky, Malo-Botuobinsky, Verkhne-Oleneksky and Nizhne-Oleneksky) under 18 licenses at 45 deposits.

In the reporting period, exploration operations were completed at 10 deposits. Small and medium-scale prospecting aimed at finding new kimberlite fields were carried out

in Morkokinsky, Ygyattinsky, Muno-Tyungsky, Verkhne-Oleneksky and Nizhne-Oleneksky diamondiferous districts. More detailed prospecting surveys to find new primary rough diamond deposits were carried out mainly within the areas of activities of PJSC ALROSA mining and processing divisions (in Daldyno-Alakitsky, Sredne-Markhinsky and Malo-Botuobinsky diamondiferous areas). As a result of the prospecting, a new kimberlite body Yanvarskeye was found in the Alakit-Markhinskoe field and the kimberlite nature of the aeromagnetic anomaly in the Verkhne-Munskoe field was established.

The objective of increasing the reserves and prospective resources of the P1 category in the reporting year was pursued by exploration, prospecting and evaluation at the deposits that are being mined and prepared for mining:

- Pilot development of the Verkhne-Munskoe field completed. The rough diamond reserves and resources grew by 16.72 mn carats with respect to C1+C2 category and by 5.01 mn carats with respect to P1 category;
- Exploration works at Zarya pipe were completed. Rough diamond reserves increased by 7.1 mn carats;
- Deep horizon exploration at Aikhal pipe deposit to the depth of 900 meters was completed. Reserves and resources grew by 34.04 mn carats;
- Office work with respect to preparation of the feasibility report on permanent exploration conditions and the report containing rough diamond reserves calculation of Yubileynaya pipe to the depth of 1,300 meters was completed as of January 01, 2016. The Report and Feasibility Report on Exploration Conditions are sent for expert examination to FSFI SRC;
- Terms of reference for exploratory well drilling on Yubileynaya pipe to the depth of 1,300 meters during the period of 2016 – 2019 was prepared and approved. The drilling works will start in Q2 of 2017;
- Exploration of the Internatsionalnaya kimberlite pipe deep horizon within the depth range of 1,190 – 1,450 meters continued. 2.9 tons of core samples were selected from the core of exploratory wells and enriched. Expected growth of reserves — 10.49 mn carats.

The following activities were carried out in Africa:

- Zoning of the territories of the West African, Central African, East African, South African diamondiferous subprovinces based on the conditions for prospecting works and evaluation of rough diamond potential thereof;
- As a result of the conducted specialized studies, six promising areas were identified: Leonian, Birimian, South Congolese, Tanzanian, East Zimbabwean and Botswanian, which are recommended for further study within the scope of regional case studies;
- Assessment of the rough diamond content of the Republic of Sierra Leone was carried out, as a result of which promising areas recommended for site investigation, prospecting and exploration were identified;
- Based on the comprehensive analysis of the territories of Botswana and Zimbabwe, areas that are promising in terms of rough diamond prospecting were identified, the resource potential of the primary diamondiferousness has been estimated for each area, recommendations for the optimal complex of prospecting works were provided;
- Processing of geological and geophysical data was carried out as part of the Agreement on technical cooperation between PJSC ALROSA and the ENDIAMA;
- Comprehensive analysis of mineralogical data prepared by Sunland Minerals Joint Venture in the areas of the kimberlite field of Orapa in Botswana was performed, recommendations for rough diamond prospecting were provided;
- Analysis of geological and geophysical data prepared by Petra Diamonds Company in the areas recommended for joint geological exploration was carried out.

Work budget, RUB mn

<i>Company</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Exploration operations	4,779.2	4,775.2	4,941.8
Mining and exploration works	816.9	881.9	1,010.7

PJSC ALROSA-NYURBA

*Reserves according to the standards of the State
Reserves Committee of the Russian Federation,
thousand carats*

<i>Deposit</i>	<i>January 01, 2015</i>	<i>January 01, 2016</i>	<i>January 01, 2017</i>
TOTAL IN-SITU RESERVES BY DEPOSIT	162,919.3	174,431.0	167,798.7
Botuobinskaya pipe	93,021.3	99,796.0	98,111.0
Nyurbinskaya pipe	44,637.6	48,550.6	44,101.3
Botuobinskaya placer	562.8	456.6	351.5
Nyurbinskaya placer	24,697.6	25,627.8	25,234.9
TOTAL STOCK RESERVES	3,422.0	4,606.1	4,648.2
TOTAL	166,341.3	179,037.1	172,446.9

IN 2016, PJSC ALROSA-Nyurba carried out exploration operations at primary rough diamond deposits within the licensed areas, namely the Nyurbinskaya and Botuobinskaya pipes and similarly named placer deposits genetically related to them.

The exploration operations were carried out on the basis of contractor agreements with PJSC ALROSA subdivisions, including Botuobinskaya geological exploration expedition (prospecting and exploration) and Mirninskaya geological exploration expedition (monitoring, hydrogeological operations, exploration, onsite exploration). In 2016, the following exploration operations were performed:

- Monitoring surveys in the area of Botuobinskaya and Nyurbinskaya kimberlite pipes and in the adjacent areas were carried out to study the conditions, dynamics and resources of underground and surface waters;
- Search for rough diamond deposits at Promyshlenny-5 site within prospective sections of the Nakynsky kimberlite field continued. During the reporting period, positive results were obtained indicating the presence of not yet discovered kimberlite bodies in the area of the Western site;
- At Rossypnoy-B prospect, appraisal works were completed on the Nyurbinskaya buried placer of phase three.
- Operational exploration of the Nyurbinskaya pipe and the similarly named placer within the mining lease continued.

Work budget, RUB mn

<i>Company</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Exploration operations	393.7	403.1	391.5

The operational exploration budget of PJSC ALROSA-Nyurba was formed as part of the budget of PJSC ALROSA.



JSC ALMAZY ANABARA

Reserves according to the standards of the State
Reserves Committee of the Russian Federation,
thousand carats

Deposit	January 01, 2015	January 01, 2016	January 01, 2017
TOTAL IN-SITU RESERVES BY DEPOSIT	33,505.4	32,685.2	38,050.3
Mayata flanks placer	10.0	10.0	10.0
Morgogor placer	974.2	626.2	314.0
Pravoberezhnye Morgogora placer	1,165.7	1,067.6	909.0
Kholomolokh placer	1,419.9	1,419.9	1,458.1
Istok placer	1,154.9	932.9	674.6
Ebelyakh River placer	25,759.4	24,016.3	23,501.5
Gusiny Creek placer	2,814.5	2,070.2	1,230.8
Olom Creek placer	206.8	206.8	206.8
Khara-Mass River placer	0.0	2,335.3	2,335.2
Molodo placer	0.0	0.0	1,774.4
Talakhtakh placer	0.0	0.0	446.5
Bolshaya Kuonamka placer	0.0	0.0	5,189.4
TOTAL STOCK RESERVES	1.7	1.7	1.7
TOTAL	33,507.1	32,686.9	38,052.0

IN 2016, JSC Almazny Anabara performed exploration operations in Anabarsky, Kuonamsky and Prilensky diamondiferous districts:

- Exploration works of the terrace part of the Ebelyakh river placer continued. Rough diamonds reserves grew by 513.1 thousand carats¹³. Office work was performed with respect to processing of results obtained from exploration works at the terrace part of the Ebelyakh river placer (Verkhny and Nizhny prospects);
- After reissuance of license ЯКУ 05096 КЭ in Q4 of 2016 with JSC Nizhne-Lenskoye, exploration works continued at the Molodo River placer deposit of rough diamonds;
- After the reissuance of license ЯКУ 05094 КР in Q4 of 2016 with JSC Nizhne-Lenskoye, exploration works continued at the rough diamond placer deposit in the Bolshaya Kuonamka river basin;
- A project is developed and exploration works started for rough diamond placer in the subsoil area "Lyaseger-Yuryakh Creek, left tributary of the Mayat River";
- A report was prepared on the results of prospecting and evaluation in the Khara-Masskaya area outside previously identified and explored placers. The expected increase in category C2 reserves — 374.3 thousand carats, prospective P1 resources — 1,687.3 thousand carats;
- Prospecting and evaluation works for placer rough diamonds in the basins of the Malaya Kuonamka and Maspaky rivers continued;
- Mining operations were completed for the exploration of alluvial placer of the Ochuos Creek (right bank of the Anabar River), as well as prospecting core drilling and cutting exploration pit-holes within the sediments of the 4th terrace above the floodplain of the Anabar River;
- Path studies, mining/drilling and land works were carried out within the buried part of the Eyekit area (the Eyekit river basin); as a result of the geophysical anomaly verification by drilling at the depth of 85 meters, Middle Paleozoic kimberlites were discovered.

On-site exploration works were carried out within the placer of Uchakh-Ytyrbat Creek (Khara-Masskaya area), as well as at the placer deposit of the Molodo River.

Work budget, RUB mn

Company	2014	2015	2016
Exploration operations	333.4	477.0	549.8
Mining and exploration works	78.9	38.6	122.8

JSC NIZHNE-LENSKOYE

Reserves according to the standards of the State
Reserves Committee of the Russian Federation,
thousand carats

Deposit	January 01, 2015	January 01, 2016	January 01, 2017
TOTAL IN-SITU RESERVES BY DEPOSIT	8,646.3	9,449.4	327.8
Molodo placer (Molodo deposit and Verkhnee Molodo deposit)	0.0	392.3	327.8
Molodo placer	896.8	2,453.2	0.0
Verkhny Billyakh placer	621.5	0.0	0.0
Billyakh tributaries placers	915.3	524.5	0.0
Khara-Mass placer	60.3	0.0	0.0
Talakhtakh placer	866.1	793.1	0.0
Bolshaya Kuonamka placer	5,286.3	5,286.3	0.0
TOTAL STOCK RESERVES	48.5	22.4	22.4
TOTAL	8,694.8	9,471.8	350.2

IN 2016, JSC Nizhne-Lenskoye performed exploration operations in Anabarsky, Kuonamsky and Prilensky diamondiferous districts. During the reporting period, exploration mining operations were carried out at the placer diamond deposit of the Molodo River and the Nebaybyt and Arbaybyt rivers (right tributaries of the Bolshaya Kuonamka river), the placers of the tributaries of the Billyakh River (Lazurny, Ozerny, Sokoliny, Dugovoi and Kamenisty creeks).

Mining and exploration works were carried out in the Prilensky diamondiferous district at the Verkhnee Molodo deposit, as well as in the Kuonam diamondiferous district at placers of the Bolshaya Kuonamka river basin, including the placer of the Talakhtakh river.

Work budget, RUB mn

Company	2014	2015	2016
Exploration operations	371.8	482.8	348.0
Mining and exploration works	85.4	103.2	130.7

PJSC SEVERALMAZ

Reserves according to the standards of the State
Reserves Committee of the Russian Federation,
thousand carats

Deposit	January 01, 2015	January 01, 2016	January 01, 2017
TOTAL IN-SITU RESERVES BY DEPOSIT	207,462.2	205,131.1	203,191.0
Arkhangelskaya pipe	52,852.5	51,776.1	49,553.8
Karpinskogo-1 pipe	32,020.7	30,766.0	29,024.7
Karpinskogo-2 pipe	16,100.0	16,100.0	16,087.0
Pionerskaya pipe	51,990.0	51,990.0	54,026.5
Lomonosov pipe	52,218.0	52,218.0	52,218.0
Pomorskaya pipe	2,281.0	2,281.0	2,281.0
TOTAL STOCK RESERVES	1,145.3	1,517.9	2,147.9
TOTAL	208,607.5	206,649.0	205,338.9

IN 2016, PJSC Severalmaz performed the following prospecting and exploration works:

- In Q1 of 2016, FSFI SRC approved the Feasibility Report on permanent exploration conditions and reserves for the Pionerskaya pipe¹⁴. Based on the approved conditions, a report containing calculation of reserves for Pionerskaya and Pomorskaya pipes was considered at the FSFI SRC plenary session¹⁵;
- At 2 deposits of Svetlinskaya licensed area, land complex geophysical works and prospecting verification drilling of prospective geophysical anomalies were carried out. As a result of the verification drilling, no kimberlite pipes were identified;
- A project was developed for searching and evaluating new kimberlite bodies within the licensed area of the diamond deposit named after M.V. Lomonosov. Land geophysical works were performed at 2 deposits, high-precision ground-based gamma spectrometric survey was carried out over the greater part of the licensed area; in Q4 of 2016, prospective anomaly check by means of drilling wells was started;
- A project was developed to search for kimberlite bodies within the Chernoozerskaya area, including subsoil prospects of Chernoozersky-1 and Chernoozersky-2. In Q4 of 2016, land complex geophysical works were performed at 3 deposits; office processing of obtained materials is in progress;
- final reports were prepared for Brusovitskaya, Kodinskaya, Otugskaya prospects and the licenses were submitted ahead of schedule.

Operational exploration continued for Arkhangelskaya and Karpinskogo-1 pipes. As a result of the works, boundaries of the estimated blocks, content of rough diamonds in the blocks were specified.

Work budget, RUB mn

Company	2014	2015	2016
Exploration operations	164.8	167.0	151.9
Mining and exploration works	163.1	189.3	235.3

¹⁴ Minutes of FSFI SRC No. 427-κ dated February 03, 2016.

¹⁵ Minutes No. 4560 dated February 11, 2016.

DIAMOND MINING AND ORE PROCESSING

ALROSA GROUP

IN 2016, mining divisions of ALROSA Group carried out operations in accordance with the mining development plan approved by the Company's Executive Committee and coordinated with the Federal Service for Environmental, Technological, and Nuclear Supervision.

Indicator	UoM	2014	2015	2016	% vs 2015
Rough diamond production	thousand tons	31,645.1	34,436.5	34,379.0	99.8%
Rough diamond processing	thousand tons	35,921.9	37,114.3	38,577.2	103.9%
Rough diamonds extracted	thousand carats	36,212.2	38,260.5	37,358.3	97.6%
	USD mn	3,770.7	3,966.7	3,485.9	87.9%
Product yield per ton of ore	carat/ton	1.01	1.03	0.97	93.9%

As compared to 2015, rough diamond production decreased to 97.6% and 87.9% in natural and value terms, respectively. Decrease in rough diamond production is directly related to the planned shutdown of the processing plant No. 15. The reduction in the cost of extracted products was influenced by introduction of the new price list "November 2015", which led to a 10% decrease in accounting prices.

MINING DIVISIONS
OF ALROSA GROUP

ALROSA Group owns six mining complexes, four of which are part of PJSC ALROSA: Udachny Mining and Processing Division, Aikhal Mining and Processing Division, Mirny Mining and Processing Division and Nyurba Mining and Processing Division; the other two, namely JSC Almazy Anabara (including production and processing facilities of JSC Nizhne-Lenskoye) and PJSC Severalmaz, are subsidiary companies. Each MPD structure contains one or several deposits, processing capacities and equipment, as well as motor transport fleet.

**AIKHAL MINING
AND PROCESSING DIVISION**

Aikhal MPD accounted for 33% of the ALROSA Group production in 2016. Aikhal Mining and Processing Division mines rough diamonds at three deposits:

- Yubileynaya pipe. The Company has been developing the field by the open-pit method since 1989;
- Aikhal pipe. Since 2005, the Company has been developing the deposit by the underground method; openpit mining was closed in 1997;
- Komsomolskaya pipe. Open-pit method has been used since 2000.

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

In July 2016, Aikhal Mining and Processing Division in cooperation with the Capital Construction Division (CCD) started capital mining operations (CMO) at the deposit of Zarya pipe. The first industrial explosion was performed marking the beginning of the new primary diamond deposit development.

*Rough diamond production:
Aikhal Mining and Processing Division*

<i>Indicator</i>	<i>UoM</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>% vs 2015</i>
Rough diamond production	thousand tons	7,635.0	7,254.0	7,200.0	99.3%
Rough diamond processing	thousand tons	9,478.0	9,141.0	9,950.0	108.9%
Rough diamonds extracted	thousand carats	12,565.3	12,322.2	12,225.6	99.2%
	mn USD	1,309.9	1,338.6	1,183.9	88.4%
Product yield per ton of ore	carat/ton	1.33	1.35	1.23	91.1%

In 2016, at Aikhal MPD there was a decrease in rough diamond production in value and in kind, compared to 2015 to 88.4% and 99.2% respectively. This is primarily due to the decreasing price list "November 2015". On average, the price decreased by 10.9% at Aikhal MPD.

At processing plant No. 14 of Aikhal MPD, the decrease in the production of main and marketable products compared to 2015 was due to processing of ore with a lower rough diamond content (from Yubileynaya pipe).

**MIRNY MINING
AND PROCESSING DIVISION**

Mirny MPD accounted for 21% of the ALROSA Group production in 2016. Mirny MPD mines rough diamonds at six deposits:

- Internatsionalnaya pipe. Underground mine. Open-pit mining was closed in 2011;
- Mir pipe. Since 2009, the Mir pipe has been developed by the underground method; open-pit mining was closed in 2001;
- Vodorazdelnye Galechniki placer;
- Irelyakh placer;
- Gornoye placer;
- Technogenic deposit, "Tailing dumps of processing plant No. 5".

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

*Rough diamond production:
Mirny Mining and Processing Division*

<i>Indicator</i>	<i>UoM</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>% vs 2015</i>
Rough diamond production	thousand tons	4,922.5	5,873.7	5,272.7	89.8%
Rough diamond processing	thousand tons	4,902.8	5,706.2	5,324.2	93.3%
Rough diamonds extracted	thousand carats	6,088.5	6,908.3	7,807.6	113.0%
	USD mn	1,041.3	1,117.6	1,072.1	95.9%
Product yield per ton of ore	carat/ton	1.24	1.21	1.47	121.1%

In 2016, rough diamond production at Mirny MPD dropped in value terms by 4.1% as compared to 2015 due to significant decrease in prices for the main feedstock: the decrease was by 11.4% at Internatsionalnaya pipe and by 12.3% at Mir pipe.

Decrease in the index of marketable products as compared to 2015 at processing plant No. 3 was due to changes in the structure of the feedstock: the share of "richer" ore in the processed raw materials at Internatsionalnaya pipe decreased, and it was replaced with Mir pipe ore with lower content, since Mir underground mine had reached its design production volumes — 1 mn tons per year.

As part of the work on completion of the third stage of the technical re-equipment of Processing Plant No. 3 of Mirny MPD, measures were taken to bring the grind-toothed crusher to its design parameters.

**NYURBA MINING
AND PROCESSING DIVISION**

Nyurba MPD accounted for 18% of the ALROSA Group production in 2016. Nyurba MPD mines rough diamonds at four deposits:

- Nyurbinskaya pipe. The pipe has been developed by opencast mining since 2001;
- Botuobinskaya pipe. Open-pit diamond mining at the pipe started in 2015;
- Nyurbinskaya placer;
- Botuobinskaya placer.

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

Rough diamond production: Nyurba MPD

<i>Indicator</i>	<i>UoM</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>% vs 2015</i>
Rough diamond production	thousand tons	1,350.0	1,965.0	1,773.0	90.2%
Rough diamond processing	thousand tons	2,000.0	2,040.0	1,545.0	75.7%
Rough diamonds extracted	thousand carats	7,362.9	7,509.6	6,793.2	90.5%
	USD mn	545.0	603.3	493.0	81.7%
Product yield per ton of ore	carat/ton	3.68	3.68	4.40	119.4%

In 2016, Nyurba MPD demonstrated lower rough diamond production in value and in kind compared to 2015. Production decreased by 9.5% and 18.3%, respectively. The decline is directly related to the planned shutdown of processing plant No. 15 and the decreasing price list "November 2015".

**UDACHNY MINING
AND PROCESSING DIVISION**

Udachny MPD accounted for 8% of the ALROSA Group production in 2016.

Udachny MPD mines rough diamonds at three deposits:

- Udachny pipe. Open-cast mining was started in 1971 and so continued until now. Beginning of underground mining — 2014;
- Zarnitsa pipe. Open pit mine. Development started in 1999;
- Piropovy Creek placer.

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

Rough diamond production: Udachny MPD

<i>Indicator</i>	<i>UoM</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>% vs 2015</i>
Rough diamond production	thousand tons	1,882.3	4,128.0	5,145.0	124.6%
Rough diamond processing	thousand tons	4,814.1	5,377.0	5,837.0	108.6%
Rough diamonds extracted	thousand carats	3,679.1	4,297.3	3,167.7	73.7%
	USD mn	364.1	417.9	287.0	68.7%
Product yield per ton of ore	carat/ton	0.76	0.80	0.54	67.9%

In 2016, rough diamond production at Udachny MPD decreased by 26.3% as compared to 2015 primarily due to changes in the structure of the feedstock:

- Increase in processing of the low-grade ore from Zarnitsa pipe;
- Reduction of the high-grade ore share from Udachnaya pipe;
- Using sands in the Piropovaya placer processing.

In terms of value, the decrease was 31.3%, which is due not only to lower content of rough diamonds in Zarnitsa pipe ore, but also to the reducing "November 2015" price list. In the reporting year, the first stage of the 2nd launch complex of Udachny underground mine was commissioned, containing the infrastructure that allows the mine to operate at the capacity of 4 mn tons per year.

JSC ALMAZY ANABARA

JSC Almazy Anabara accounted for 9% of the ALROSA Group production in 2016.

JSC Almazy Anabara mines rough diamonds at the following deposits:

- Pravoberezhnye Morgogora placer;
- Istok placer;
- Ebelyakh placer;
- Gusiny Creek placer.

Rough diamond production: JSC Almazy Anabara

<i>Indicator</i>	<i>UoM</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>% vs 2015</i>
Rough diamond production	thousand tons	6,015.0	5,082.0	5,218.0	102.7%
Rough diamond processing	thousand tons	5,604.0	5,222.0	5,300.0	101.5%
Rough diamonds extracted	thousand carats	3,059.5	3,308.9	3,421.6	103.4%
	USD mn	195.0	176.2	166.4	94.4%
Product yield per ton of ore	carat/ton	0.55	0.63	0.65	101.9%

In 2016, rough diamond production in natural terms grew by 3.4%. It was affected by using sands with higher rough diamonds content in the enrichment process. The product cost reduction was conditioned by introduction of a new reducing price list "November 2015".

JSC NIZHNE-LENSKOYE

JSC Nizhne-Lenskoye accounted for 5% of the ALROSA Group production in 2016. JSC Nizhne-Lenskoye mines rough diamonds at the following prospects:

- Molodo placer;
- Billyakh placer;
- Verkhny Billyakh placer;
- Talakhtakh placer;
- Bolshaya Kuonamka placer.

Rough diamond production: JSC Nizhne-Lenskoye

<i>Indicator</i>	<i>UoM</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>% vs 2015</i>
Rough diamond production	thousand tons	6,230.0	5,880.0	5,848.0	99.5%
Rough diamond processing	thousand tons	5,814.0	5,640.0	6,606.0	117.1%
Rough diamonds extracted	thousand carats	1,818.0	1,964.0	1,724.5	87.8%
	USD mn	197.4	185.3	165.5	89.3%
Product yield per ton of ore	carat/ton	0.31	0.35	0.26	75.0%

In 2016, JSC Nizhne-Lenskoye faced rough diamond production decrease by 12.2% in natural terms as compared to 2015. In general, it resulted from using placers with lower rough diamond content in processing.

PJSC SEVERALMAZ

PJSC Seversalmaz accounted for 6% of the ALROSA Group production in 2016. PJSC Seversalmaz mines rough diamonds at two deposits:

- Arkhangelskaya pipe. The pipe has been developed by the open-pit method since 2005;
- Karpinskogo-1 pipe. Open pit mine. Stripping operations have been performed since 2009. Rough diamond production started in 2014.

PJSC Seversalmaz comprises processing plant No. 1: module No. 1 (with the capacity of 1 mn tons per year) and module No. 2 (with the capacity of 3 mn tons per year).

Rough diamond production: PJSC Severalmaz

Indicator	UoM	2014	2015	2016	% vs 2015
Rough diamond production	thousand tons	3,610.3	4,253.8	3,922.3	92.2%
Rough diamond processing	thousand tons	3,309.0	3,988.1	4,015.0	100.7%
Rough diamonds extracted	thousand carats	1,638.9	1,950.2	2,218.0	113.7%
	USD mn	118.1	127.7	117.9	92.3%
Product yield per ton of ore	carat/ton	0.50	0.49	0.55	113.0%

In 2016, PJSC Severalmaz faced rough diamond production growth by 13.7% that resulted from mining of ore with higher diamond content from Arkhangelskaya pipe. Introduction of the reducing "November 2015" price list resulted in reduction of the indicator in terms of value by 7.7%.

SALES AND MARKETING

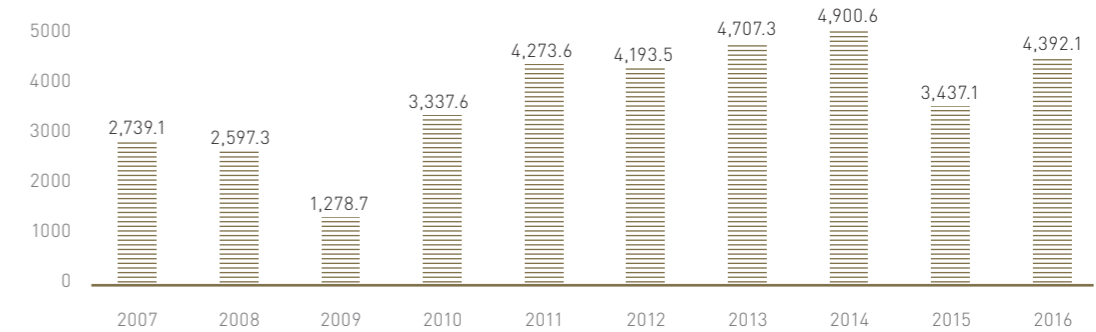
SORTING AND VALUATION

Rough diamonds produced at the deposits owned by Group ALROSA are subject to preliminary classification at Diamond Sorting Centers located in Mirny and Arkhangelsk. For final sorting and primary valuation, rough diamonds are sent to the United Selling Organization (the USO of ALROSA) that has sorting centers in three cities: Moscow, Mirny, and Yakutsk.

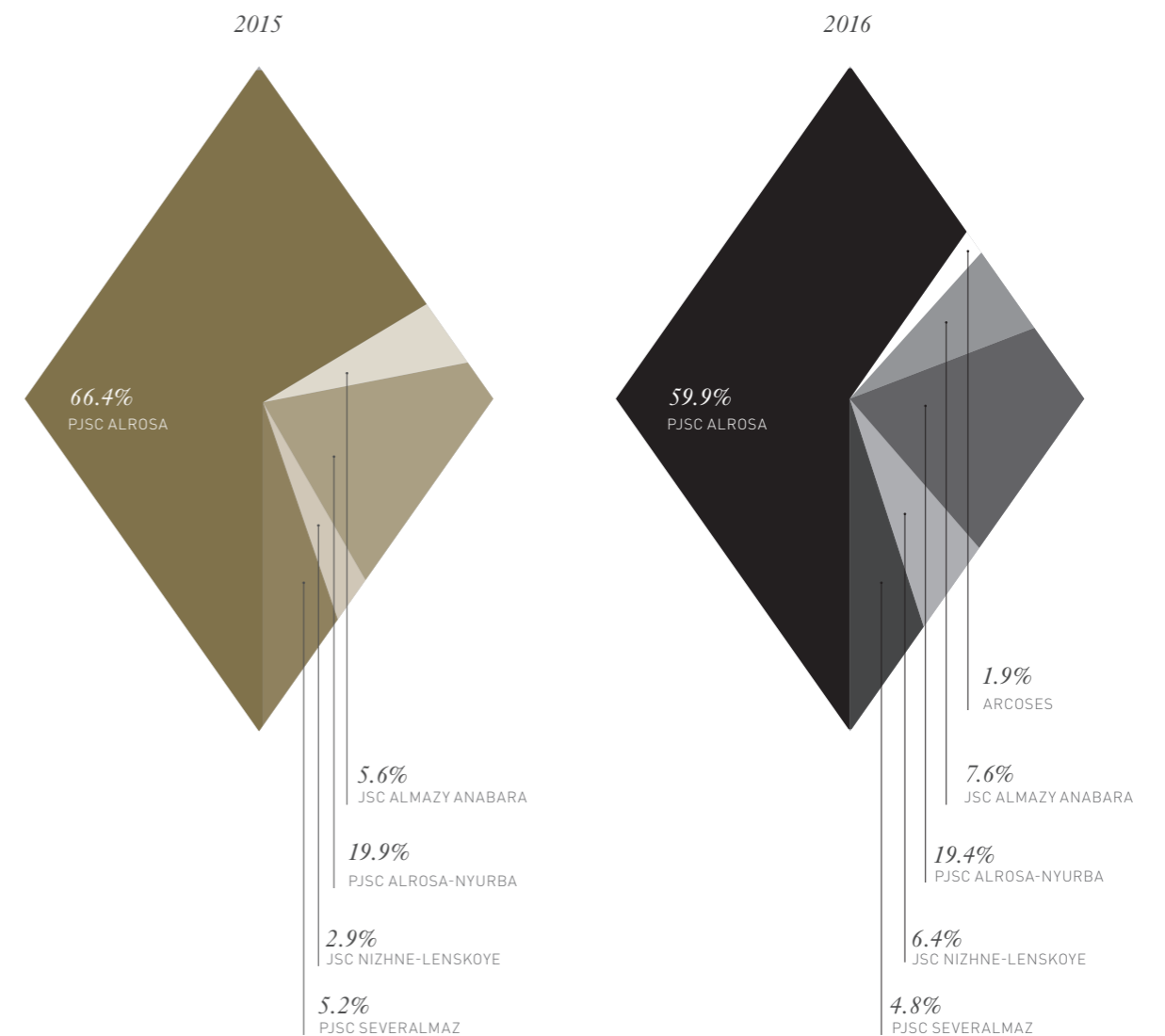
Rough diamonds are sorted by more than 8,000 criteria in accordance with the classifier approved by the Ministry of Finance of the Russian Federation. Threshold valuation of rough diamonds over 10.8 carats is based on determining the rough diamond value by means of expert evaluation of polished diamonds that can be produced from them. Each such diamond is recorded in a single integrated rough diamond tracking system. Classification features of a crystal are its weight (carat), shape (cut), quality (clarity), and color. Rough diamonds valuation is based on the effective price list of the Ministry of Finance of the Russian Federation. After initial valuation, rough diamonds proceed to the batching stage. All the sorted rough diamonds are packaged in standard boxes and offered for sale on domestic and external markets. Rough diamonds over 10.8 carats are sold at auctions. All stages of sorting, attestation, evaluation, assembly, sale of rough diamonds are performed with software support within a single integrated system. The sorting system of PJSC ALROSA is certified by the authorized standardization bodies and meets national and international standards.

ROUGH DIAMOND SALES STRUCTURE

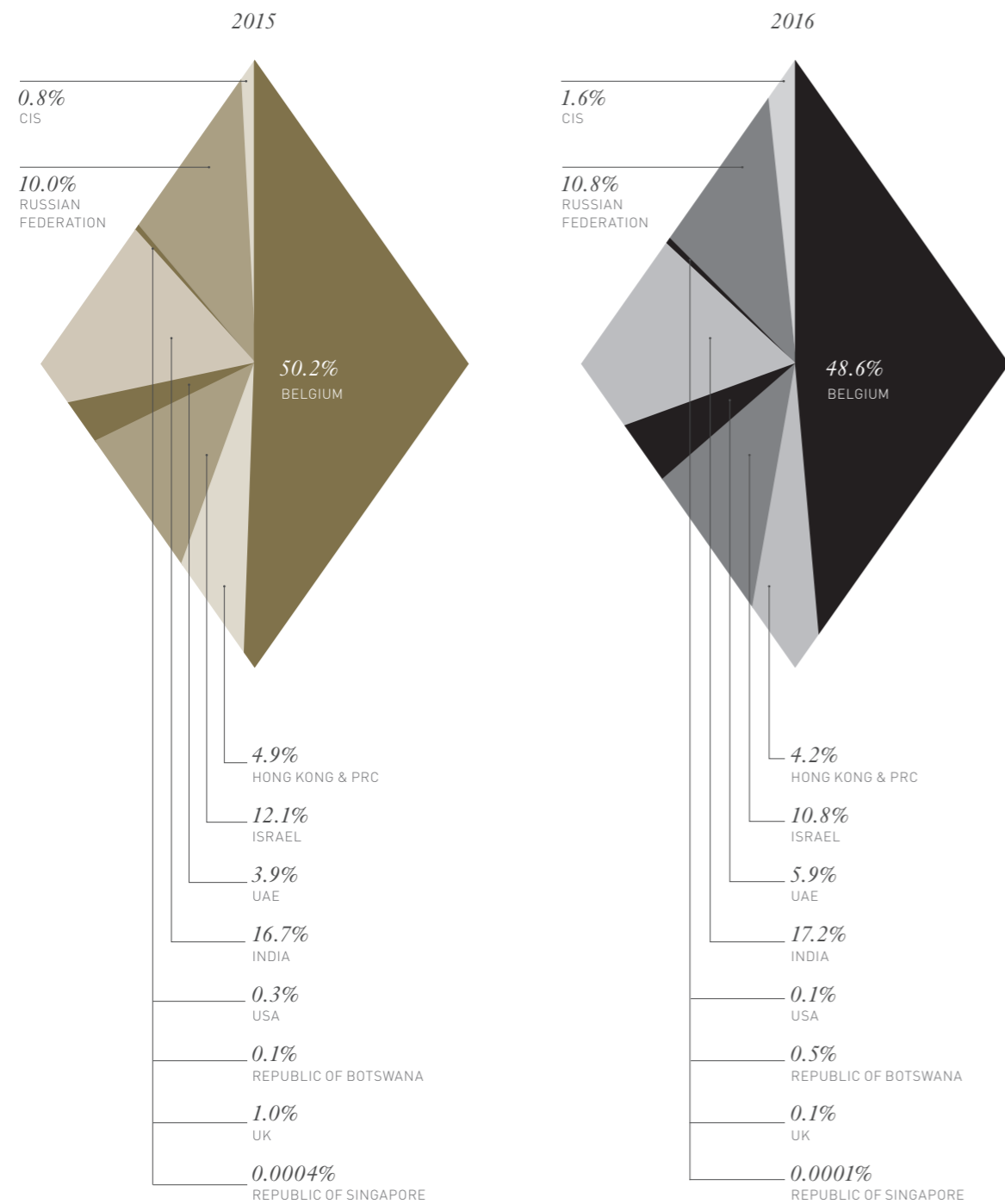
Rough diamond sales by ALROSA Group 2007-2016, USD mn



Rough diamond sales structure of ALROSA Group in carats in 2015-2016, %



Geographically segmented structure of ALROSA Group rough diamond supply by value 2015-2016, %



The following measures were taken in order to achieve optimization of the rough diamond product sales in 2016:

- Development of a system for annual adjustment of rough diamond supply for long-term customers on the basis of their purchasing activity assessment;
- Improvement of the corporate sales management model.

MARKETING

Within the scope of updating the Company's long-term development program, the Strategic Planning Committee under the Supervisory Board developed and considered the Marketing policy concept of PJSC ALROSA.

In July 2016, the Company management resolved to establish a functional division — Marketing Department of PJSC ALROSA. Main factors that significantly increase the importance of and need for the development of a full-fledged marketing function and expertise within the Company are as follows:

- Penetration of jewelry synthetic rough diamonds into the diamond market and growth of marketing activity to promote synthetic diamonds jewelry;
- Change in consumer behavior: lower interest in natural diamonds and natural diamonds jewelry;
- Increased competition and shift in consumption towards other luxury goods categories, as well as other types of jewelry (without diamonds).

The following are the major goals of the Marketing Department:

- Maintaining consistent demand for the Company's products throughout the value chain;
- Implementation of PJSC ALROSA's own marketing initiatives aimed at promoting the Company's products and brand;
- Finding and implementing customer-oriented and most profitable ways to maximize customer satisfaction in terms of volume, structure and quality of products and services;
- Creating stable prerequisites for the diamond complex development by maintaining consistent global demand for natural diamonds.

In 2016, the Company participated in the following programs:

ALROSA ALLIANCE

The Company continued the development of the ALROSA ALLIANCE long-term client loyalty program for the purposes of further strengthening the reputation of PJSC ALROSA, promoting the diamond segment in the B2B segment as well as strengthening mutually beneficial long-term relationships and increasing customer loyalty. For the purpose of ALROSA ALLIANCE brand promotion, the Company participated in the largest industry exhibitions:

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

Real is Rare

With the direct participation of the Company's representatives, the Diamond Producers Association developed the "Real is Rare" program for specific marketing, the full launch of which took place in the fall of 2016 in the United States.

*Protection of natural rough
and polished diamonds*

PJSC ALROSA became one of the first partners of the innovative program of the international gemological laboratory GIA (Gemological Institute of America) — Mine to Market (M2M). In November 2016, tracing the origin of diamonds was launched in test mode. The Company's participation in the M2M project pursues the following tasks:

- ALROSA's reputation strengthening;
- Providing a transparent and traceable production and logistics chain 'from the mine to the counter';
- Creating consumer awareness of the Russian origin of rough/polished diamonds;
- Increasing awareness and enlightenment of customers, increasing interest and trust in natural diamonds.

In 2016, the first prototype of a portable device for detecting the origin of diamonds — ALROSA Diamond Inspector was presented at the Hong Kong International Diamond, Gem & Pearl Show. Currently, issues of full-scale testing including those involving international gemological laboratories and large jewelry retailing, as well as issues of potential demand for the device and its serial production, are being studied.

ADVERTISING

IN 2016, PJSC ALROSA performed an active image campaign within the scope of advertising project sponsorship with the Russian Hockey Federation, Russian Wrestling Federation and others — both in the territory of the Russian Federation subjects, including the Republic of Sakha (Yakutia) and abroad.

PJSC ALROSA became an official partner of the Eastern Economic Forum in Vladivostok. "The Path of a Diamond" — a unique film about rough diamonds mining and polished diamond production, that was presented at the forum, won the "Best 360-video" prize at MIXAR AWARDS 2016.

CUTTING AND SALE OF POLISHED DIAMONDS



ROUGH DIAMOND CUTTING

There were opposite trends at the global diamond market in 2016 compared with 2015. Almost all large public retailers reported a decrease in sales in 2016 compared to 2015. At the same time, the jewelry sales dynamics in the USA (the major consumer of diamonds) showed growth following the results of the year. For the second consecutive year, India (the major polished diamond manufacturer) demonstrated

positive trade balance of net exports of polished diamonds and net imports of raw materials. The balance was negative during the preceding to 2015 three years. The published indices of prices for diamonds declined during the year. At the same time, there was an upward trend and steady demand for rough diamonds on the rough diamond market. In the global cutting industry, the capacity utilization increased and caused significant growth of diamond supply at the market.

Production and sales of diamonds is an important activity area of the Company. The diamond cutting and polishing division of ALROSA Group is one of the largest polished diamond manufacturers in Russia. The cutting and polishing division includes three enterprises: the parent enterprise DIAMONDS ALROSA branch located in Moscow, Orel-ALROSA LLC located in Orel and Kristall Barnaul LLC located in Barnaul (since December 30, 2016 renamed to DIAMONDS ALROSA LLC). Enterprises in Barnaul and Orel process rough diamonds of small and medium size. The DIAMONDS ALROSA branch processes large rough diamonds including rough diamonds of especially large sizes. Currently, the Company performs the study of options for reforming the cutting complex in order to choose the most effective variant of the cutting complex operation. After addressing this issue, the materials will be sent for consideration to the Executive Committee of PJSC ALROSA, and then for approval to the Company's Supervisory Board.

PJSC ALROSA signed a partnership agreement with KGK Diamonds (I) Private Limited for the development of diamond cutting production at the Eurasian Diamond Center (EDC) in Vladivostok. According to the agreement, the Company will assist KGK in setting up a cutting company and supply rough diamonds taking into account existing contractual obligations to other buyers.

In 2016, within the scope of the cutting business development and support, the first collection of unique personalized diamonds of PJSC ALROSA was prepared for further sale at international auctions. This is a long-term project that is aimed at increasing the cost and volume of diamonds, as well as promoting the brand and premiumization of the Company's image.

SALES OF POLISHED DIAMONDS

During 2016, ALROSA Group sold polished diamonds worth USD 122.3 mn. For the purposes of increasing sales of the Company's products, developing regional presence of PJSC ALROSA and expanding cooperation with existing and potential customers from the countries of the Asia-Pacific Region, PJSC ALROSA branch was opened in the territory of the free port of Vladivostok in 2016. EDC signed an agreement on the Free Port of Vladivostok entry and became its hundredth resident. Establishing the PJSC ALROSA branch and EDC in Vladivostok will make it possible to put together representatives of companies involved in rough diamond production and sales, manufacturers of polished diamonds and jewelry, gemological laboratories, banks, insurance companies, specialized carriers, as well as state representatives — a specialized customs point and state control. Within the scope of the project, EDC renders services in placement and support of cutting and jewelry enterprises, as well as logistics and insurance of valuable cargo. Most of jewelry products produced by the EDC residents are exported. The EDC is located in the territory of "Terminal Expo" that includes: a certified depository of valuables, customs zone, the Assay Chamber of the Russian Federation, a trading and exhibition platform.

At the end of August 2016, the first trial rough and polished diamond auctions were held in the Far East. The auction was attended by 30 companies from China, Israel, India, USA, Belgium, and Russia. The Company raised USD 18 mn in sales of the rough diamond products, while the starting price was USD 12 mn.

Geographically segmented polished diamond sales by ALROSA Group in 2014-2016 by value, %

<i>Country</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Belgium	38.1	30.7	41.2
Russia	17.8	23.6	0.4
India	12.5	11.9	14.5
Israel	11.5	13.0	12.3
UAE	10.6	5.9	6.7
Hong Kong	7.6	14.1	20.0
USA	1.1	1.1	4.8
Cyprus	0.9	0.5	-

RELATIONSHIPS WITH PARTNERS

During 2016, the Company prepared, and the Strategic Planning Committee of the Supervisory Board of PJSC ALROSA approved, an updated concept of the ALROSA Group's sales policy including a section "Polished diamond sales". In accordance with this concept, the main areas for the development of competencies in the field of polished diamond sales are cooperation with jewelry companies and large jewelry retailers on the basis of long-term contracts, including the use of deferred payments, taking into account the risk securitization, as well as marketing programs to create and promote the "ALROSA Diamonds" brand in key diamond markets, as well as forming a positive image of the Company's products with end consumers of the diamond products.

At the same time, in 2016, the Company was developing its own IT-platform for selling diamonds and conducting online auctions to sell large and investment diamonds.

BUSINESS EFFICIENCY IMPROVEMENT

ALROSA GROUP INVESTMENT PROGRAM

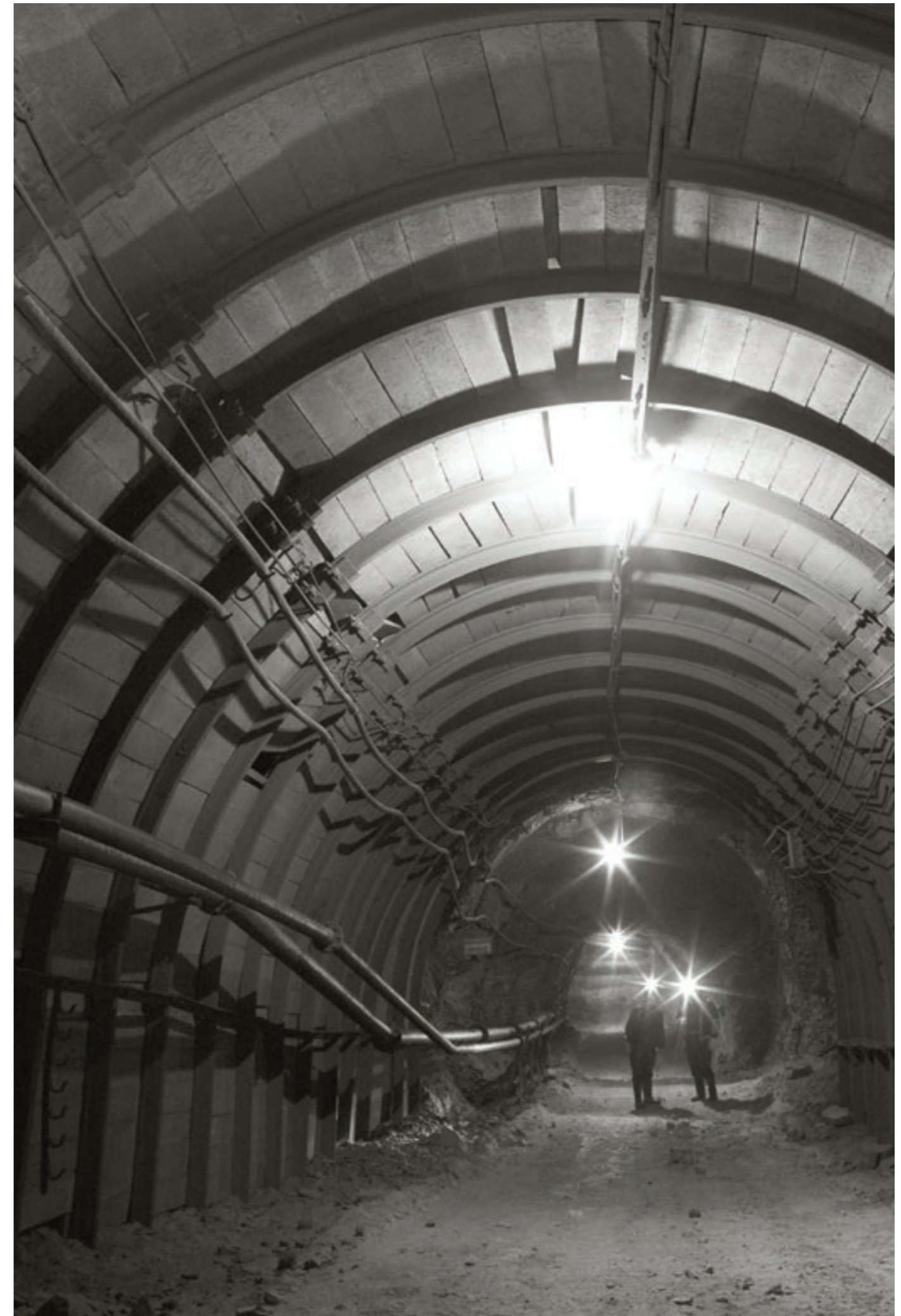
The long-term investment development program of ALROSA Group until 2023¹⁶ determines the priority areas for investment activities to accomplish the rough diamond production plan, production and financial goals in accordance with the Group's investment policy within the scope of the approved development strategy. The main goals of the Investment Program are sustainable development and shareholder value growth. The total volume of capital investments of ALROSA Group in non-financial assets for the period 2013-2023 is provided for in the amount of RUB 381.6 bn and includes the following investment areas:

- investments in production facilities — RUB 335.2 bn;
- investments in development assets — RUB 19.4 bn;
- investments in regional infrastructure facilities — RUB 7.3 bn;
- investments in socially oriented projects — RUB 19.7 bn.

Following the results of 2016, the volume of capital investments in non-financial assets of ALROSA Group¹⁷ totaled RUB 33,473.6 mn (RUB 36,854.2 mn in 2015) including RUB 22,597.7 mn of investments in construction (RUB 25,668.0 mn in 2015), RUB 8,437.9 mn of investments in technical upgrade and replacement of worn-out equipment (RUB 8,653.4 mn in 2015) and RUB 2,437.9 mn of other capital investments (RUB 2,532.9 mn in 2015).

¹⁶
Approved by the Supervisory Board as part of the long-term development program of ALROSA Group until 2023, Minutes No. A01/223-IIP-HC dated December 11, 2014.

¹⁷
The information about ALROSA Group capital investments is presented in accordance with national standards.



*Capital investments of ALROSA Group¹⁸
(according to national standards) in 2014-2016, RUB mn*

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For the purpose of this section, ALROSA Group comprises PJSC ALROSA and 37 subsidiaries and affiliates of the Company in accordance with the list approved by the Order No. A01/24-II "On preparation of the Annual Report of PJSC ALROSA and ALROSA Group for 2016" dated January 30, 2017.

Indicator	2014	2015	2016	% vs 2015
Construction, including:	27,216.0	25,668.0	22,597.7	88.0%
Investments in underground mines	14,058.8	12,150.7	9,877.0	81.3%
Other core production facilities	7,362.9	6,089.2	8,908.1	146.3%
Ancillary production facilities	4,993.9	6,744.7	3,466.0	51.4%
Facilities for social purposes	800.5	683.4	346.6	50.7%
Technical upgrade and replacement of worn-out equipment	8,846.3	8,653.4	8,437.9	97.5%
Other expenses of capital nature, including:	2,558.8	2,532.9	2,437.9	96.3%
Prospecting assets (geological exploration)	2,185.7	2,014.3	1,674.8	83.1%
R&D	170.9	242.4	252.3	104.1%
Other non-current assets (acquisition of fixed assets, construction work currently in progress, housing construction)	202.2	276.2	510.9	185.0%
Total capital investments of ALROSA Group	38,621.1	36,854.2	33,473.6	90.8%

PJSC ALROSA INVESTMENT PROGRAM

In accordance with the results of 2016, the major share of investments in non-financial assets of ALROSA Group was attributed to PJSC ALROSA – RUB 27,605.5 mn (2015: RUB 27,899.4 mn). Among them, investments in construction of the Company's facilities amounted to RUB 19,444.1 mn (2015: RUB 20,288.0 mn), investments in technical upgrade and replacement of worn-out equipment – RUB 7,056.6 mn (2015: RUB 6,644.7 mn) and RUB 1,104.8 mn of other investments (2015: RUB 966.7 mn).

*Capital investments of PJSC ALROSA
(according to national standards)
in 2014-2016, RUB mn*

Indicator	2014	2015	2016	% vs 2015
Construction, including:	19,738.6	20,288.0	19,444.1	95.8%
Investments in underground mines, including:	14,058.8	12,150.7	9,877.1	81.3%
newly created facilities	11,538.0	6,782.8	5,480.7	80.8%
maintenance of current facilities	2,520.8	5,367.9	4,396.3	81.9%
Other core production facilities	1,546.3	2,327.9	6,568.8	282.2%
Ancillary production facilities	3,333.7	5,127.1	2,680.2	52.3%
Facilities for social purposes	799.8	682.3	318.0	46.6%
Technical upgrade and replacement of worn-out equipment	7,200.1	6,644.7	7,056.6	106.2%
Other expenses of capital nature, including:	1,110.4	966.7	1,104.8	114.3%
Prospecting assets (geological exploration)	975.6	664.5	516.4	77.7%
R&D	126.8	198.1	212.4	107.2%
Other non-current assets (acquisition of fixed assets, construction work currently in progress, housing construction)	8.0	104.1	376.0	361.2%
TOTAL capital investments of PJSC ALROSA	28,049.1	27,899.4	27,605.5	98.9%

Investments in the construction of Udachny underground mine were utilized in the amount of RUB 5,480.7 mn. Maintenance of existing capacities is carried out at Mir, Internatsionalny, Aikhal underground mines, where capital investments in the amount of RUB 4,396.3 mn were utilized.

In 2016, utilization of investments in construction of other production facilities amounted to RUB 2,680.2 mn. Construction of a fuel filling station in the town of Mirny was continued, construction of sewage treatment facilities in the town of Udachny was completed, and the facility was transferred to operational optimization, construction of the administrative and production building of the mine rescue brigade in the town of Udachny was completed, and oil depot 1 in Aikhal, a gas boiler house in Arylakh, a biological treatment unit and a tare oil products warehouse in the town of Lensk were constructed and commissioned.

With respect to the construction of non-production facilities, capital investments were utilized in the amount of RUB 318 mn. A hostel for 340 places in Mirny was commissioned.

The major volume of the capital investments in technical upgrade and replacement of worn-out equipment was allocated accordingly: RUB 3,884.6 mn to mining and processing divisions (55.0% of the total investments), RUB 764.5 mn to construction enterprises (10.8%) and RUB 518.9 mn to transport enterprises (7.4%).

In 2016, the following construction projects were put into operation in accordance with the plan:

- The 2nd and 3rd stages of the 3rd start-up facility of the underground mine Mir;
- The 1st stage of the 4th start-up facility, the 1st and 2nd stage of the 5th start-up facility of Internatsionalny underground mine;
- Facilities of the 1st stage of the 2nd start-up facility of Udachny underground mine;
- Production base facilities of Botuobinskaya expedition on Nakyn site (cameral block, parking garage for 10 cars, repair box for 2 units, core picking);
- Weighbridge of Yubileyny open pit mine;
- An explosives storage and a water treatment station of the rotation camp at Verkhne-Munskoye deposit;
- The 1st start-up facility of Aikhal petroleum depot;
- Open pit mine MBSG-6 (Modular Block Switch Gear) at Zarya deposit;
- Boiler plant "Promyshlennaya" and biological treatment unit in the town of Lensk;
- A hostel for 340 places in Mirny;
- Office building in Moscow.

**INVESTMENT PROGRAM OF
SUBSIDIARIES AND AFFILIATES**

Based on the results of 2016, subsidiaries and affiliates of ALROSA Group account for about 18% (2015: 24%) of the total capital investments in non-financial assets, which totaled RUB 5,868.1, mn (RUB 8,954.9 mn in 2015) including RUB 3,153.7 mn in construction (RUB 5,380.0 mn in 2015), RUB 1,381.3 mn of investments in the technical upgrade and replacement of worn-out equipment (RUB 2,008.7 mn in 2015) and RUB 1,333.1 mn in capital investments (RUB 1,566.2 mn in 2015).

Capital investments of ALROSA Group subsidiaries and affiliates (according to national standards) in 2014-2016, RUB mn

Indicator	2014	2015	2016	% vs 2015
Construction, including:	7,477.4	5,380.0	3,153.7	58.6%
Core production facilities	5,816.6	3,761.3	2,339.2	62.2%
Ancillary production facilities	1,660.2	1,617.6	785.8	48.6%
Facilities for social purposes	0.7	1.1	28.7	25.4x
Technical upgrade and replacement of worn-out equipment	1,646.2	2,008.7	1,381.3	68.8%
Other expenses of capital nature, including:	1,448.4	1,566.2	1,333.1	85.1%
Prospecting assets (geological exploration)	1,210.1	1,349.8	1,158.4	85.8%
R&D	44.1	44.3	39.8	89.8%
Other non-current assets (acquisition of fixed assets, construction work currently in progress, housing construction)	194.2	172.1	134.9	78.4%
TOTAL capital investments of all subsidiaries and affiliates of the Group	10,572.0	8,954.9	5,868.1	65.5%

In 2016, the share of rough diamond mining companies in the total capital investments of the Group amounted to 11% (2015: 15%). Investments of JSC Almazy Anabara, JSC Nizhne-Lenskoye, PJSC ALROSA-Nyurba and PJSC Severalmaz based on 2016 results totaled RUB 3,586.5 mn (RUB 5,523.7 mn in 2015).

Capital investments in gas assets (OJSC ALROSA-Gas, CJSC Geotransgaz, LLC Uren-goy Gas Company) in the reporting year amounted to RUB 1,066.3 mn (RUB 2,224.4 mn in 2015). In 2015, the share of investments by gas producing companies in the total capital investments of the Group amounted to 3% (2015: 6%).

Investments in non-financial assets by the remaining enterprises and other companies of the Group amounted to RUB 1,208.4 mn (RUB 1,189.6 mn in 2015) or 4% of the total capital investments (2015: 3%).

INNOVATION DEVELOPMENT AND TECHNOLOGICAL UPGRADE PROGRAM

IN 2016, ALROSA Group managed to lay the basis for long-term growth — the results of the technology audit conducted by McKinsey consultants confirmed that innovation is an essential part of the corporate culture for ALROSA Group making it possible to obtain significant benefits.

To mitigate risks resulting from the volatility of the industry market, the Company uses innovative approaches to the implementation of production and financial programs, programs to ensure security and personnel management programs. Innovations in modern forms of social media are also implemented in relations with stakeholders, particularly with public and state bodies, shareholders and regulators.

In 2016, the key task was to update and approve the Program for Innovation Development and Technological Upgrade of PJSC ALROSA for the period 2016-2023¹⁹ (“the Program”), taking into account the results of the technological audit conducted by LLC McKinsey and CIS company.

The updated Program version was approved by the Intergovernmental Commission for Technological Development at the Presidium of the Presidential Council for Economic Modernization and Innovations of Russia²⁰ and advised for approval to the Supervisory Board of PJSC ALROSA.

¹⁹ Approved by the Decision of the Supervisory Board of PJSC ALROSA No. A01/246-IIP-HC dated November 28, 16.

²⁰ 15.05.16.

The purpose of the Program is continued improvement of the Company’s technological level for the benefit of stakeholders, characterized by the following indicators:

- Decrease in the share of the cost price of products in the revenue to the level of 50% and lower by 2023;
- Increase of energy efficiency annually by at least 2%;
- Increase in high-performance jobs in core activities at least by 1% of their basic number annually;
- Water consumption reduction by at least 1%;
- Creation of economic, legal and organizational conditions for innovation and scientific and technical activities;
- Creation of conditions for implementation of mechanisms for procurement of innovative solutions and interaction with suppliers of innovative technologies and products, including small and medium-sized enterprise;
- Implementation of progressive structural production-related transformations, increasing its operational efficiency and competitiveness.

Achievement of the goals set by the Program provides for the implementation of innovative measures that ensure:

- Reduction of resource intensity of underground and open methods of ore extraction;
- Reduction of resource intensity and improvement of exploration efficiency;
- Efficiency improvement of works at the processing stage;
- Reduction of costs related to repair and operation of the equipment and machinery;
- Optimization of fuel and energy resources consumption;
- Reducing the cost of major construction and, ultimately, construction of underground mines;
- Reduction of conditional-constant expenses at all stages of rough diamond mining, including based on increasing the level of information support for management activities;
- Reduction of ancillary activity costs;
- Improvement and optimization of business processes;
- Ensuring savings through the introduction of information technologies and automation tools;
- Improvement of labor standards.

The Program complies with the Company’s strategy with respect to increasing productivity through innovation and continuous improvement of production processes and is aimed at:

- Ensuring onward efficient development through the focus on the core business (rough diamond mining);
- Technological modernization of the primary production; implementation of an effective transition from open to underground development of deposits;
- Implementing innovation technologies and low-grade deposit development;
- Maintaining the leading positions in the world market of rough diamond mining and sale of rough diamond products;
- Proactive reproduction of disposed mineral and raw material base due to the strengthening and increasing the efficiency of prospecting and exploration work.

INNOVATION DEVELOPMENT
AND TECHNOLOGICAL UPGRADE
PROGRAM FINANCING

The actual amount of the Program financing by PJSC ALROSA for 2016 amounted to RUB 2,618.1 mn (2015: RUB 2,100.4 mn).

Actual amount of the Program financing
for 2014-2016, mn RUB

Indicator	2014	2015	2016
Funding of research and development	673.8	874.3	973.6
Capital investments	1,334.1	748.3	930.4
Other investments for the purchase of materials, software and services with a view to implementing technological innovations	519.8	298.8	361.1
Cost of targeted training at the premises of EIHE ²¹	22.7	36.4	23.8
Expenses associated with marketing and organizational innovations, international cooperation	143.6	82.9	329.2
TOTAL	2,693.9	2,040.7	2,618.1

²¹ Higher education institutions.

INNOVATION DEVELOPMENT
AND TECHNOLOGICAL UPGRADE
PROGRAM KPI

In 2016, in order to improve the regulatory framework of the Program, the Company's Supervisory Board approved key performance indicators for the innovative activity of PJSC ALROSA²².

As a result of the Program implementation, the planned figures of the key performance indicators for 2016 were achieved.

Key performance indicators (KPI)
for 2015-2016

Indicator	2015	2016
1. Growth of labor productivity, creation of high-productive workplaces		
The volume of processed raw materials (ore and sand) per one employee engaged in core activity, thousand tons/person.	-	1.99
Number of created/upgraded high-performance workplaces, %	-	1.26
2. Improvement of efficiency of production processes, reducing the production cost		
Energy cost share in the structure of the total cost of production, %	-	13.96
3. Refusal to use obsolete and inefficient technologies, introduction of modern production technologies and management practices		
Number of cases of implementation/use of the results of R&D projects, new machinery, technology, production and labor organization at production facilities, number of cases	-	37

²² In pursuance of Directive No. 1472n-III3 dated March 03, 2016, minutes No. A01/246-PP-HC dated August 26, 2016.

4. Improving energy efficiency and environmental friendliness of production		
Specific consumption of energy resources for extraction of one carat for mining and processing production, GJ/carat	0.323	0.345
Fresh water intake from natural sources, million cub. m	21,070	20,325
Greenhouse gases emissions in CO2 equivalent by stationary and mobile sources, thousand tons	-	1,066.91
Specific indicator of greenhouse gas emissions in CO2 equivalent by stationary and mobile sources per unit of output, tCO2/carat	-	0.030
Specific indicator of greenhouse gas emissions in CO2 equivalent by stationary and mobile sources per unit of processed mined rock, tCO2/t	-	0.011 ²³
5. Efficiency of innovations		
The number of patents and other E&P documents of title, units	-	17
The economic effect from the introduction of R&D and TR, RUB million	-	809
6. Release of innovative products by JSC NPP Bourevestnik		
Share of innovative products in the total sales volume, %	-	13

²³ The indicator was not met due to the decision of the Company's managers to reduce the volume of mining operations.

Integral key indicator targets for innovation efficiency for 2016

Indicator — share in %	2016
1. Development/procurement and implementation — 30%	
Ratio of R&D costs to revenue, %	0.33
Share of innovative product (goods, works, services) procurement in the total procurement volume, %	1.2
2. Commercialization — 40%	
The efficiency of using innovative technologies (Labor productivity (volume of processed raw materials per one employee engaged in a core activity), thousand tons/person.	1.99
3. Quality of the Program development (upgrade)/performance — 30%	
Quality of the Program development (upgrade)/performance, %	100
TOTAL, %	100

RESEARCH AND DEVELOPMENT

The Program defines the main tasks of the Company in the area of scientific research for the period up to 2023:

- Development and implementation of more advanced and efficient technologies for geological exploration;
- Development and implementation of unmanned open pit mining technologies;
- Development and introduction of new principles of ultradeep open pit mining, improving the design of the sides and ledges of open pit mines to minimize the amount of stripping works;
- Development and implementation of integrated systems for monitoring safety of underground mining, tracking geomechanics, geo- and hydrodynamics, mountain ranges;
- Optimization of stowing mixes on the basis of local matrix materials that reduce cement consumption; development of new types of separators that ensure higher extraction of rough diamonds from ore and can reduce the costs of subsequent extractions;
- Development of dry (anhydrous) enrichment technologies;
- Development of energy-efficient technologies for the disintegration of diamondiferous ore to reduce the number of extractions in ore preparation and beneficiation processes;

- Development of crystal-saving technologies that make it possible to decrease technogenic damage and increase the quality of rough diamond products during ore mining and beneficiation;
- Perfection of the mining equipment design in order to improve its drilling capacity in conditions of steep inclined tracks;
- Development of an automated technology for sorting rough diamonds.

In 2016, PJSC ALROSA actively involved the external and internal environment participants in the innovation process: The Fifth Open Innovation Competition of the Company was held, the Company participated as a strategic partner in the Technostart Competition, organized by Skolkovo Foundation and LLC OMZ-Innovation, a number of partnership agreements were signed with higher educational institutions, scientific and technical centers.

In 2016, PJSC ALROSA implemented and used 37 scientific and technical development products (2015: 27); 17 title protection documents for utility models and inventions were obtained (2015: 11).

Diploma awarded by the National association of members performing engineering surveys and design documentation during the contest for the most innovative project contest in the "The Best Design of the economy-class residential facility" category for the design of a hostel for 340 places in the town of Mirny.

The Russian Government Expert Council²⁴ noted high-quality performance of PJSC ALROSA with respect to execution and achievement of KPI among the companies with state participation.

²⁴ The opinion No. ЭС-089-03-16 dated March 30, 2016 as part of the execution of the Russian Prime Minister's instruction No. ДМ-П36-7661 dated November 15, 2015.

PROCUREMENT MANAGEMENT

Ensuring the development of procurement mechanisms for innovative technologies and products is one of the most important areas of the Company's procurement activities.

Procurement activities of PJSC ALROSA are regulated by the Federal Law²⁵ "On the purchase of goods, works and services by certain types of legal entities" ("Federal Law 223-ФЗ"), regulations of the Government of the Russian Federation issued to supplement Federal Law 223-ФЗ, the Regulations on Procurement Activities of PJSC ALROSA²⁶ and other internal regulatory documents of the Company.

The main objective of the Company's procurement activities is the timely, efficient and transparent provision of the necessary inventory, equipment, works and services of appropriate quality in the required quantity and on the most favorable terms.

Main principles of the procurement activity are:

- Information openness and transparency of procurement activities;
- Equality, fairness, non-discrimination and absence of unreasonable restrictions on competition with respect to participants;
- Targeted and cost-effective spending of money for the purchase of products (taking into account the life cycle cost of the purchased products, if necessary) and implementation of measures aimed at reducing the costs;
- Introducing measurable requirements;
- Professionalism of persons engaged in procurement activities.

In 2016, the key event in the Company's procurement activities was approval of a new version of the Procurement Regulations by the Supervisory Board of PJSC ALROSA. The purpose of changes introduced in the Regulations on Procurement Activities of the Company is to continue the development of the Company's procurement activities based on the principles of openness, transparency, centralization in compliance with the current legislation of the Russian Federation.

The new Regulations on Procurement Activities contain unified approaches to procurement management in order to increase the level of management control and reduce legal risks to procurement. The Company's Regulations on Procurement Activities determine the methods and forms of procurement, as well as conditions for their application. The list of grounds for procurement from a single supplier was changed, and additional tools were introduced to improve the efficiency of the procurement procedure (alternative proposals, announcements, competitive negotiations and so on). With respect to each procurement method, deadlines for preparation and submission of proposals by the procurement process participants are specified. Basic rules of interaction between the Customer and the Supplier are established.

Based on the new Regulations on Procurement Activities, the Executive Committee approved Standard regulations for subsidiaries of PJSC ALROSA²⁷.

In 2016, in order to increase the efficiency of procurement and control over the procurement activity within ALROSA Group, the Company established the Contract Service of PJSC ALROSA. The main objective of the Contract Service as a single procurement activities control center of ALROSA Group is to ensure the functioning of the procurement system of the Company's structural units and subsidiaries, and centralized performance of specifically selected procurement procedures.

Basic tasks of the Contract Service are:

- Procurement planning control;
- Control of pricing while performing procurement activities of the Company;
- Organization and carrying out of procurement, falling within the scope of the Contract Service competence;
- Reduction of procurement costs by obtaining additional discounts when consolidating the volume of purchases.

The new procedure for organization of purchases in ALROSA Group made it possible to fully satisfy the demand for purchased products with the required price and quality from reliable suppliers.

Actual procurement activities

A special feature of supplying production facilities of PJSC ALROSA with materials and equipment is their remoteness from 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 timely delivery of materials and equipment, enterprises of the Company are supplied using the Company's own transportation and procurement facilities comprising the Material Supplies & Logistics Division (MSLD), Almazdor-trans Production Division (transit motor transport), an airline with its own fleet of planes and helicopters, river port in the town of Lensk, OJSC ALROSA-Lena Shipping Company and storage facilities with terminals in the Republic of Sakha (Yakutia) and in other regions (Irkutsk, town of Ust-Kut, Moscow).

In 2016, in volume terms, materials and equipment deliveries amounted to 390.6 thousand tons (2015: 431.8 thousand tons). The purchase cost of materials and equipment amounted to RUB 33,973 mn (2015: RUB 31,583 mn).

The major part of procurement activities in 2016 was carried out by product manufacturers and their official dealers and amounted to 41% and 53% of the total value of the agreements concluded accordingly (2015: the total share was 95%).

Warehouse stock of materials and equipment as of the end of the reporting period (including materials in transit and advance payments) amounted to RUB 19,606.1 mn (based on supplier prices) (2015: RUB 16,821.5 mn).

²⁷ Minutes No. A01/209-ПП-II dated November 30, 2016.

Procurement structure

The total volume of the Company's purchases in 2016 was comprised of 12,394 procurement procedures for goods, works, services (2015: 13,477) reaching the total of RUB 58,833.2 mn (2015: RUB 63,142.8 mn).

Based on the results of the procurement performed in 2016, consolidated economic benefit of RUB 2,966.0 mn (2015: RUB 5,400.0 mn) was achieved — 6% of the total amount of purchases made during that year (2015: 9%). The proportion of public procurement procedures, including electronic procurement, amounted to 84% (2015: 82%).

In 2016, the Company continued to pay significant attention to developing partnership relations with small and medium-sized businesses and increasing their proportion in the total number of procurement participants. An advisory body was appointed to ensure public auditing of procurement procedures. The list of purchases to be made from small and medium-sized enterprises only was updated, and the Partnership Program was developed and approved. In 2016, based on the results of the work carried out by the Advisory Body, 31 small and medium-sized enterprises were included in the Partnership Program on the basis of submitted applications (in 2015, there were no applications from small and medium-sized enterprises).

Company's procurement structure in 2014-2016

<i>Procurement Method</i>	<i>2014</i>			<i>2015</i>			<i>2016</i>		
	<i>Quantity, units</i>	<i>Cost, RUB mn</i>	<i>Share in the total volume of purchases, %</i>	<i>Quantity, units</i>	<i>Cost, RUB mn</i>	<i>Share in the total volume of purchases, %</i>	<i>Quantity, units</i>	<i>Cost, RUB mn</i>	<i>Share in the total volume of purchases, %</i>
Open invitation to tender	1,347	28,945	59	1,782	36,673	67	1,620	24,853.9	56
E-Procurement	2,834	6,244	13	3,569	8,617	16	4,418	12,384.7	28
Non-public competitive request for proposals	196	3,207	7	22	510.0	0.9	20	1,056.48	2.5
Non-public request for proposals from the sole supplier	627	10,304	20	350	9,130	16	355	5,783.1	13
Small purchases (invoice)	7,715	491.0	1	6,136	294.8	0.1	4,484	221.7	0.5
Non-competitive without procurement procedures ²⁸	1,327	10,837	–	1,618	7,918	–	1,464	14,533.3	–

²⁸ These contracts are concluded without any procurement procedures or a procurement department resolution (contracts with subsidiaries and affiliates based on fixed prices, loan agreements, credit facility agreements, agreements concluded subject to prices and tariffs regulated by the Russian legislation).

Based on the results of 2016, the Company achieved its main objectives:

- The Unified Information System contains publicly available procurement plans for goods, works, services, information on all on-going purchases for amounts more than RUB 500,000, reports on contracts entered into in accordance with the requirements of Law No. 223-ФЗ;
- Efforts were made to increase the share of public procurement procedures and electronic procurement. The share of public procurement procedures, including electronic procurement, reached 84% (2015: 83%) of the total volume of purchases.
- Measures to ensure the efficiency of purchases from small and medium business entities, including procurement of innovative and high-technology products;
- The share of purchases from small and medium business entities in the total volume of contracts concluded by the Company reached 80% (2015: 53%). The share of preferential purchases from small and medium business entities by the end of 2016 reached 29% (2015: 8%). The share of purchases of innovative products developed by small and medium business entities was 20.9%.

IMPORT SUBSTITUTION PROGRAM

One of the important tasks in the existing external environment is the issue of reducing the dependence on foreign equipment. In pursuance of the instructions and Directives of the Government of the Russian Federation²⁹, the Company's strategy of import substitution is systematically implemented in procurement procedures. Since 2014, PJSC ALROSA organized a commission headed by the first Vice President — Executive Director to address import substitution issues. During 2016, 15 meetings of the commission were held and 48 decisions were taken on the issues of the actual replacement of imported products with Russian-made analogs. In general, the Company's procurement policy is carried out in accordance with the requirements of the Resolution of the Government of the Russian Federation "On the priority of goods of Russian origin, works and services performed by Russian persons over the goods originating from a foreign country, work, services performed by foreign persons"³⁰. Thus, for all competitive procurement process (except for auctions), the evaluation and comparison of bids proposing Russian products is based on contract prices offered in bids and reduced by 15%.

Besides, in accordance with the Directives of the Government of the Russian Federation³¹, PJSC ALROSA guarantees introduction of a standard in the new version of the Procurement Regulations that obliges purchasing divisions of the Company to set a requirement to provide the software, information about which is included in the Russian Software Register, when purchasing software for electronic computers and databases, as well as the rights to use such software.

²⁹ Dated November 24, 2014 No. 7850n-III3.

³⁰ Dated September 16, 2016 No. 925.

³¹ Dated July 11, 2016 No. 4972n-III3.

INTERNATIONAL ACTIVITIES

IN 2016, PJSC ALROSA was actively engaged in international activities aimed at protection of the Company interests in the world and efficient development of the global diamond industry together with foreign partners.

The Company also actively interacted with partners within the scope of the World Diamond Council ("WDC") as an observer in the Kimberley Process ("KP"), which is an intergovernmental initiative aimed at preventing conflict rough diamonds from entering international trade channels. On May 22, 2016, Andrey Polyakov, Vice President, PJSC ALROSA, took the office of the World Diamond Council President to ensure efficient leadership in the global diamond industry.

In 2016, the Strategic Plan for the WDC development for the period from 2016 to 2020 and a detailed road map for its implementation were adopted. For the purposes of cooperation strengthening, a visit of the KP chairman to Russia was organized in October 2016 to jointly consider various aspects of the development of its activities. Following the results of the KP plenary session held in November, with the active participation of the WDC delegation, Venezuelan KP membership was resumed, and progress was made towards full return of the Central African Republic to the KP.

In September 2016, PJSC ALROSA joined the Responsible Jewelry Council (RJC), an international non-profit organization set up to build consumer confidence in the entire jewelry supply chain and to introduce responsible business practices.

On October 5, 2016, with the assistance of PJSC ALROSA, the Diamond Producers Association (DPA), established in May 2015, launched the first specific marketing campaign in the United States within the scope of the "Real is Rare. Real is a Diamond" concept. The campaign was launched in New York. An agreement was reached on financial participation in the implementation of the campaign by the Gem and Jewellery Export Promotion Council of India (GJEPC). Participation of other major representatives of the global diamond industry is negotiated.

In the reporting year, bilateral collaboration within the industry with major national organizations of the world diamond community was actively promoted, as well as interstate contacts with other diamond-producing countries, large diamond and diamond trading centers and the states of reach of the Company's partners.

OTHER ACTIVITIES



ALROSA Group activities outside the scope of rough diamond mining fall into four 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, sports and cultural facilities, movie theaters, theaters, and other social infrastructure facilities;
- Gas enterprises: sale and production of gas;
- Other companies: trading companies and companies that provide printing services.

In 2016, the total revenue of ALROSA Group from non-core activities amounted to RUB 23.2 bn. The Company continued the disposal of non-core assets as part of the Program for disposal of non-core assets of PJSC ALROSA. According to Decrees of the Government of the Russian Federation³², the Company prepared the fourth version of the Program based on the Methodical guidelines for identification and disposal of non-core assets issued by the Federal Agency for State Property Management. On September 28, 2016, the Supervisory Board approved the new version of the Program for disposal of non-core assets of PJSC ALROSA.

³²
Dated July 07, 2016
No. 4863n-III13.



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III

FINANCIAL RESULTS

FINANCIAL RESULTS

The current review of the financial results is based on the consolidated financial statements of ALROSA Group prepared in accordance with IFRS for 2016. As a result of the recovery of the rough diamond market and high production performance, the Company managed to show record-breaking financial performance and generate sufficient net cash flow to repay its obligations as they become due, finance its investment program, and pay dividends to its shareholders.

CONSOLIDATED KEY FINANCIAL INDICATORS

Consolidated revenue increased by 41.2% and reached RUB 317.1 bn compared to RUB 224.5 bn generated by ALROSA Group in 2015. EBITDA increased by 48.9% compared to 2015 and reached RUB 176.4 bn, while the EBITDA margin increased from 52.8% to 55.6%. Group showed 4-fold rise in net profit reaching RUB 133.5 bn compared to RUB 32.2 bn at the end of 2015. The improved financial performance was the result of foreign exchange market conditions that had a positive impact on sales and on the Company expenditure control. Net cash flow increased 2.7 times to RUB 111.4 bn compared to RUB 41.3 bn at the end of 2015. Net debt/EBITDA decreased from 1.7 at the end of 2015 to 0.6 as of December 31, 2016.

Consolidated key financial indicators

Item	2015	2016	% vs 2015
Sales revenue, RUB mn	224,524	317,090	141.2%
Cost of sales, RUB mn	-93,240	-129,751	139.2%
EBITDA, RUB mn	118,498	176,418	148.9%
EBITDA margin, %	52.8	55.6	105.4%
Net profit, RUB mn	32,192	133,471	4.1x
Net profit margin, %	14.3	42.1	2.9x
Net cash flow, RUB mn	41,300	111,386	2.7x
Net debt/EBITDA, ratio	1.7	0.6	37.1%

CONSOLIDATED REVENUE

The main growth of revenue in 2016 was recorded in the rough diamond segment. The share of revenue from sales of rough diamonds increased to 92.7% in 2016 compared to 89.6% in 2015.

Consolidated revenue structure, RUB mn

Item	2015	2016	% vs 2015
Sales of rough diamonds	201,242	293,888	146.0%
Sales of gas	6,343	5,885	92.8%
Transport	5,671	6,604	116.5%
Social infrastructure	4,014	5,033	125.4%
Other	7,254	5,680	78.3%
TOTAL	224,524	317,090	141.2%

Revenue from gem-quality diamond sales in 2016 increased by 50.4% compared to 2015, while sales of gem-quality rough diamonds in carats increased by 48.9%. The increase in carat sales is the main reason for the increase in revenue from the gem-quality diamond sales in 2016.

COST PRICE

The increase in the cost of goods sold in 2016 by 39.2% is in line with the higher sales volume. The production cost grew by 6.0% compared to 2015 due to the following factors:

- Higher payroll expenses due to the indexing within the inflation rates;
- Higher depreciation expenses due to higher mining volumes contributed by Udachny underground mine and PJSC Severalmaz, new equipment commissioned at the Internatsionalny underground mine;
- Higher expenses related to materials due to increase in their prices within the inflation rates, implementation of new production equipment at the Udachny Mining and Processing Division, and higher volume of the work related to placer mines of JSC Nizhne-Lenskoye;
- Lower expenses related to Mineral Extraction Tax payments due to lower volume of initially evaluated rough diamonds and lower average price for 1 carat during the initial evaluation.

Cost of goods sold by cost element, RUB mn

Item	2015	2016	% vs 2015
Salary, payroll taxes and other payments to employees	40,253	43,686	108.5%
Amortization	19,096	24,668	129.2%
Mineral Extraction Tax	23,323	22,188	95.1%
Fuel and power	17,610	14,493	82.3%
Materials	12,098	13,592	112.3%
Services	5,748	7,714	134.2%
Transport	2,118	2,215	104.6%
Other	1,568	588	37.5%
TOTAL production cost	121,814	129,144	106.0%
Changes in rough diamond, ore and sand reserves	-29,832	-156	0.5%
Prime cost of rough diamonds for resale	1,258	763	60.7%
TOTAL cost of sales	93,240	129,751	139.2%

EBITDA

EBITDA increased by 48.9% compared to 2015 and reached RUB 176.4 bn. The main factor that affected the indicator growth was increased gross profit. At the same time, EBITDA margin increased by 2.8 pp from 52.8% in 2015 to 55.6% in 2016.

EBITDA analysis

Item	2015	2016	% vs 2015
Operating profit, RUB mn	97,169	142,965	147.1%
Amortization, RUB mn	19,268	24,902	129.2%
(Positive) / negative exchange rate differences related to operations, RUB mn	-2,007	5,591	-
Loss from the fixed assets retirement and write-off, RUB mn	3,848	554	14.4%
Result from subsidiary divestiture, RUB mn	220	195	88.6%
Loss from depreciation of investment in joint venture	-	2,211	-
EBITDA, RUB mn	118,498	176,418	148.9%
EBITDA margin, %	52.8	55.6	105.4%

EBITDA changes analysis, RUB mn

EBITDA for 2015	118,498
Increase in gross margin (excluding amortization)	61,689
Increase in administrative and commercial expenses	-2,771
Increase in social expenses	-1,075
Other income and expenses	77
EBITDA for 2016	176,418

NET PROFIT

Higher net profit in 2016 is mainly due to the increase in EBITDA and the positive impact of the exchange rates. EBITDA rose by RUB 57.9 bn from RUB 118.5 bn in 2015 to RUB 176.4 bn in 2016. At the same time, losses from exchange rates dropped by RUB 72.9 bn in 2016. Consolidated net profit reached RUB 133.5 bn in 2016 compared to net loss of RUB 32.2 bn in 2015.

Net profit change analysis, RUB mn

Net profit for 2015	32,192
EBITDA increase	57,920
Decrease in exchange loss	73,397
Decrease in net interest expenses	1,610
Increase in amortization expenses	-5,634
Increase in income from associated companies	22
Increase in profit tax expenses	-27,144
Decrease in loss on disposal of fixed assets	3,294
Depreciation of investment in joint venture	-2,211
Increase in other income / decrease in other expenses	25
Net profit for 2016	133,471

CASH FLOW

IN 2016, net cash flow grew significantly due to higher sales of rough diamond products and positive changes in the working capital.

Net cash flow change analysis, RUB mn

Item	2015	2016	% vs 2015
Net cash flow from operating activities before changes in working capital and tax payments	119,980	178,468	148.7%
Investments in working capital	-34,094	-4,566	13.4%
Income tax paid	-10,345	-30,764	3.0x
Net cash flows from operating activities	75,541	143,138	189.5%
Acquisition of fixed assets	-34,241	-31,752	92.7%
Net cash flow	41,300	111,386	2.7x

Net cash flow changes analysis, RUB mn

Net cash flow for 2015	41,300
Increase in operating income	58,488
Decrease in investments in working capital	29,528
Decrease in capex	2,489
Increase in profit tax expenses	-20,419
Net cash flow for 2016	111,386

CAPITAL EXPENDITURE (CAPEX)

IN 2016, total CAPEX decreased by 7.3% compared to 2015 and reached RUB 31.8 bn. The decrease in CAPEX is mainly due to lower investment in non-mining operations, technical upgrade and gas assets.

Analysis of CAPEX change, RUB mn

CAPEX for 2015	34,241
Technical upgrade, maintenance and reconstruction	-712
Investments in expansion of mining facilities	319
Gas assets	-699
Non-mining activities	-1,217
Social infrastructure	-180
CAPEX for 2016	31,752

CAPEX, RUB mn

Item	2015	2016	% vs 2015
Technical upgrade, maintenance and reconstruction	16,934	16,222	95.8%
Investments in expansion of mining facilities	9,491	9,810	103.4%
Gas assets	2,013	1,314	65.3%
Non-mining activities	5,041	3,824	75.9%
Social infrastructure	762	582	76.4%
TOTAL	34,241	31,752	92.7%

Higher investment in the expansion of mining facilities in line with the Company's strategy is due to starting the development of the new primary diamond deposit – Zarya pipe, and the works carried out at the Verkhne-Munskoye field.

CAPEX in expansion of mining facilities, RUB mn

Item	2015	2016	% vs 2015
Udachny underground mine	6,537	5,103	78.1%
Zarya pipe	876	1,369	156.3%
Verkhne-Munskoye field	531	3,338	6.3x
PJSC Severalmaz	1,547	–	–
TOTAL	9,491	9,810	103.4%



LIQUIDITY AND FINANCIAL STABILITY

Total debt dropped by 36.2% as of December 31, 2016, compared to 2015 and amounted to RUB 142.3 bn. Company's USD debt portfolio³³ decreased by 23.4% compared to the end of 2015, mainly due to repayment of the loan made available by JSC Alfa-Bank (USD 350 mn) and early repayment of the loan issued by JSC UniCredit Bank (USD 370 mn). During 2016, the positive effect of the revaluation of the USD part of the portfolio as a result of the ruble weakening against the dollar was about RUB 35.2 bn.

³³ USD/RUB exchange rate was 60.66 rubles as of December 31, 2016. USD/RUB exchange rate was 72.88 rubles as of December 31, 2015.

Consolidated debt portfolio analysis

Company	December 31, 2015	December 31, 2016	% vs 2015
Long-term part, RUB mn	197,467	141,669	71.7%
Short-term part, RUB mn	25,692	666	2.6%
Total debt, RUB mn	223,159	142,335	63.8%
% of the long-term part	88%	100%	112.5%
Total debt, USD mn	3,062	2,347	76.6%
Net debt, RUB mn	202,656	111,925	55.2%
Total debt/EBITDA, times	1.9	0.8	42.8%
Net debt/EBITDA, times	1.7	0.6	37.1%

In February 2017, the Company used its own funds to repay USD 600 mn of loans issued by PJSC VTB Bank ahead of schedule, thus reducing its outstanding balance on credits and loans to USD 1.7 bn.

Loans and liabilities repayment schedule,
USD mn (as of March 16, 2017)

Item	2017	2018	2019	2020
Bank loans	–	–	720	–
Eurobonds	–	–	–	1,000



IV

RISK MANAGEMENT SYSTEM

RISK MANAGEMENT SYSTEM

ALROSA Group is committed to ensuring efficient risk management processes required for timely risk prevention and mitigation of any outcomes of risks being realized.

The key internal regulations governing PJSC ALROSA's risk management processes are:

- Risk Management Policy³⁴;
- Risk Management Provisions³⁵;
- Risk Management and Internal Control Department Regulation³⁶.

³⁴
*Decision of the
Supervisory Board
dd. December 11,
2014, Minutes No.
A01/223-IIP-HC.*

These documents determine the structure and procedure organizing Company's risk management system (hereinafter, the RMS) including, inter alia, its principles, goals and tasks, unified terminology, key elements, functions and roles of participants in the risk management process, as well as the key stages of the risk management process and tasks of the participants.

³⁵
*Decision of the
Supervisory Board
dd. November 10,
2015, Minutes No.
A01/236-IIP-HC.*

During 2016, key RMS bodies performed continuous identification, monitoring, analysis and accounting of risks guided by certain approaches and principles.

³⁶
*Order No. A01/237-II
dd. August 8, 2016.*

APPROACHES TO RISK MANAGEMENT

Efficient risk management is a continuous system-based process at all Company levels, integrated with key business processes and intended to improve the quality of managers' decision-making. The Company performs continuous identification, monitoring, analysis, and accounting of risks as part of its current operations and investment project planning.

The systemic approach to risk management provides opportunities for Company's sustainable development in a context of uncertainty and changing external environment affecting Company's business. This is the reason why the Company is committed to creating and ensuring an efficient RMS that structures, provides resources and organizes risk management in accordance with the Company's strategy and goals. Company's executive bodies are in charge of continuous RMS functioning and implementation of the Supervisory Board's risk management decisions.

RISK MANAGEMENT PRINCIPLES

Integration

Risk management is an important component of corporate management and an integral part of the Company's general management system. The risk management processes must be integrated with key business processes including business planning and goal setting. Risk management covers all business functions and subdivisions.

Consistency and continuity

Risk management is a continuous, regular and consistent system-based process that adapts to changes in both the internal and external environments.

Integrity

Individual risks are managed and various risk management processes are carried out within a general risk management system.

Feasibility

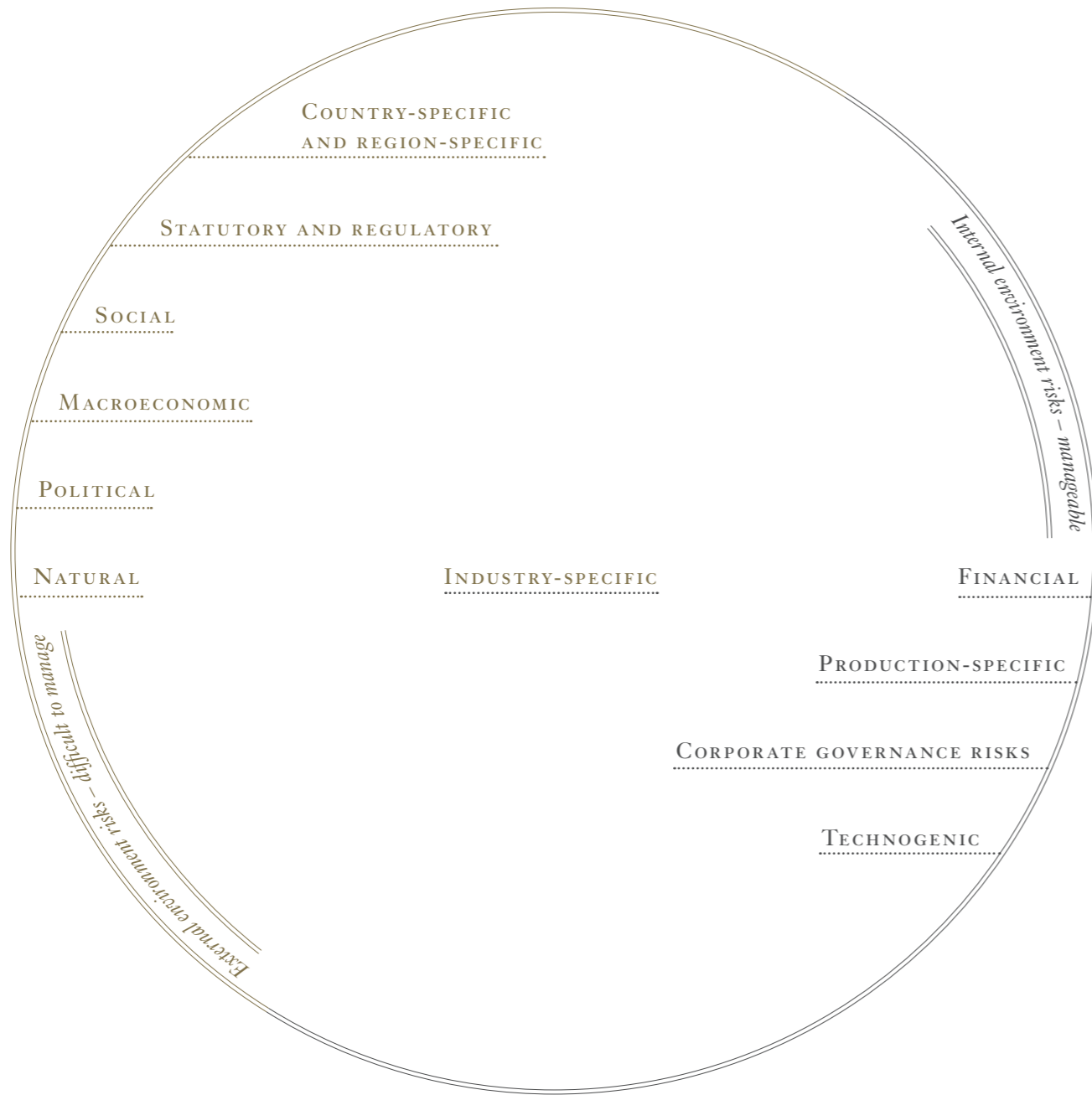
The risk management system must be adequate to the Company's scale, organizational structure, strategy, and goals. Risk management process must take into account reasonable balance between risk management expenses and the total impact of risks on the Company given the risk probability (the consolidated risk level). Allocation of financial and other resources on risk mitigation activities and measures takes into account the significance of risks for the Company and the expected effect of the activity.

Responsibility

Risk management is the responsibility of all Company subdivisions, bodies, officers, and employees.

KEY RISK GROUPS

IN 2016, the Company re-assessed its risks by means of holding forums for its risk owners in order to meet the regular risk reporting requirement. As a result of these activities, an updated risk map was prepared.



RISK MANAGEMENT METHODS

ALROSA Group applies certain management methods to each detected risk given the risk properties and assessment results, and the risk manageability degree based on the expert approach³⁷.

Risk management methods may include:

- Risk mitigation (risk level reduction): impact on a risk using preventive measures, as well as damage mitigation activities in case of the risk realization. Includes obligatory design of risk mitigation activities and implementation of additional control procedures. The main goal of the activities is to reduce the risk probability by way of affecting the risk factors that contribute to the risk occurrence, and to influence the risk impact to reduce potential losses;
- Risk acceptance — risk retention. Mainly includes risk level monitoring;
- Risk transfer: partial or full shift of risk exposure. Includes such tools as transfer of risk to a third party (counterparty), risk insurance, and so on;
- Risk avoidance: termination of the risk causing activities.

The risk mitigation method, where selected, requires that risk mitigation activities are developed, additional control procedures are implemented, and a formalized regular risk reporting procedure (with an approved format, content and reporting periodicity). This method is applicable to the risks of any level. This method is recommended for risks of medium, high, and critical significance.

The risk acceptance method provides for monitoring the risk level and efficiency of existing control procedures within the respective business processes. Such risks are included in the consolidated risk reports for the purposes of risk monitoring. This method is mainly applicable to risks of low significance.

The risk transfer method means transfer of risk exposure to a third party, for example, a counterparty. Such risks do not require the development of risk mitigation measures. However, they are included in the consolidated risk reports. This method is applicable to risks of any level. This method may be used if a function (business process) can be outsourced to a third party without damaging the function performance or Company's goodwill.

The risk reduction method requires that the risk owner and/or the managers in charge develop risk mitigation measures. The value of the weighted risk (risk level) assessment determines the most feasible risk mitigation measures and controls.

³⁷ Risk manageability degree is ability of the Company to impact risk factors. Manageability degree of individual risk is defined by risk owners based on expert approach and is used to define risk management method.

**MAIN FUNCTIONS AND TASKS
OF SPECIALIZED BODIES**

The Supervisory Board plays a strategic and supervisory role within the risk management process. The Supervisory Board defines the goals and tasks of risk management and the organizational principles of the RMS operation.

The Supervisory Board shall:

- Approve RMS regulations, including the Risk Management Provisions and the Risk Management Policy that define the risk management strategy and goals;
- Approve planned mitigation risk documents;
- Approve the preferable risk level (risk appetite);

The Supervisory Board monitors whether the Company's risk management measures and methods are adequate and efficient. In this regard, the Supervisory Board obtains information about risks from the Company management on a regular basis.

The Audit Committee monitors risks and controls RMS reliability and efficiency.

The Audit Committee shall:

- Consider statutory and regulatory documents governing risk management prior to their submission for the Supervisory Board's approval (the Risk Management Policy, the Risk Management Provisions);
- Consider reporting and planned documents governing risk management previously considered by the Company's executive body, prior to their submission for the Supervisory Board's approval.
- Advise for the Supervisory Board on various aspects of risk management.

The executive bodies are liable for timely and efficient identification, assessment of and reaction to the Company's risks. The President and the Executive Committee Members allocated required resources to ensure the functioning of the risk management system that help achieve the goals and solve the tasks of risk management.

The President of the Company, as part of the RMS, shall:

- Monitor Company's overall risk exposure (total risk level), critical risks and new risks on regular basis;
- Make decisions regarding critical risk management measures, appoint officers in charge of implementing such measures and controlling their implementation;
- Approve statutory and regulatory documents governing risk management prior to their submission for the Audit Committee's consideration and the Supervisory Board's approval (the Risk Management Policy, the Risk Management Provisions);
- Approve documents governing standards and methods of risk assessment and management.

The President may have the Executive Committee consider the RMS Development and Improvement Action Plan.

Risk owners, in particular, President, Members of the Executive Committee, Vice Presidents and heads of subdivisions/functional services are in charge of day-to-day risk management within their competences, define methods of response to risks, develop and implement risk mitigation measures, and identify and assess risks in their respective functional areas.

Risk management process owner assists in regular exchange of risk information and performs the following functions:

- Monitors risks on a regular basis, including regular monitoring of critical risks, analyses risk information submitted by risk owners and aggregated by the Risk Management Department;
- Ensures continuous operation of the RMS and compliance with the risk management regulations;
- Reviews and pre-approves planned and reporting documents related to risk management and risk management system improvement;
- Interacts with risk owners and managers in charge, informs the President, the Executive Committee, the Audit Committee, and the Supervisory Board on any material changes in problem areas and other aspects of risk management;
- Monitors and controls the activities of the Risk Management Department, assesses the activities of the Risk Management Department employees.

The Risk Management Department coordinates the risk management process, aggregates the risk information and assists in regular exchange of risk information.

The Risk Management Department:

- Coordinates risk management activities of subdivisions/functional services;
- Interacts with and provides methodological and informational support in risk management to the Company employees participating in the risk management process;
- Collects, aggregates, and analyses the risk information provided by risk owners (risk passports);
- Maintains the Risk Register and Risk Map;
- Prepares planned and reporting documents related to risk management and risk management system improvement;
- Where necessary, participates in risk identification;
- Maintains risk reports and documents for each reporting period;
- Monitors compliance with the approved risk management procedures, requirements and regulations of the Company;
- Drafts risk management regulations and standard reporting forms, develops and revises the methodology determining the preferable risk levels;
- Submits risk information to the subdivisions and functional services in charge of interaction with the shareholders, investors and the public;
- Organizes risk management training.

The Head of the Risk Management Department reports to the risk management process owner.

The Internal Audit Department (hereinafter, the IAD) as part of RMS:

- Assesses the performance of the key RMS elements (regarding the organization of the risk management process, the functions and interaction of the process participants, compliance with risk management regulations, completeness of risk reports);
- Participates in the identification of risks, violations and failures to comply with risk management regulations and analyses the information on realized risks as part of auditing. Where individual risks are identified, the IAD discusses with the auditees (subdivisions and functional services) risk counteraction measures that may be taken into account in the development of risk mitigation activities. In case of any failure to comply with risk management regulations, the IAD submits the audit results to the risk management process owner.

RMS IMPROVEMENT

The following measures were taken for the purposes of improving the RMS in 2016:

- Risk Management System Development and Improvement Action Plan was developed and submitted for approval by the Company managers;
- The Risk Register was updated;
- The Anti-Corruption Regulations were drafted;
- The Corruption Risk Management Map was developed;
- The risk section consolidates the Company information in accordance with the Securities Issuer Disclosure Regulations on a quarterly basis.

In the reporting year, special emphasis was made on managing the following risks:

Risk	Reason for occurrence	Description of consequences from (potential) occurrence	Mitigation measures	Probability of occurrence	Potential impact
Risk of a contract breach by counterparties	<ul style="list-style-type: none"> – Supplier’s monopoly in the region – Counterparties’ affiliation with the Company’s managers, various local authorities – Inefficient procurement procedures, including insufficient control over the decentralized procurement and procurement of services – Inefficient counterparty motivation and penalty system – Complicated climate and environmental conditions for cargo delivery and warehousing 	<ul style="list-style-type: none"> – Failure to comply with the construction schedule/ other project schedules – Decrease in production rates/production downtime – Equipment failures 	<ul style="list-style-type: none"> – Issuance of an administrative document for the Company governing the planning and preparation for the start of navigation and winter road activity – Creating the Company’s M&TE Procurement Plan given the maximum cargo delivery during the summer navigation – Creating a Strategic M&TE Procurement Plan – Entering a counterparty on the Unreliable Supplier List 	Reduced from high to medium	Remains high
Risk of changes in the rough diamond demand and supply in the long term	<ul style="list-style-type: none"> – Negative changes in the demand and supply on the rough diamond market 	<ul style="list-style-type: none"> – Reduction of ALROSA Group’s revenue from sales of rough diamonds and, as a result, reduction of ALROSA Group’s net profit – Failure to reach target strategic indicators 	<ul style="list-style-type: none"> – Analyzing rough diamond market indicators for the purposes of appropriate planning of ALROSA Group’s activities – Implementation of measures to reduce operational expenses – Entering long-term contracts with reliable strategic buyers 	Reduced from high to medium	Reduced from high to medium
Contract execution/non-prolongation risk	<ul style="list-style-type: none"> – Failure to retrieve reliable counterparty data – Counterparty’s adverse financial position – Counterparties’ affiliation with the Company’s management 	<ul style="list-style-type: none"> – Failure to implement the rough diamond product sales plan – Lost profit 	<ul style="list-style-type: none"> 1) Monitoring current long-term buyers’ activities, including: <ul style="list-style-type: none"> – Analysis of financial statements (including interim statements) – Visits to buyers’ production facilities – Maintaining a client database – Collection and classification of information from additional sources – Inspections by specialized third parties. 2) Diversified distribution geography as part of long-term agreements 	Reduced from high to low	Reduced from high to low



V

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE 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 Company's commitment to follow the corporate governance principles specified in the Corporate Governance Code recommended in the Bank of Russia's letter dd April 10, 2014. PJSC ALROSA intends to continue its efforts to introduce the key principles and recommendations of the Corporate Governance Code to Company's business.

CORPORATE GOVERNANCE ROLE

ALROSA Group is building its corporate governance system in full compliance with the standards and requirements of Russian laws, including corporate law, anti-trust laws, and securities market law, and international standards and guidelines. By consistent development of all system elements and their adjustment to new external requirements and challenges, the Company has always been guided by the key principles of corporate management established in the Corporate Governance Code. Adherence to high corporate governance standards is one of the strategic priorities of the Company. Managers of PJSC ALROSA confirm that ensuring shareholder value growth in the long-term perspective is impossible without comprehensive protection of rights and interests of all shareholders.

In June 2016, the Company held its Annual General Meeting of Shareholders to approve the Corporate Governance Code (new version) and amendments to the Company's Charter and the Regulations on the Supervisory Board.

Company's by-laws and business operations incorporate most guidelines provided for in the Code. The Company performed this work in cooperation with the Russian Government Expert Council.

The new version of the Corporate Governance Code 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.

Information transparency is a key element of corporate governance and an essential factor of the Company's investment attractiveness. In 2016, the Company won the contest "For the Active Corporate Disclosure Policy", which determines the most informationally transparent company of the year.

The award — a transparent glass crystal as a symbol of information transparency — was handed to ALROSA' representative in Moscow on November 29 at the Director of the Year ceremony held by the Independent Directors Association and the Russian Union of Industrialists and Entrepreneurs.

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.

In 2016, PJSC ALROSA prepared and the Supervisory Board approved Memorandum on Further Implementation of the Code's Guidelines in the Company's Business based on the review of the Company's compliance with the Code's guidelines and Road Map carried out by the Government Expert Council.

Furthermore, pursuant to the Memorandum, the Company updated the Regulations on Representation of PJSC ALROSA with the Management and Control Bodies of Subsidiary Legal Entities for review by the Supervisory Board. The Supervisory Board plans to review the Regulations in Q2 2017.

CORPORATE GOVERNANCE PRINCIPLES

The Company is guided by the following corporate governance principles.

1. In the sphere of safeguarding rights of shareholders and equal conditions for shareholders:
 - Shareholders' right to take part in the Company governance by making decisions on major issues;
 - Giving all shareholders an equal and fair opportunity to participate in Company's profit distribution by way of receiving dividends;
 - Ensuring equal terms 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 receive effective protection if their rights are violated.
2. 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 the risk management and internal control system, control of activities of executive bodies of the Company, as well as performance of other key functions;
 - Accountability of the Supervisory Board to shareholders of the Company;
 - Efficiency and professional competence of the Supervisory Board, the ability of the Supervisory Board to make objective independent judgments 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.
3. In the sphere of organization and support of the work of the Corporate Secretary:
- Ensuring by the Corporate Secretary of an effective interaction with shareholders, coordination of the Company activities on protection of rights and interests of the shareholders and support of effective work of the Supervisory Board.
4. In the sphere of development and implementation of a system for Remuneration to Members of the Supervisory Board and executive bodies:
- Ensuring a fair level of remuneration paid by the Company to attract, motivate and retain people who have the respective competence and expertise;
 - Integration into the system of Remuneration to 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.
5. In the sphere of organization and functioning of the risk management and internal control system:
- Establishment of an efficient risk management and internal control system in the Company;
 - Carrying out internal audit of the Company to ensure systematic independent assessment of reliability and efficiency of the risk management and internal control system and corporate governance practices.
6. 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 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 prepared in accordance with the recommendations of the Bank of Russia³⁸ "On Disclosure of the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint Stock Company"³⁹ dated February 17, 2016.

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 assigned the National Corporate Governance rating (NRKU) of 7 out of 10 for "Developed corporate governance practice". On October 12, 2015, the rating was upgraded to 7+, "Developed Corporate Governance Practice". On October 25, 2016, the Russian Institute of Directors conducted reassessment of the Company's corporate governance according to the updated methodology. The experts emphasized several positive points, in particular:

- The Supervisory Board is efficient at the Company's strategic management;
- Membership of the Audit Committee and the Human Resources and Remunerations Committee complies with the listing rules; and the Human Resources and Remunerations Committee membership complies with the recommendations of the Corporate Governance Code;
- The Company's assessments of the Supervisory Board's performance comply with the recommendations of the Corporate Governance Code;
- The Supervisory Board conducts annual performance assessments of the internal control and risk management systems;
- A highly reputable registrar with reliable technologies records the Company's share ownership rights;
- The Company expanded the Supervisory Board's competencies related to approval of major transactions;
- A renowned audit company is engaged to audit Company's IFRS and RAS financial statements;
- The Company includes additional materials recommended by the Corporate Governance Code in the list of materials when preparing for the General Meeting of Shareholders;
- The Supervisory Board approved the action plan (road map) to improve the Company's corporate governance and monitor its implementation;
- The Company applies sophisticated regulatory measures to address the conflict of interest of the Members of the Supervisory Board and executive bodies and insures their liability;
- The Company has established business units for interaction with shareholders and investors and posted their contact details on its website; the Company holds regular meetings and events for shareholders and investors attended by members of management bodies;
- The Company discloses its interim IFRS financial statements and publishes its annual IFRS financial statements before the annual General Meeting of Shareholders for the respective year.

³⁸ No. HH-06-52/8.

³⁹ Detailed information on compliance with the principles and recommendations of the Corporate Governance Code is given in Appendix 8.13.

As a result, the consistent practice and positive development of the corporate governance system allowed the experts to review PJSC ALROSA's rating and upgrade it to the level of NCGR (National Corporate Governance Rating) 7++ "Developed Corporate Governance Practices". 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.

MAJOR TRANSACTIONS AND INTERESTED PARTIES TRANSACTIONS

⁴⁰ 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"⁴⁰. During the reporting period, 313 interested party transactions were approved. No major transactions amounting to 25 or more percent of the book value of the Company assets, as per data contained in the accounting statements as of December 31, 2016, were entered into by the Company.

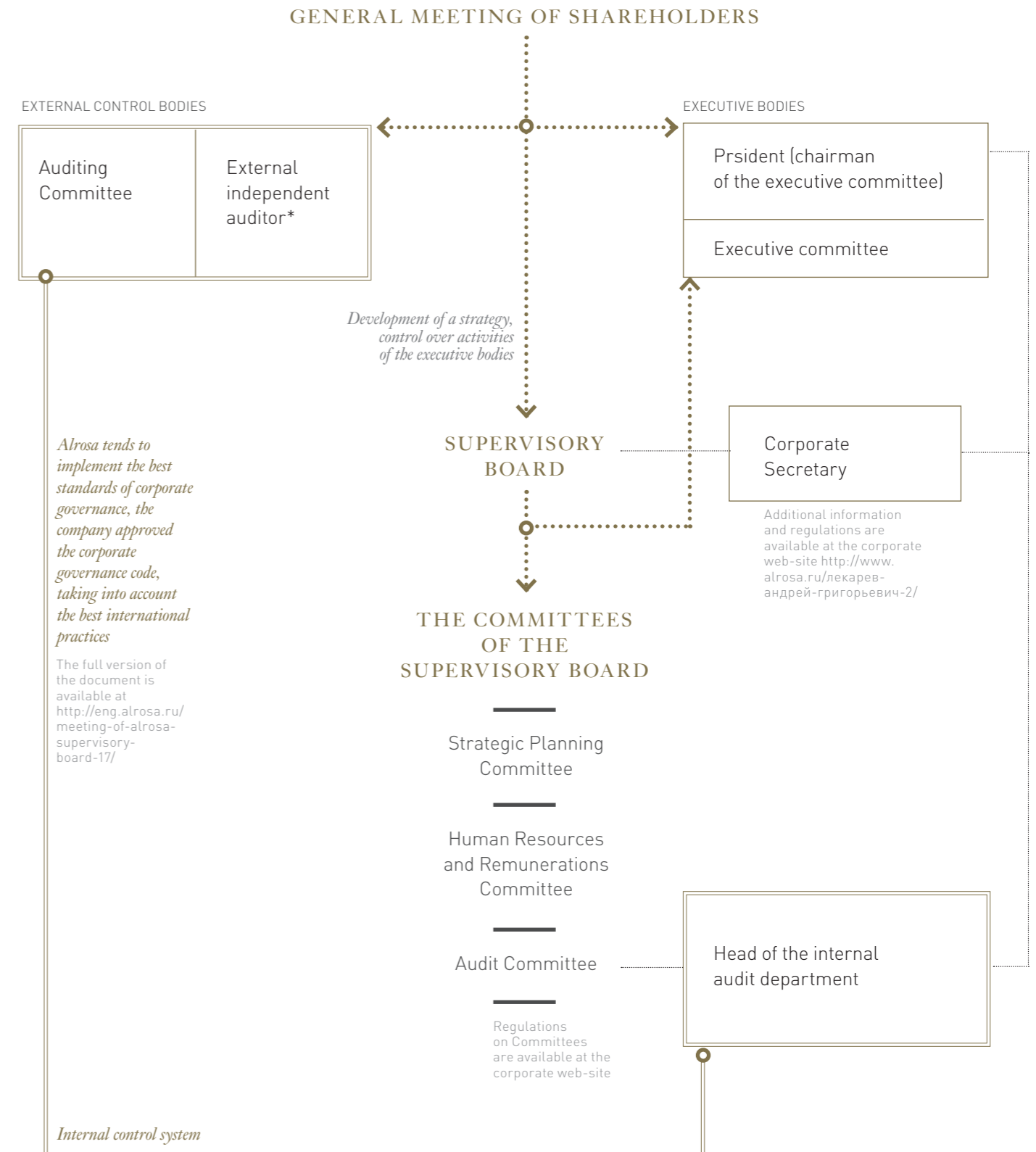
Detailed information on major transactions and interested party transactions is provided in Appendix 8.12.



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 which manages routine activities of the Company. President of the Company (sole executive body) is also Chairman of the Executive Committee. The Supervisory Board operates 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.

Corporate governance structure



* In accordance with the resolution of the Annual General Meeting of Shareholders dated June 30, 2016, (Minutes No. 34 dated July 04, 2016), Joint Stock Company PriceWaterhouseCoopers Audit was approved as an auditor under RAS and IFRS 2016.

Competencies of governing bodies⁴¹

⁴¹
The powers of the management bodies are fully reflected in the Charter approved by the resolution of the General Meeting of PJSC ALROSA on June 25, 2015 (Minutes No. 33) as amended in accordance with the resolution of the annual General Meeting of Shareholders of PJSC ALROSA on June 30, 2016 (Minutes No. 34).

Governing body	Competence
General Meeting of Shareholders	<p>Issues on the agenda to be resolved by a three-quarter majority of shareholders votes:</p> <ul style="list-style-type: none"> – Amendments and additions to the Charter of PJSC ALROSA; – Company reorganization; – Company liquidation; – Determination of the number, nominal value, category (type) of authorized shares and rights associated with these shares; – Increase in the Company authorized capital through the placement of additional shares; – Approval of major transactions; – Request for delisting of shares and (or) issuable securities converted into shares. <p>Issues on the agenda, resolutions on which were adopted by a simple majority of shareholder voters:</p> <ul style="list-style-type: none"> – Election of Members of the Supervisory Board; – Early termination of powers of Members of the Supervisory Board; – Election of members of the Auditing Committee; – Early termination of Auditing Committee member powers; – Approval of the auditor; – Approval of annual reports; – 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 of members of the Supervisory Board; – Remuneration or compensation for the expenses of members of the Auditing Committee; – Other issues stipulated by the Federal Law On Joint Stock Companies.
Supervisory Board	The Supervisory Board is responsible for the general management of the Company except for the matters within the purview of the General Meeting of Shareholders according to the Law and the Charter of the Company.
President	The rights and responsibilities of the Company's President are defined by the Federal Law On Joint Stock Companies, other regulations of the Russian Federation, the Charter, the Regulations on the President, and the agreement signed by the Chairman of the Supervisory Board or by a person authorized by the Supervisory Board on behalf of the Company.
Executive Committee	All the issues concerning the management of current operations of the Company 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 the Company 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 before and no later than six months after the end of a 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 Members of 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.

The annual General Meeting of Shareholders of PJSC ALROSA was held on June 30, 2016⁴². Agenda of the annual General Meeting of Shareholders:

1. Approval of the Annual Report of PJSC ALROSA;
2. Approval of the annual accounting (financial) reporting of PJSC ALROSA;
3. Approval of the distribution of PJSC ALROSA profit based on the results of 2015;
4. Amount of dividends, time frame and form of their payment based on the 2015 performance results and determination of the date on which the persons eligible for dividends will be determined;
5. Amendments to the Regulations on Remuneration to Members of the Supervisory Board, PJSC ALROSA;
6. Remuneration to the Members of the Supervisory Board, who are non-state employees, for their work on the Supervisory Board in the amount specified by internal documents of PJSC ALROSA;
7. Remuneration to the Auditing Committee members, who are non-state employees, for their work in the amount specified by internal documents of PJSC ALROSA;
8. Election of Members of the Supervisory Board, PJSC ALROSA;
9. Election of members of the Auditing Committee of PJSC ALROSA;
10. Approval of auditors of PJSC ALROSA;
11. Amendments to the Charter of PJSC ALROSA;
12. Amendments to the Regulations on the General meeting of shareholders of PJSC ALROSA;
13. Amendments to the Regulations on the Supervisory Board of PJSC ALROSA;
14. Approval of the Code of Corporate Governance of PJSC ALROSA.
15. Joining the Responsible Jewellery Council by PJSC ALROSA;
16. 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.

⁴²
Minutes No. 34.

No extraordinary General Meetings of Shareholders were held in 2016.

SUPERVISORY BOARD

Members of the Supervisory Board, 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 for the period until the next annual General Meeting of Shareholders.

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

The Chairman of the Supervisory Board is elected by fellow Members of the Supervisory Board by 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 approved⁴³ by the annual General Meeting of Shareholders of the Company held on June 25, 2015.

⁴³ *Minutes No. 33.* In 2016, the Company prepared amendments to the Regulations on the Supervisory Board approved by the resolution of the annual General Meeting of Shareholders⁴⁴ on June 30, 2016 to ensure compliance of the Regulation on the Supervisory Board with the Corporate Governance Code and the Law on Joint Stock Companies (as amended on July 01, 2016).

COMPOSITION OF THE SUPERVISORY BOARD OF THE COMPANY

ON June 30, 2016, new members of the Supervisory Board were elected at the annual General Meeting of Shareholders of the Company.

Valentina I. Kondratyeva and Valentin I. Nikiforov resigned from the Supervisory Board due to election of new Supervisory Board members by the General Meeting of Shareholders on June 30, 2016.

As of December 31, 2016, there were 14 Non-Executive directors of the Supervisory Board of the Company, including 5 independent, and 1 Executive Director.

No.	Surname and initials	Independence
1	A. G. SILUANOV	
2	Ye. A. BORISOV	
3	S. V. BARSUKOV	
4	A. S. GALUSHKA	
5	P. V. ALEKSEEV	
6	M. V. GORDON	Independent Member of the Supervisory Board
7	E. V. GRIGORIEVA	
8	O. V. GRINKO	Independent Member of the Supervisory Board
9	G. I. DANCHIKOVA	
10	A. V. ZHARKOV	
11	V. I. LEMESHEVA	Independent Member of the Supervisory Board
12	V. T. LUKIN	
13	P. V. ULYANOV	Independent Member of the Supervisory Board
14	O. R. FEDOROV	Independent Member of the Supervisory Board
15	A. O. CHEKUNKOV	

BRIEF BIOGRAPHICAL DATA OF THE MEMBERS OF THE SUPERVISORY BOARD (AS OF DECEMBER 31, 2016)



PETR V. ALEKSEEV

*Member of the Supervisory Board
since June 25, 2015*

*Shares held
in PJSC ALROSA:
none.*

Date and place of birth:

May 27, 1981, Yakutsk.

Education:

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

Previous work experience:

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 JSC Republican Investment Company.

Participation in the executive bodies of other organizations:

2013 — present — Member of the Board of Directors of JSC Republican Investment Company;
2014 — present — Chairman of the Board of Directors of LLC Zavod Bazaltovykh Materialov;
2014 — present — Member of the Board of Directors of JSC PHK;
2015 — present — Member of the Board of Directors of CJSC Optogan;
2016 — present — Member of the Board of Directors of LLC Severnaya Proektnaya Kompaniya;
2016 — present — Chairman of the Board of Directors of JSC Vilyuyavtodor.



Shares held
in PJSC ALROSA:
none.

SERGEY V. BARSUKOV

*Member of the Supervisory Board since June 30, 2011
Chairman of the Strategic Planning Committee
under the Supervisory Board since August 26, 2016*

Date and place of birth:

September 02, 1971, Kalinin.

Education:

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 St. Petersburg State University in 2005, specializing in Public and Regional 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;
2014 — present — Member of the Board of Directors of JSC National Payment Card System.



Shares held
in PJSC ALROSA:
none.

YEGOR A. BORISOV

*Member of the Supervisory Board since June 25, 2015
First Deputy Chairman of the Supervisory Board since July 14, 2015*

Date and place of birth:

August 15, 1954, Churapcha village,
Churapcha District Yakut ASSR.

Education:

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

Previous work experience:

2010–2014 – President of the Republic of Sakha (Yakutia)
2010–2014;
2014 — present — Head of the Republic of Sakha (Yakutia).



Shares held
in PJSC ALROSA:
none.

ALEXANDER S. GALUSHKA

*Member of the Supervisory Board since June 25, 2015
Deputy Chairman of the Supervisory Board since July 14, 2015*

Date and place of birth:

December 01, 1975, Klin, Moscow Region.

Education:

He graduated from Moscow State Social University in 1997 with a degree in Labor Economics and Sociology

Occupational retraining:

1999 — Intersectoral Institute of Advance Training of the Plekhanov Russian Academy of Economics;
2001 — Intersectoral Institute of Advance Training and Further Training of managerial personnel and specialists of the Plekhanov Russian Academy of Economics;
2011 — Russian Presidential Academy of National Economy and Public Administration (RANEPA).
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–present — Minister of the Russian Federation for the Far East Development.



Shares held
in PJSC ALROSA:
none.

MARIA V. GORDON

*Member of the Supervisory Board since June 25, 2015
Chairman of the Audit Committee of the Supervisory Board,
Independent Member of the Supervisory Board since August 26, 2016*

Date and place of birth:

February 13, 1974, Vladikavkaz, Republic of North Ossetia.

Education:

In 1991–1994, she studied at the Lomonosov Moscow State University at the Department of Journalism. In 1994–1995, she studied in the University of Wisconsin (USA), Bachelor in Political Studies;
in 1996–1998, in the Fletcher School of Law and Diplomacy at Tufts University (USA), Master of Arts 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), Investments.

Participation in the executive bodies of other organizations:

2016 — present — Member of the Supervisory Board of Moscow Exchange.



Shares held
in PJSC ALROSA:
none.

EVGENIA V. GRIGORIEVA

Member of the Supervisory Board since June 25, 2015

Date and place of birth:

August 19, 1965,
Nyurba village, Leninsky District, Yakut ASSR.

Education:

In 1988, graduated from the Riga Civil Aviation Engineers Institute (RCAII) where she specialized in computers as a system engineer. In 1998, she graduated from North-Eastern Federal University in Yakutsk with a specialization in Law. She completed Vocational Retraining course at the Far East Academy of Public Service, specializing in Public and Regional Administration in 2001.

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).



Shares held
in PJSC ALROSA:
none.

OLEG V. GRINKO

*Member of the Supervisory Board since June 25, 2015
Independent Member of the Supervisory Board*

Date and place of birth:

August 13, 1968, Kherson, Ukraine.

Education:

In 1987, graduated from Kherson Shipbuilding Technical School, in 1994, from Higher School of the KGB — FSB Academy, Russian Federation, Lawyer, specializing in Germany (phyllology and regional geography).

Previous work experience:

2001–2014 — Adviser to Director of FSUE VO Vneshtekhnika;
2002 — present — Managing Partner at CJSC Korporatsiya Tekhnologiy I Investitsiy;
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 of Strategic Communications at CJSC Managing Company Savings and Investments;
2015 — present — Director of T — LLC Sistema.
Participation in the executive bodies of other organizations:
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;
2016 — present — Member of the Board of Directors of JSC Arktichesky Transportno-Promyshlenny Uzel Arkhangelsk;
2016 — present — Member of the Supervisory Board of Russian-Chinese Legal Society.



Shares held
in PJSC ALROSA:
none.

GALINA I. DANCHIKOVA

Member of the Supervisory Board since June 25, 2015

Date and place of birth:

August 13, 1954, Khairyuzovka village,
Balagansk district, Irkutsk Region.

Education:

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:

2010–2016 — Chairman of the Government of the Republic of Sakha (Yakutia).

2016 — present — Member of State Duma of the Federal Assembly of the Russian Federation.



Shares held
in PJSC ALROSA:
none.

ANDREY V. ZHARKOV

Member of the Supervisory Board since June 25, 2015

Date and place of birth:

February 11, 1973, Geneva, Switzerland.

Education:

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

Previous work experience:

2010–2015 — Deputy Head of Gokhran under the Ministry of Finance of the Russian Federation;

2015–2017 — President of PJSC ALROSA.

Participation in the executive bodies of other organizations:

2016 — present — Chairman of the Board of Directors of JSC Geotransgaz;

2016 — present — Chairman of the Board of Directors of LLC Urengoy Gas Company.



Shares held
in PJSC ALROSA:
none.

VALENTINA I. LEMESHEVA

*Member of the Supervisory Board since June 30, 2016
Chairman of the HR and Remunerations Committee
under the Supervisory Board, Independent Member
of the Supervisory Board since August 26, 2016*

Date and place of birth:

September 23, 1949,
Ynykchan, Ust-Maysky District, Yakut ASSR.

Education:

In 1972, graduated from the Irkutsk State University specializing in Russian Language and Literature, philologist, teacher of the Russian language and literature.

In 1983, graduated from the Novosibirsk University of the National Economy specializing in National planning, economist.

Previous work experience:

2002–2014 — Chairman of the State Committee for Pricing Policy at the Regional Energy Commission of the Republic of Sakha (Yakutia)

Participation in the executive bodies of other organizations:

2016 — present — Member of the Board of Directors of Center of Energy Saving and New Technologies of the Republic of Sakha (Yakutia).



Shares held
in PJSC ALROSA:
none.

VASILY T. LUKIN

Member of the Supervisory Board since June 30, 2016

Date and place of birth:

December 31, 1953, Balagachcha village,
Vilyuysky District, Yakut ASSR.

Education:

In 2003, he graduated from the Far East Academy of Public Service, specializing in Public and Municipal Service. He is a Class 1 Advisor to the State Civil Service.

Previous work experience:

2007–2011 — Head of the Procurement Department of the Ministry of Agriculture and Food of the Republic of Sakha (Yakutia);

2011–2012 — Head of the Lands, Surveys and Procurement Department of the Ministry of Agriculture and Food of the Republic of Sakha (Yakutia);

2012 — present — First Deputy Head of the Vilyuysky Ulus Municipal District of the Republic of Sakha (Yakutia).



Shares held
in PJSC ALROSA:
none.

ANTON G. SILUANOV

Member of the Supervisory Board since June 25, 2015
Chairman of the Supervisory Board, PJSC ALROSA since July 14, 2015

Date and place of birth:

April 12, 1963, Moscow.

Education:

In 1985, he graduated from the Moscow Finance Institute with a degree in Finance and Credit. 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 authorized representative on the Board of the Eurasian Development Bank;
2013 — present — Chairman of the Board of Guardians; Research Advisor — Dean of the Finance & 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 Center for Development and Commercialization of New Technologies;
2014 — present — Member of the Supervisory Board of the State Corporation for Development, Production, and Exports of High Technology Industrial Products Rostech;
2015 — present — Member (Non-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;
2016 — present — Member of the Board of Directors of JSC Russian Export Center.



Shares held
in PJSC ALROSA:
none.

PAVEL V. ULYANOV

Member of the Supervisory Board since June 25, 2015
Independent Member of the Supervisory Board

Date and place of birth:

January 21, 1972, Moscow.

Education:

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

Previous work experience:

2007 — present — Director for Energy Business, RUSAL Global Management B.V. (RUSAL Global Management B.V.).
Participation in the executive bodies of other organizations:
2006 — present — Member of the Board of Directors of JSC Krasnoyarsk Region 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.



Shares held
in PJSC ALROSA:
none.

OLEG R. FEDOROV

*Member of the Supervisory Board since June 29, 2013
Independent Member of the Supervisory Board*

Date and place of birth:

August 30, 1968, Moscow.

Education:

He graduated from Lomonosov Moscow State University with a degree in Mathematics and applied mathematics in 1992.

Previous work experience:

2009–2012 — Head of Department for cooperation with public authorities and companies with public ownership, Department of Investment and Banking on Global Markets, CJSC VTB Capital;

2012–2014 — Advisor to the Head of the Federal Agency for State Property Management.

Participation in the executive bodies of other organizations:

2014 — present — Member of the Board of Directors of OJSC Rosinfocominvest;

2016 — present — Member of the Board of Directors of PJSC IDGC of Center and Volga Region.



Shares held
in PJSC ALROSA:
none.

ALEXEY O. CHEKUNKOV

Member of the Supervisory Board since June 25, 2015

Date and place of birth:

October 3, 1980, Minsk.

Education:

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

Previous work experience:

2011–2013 — Director, Member of the Executive Board of the Russian Private Equity Fund (RPEF);

2014 — present — Director General, Far East and Baikal Region Development Fund JSC.

Participation in the executive bodies of other organizations:

2015 — present — Chairman, Member of the Supervisory Board of Autonomous Non-profit Organization Far East Agency for Investment and Exports Support;

2015 — present — Member of the Supervisory Board of Autonomous Non-profit Organization Far East Human Resource Development Agency;

2015 — present — Member of the Board of Directors of JSC Far East Development Corporation;

2016 — present — Member of the Board of Directors of PJSC RusHydro.

Participation in corporate events

No.	Surname and initials	Participation in corporate events in 2016		
		TOTAL	including:	
			meetings	voting in absentia
Members of the Supervisory Board who left the Supervisory Board on June 30, 2016:				
1.	V. I. Kondratyeva	4	1-EiW*	3
2.	V. I. Nikiforov	4	1	3
Members of the Supervisory Board who were members of the Supervisory Board throughout 2016:				
3.	P.V. Alekseev	11	4	7
4.	S. V. Barsukov	11	4	7
5.	Ye. A. Borisov	11	4	7
6.	A. S. Galushka	7	3, of them 2 are EiW	4
7.	M. V. Gordon	10	4, of them 2 are EiW	6
8.	E.V. Grigorieva	11	4	7
9.	O. V. Grinko	11	4, of them 1 is EiW	7
10.	G. I. Danchikova	11	4	7
11.	A. V. Zharkov	11	4	7
12.	A.G. Siluanov	11	4	7
13.	P. V. Ulyanov	11	4	7
14.	O. R. Fedorov	11	4	7
15.	A. O. Chekunkov	11	4, of them 2 are EiW	7
Members of the Supervisory Board who were elected to the Supervisory Board on June 30, 2016:				
16.	V. I. Lemesheva	7	3	4
17.	V. T. Lukin	7	3, of them 1 is EiW	4

* *EiW* – expressed in writing.

*Meetings (voting in absentia)
of the Supervisory Board*

IN 2016, 11 corporate events of the Supervisory Board took place, including 4 meetings and 7 instances of voting in absentia:

- January 15, 2016, Minutes No. A01/240-PP-HC (voting in absentia);
- March 20, 2016, Minutes No. A01/241-PP-HC (voting in absentia);
- April 28, 2016, Minutes No. A01/242-PP-HC (meeting);
- June 07, 2016, Minutes No. A01/243-PP-HC (voting in absentia);
- July 05, 2016, Minutes No. A01/244-PP-HC (voting in absentia);
- August 05, 2016, Minutes No. A01/245-PP-HC (voting in absentia);
- August 26, 2016, Minutes No. A01/246-PP-HC (voting in absentia);
- September 28, 2016, Minutes No. A01/247-PP-HC (meeting);
- October 19, 2016, Minutes No. A01/248-PP-HC (voting in absentia);
- November 28, 2016, Minutes No. A01/249-PP-HC (meeting);
- December 20, 2016, Minutes No. A01/250-PP-HC (meeting);

In 2016, the Supervisory Board considered 78 issues.

In particular, the following issues were considered:

1. On approval of the ALROSA Group Key Performance Indicators Compliance Report for 2015.
2. On approval of the Memorandum of Further Implementation of the Corporate Governance Code Recommendations in PJSC ALROSA's Activities.
3. On inclusion of the issues related to PJSC ALROSA shareholder proposals on the agenda of the annual General Meeting of Shareholders of PJSC ALROSA.
4. On inclusion of the persons nominated by shareholders of PJSC ALROSA on the list of nominees for election to the Supervisory Board of PJSC ALROSA.
5. On inclusion of the persons nominated by shareholders of PJSC ALROSA on the list of nominees for election to the Auditing Committee of PJSC ALROSA.
6. On inclusion of the matter related to PJSC ALROSA joining the Board on Good Manufacturing Practices in the Jewelry Business on the agenda of the annual General Meeting of Shareholders of PJSC ALROSA.
7. On establishment of the PJSC ALROSA Branch in Vladivostok.
8. On inclusion of the issues related to PJSC ALROSA shareholder proposals on the agenda of the annual General Meeting of Shareholders of PJSC ALROSA.
9. On preliminary approval of the Annual Report of PJSC ALROSA for 2015.
10. The annual accounting (financial) reporting of PJSC ALROSA for 2015;
11. Recommendations to the General Meeting of Shareholders of PJSC ALROSA on distribution of profits based on results of 2015 including the amount of dividends on shares of PJSC ALROSA and the procedure for their payment.
12. On approval of PJSC ALROSA's auditor for the statutory audit of PJSC ALROSA's accounting (financial) statements prepared in accordance with Russian law for years 2016–2018.
13. On approval of PJSC ALROSA's auditor for the statutory audit of the ALROSA Group's IFRS consolidated financial statements for years 2016–2018.
14. Recommendations to the general meeting of shareholder of PJSC ALROSA related to remuneration payable to the Auditing Committee of PJSC ALROSA.
15. 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.

16. On approval of the agenda of the annual General Meeting of Shareholders of PJSC ALROSA.
17. On the convocation of the annual General Meeting of Shareholders of PJSC ALROSA.
18. Review of the Report on the work of the Internal Audit Department of PJSC ALROSA for 2015.
19. On results of PJSC ALROSA procurement activities for 2015.
20. On approval of the Report on implementation of the Innovation Development and Technological Upgrade Program of PJSC ALROSA for 2015.
21. On determination of position of PJSC ALROSA's representatives on the agenda items of the meeting of the Board of Directors of JSC Almazy Anabara.
22. On approval of the interested party transaction related to planned international share offering by PJSC ALROSA, including entering into the Underwriting Support Agreement and representation and warranties of PJSC ALROSA.
23. On the determination of position of PJSC ALROSA's representatives on the agenda items of the general meeting of shareholders of JSC Almazy Anabara "Concerning the major transaction approval: Indemnity Deed between JSC Almazy Anabara, JSC Nizhne-Lenskoye, and banks".
24. On instructions to the President of PJSC ALROSA to ensure that PJSC ALROSA Subsidiary (JSC Nizhne-Lenskoye) enters the Indemnity Deed.
25. On the election of the Chairman, the First Deputy Chairman, and the Vice-Chairman of the Supervisory Board of PJSC ALROSA.
26. On Strategic Planning, Audit, HR and Remunerations Committees under the Supervisory Board of PJSC ALROSA.
27. On amendments to the Regulations on the Strategic Planning Committee under the Supervisory Board of PJSC ALROSA, Regulations on the Audit Committee under the Supervisory Board of PJSC ALROSA, Regulations on HR and Remunerations Committee under the Supervisory Board of PJSC ALROSA;
28. On 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.
29. On approval of the List of Persons (Positions) qualified as key executives of PJSC ALROSA.
30. On recommendations of the Supervisory Board of PJSC ALROSA to executive bodies of PJSC ALROSA.
31. On the Interim Report on the Internal Audit of PJSC ALROSA for 8 months of 2016 and updates to the 2016 Business Plan of the Internal Audit of PJSC ALROSA.
32. On approval of a new revision of the Regulations on procurement activities of PJSC ALROSA.
33. On approval of a new revision of the Program for disposal of non-core assets of PJSC ALROSA.
34. On approval of the Innovation Development and Technological Modernization Program of PJSC ALROSA for 2016–2023.
35. On approval of the Regulations on Internal Audit of ALROSA (Public Joint Stock Company).
36. On procurement of domestic competitive software required for the PJSC ALROSA's business.
37. On amendments to Regulations on procurement activities of PJSC ALROSA related to innovative construction materials.
38. On election of the Head of Internal Audit Department of PJSC ALROSA.
39. On approval of the transaction, which results in liability of PJSC ALROSA exceeding 5% of the total book value of assets of PJSC ALROSA: an additional agreement to the existing USD 720 million loan agreement of between PJSC ALROSA and JSC ALFA BANK.

40. On approval of the adjusted Consolidated Budget of PJSC ALROSA for 2016.
41. On recording investment projects to establish the rules for maintaining and updating the investment project list of PJSC ALROSA.
42. On approval of the Operating Efficiency Improvement and Cost Cutting Program of PJSC ALROSA for 2017–2019.
43. On enhancement of factoring services in performance of supply agreements (performance of work and provision of services).
44. On approval of the Work Plan for the Supervisory Board of PJSC ALROSA for the 2016–2017 corporate year.
45. On approval of the Consolidated Budget of PJSC ALROSA for 2017.
46. On changes in the executive personnel of the Advisory Body of PJSC ALROSA responsible for public audit of procurement performance, including implementation of advanced technology solutions.
47. On approval of the Operating Efficiency Improvement and Cost Cutting Program of PJSC ALROSA for 2017–2019.
48. On interested party transactions and major transactions
49. On PJSC ALROSA interest in Maretiom Investments Ltd (Cyprus) and Velarion Investments Ltd (Cyprus).
50. On the results of procurement activities of PJSC ALROSA (quarterly).
51. On termination of PJSC ALROSA participation in some organizations.
52. On approval of interested party transactions.

**COMMITTEES UNDER
THE SUPERVISORY BOARD**

The Regulations on the Strategic Planning Committee, Audit Committee and the Human Resources and Remunerations Committee under the Supervisory Board of PJSC ALROSA were approved by the Supervisory Board on July 14, 2015. Amendments to the Regulations on committees were made by the Supervisory Board on August 26, 2016.

AUDIT COMMITTEE

The Audit Committee was established on April 20, 2010, to improve performance and quality of the Supervisory Board operations related to controlling the Company's business and finance, ensuring open communication with the Company's auditors, the Auditing Committee, branches, representative offices, and service departments of the Company.

The Committee is comprised of independent Members of the Supervisory Board. If it is impossible to form the Committee only of independent Members of the Supervisory Board due to objective reasons, the majority of the Committee should be composed of independent Members of the Supervisory Board, and non-executive Members of the Supervisory Board may constitute the rest of the members. The Committee Members must be experienced in the areas of internal control, audit, finance, accounting, and financial institution management. 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, 2016, five members of the Supervisory Board were Members of the Audit Committee, including three independent members.

Chairman of the Committee:

- Maria V. Gordon, Independent Member of the Supervisory Board.

Members of the Committee:

- Petr V. Alekseev, Member of the Supervisory Board.
- Sergey V. Barsukov, Member of the Supervisory Board.
- Valentina I. Lemesheva, Independent Member of the Supervisory Board.
- Pavel V. Ulyanov, Independent Member of the Supervisory Board.

Participation in the work of the Audit Committee

No.	Surname and initials	Participation in the work of the Audit Committee in 2016		
		TOTAL	including:	
			meetings	voting in absentia
The Members of the Supervisory Board engaged in the Audit Committee up to June 30, 2016:				
1.	V.I. Nikiforov	2	1	1
2.	A.O. Chekunkov	2	1	1
Members of the Supervisory Board who were members of the Audit Committee throughout 2016:				
3.	P.V. Alekseev	7	4, of them 1 is EiW	3
4.	S. V. Barsukov	7	4, of them 1 is EiW	3
5.	M. V. Gordon	6	3	3
Members of the Supervisory Board who were elected to the Audit Committee on August 26, 2016:				
6.	V. I. Lemesheva	5	3	2
7.	P. V. Ulyanov	5	3	2

*Meetings (absent voting)
of the Audit Committee*

IN 2016, a total of 7 corporate events of the Audit Committee took place, including 4 meetings and 3 absentee votings.

- February 17, 2016, minutes No. 42 (absent voting);
- April 22, 2016, minutes No. 43 (meeting);
- September 16, 2016, minutes No. 44 (absent voting);
- September 28, 2016, minutes No. 45 (meeting);
- October 17, 2016, minutes No. 46 (meeting);
- November 28, 2016, minutes No. 47 (absent voting);
- December 14, 2016, minutes No. 48 (meeting);

In 2016, the Audit Committee under the Supervisory Board of the Company considered 33 issues, in particular:

1. On preliminary approval of the Annual Report of PJSC ALROSA for 2015.
2. The annual accounting (financial) reporting of PJSC ALROSA for 2015.
3. On the consolidated financial reporting of PJSC ALROSA prepared in accordance with IFRS for 2015.
4. Recommendations to the General Meeting of Shareholders of PJSC ALROSA on distribution of profit based on 2015 results including the amount of dividends on shares of PJSC ALROSA and the procedure for their payment.
5. On the proposal to the General Meeting of Shareholders of PJSC ALROSA to approve the auditor that won the 2016 open tender for the agreement related to mandatory audit of the RAS accounting (financial) statements of PJSC ALROSA for 2016–2018.
6. On the proposal to the General Meeting of Shareholders of PJSC ALROSA to approve the auditor that won the 2016 open tender for the agreement related to mandatory audit of the IFRS accounting (financial) statements of ALROSA Group for 2016–2018.
7. Review of the Report on the work of the Internal Audit Department of PJSC ALROSA for 2015.
8. On the Work Plan for the Audit Committee under the Supervisory Board of PJSC ALROSA for 2016–2017 corporate year.
9. On procurement of domestic competitive software required for the PJSC ALROSA's business.
10. On approval of the Regulations on Internal Audit of PJSC ALROSA.
11. On the Interim Report on the Internal Audit of PJSC ALROSA for 8 months of 2016 and updates to the 2016 Plan of the Internal Audit of PJSC ALROSA.
12. On election of the Head of Internal Audit Department PJSC ALROSA.
13. On the audit of IFRS consolidated financial statements of ALROSA Group for the 1st half-year of 2016.
14. On approval of the adjusted Consolidated Budget of PJSC ALROSA for 2016.
15. On approval of the Consolidated Budget of PJSC ALROSA for 2017.
16. On interested party transactions and major transactions
17. On approval of the Work Plan for the Internal Audit Department of PJSC ALROSA for 2017.
18. On approval of the Audit Plan for RAS accounting (financial) statements of PJSC ALROSA and ALROSA Group's IFRS consolidated financial statements for 2016.

19. On the proposal to the General Meeting of Shareholders of PJSC ALROSA to approve the auditor that won the 2017 open tender for the agreement related to mandatory audit of the RAS accounting (financial) statements of PJSC ALROSA for 2016–2018.
20. On the proposal to the General Meeting of Shareholders of PJSC ALROSA to approve the nominee auditor who won the 2017 open tender for the agreement related to mandatory audit of the IFRS accounting (financial) statements of ALROSA Group for 2016–2018.
21. On engaging outside experts in the Audit Committee under the Supervisory Board of PJSC ALROSA.
22. On results of procurement activities of PJSC ALROSA (quarterly).
23. On approval of interested party transactions.

HUMAN RESOURCES AND REMUNERATIONS COMMITTEE

The Human Resources and Remunerations Committee was established on April 20, 2010, to improve performance and quality of the Supervisory Board's operations and decisions by preliminary reviewing and developing recommendations to the Supervisory Board on the matters related to effective and transparent remuneration policy, HR policy provisions to strengthen the professional membership and performance of the Supervisory Board, and remuneration to Members of the Supervisory Board, Executive Committee, the President, and other officers of the Company. The Committee is comprised of independent Members of the Supervisory Board. If it is impossible to form the Committee only of independent Members of the Supervisory Board due to objective reasons, the majority of the Committee Members should be comprised of independent Members of the Supervisory Board, and non-executive Members of the Supervisory Board may constitute the rest of the membership.

In accordance with the Regulations on the Human Resources and Remunerations Committee under the Supervisory Board of PJSC ALROSA, there are 3 members of the established Committee. As of December 31, 2016, the Committee includes three independent Members of the Supervisory Board.

Chairman of the Committee:

- Valentina I. Lemesheva, an independent Member of the Supervisory Board.

Members of the Committee:

- Oleg V. Grinko, an independent member of the Supervisory Board,
- Oleg R. Fedorov, an independent Member of the Supervisory Board.

Participation in the work of the Human Resources and Remunerations Committee

No.	Surname and initials	Participation in the Human Resources and Remunerations Committee in 2016		
		TOTAL	including:	
			meetings	voting in absentia
Members of the Supervisory Board who participated in the Human Resources and Remunerations Committee before June 30, 2016:				
1.	E.V. Grigorieva	3	3	did not participate
2.	V.I. Kondratyeva	4	3	1
3.	P.V. Ulyanov	4	3, of them 1 is EiW	1
Members of the Supervisory Board who were members of the HR and Remunerations Committee throughout 2016:				
4.	O.V. Grinko	8	7, of them 1 is EiW	1
5.	O.R. Fedorov	9	7, of them 1 is EiW	2
Members of the Supervisory Board who were elected to the HR and Remunerations Committee on August 26, 2016:				
6.	V. I. Lemesheva	5	4	1

Meetings (absent voting) of the Human Resources and Remunerations Committee

IN 2016, 9 events of the HR and Remunerations Committee took place, including 7 meetings and 2 instances of voting in absentia:

- March 14, 2016, minutes No. 29 (meeting);
- April 25, 2016, minutes No. 30 (absent voting);
- May 27, 2016, minutes No. 31 (meeting);
- June 06, 2016, minutes No. 32 (meeting);
- September 06, 2016, minutes No. 33 (absent voting);
- September 29, 2016, minutes No. 34 (meeting);
- November 21, 2016, minutes No. 35 (meeting);
- December 14, 2016, minutes No. 36 (meeting);
- December 20, 2016, minutes No. 37 (meeting);

In 2016, the Human Resources and Remunerations Committee under the Supervisory Board of the Company considered 26 matters, including the following:

1. On approval of the ALROSA Group Key Performance Indicators Compliance Report for 2015.
2. On the report on the achievement of quarterly key indicators of the efficiency of PJSC ALROSA activities (quarterly).
3. On assessment of fulfillment of target tasks and on assessment of fulfillment of functional responsibilities by the Corporate Secretary of PJSC ALROSA (quarterly).
4. On amendments to the Regulations on Remuneration to Members of the Supervisory Board of PJSC ALROSA.
5. On the review of succession planning within the Supervisory Board.
6. On inclusion of the following item on the agenda of the annual General Meeting of Shareholders of PJSC ALROSA: "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 on proposals to the General Meeting of Shareholders of PJSC ALROSA concerning the adoption of a resolution.
7. Recommendations to the General Meeting of Shareholders of PJSC ALROSA related to remuneration of non-government employees who are members of the Auditing Committee in the amount prescribed by internal documents of PJSC ALROSA.

8. On approval of 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.
9. On determination of position of PJSC ALROSA's representatives on the agenda items of the meeting of the Board of Directors of JSC Almazny Anabara.
10. 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 MICEX.
11. On approval of the List of Persons (Positions) qualified as key executives of PJSC ALROSA.
12. On recommendations of the Supervisory Board of PJSC ALROSA to executive bodies of PJSC ALROSA.
13. On approval of the Work plan for the HR and Remunerations Committee under the Supervisory Board of PJSC ALROSA for 2016–2017 corporate year.
14. On the draft Remuneration and/or Compensation Policy concerning key executives of PJSC ALROSA as part of a preliminary discussion of approaches to setting criteria for internal documents, which
 - Define the remuneration and compensation policy concerning key executives of PJSC ALROSA;
 - Define assessment criteria for key executive nominees at PJSC ALROSA and procedures for proposals on recommendations of the Supervisory Board of PJSC ALROSA related to employment to, resignation, or transfer from such positions and changes in the PJSC ALROSA organization structure.
15. On the draft internal document of PJSC ALROSA to define the procedure for making proposals for recommendations of the PJSC ALROSA Supervisory Board related to expected employment to the positions set forth in the List of Persons (Positions) Qualified as Key Executives of PJSC ALROSA (approved by the resolution of the Supervisory Board on September 29, 2016⁴⁵) ("the List"), resignation of the persons set forth in the List, transfer of the persons set forth in the List, and changes in the organizational structure of PJSC ALROSA, provided that the HR and Remunerations Committee of the Supervisory Board of PJSC ALROSA and the Supervisory Board of PJSC ALROSA gives preliminary recommendations according to subparagraph 3 of paragraph 12.1.2 of the Charter.
16. On approval of the Procedure to address proposals of the President of PJSC ALROSA related to planned replacements of positions included in the list of key executives of PJSC ALROSA.
17. On approval of the Regulations on the President of PJSC ALROSA.
18. On approval of the Work plan for the HR and Remunerations Committee under the Supervisory Board of PJSC ALROSA.

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Minutes No.
A01/247-IIP-HC.

STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee was established on April 20, 2010, to improve performance and quality of the Supervisory Board operations. The Strategic Planning Committee consists of eleven members. As of December 31, 2016, eleven members of the Supervisory Board are members of the Strategic Planning Committee, including four independent members.

Chairman of the Committee:

- Sergey V. Barsukov, Member of the Supervisory Board.

Members of the Committee:

- Galina I. Danchikova, Deputy Chairman of the Committee, Member of the Supervisory Board,
- Petr V. Alekseev, Member of the Supervisory Board,
- Yegor A. Borisov, Member of the Supervisory Board,
- Maria V. Gordon, Independent Member of the Supervisory Board,
- Evgenia V. Grigorieva, Member of the Supervisory Board,
- Oleg V. Grinko, Independent Member of the Supervisory Board,
- Andrey V. Zharkov, Member of the Supervisory Board
- Vasily T. Lukin, Member of the Supervisory Board,
- Oleg R. Fedorov, Independent Member of the Supervisory Board,
- Pavel V. Ulyanov, Independent Member of the Supervisory Board.

Participation in the work of the Strategic Planning Committee

No.	Surname and initials	Participation in the work of the Strategic Planning Committee in 2016		
		TOTAL	including:	
			meetings	voting in absentia
Members of the Supervisory Board who participated in the Strategic Planning Committee before June 30, 2016:				
1.	V.I. Kondratyeva	2	2	-
Members of the Supervisory Board who were members of the Strategic Planning Committee throughout 2016:				
2.	P.V. Alekseev	5	5	-
3.	S.V. Barsukov	5	5	-
4.	Ye.A. Borisov	3	3, of them 2 are EiWs	-
5.	M. V. Gordon	3	3, of them 2 are EiWs	-
6.	E.V. Grigorieva	5	5	-
7.	O. V. Grinko	5	5, of them 3 are EiWs	-
8.	G.I. Danchikova	4	4	-
9.	A.V. Zharkov	5	5	-
10.	O.R. Fedorov	5	5, of them 1 are EiWs	-
Members of the Supervisory Board who were elected to the Strategic Planning Committee on August 26, 2016:				
11.	V. T. Lukin	3	3, of them 1 are EiWs	-
12.	P. V. Ulyanov	3	3, of them 1 are EiWs	-

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*Meetings (absentee voting)
of the Strategic Planning Committee*

The Strategic Planning Committee held 5 meetings in 2016:

- March 01, 2016, minutes No. 27 (meeting);
- April 25, 2016, minutes No. 28 (meeting);
- September 27, 2016, minutes No. 29 (meeting);
- November 22, 2016, minutes No. 30 (meeting);
- December 13, 2016, minutes No. 31 (meeting).

In 2016, the Strategic Planning Committee under the Supervisory Board examined 40 issues:

1. On joining the Council for Responsible Jewellery Practices by PJSC ALROSA;
2. On PJSC ALROSA interest in Luaxe Mining Company.
3. On establishment of the PJSC ALROSA Branch in Vladivostok.
4. On PJSC ALROSA interest in LLC Heat and Water Supply Enterprise
5. On inclusion of items on the agenda of the annual General Meeting of Shareholders of PJSC ALROSA and shareholder proposals to the annual General Meeting of Shareholders of PJSC ALROSA.
6. On approval of the Sponsorship and Charity Policy of PJSC ALROSA.
7. On approval of Section I of the Non-Core Asset Register (an attachment to the updated Non-Core Asset Disposal Program of PJSC ALROSA).
8. On approval of a new version of the Regulations on Procurement Activities of PJSC ALROSA.
9. On election of Galina I. Danchikova for Deputy Chairman of the Strategic Planning Committee under the Supervisory Board of PJSC ALROSA.
10. On entering into a transaction for attraction of borrowed funds, including liabilities of PJSC ALROSA in the amount exceeding 5% of the book value of assets of PJSC ALROSA.
11. On approval of the Innovation Development and Technological Modernization Program of PJSC ALROSA for 2016–2023.
12. On approval of proposals based on the 2015 audit results for implementation of the ALROSA Group Program for Long-Term Development up to 2023.
13. On approval of a new revision of the Program for disposal of non-core assets of PJSC ALROSA.
14. On approval of the Sales Policy Concept of ALROSA Group for 2016-2019.
15. On approval of the Work plan for the Strategic Planning Committee of the Supervisory Board of PJSC ALROSA.
16. On approval of the adjusted Consolidated Budget of PJSC ALROSA for 2016.
17. On approval of a new version of the Long-term Development Strategy of ALROSA Group up to 2027.
18. On priority activities of PJSC ALROSA: geological complex reform.
19. On approval of the Anti-Crisis System at PJSC ALROSA.
20. On recording investment projects to establish the rules for maintaining and updating the investment project list of PJSC ALROSA.
21. On PJSC ALROSA interest in Maretiom Investments Ltd (Cyprus) and Velarion Investments Ltd (Cyprus).
22. On additional agreements to change the terms of the loan transactions that result in PJSC ALROSA's liabilities exceeding 5% of the book asset value of PJSC ALROSA according to the accounts as of the transaction date.
23. On approval of the Operating Efficiency Improvement and Cost Cutting Program of PJSC ALROSA for 2017–2019.
24. On approval of the Consolidated Budget of PJSC ALROSA for 2017.

25. On approval of unilateral transactions as part of the Consolidated budget of PJSC ALROSA for 2017.
26. On approval of the Operating Efficiency Improvement and Cost Cutting Program of PJSC ALROSA for 2017–2019.
27. On approval of charity and sponsorship activities of PJSC ALROSA.
28. On recommendations to the General Meeting of Shareholders of PJSC ALROSA to approve the Regulations on the President of PJSC ALROSA.
29. On the implementation status of the Anti-Crisis System at PJSC ALROSA.
30. On the reforms in the geological complex.
31. On restructuring of title to Gas Assets of PJSC ALROSA
32. On approval of the action plan for non-core asset sale in 2017.
33. On approval of the Regulations on Representation of PJSC ALROSA before the authorities responsible for management and control of subsidiary legal entities.
34. On the action plan and results of cooperation of PJSC ALROSA Management with investors.
35. On approval of an interested party transaction entered into by PJSC ALROSA and the Republic of Sakha (Yakutia), namely property donation agreement.
36. On approval of the Sales Policy Concept of ALROSA Group for 2016–2019.
37. On approval of the Sales Policy Concept of ALROSA Group for 2017–2027.
38. On sponsorship assistance to two children's homes and a senior center in Saurimu, Lunda Sul province, Angola.
39. On withdrawal of PJSC ALROSA from LLC Mirny Town Printing House.
40. On approval of an interested party transaction entered into by PJSC ALROSA and the JSC PPF Almaznaya Osen, namely non-residential sale and purchase agreement.

**ROLE OF THE SUPERVISORY BOARD
IN THE ORGANIZATION OF AN EFFICIENT
RISK MANAGEMENT SYSTEM
AND INTERNAL CONTROL**

The Supervisory Board annually reviews and approves reports and action plans of the Internal Audit Department. The above documents are subject to review by the Audit Committee of the Supervisory Board to develop recommendations to the Supervisory Board.

At the same time, the Supervisory Board may review reports on unscheduled activities of the Internal Audit Department in accordance with the instructions of the Company management. In particular, in 2016, the Supervisory Board reviewed the Interim Report on the Internal Audit Department operations for 8 months of 2016. The Supervisory Board elected A. A. Fonarev the head of the Internal Audit Department on September 28, 2016 to comply with the Listing Rules of MICEX and recommendations of the Corporate Governance Code related to appointment of the head of the business unit responsible for internal audit.

**REMUNERATION OF THE MEMBERS
OF THE SUPERVISORY BOARD**

In accordance with the resolution of the annual General Meeting of Shareholders of PJSC ALROSA dated June 30, 2016⁴⁶, the Company paid remuneration to the Members of the Supervisory Board for the 2015–2016 corporate year, calculated in accordance with the Regulations on Remuneration to the Members of the Supervisory Board of PJSC ALROSA as follows:

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Minutes No. 34.

No.	Surname and initials	Basic component, RUB	Remuneration for participation in the work of the Supervisory Board, RUB	Bonus for additional responsibilities (chairmanship in committees or chairmanship in the Supervisory Board)	Total remuneration, RUB
				%	RUB
1	P.V. Alekseev	6,000,000	6,000,000	20%	7,200,000
2	M.V. Gordon	6,000,000	6,000,000		6,000,000
3	O.V. Grinko	6,000,000	6,000,000		6,000,000
4	V.I. Kondratyeva	6,000,000	6,000,000	20%	7,200,000
5	V.I. Nikiforov	6,000,000	6,000,000		6,000,000
6	P.V. Ulyanov	6,000,000	5,666,667		5,666,667
7	O.R. Fedorov	6,000,000	6,000,000		6,000,000
8	A.O. Chekunkov	6,000,000	5,000,000		5,000,000
TOTAL:					49,066,667

The total costs related to remuneration of the Members of the Supervisory Board amounted to forty-nine million sixty-six thousand six hundred and sixty-seven rubles (RUB 49,066,667) for the 2015–2016 corporate year.

The above remunerations are paid to the Members of the Supervisory Board of the Company in full.

In 2016, the Company and legal entities of ALROSA Group did not grant any loans to the 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.

No remuneration (basic and premium) is payable to:

- The Chairman and 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 a restriction or prohibition to receive 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 2016, the basic component amount was RUB 6,000,000.

Amount of the revenue, RUB bn	Basic component, roubles
more than 200	6,000,000
more than 30	4,000,000
more than 10	2,000,000

In addition to the basic remuneration of the Members of the Supervisory Board, there are premiums for the fulfillment 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 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;
- the chairperson of the Supervisory Board participated in less than 50% meetings (in praesentia and in absentia voting) of the Supervisory Board held during a corporate year or during working hours in a corporate year (for newly elected (resigned) chairmen of the Supervisory Board).

Travel and accommodation expenses relating to the fulfillment by the Members of the Supervisory Board of their respective duties are also compensated.

PRESIDENT AND EXECUTIVE COMMITTEE

The President (the sole executive body) and the Executive Committee (collegial executive body) manage the Company's current activities.

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 the Executive Committee ensure fulfillment of decisions of the General Meeting of Shareholders and the Supervisory Board and are accountable to them.

The President of PJSC ALROSA is the Chairperson of the Executive Committee.

The Executive Committee of PJSC ALROSA is formed in the number stated by the Supervisory Board of PJSC ALROSA. The meeting of the Supervisory Board held on April 25, 2013⁴⁷ resolved that the Executive Committee should be composed of 13 members.

BRIEF BIOGRAPHICAL DATA OF THE PRESIDENT AND MEMBERS OF THE EXECUTIVE COMMITTEE OF PJSC ALROSA⁴⁸



ANDREY V. ZHARKOV⁴⁹

President of PJSC ALROSA
Date of appointment: April 24, 2015

Date and place of birth:
February 11, 1973, Geneva, Switzerland.

Education:
in 1995, he graduated from the Moscow State Linguistic University, specializing in Foreign Languages; in 1998, the Moscow State University of Commerce, specializing in Accounting and Auditing, PhD in Economics.

Work experience over the last five years:
2010 – 2015 – Deputy Head of Gokhran under the Ministry of Finance of the Russian Federation;
2015 – 2017 – President of PJSC ALROSA.

Employment contract expires on:
April 23, 2018.

⁴⁷ Minutes No. 197.

⁴⁸ As of December 31, 2016.

⁴⁹ The meeting of the Supervisory Board of PJSC ALROSA held on March 13, 2017, elected Sergey Ivanov the President of PJSC ALROSA.

He has no participation interest in PJSC ALROSA.

Did not enter into transactions relating to purchase/disposal of shares in 2016.



IVAN K. DEMYANOV

Vice President, PJSC ALROSA
Supervises social and personnel policies of the Company
Date of appointment: October 26, 1995

Date and place of birth:
July 05, 1942, Illovka, Belgorod Region.

Education:
in 1982, he graduated from the Higher Party School of Khabarovsk.

Work experience over the last five years:
1995 – present – Vice President, PJSC ALROSA.

Employment contract expires on:
no fixed term.

Ordinary shares held in PJSC ALROSA: 0.0007%.

Did not enter into transactions relating to purchase/disposal of shares in 2016.



IGOR M. KULICHIK

Vice President and CFO of PJSC ALROSA
Date of appointment: August 10, 2009

Date and place of birth:
April 05, 1967, Brest.

Education:
in 1990, graduated from the Ordzhonikidze Moscow Aviation Institute with a degree in mechanical engineering; in 1992, from the Zhukovsky Air Force Engineering Academy with a degree in applied mathematics.

Work experience over the last five years:
2009 – present Vice President and CFO of PJSC ALROSA.

Employment contract expires on:
August 09, 2017.

He has no participation interest in PJSC ALROSA.

Did not enter into transactions relating to purchase/disposal of shares in 2016.



ALEXANDER G. MATVEEV

*Head of PJSC ALROSA Legal Department
Date of appointment: November 23, 2009*

He has no participation interest in PJSC ALROSA.

Did not enter into transactions relating to purchase/disposal of shares in 2016.

Date and place of birth:
August 03, 1976, Omsk.

Education:
Graduated in 1998 from Omsk State University with a degree in jurisprudence.

Work experience over the last five years:
2009 – present, Head of PJSC ALROSA Legal Department.

Employment contract expires on:
no fixed term.



ALEXANDER F. MAKHRACHEV

*Director at Udachny MPD of PJSC ALROSA,
coordinator of Company's entities in Udachny
Date of appointment: March 18, 2008*

Ordinary shares held in PJSC ALROSA: 0.0029%.

Did not enter into transactions relating to purchase/disposal of shares in 2016.

Date and place of birth:
October 31, 1956, Aleisk state grain farm, the Aleisk District of the Altai Region.

Education:
in 1979, he graduated from the Moscow Institute of Steel and Alloys, specializing in Mineral Processing, Engineer Metallurgist qualification. He upgraded his skills in 1996 after completing the "Managing a mining business in market environment" program at the Russian Federation Government's Academy of National Economy. He graduated from the Moscow State Mining University in 2007 with a degree in Mining Engineering.

Work experience over the last five years:
2008 – present, Director of Udachny MPD of PJSC ALROSA.

Employment contract expires on:
no fixed term.



YURY K. OKOEMOV

*Vice President, PJSC ALROSA
Supervises sales policies of the Company
Date of appointment: August 06, 2009*

Ordinary shares held in PJSC ALROSA: 0.0073%.

Did not enter into transactions relating to purchase/disposal of shares in 2016.

Date and place of birth:
January 01, 1962, the village of Kazachye, Verkhoyansk Region, Yakutia.

Education:
in 1985, he graduated from the Moscow State Institute of Steel and Alloys, specializing in Metal Physics; in 1996, from the Russian Presidential Academy of National Economy and Public Administration with the qualification of Top Manager.

Work experience over the last five years:
2009 – present, Vice President, PJSC ALROSA.

Employment contract expires on:
August 05, 2017.



SERGEY N. PUSHKIN

*Vice President, PJSC ALROSA. Supervised the activities of subsidiaries and affiliates of the Company, since November 2016 — supervises the development of the Company's projects in Africa
Date of appointment: January 25, 2010*

He has no participation interest in PJSC ALROSA.

Did not enter into transactions relating to purchase/disposal of shares in 2016.

Date and place of birth:
February 26, 1967, Bolshoe Mamlevo village, Gorky Region.

Education:
he graduated from the Moscow Institute of Physics and Technology (Aerodynamics & Flying Engineering Department) in 1990, and from the N. Zhukovsky Air Force Engineering Academy (Aircraft and Engines Department) in 1992. Zhukovsky Air Force Engineering Academy.

Work experience over the last five years:
2010 – present, Vice President, PJSC ALROSA.

Employment contract expires on:
January 24, 2018.



He has no participation interest in PJSC ALROSA.

Did not enter into transactions relating to purchase/disposal of shares in 2016.

ILYA P. RYASHCHIN

Assistant to Minister of Finance of the Russian Federation.

Date and place of birth:
May 23, 1973, Gorky.

Education:
In 1996, he graduated from the Lobachevsky State University of Nizhny Novgorod, specializing in Credit and Finance.

Work experience over the last five years:
2003–2012, Deputy Head and First Deputy Head of the Financial Management Department, the Corporate Finance Department and Head of the Planning and Budget Department at JSC Russian Railways.
2012–2016, Vice President, PJSC ALROSA.
Between October 24, 2014 to April 23, 2015, he was Acting President of PJSC ALROSA.
August 2016 — present, Assistant to the Minister of Finance of the Russian Federation.



He has no participation interest in PJSC ALROSA.

Did not enter into transactions relating to purchase/disposal of shares in 2016.

RAVIL SH. SANATULOV

*Director at PJSC ALROSA Aikhal MPD, coordinator of Company's entities in Aikhal
Date of appointment: September 27, 2007*

Date and place of birth:
May 22, 1963, Chulman, Neryungri District, Yakutia.

Education:
He graduated from the Irkutsk Polytechnic Institute in 1986 with a degree in mining engineering with a specialization in technology and integrated mechanized development of mineral fields.

Work experience over the last five years:
2007 — present, Director of PJSC ALROSA's Aikhal Mining and Processing Division.

Employment contract expires on:
no fixed term.



He has no participation interest in PJSC ALROSA.

Did not enter into transactions relating to purchase/disposal of shares in 2016.

VALERY P. SEROV

*Chief Geologist of PJSC ALROSA
Date of appointment: February 01, 2011*

Date and place of birth:
July 18, 1957, Kalush, Ivano-Frankovsk Region, Ukraine.

Education:
He graduated from the Moscow Geological Prospecting Institute in 1980 with a degree in geological surveying, prospecting and exploration of mineral fields.

Work experience over the last five years:
2011–2016 — Chief Geologist of PJSC ALROSA.

Employment contract expires on:
July 31, 2016.



Ordinary shares held in PJSC ALROSA: 0.002%

Did not enter into transactions relating to purchase/disposal of shares in 2016.

IGOR V. SOBOLEV

*First Vice President and Executive Director of PJSC ALROSA
Date of appointment: January 01, 2012*

Date and place of birth:
November 16, 1969, Kimovsk, Tula Region.

Education:
He graduated from the Tula State Technical University in 1993 with a degree in Mining Construction Engineering, specialized in Mining and Underground Construction.

Work experience over the last five years:
2007–2011, Director of the Capital Construction Division of PJSC ALROSA.
2012 — present, First Vice President — Executive Director of PJSC ALROSA.

Employment contract expires on:
December 31, 2018.



ALEXANDER S. CHAADAEV

*Vice-President for Innovations,
Director of YakutNiproAlmaz Institute
Date of appointment: May 28, 2012*

Ordinary shares held
in PJSC ALROSA:
0.0004%.

Did not enter into
transactions relating
to purchase/disposal
of shares in 2016.

Date and place of birth:
September 08, 1960, Yakutsk,
Republic of Sakha (Yakutia).

Education:
he graduated from the Tyumen Civil Engineering
Institute with a degree in Civil Engineering in 1982,
and specialized in Industrial and Civil Construction.
In 2001, he graduated from the Russian Federation
State Finance Academy with a degree in Credit and
Finance. PhD in Economics.

Work experience over the last five years:
2007–2012 — Director of YakutNiproAlmaz Research
Institute, PJSC ALROSA;
2012 — present — Vice President for Innovations and
Director of Yakutniproalmaz Institute of PJSC ALROSA.

Employment contract expires on:
May 27, 2017.



ANDREY N. CHEREPNOV

*Chief Engineer, PJSC ALROSA
Date of appointment: June 29, 2015*

He has no participation
interest in PJSC
ALROSA.

Did not enter into
transactions relating
to purchase/disposal
of shares in 2016.

Date and place of birth:
January 04, 1966, Irkutsk.

Education:
he is a graduate of the Irkutsk Polytechnic
Institute with a degree in Mine Surveying,
Mining Engineer–Surveyor [1988].

Work experience over the last five 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, PJSC ALROSA.

Employment contract expires on:
June 28, 2019.

CORPORATE SECRETARY

ROLE, RIGHTS AND OBLIGATIONS

The Corporate Secretary is responsible for maintaining the balance of interests among the corporate members and developing the corporate governance system for the benefit of the Company and its shareholders. Furthermore, the Corporate Secretary is responsible for organizing the disclosure of information and monitors compliance with legislation on combating illegal use of insider information and market manipulation. The rights and responsibilities of the corporate secretary are documented in the Charter and detailed in the Regulations on the Corporate Secretary of PJSC ALROSA⁵⁰. The Corporate Secretary is the Company's official that is functionally subordinated and accountable to the Supervisory Board, and administratively subordinated to the President of the Company.

Responsibilities of the Corporate Secretary⁵¹:

- 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 as they fulfill their functions, including onboarding of newly elected members of the Supervisory Board;
- to develop the corporate governance system in line with the interests of the Company and all shareholders of the Company;
- to ensure the growth of investment attractiveness of the Company, to promote its sustainable development.

⁵⁰ Approved by the Supervisory Board of PJSC ALROSA on December 11, 2014 (Minutes No. A01/223-IIP-HC) with amendments approved by the Supervisory Board of PJSC ALROSA on October 02, 2015 (Minutes No. A01/234-IIP-HC).

⁵¹ According to the Regulations on the Corporate Secretary.

CORPORATE SECRETARY'S BIOGRAPHICAL DATA
(AS OF DECEMBER 31, 2016)



ANDREY G. LEKAREV

Head of the Department for Corporate Support,
Corporate Secretary of PJSC ALROSA

Andrey G. Lekarev owns 7,750 ordinary shares in PJSC ALROSA as of December 31, 2015.

He disposed of 7,700 ordinary shares in PJSC ALROSA in 2016.

Andrey G. Lekarev owns five ordinary shares in PJSC ALROSA as of December 31, 2016.

Date and place of birth:
May 07, 1981, Kuybyshev.

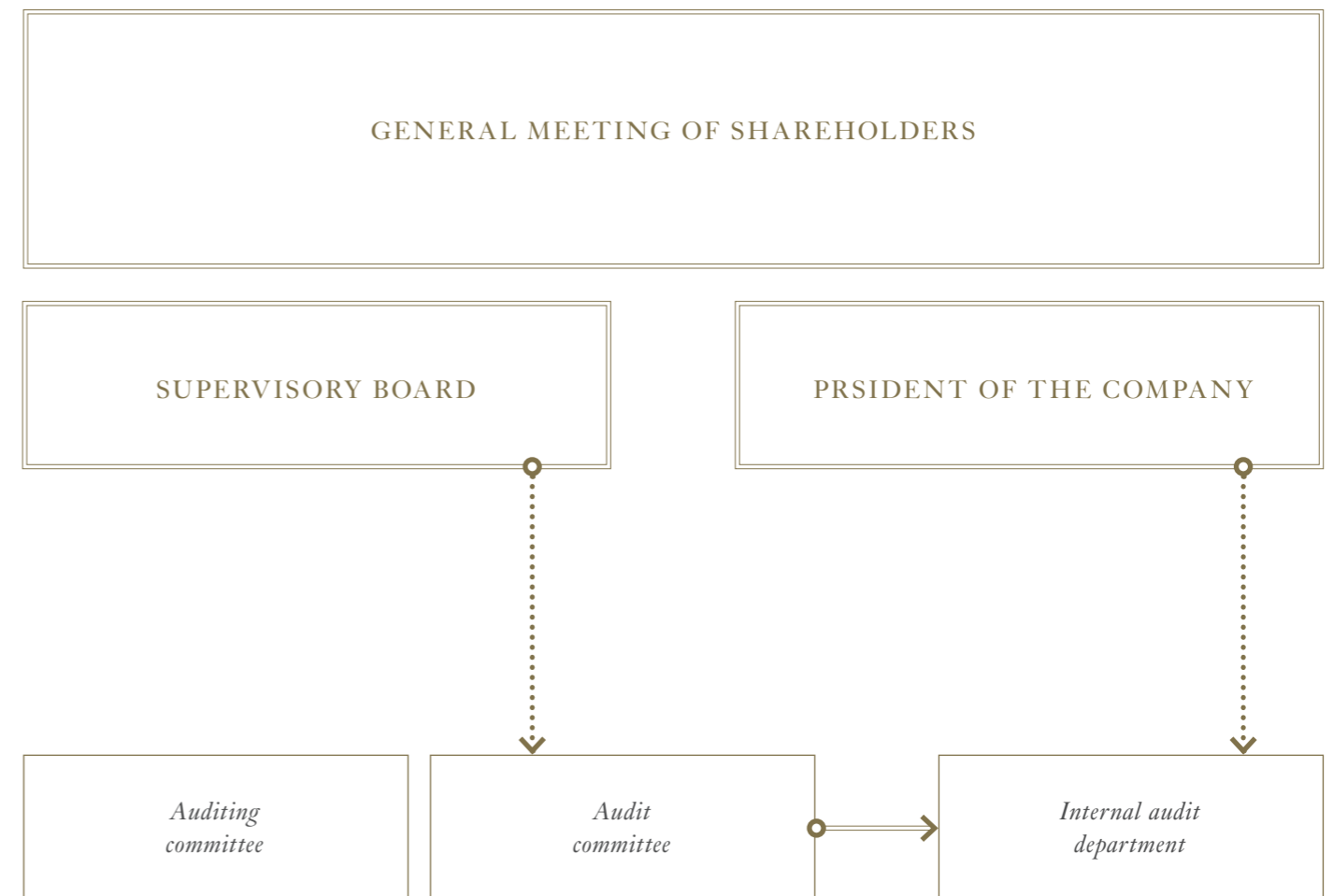
Education:
He is a graduate of the Moscow State Law Academy with a degree in Jurisprudence (2003).
PhD of Legal Sciences (2006).
International Business School (Financial University under the Government of the Russian Federation), MBA program in International Banking Management (2011).

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 JSC 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.

Achievements:
Member of the All-Russian Public Organization National Association of Corporate Secretaries.
From 2012, Mr. Lekarev has been among 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 honored with the "Director of the Year" award (winner in the "Corporate Management Director – Corporate Secretary" category, 2013).
He is also the winner of the 13th annual Top 1,000 Russian Managers 2015 prize, in the Best Corporate Governance Director category.
Winner of the TOP 1,000 Russian Managers 2016 award.
Winner of the 11th National Award "Director of the Year" in the Corporate Governance and Corporate Secretary nomination in 2016.
In 2016, PJSC ALROSA won the award 'For Active Corporate Disclosure Policy' granted by Interfax and AK&M.
From 2016, a member of the Share Issuers' Committee of MICEX.
He is a Class 3 Advisor to the State Civil Service.

Affiliates:
he has no family ties with any members of PJSC ALROSA's executive bodies or bodies responsible for control in the area of financial and business activities of PJSC ALROSA.

INTERNAL CONTROL AND AUDIT



AUDITING COMMITTEE

The Auditing Committee was elected at the annual General Meeting of Shareholders⁵² to ensure control of the finance and economic activities of the Company and compliance with the Russian Law. The Auditing Committee is composed of 5 members elected for the period until the next annual General Shareholders Meeting.

⁵² In accordance with the legislation of the Russian Federation and the Charter of the Company.

*The Auditing Committee of PJSC ALROSA
was elected by the annual
General Shareholders Meeting of PJSC ALROSA
on June 30, 2016⁵³*

⁵³
Minutes No. 34
(as of December
31, 2016).

No.	Surname and initials	Position
1	A. V. Glinov	Chairman of the Auditing Committee, Deputy Director of the Department for the Government Control in Production, Manufacturing, and Circulation of Precious Metals and Precious Stones, and Currency Control of the Ministry of Finance of the Russian Federation.
2	A. I. Vasilieva	Head of the Property Department of the diamond complex, financial & crediting and insurance organizations of the Ministry of Property and Land Relations of the Republic of Sakha (Yakutia).
3	A.S. Vasilchenko	Deputy Director of the Corporate Governance Department at the Russian Federation Ministry of Economic Development.
4	M. V. Mikhina	Deputy Head of the Internal Audit Department of OSK JSC.
5	V. N. Pushmin	Deputy Minister of Finance of the Republic of Sakha (Yakutia).

**ACTIVITIES CARRIED OUT
BY THE AUDITING COMMITTEE IN 2016**

IN 2016, the Auditing Committee conducted the annual audit of financial activities of PJSC ALROSA for 2015. The audit was conducted during the period between March 11, 2016 and March 25, 2015.

It included the following modules:

- Analysis of accounting (financial) statements;
- Analysis of the implementation of the basic production indicators and planned economic indicators, including the analysis of actual financial results;
- Analysis of net profit spending;
- Analysis of accuracy of calculation and payment of dividends;
- Compliance with the Non-Core Assets Disposal Program in 2015;
- Analysis of the results of innovative implementations in 2015;
- Analysis of the results of sales policy of PJSC ALROSA on the domestic and foreign markets in 2015;
- Assessment of the results (status) of instructions of the President of the Russian Federation and Government of the Russian Federation;
- Analysis of the performance of purchasing made by PJSC ALROSA in 2015;
- Analysis of activities to remedy defects identified by the previous audit;
- Audit report, including recommendations to remedy the identified defects.

The Auditing Committee findings, based on the results of the audit of PJSC ALROSA for 2015, were submitted at the annual General Meeting of Shareholders of the Company that took place on June 30, 2016⁵⁴.

⁵⁴
Minutes No. 34.

**REMUNERATION
TO THE AUDITING COMMITTEE**

IN 2016, Denis P. Kim was paid remuneration for his participation in the Auditing Committee during 2015–2016. The remuneration of RUB 159,741 was calculated in proportion to the time worked in the Auditing Committee after removal of remuneration restrictions (resignation from the government service).

INTERNAL AUDIT

The Internal Audit Department in 2016 operated in accordance with a new version of the Internal Audit Regulations of PJSC ALROSA⁵⁵.

The Internal Audit Regulations determine the goals, objectives, powers, and liability of the Internal Audit Department; the internal audit status in the Company, including administrative and functional reporting; the scope of internal audit operations (including any existing restrictions); and information access authority. The Regulations cover stakeholder engagement and assessment of internal audit performance.

According to the Regulations, the Company implements its internal audit function by setting up the Internal Audit Department, the head of which reports to the Company's president on administrative matters and to the Supervisory Board on functional matters (through the Audit Committee). The Internal Audit Department includes 12 members. No changes were made in the department structure in 2016, which consists of the following departments:

- Internal audit and audit work department;
- PJSC ALROSA's internal control organization department;
- Corporate controlling section.

The Internal Audit Department is responsible for the following:

- Support the executive bodies and employees in development and monitoring of procedures and efforts to improve the risk management and internal control system and the corporate governance;
- Coordinate activities with the external auditor of the Company and any persons and any advisory service providers related to risk management, internal control, and corporate governance;
- Conduct internal audits of the Company's business units in the established procedure;
- Prepare and submit reports on operations and internal audits to the Supervisory Board (Audit Committee) and the Company's President.

⁵⁵
According to corporate governance requirements established by the Corporate Governance Code and approved by the resolution of the Board of Directors of the Bank of Russia on March 21, 2014, by the Listing Rules of MICEX, by best practices related to corporate governance, by the resolution of the Supervisory Board dated September 29, 2016 (the Supervisory Board Meeting Minutes No. A01/247-IIP-HC).

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To ensure regular control and quality assessment of the internal audit, the Internal Audit Regulations provide for the development of the Program for Internal Audit Assessment and Improvement, including the following:

- Consistent quality monitoring of internal audit; and
- Regular quality assessments within the whole scope of internal audit, both internal (self-assessment) and external (independent outside experts).

To meet the objectives set forth in the Internal Audit Regulations in 2017, the department plans to develop internal documents that will regulate internal audit including a methodological document to regulate the development of the Program for Internal Audit Assessment and Improvement, including consistent monitoring and internal and external quality assessment.

In Q3 2017, according to the Internal Audit Department business plan for 2017, the department plans to conduct a preliminary independent external assessment of internal audit and engage independent advisers for further external assessment for compliance with the international professional standards of internal audit.

The Internal Audit Department has met all goals and objectives of the internal audit business plan for 2016.

EXTERNAL AUDIT

<i>Auditor</i> PriceWaterhouseCoopers Joint Stock Company		
Scope of the competition	Mandatory annual audit of financial (accounting) statements prepared in accordance with the Russian legislation for accounting (financial) reports of PJSC ALROSA	Implementation of Mandatory audit of consolidated financial statements of ALROSA Group prepared in accordance with International Financial Reporting Standards (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 7.5 million without VAT	RUB 27.0 million without VAT

In 2016, JSC PwK Audit provided services related to preparing a conclusion (report) on non-financial audit of the 2015 Social and Environmental Report of PJSC ALROSA; in total, in the amount of RUB 1,900 thousand including VAT.

DISCLOSURE OF 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 2016, the Company pursued its information policy⁵⁶ to enhance its focus on strengthening PJSC ALROSA reputation as a global leader in rough diamond production and a large-scale player in the global rough diamond market that participates in shaping the global agenda and maintains a high transparency level in accordance with the best global practice.

As part of relations with the key stakeholders and public, ALROSA held 12 onsite events attended by business, industry, TV and press media at the Company's sites in 2016. The events were covered by such TV companies as Russia 24, NHK, Deutsche Welle, Pro Sieben, etc.

In 2016, the Company released more than 130 press reports in Russian and English and prepared 200 commentaries upon request of the press to explain the Company's views of the relevant matters. The Company organized a series of interviews with the Company managers on operating and financial matters of ALROSA.

According to Medialogia, various media published 38,000 reports referring to ALROSA in 2016, along with important event reports and analytical reviews.

In 2016, the Company won the "For Active Corporate Disclosure Policy" prize as the most transparent company of the year. The contest was sponsored by the Independent Directors Association and the Russian Union of Industrialists and Entrepreneurs. The Company completed the rebranding of Vestnik ALROSA, a corporate newspaper, and began publication of its corporate magazine in the reporting year.

The Company enhanced its social media presence. High-quality and consistent content and targeted promotion in the social media allowed the Company to become a leader among comparable Russian companies by audience involvement.

⁵⁶ Approved by the Supervisory Board in 2015.

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/>.

Along with the website, the Company uses the Interfax website for required disclosures, as well as the following printed media: Rossiyskaya Gazeta, Mirninsky Rabochiy, Lensky Vestnik, Yakutia, Sakha Sire.

<i>Status of the Company</i>	<i>Regulatory compliance</i>	<i>Disclosure channel</i>	<i>Disclosed information/ Audience</i>
Public Joint Stock Company	Federal Law On Joint Stock Companies No. 208-ФЗ dated December 26, 1995	Corporate website: http://eng.alrosa.ru/	<ul style="list-style-type: none"> – Charter and main internal documents of the Company; – Information on important facts and affiliates – Information about securities of the Company, payment of dividends; – Quarterly, annual, and social-environmental reports; – Annual and interim financial statements; – Material on the General Meetings of Shareholders and the subsequent resolutions adopted in the meetings, and resolutions adopted by meetings of the Supervisory Board; – News releases.
Issuer of equity securities	<ul style="list-style-type: none"> – Federal Law On Securities Market No. 39-ФЗ dd April 22, 1995 – Regulations On disclosure of information by issuers of equity securities [approved by the Bank of Russia on December 30, 2014 No. 454-П] – Federal Law On Counteracting Misuse of Insider Information and Market Manipulation No. 224-ФЗ dated July 27, 2010 – Requirements of the Moscow Exchange to the issuers of shares traded in the A quotation list of the Stock Exchange. 	<ul style="list-style-type: none"> – News feed 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: Rossiyskaya Gazeta, Mirninsky Rabochiy, Lensky 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) 	<ul style="list-style-type: none"> – Mandatory disclosures; – 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 ALROSA⁵⁷.

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.

⁵⁷ In accordance with the Federal Law dated July 27, 2010 No. 224-ФЗ On Counteracting the Illegitimate Use of Insider Information and Market Manipulation and on Amendments to Certain Laws of the Russian Federation, as well as with the Company regulations, Charter and other internal documents.

INFORMATION FOR INVESTORS AND SHAREHOLDERS

AUTHORIZED CAPITAL

⁵⁸ For more details related to the Authorized Capital of PJSC ALROSA, see <http://eng.alrosa.ru/investors/information-for-shareholders/equity/>.

The authorized capital of PJSC ALROSA amounts to RUB 3,682,482,815 divided into 7,364,965,630 ordinary registered shares with the book value of 50 kopecks each⁵⁸.

SHARES

The Company's shares have been traded on the Moscow Exchange with the ALRS ticker since 2011. The shares are included in Quotation List A, First Level in 2016.

Key indicators of trade in the Company's shares for 2014-2016

Indicator	UoM	2014	2015	2016
Average daily trading volume	USD mn	5.72	8.24	13
Minimum price	RUB	31.90	48.96	53.31
Maximum price	RUB	63.00	82.20	99.45
Price at the end of the year	RUB	63.00	55.94	97.43
Free-float volume ⁵⁹	pcs.	1,699,380,556	1,699,380,556	2,502,161,810
Free-float share	%	23	23	34
Capitalization at the end of the year	USD mn	8,327	5,611	11,829

Company's shares grew by 74.2% in 2016 and outperformed the market — the MICEX index growth in the same period was 26.8%.

Key drivers of Company's shares growth in 2016:

- Recovered demand for rough diamonds from the global lapidary industry;
- 2015 dividend payment at 50% of IFRS net profit and similar dividend estimation for 2016;
- Record-breaking IFRS financial performance in the interim reporting periods in 2016;
- Increased number of public floating shares from 23% to 34% due to successful privatization of 10.9% of the Company's shares on MICEX.

SHARE CAPITAL STRUCTURE

During the public offering of shares of PJSC ALROSA on the Moscow 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 Cyprus company Wargan Holdings.

In 2016, free float increased from 23% to 34% due to successful privatization of 10.9% of Company's shares on MICEX. Privatization resulted in the appearance of 400 international minority shareholders in the Company's equity. The share of the Russian Federation decreased from 43.9256% of the authorized capital (3,235,103,207.3437 ordinary shares) as of December 31, 2015 to 33.0256% of the authorized capital (2,432,321,953.3437 ordinary shares) as of December 31, 2016.

Major shareholders with shares more than 1% in the authorized capital as of December 31, 2016

Shareholder	Share, %
Federal Agency for State Property Management	33.0256
Ministry of Property and Land Relations of the Republic of Sakha (Yakutia)	25.0002
8 uluses (districts) of the Republic of Sakha (Yakutia)	8.0003
Other legal entities and individuals	33.9739
TOTAL	100

The largest minority shareholders in PJSC ALROSA at the end of the reporting period include investment funds Genesis, Oppenheimer Funds, Lazard Asset Management, Qatar Investment Authority, LLC MDC Capital Management, Capital Group.

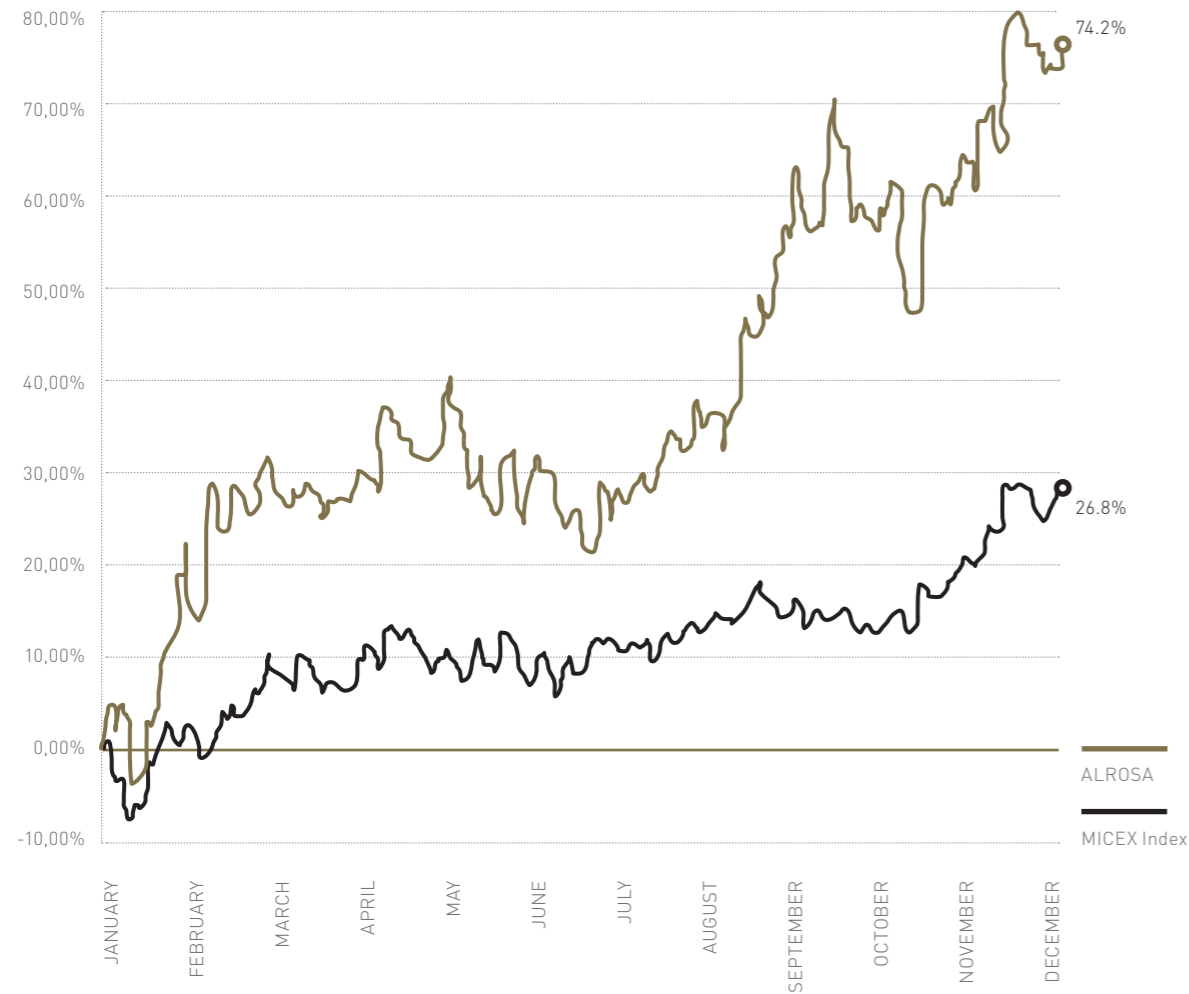
INDICES

Inclusion of the Company's shares in indices increases the liquidity of the Company's securities. In 2016, MSCI upgraded PJSC ALROSA's free float shares from 0.25 to 0.35 after privatization of a part of the state-owned equity portion. In this context, Company's shares added 40% in the MSCI Russia Index.

As of December 31, 2016, the Company's shares were present in the following indices:

Name of the list	Weight in the index, %	Index currency
MICEX Index	2.35	RUB
MSCI Russia	2.34	USD
FTSE Emerging	0.12	USD
Market Vectors Russia	3.51	USD
Metals and Mining Index (MICEX)	15	RUB
Broad Market Index (MICEX)	2.27	RUB
RTS	2.33	USD
State owned companies index (MICEX)	4.09	RUB

Dynamics of the Company's shares compared with the dynamics of indices in 2016, %



CREDIT RATINGS

The Company was rated by three major global rating agencies Fitch, Moody's and Standard & Poor's (S&P). All rating agencies upgraded Company's credit rating in 2016. The upgrade was caused by strengthened financial performance, high liquidity rates and a consistent financial policy pursued by the Company.

Credit ratings

Rating agency	Rating / Forecast	Rating assignment date/ Rating confirmation date
Fitch	BB+ / stable	October 12, 2016
Moody's	Ba 1 / stable	February 21, 2017
S&P	BB / positive	July 19, 2016

On July 19, 2016, S&P upgraded the long-term credit rating of PJSC ALROSA in foreign and national currencies from BB- to BB. The rating has a positive forecast. This decision shows the agency's opinion of improved operating activities of PJSC ALROSA supported by weak ruble, which boosted revenues and cash flows of the Company. S&P sees no serious risks in PJSC ALROSA business due to its strong position in the market and large production base.

On October 12, 2016, the Fitch agency upgraded its long-term credit rating of PJSC ALROSA and senior unsecured debt rating of ALROSA Finance S.A. from BB to BB+ with a stable outlook. This decision relied on the Company's performance which exceeded Fitch's conservative expectations against the weak ruble and higher than expected rough diamond prices.

On April 27, 2016, Moody's upgraded the PJSC ALROSA credit rating from Ba2 to Ba1 and changed its rating outlook from Negative to Stable against upgraded sovereign outlook of the Russian Federation. The upgrade was caused by strengthened financial performance, high liquidity rates and a consistent financial policy pursued by the Company.

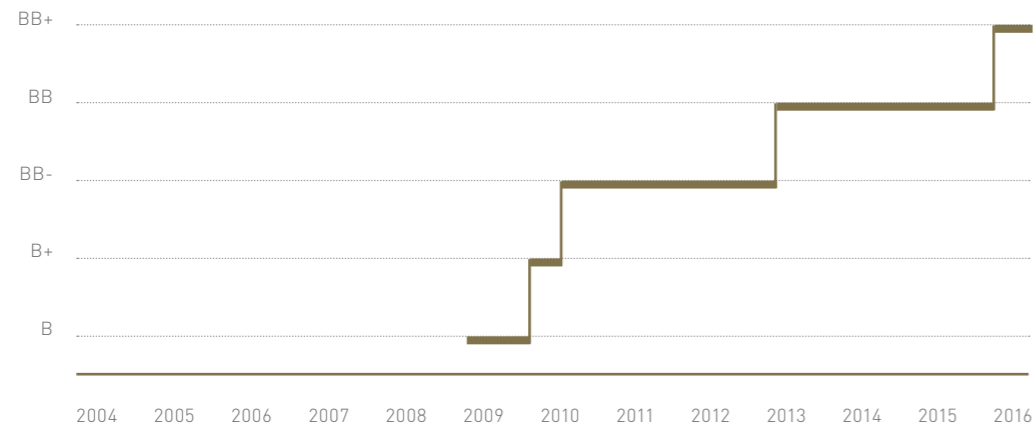
BONDS

Company's traded bonds as of the end of 2016

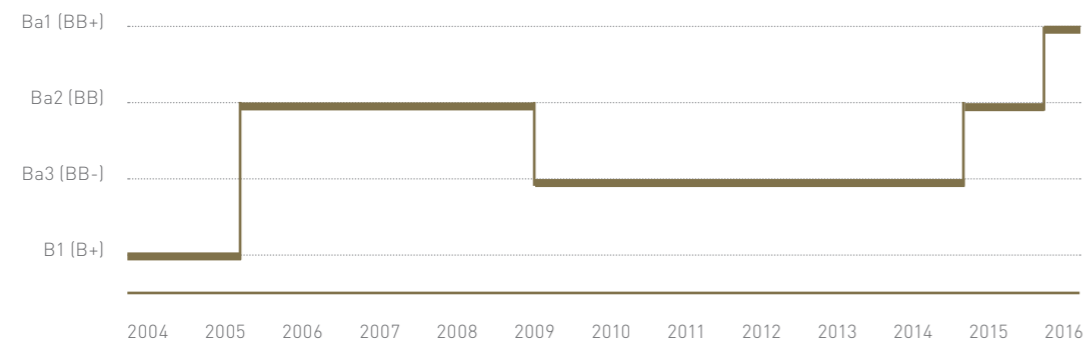
Indicator	Value
Number	ALROSA, 2020
Currency	USD
Amount	1,000,000,000
Rate	7.75%
Date of placement	November 2010
Maturity date	Q4 2020
Stock Exchange	Irish Stock Exchange
Issuer	Alrosa Finance S.A.
Guarantor	PJSC ALROSA

HISTORICAL RATINGS
OF PJSC ALROSA

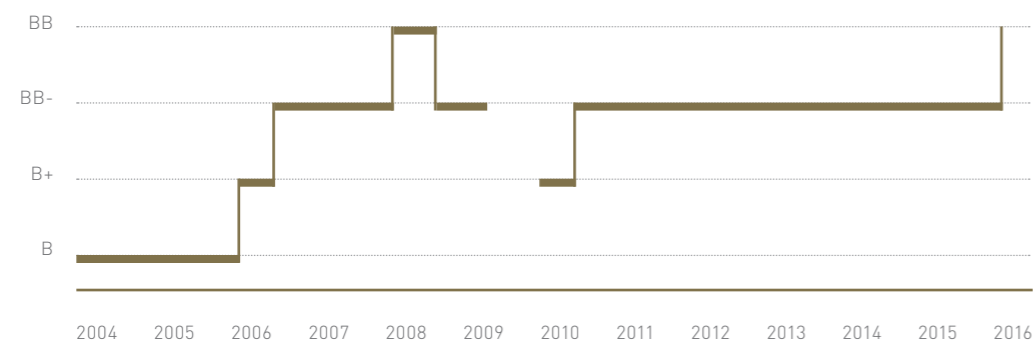
Fitch



Moody's



Standard & Poor's



INTERACTION WITH THE INVESTMENT COMMUNITY

PJSC ALROSA's investment community relations comply with the global practice.

Investment community relations in 2014-2016

Activity	2014	2015	2016
Financial Performance Publication by IFRS	4	4	4
Conference phone calls relating to the IFRS results	4	4	4
Publication of reviews relating to the industrial activities	4	4	4
Investor's Day in London	0	1	1
Participation in international investment banking conferences	4	5	12
Visiting industrial facilities in the territory of Yakutia and Arkhangelsk region	2	2	3

The Investor Day is a key event hosted by the Company for the investment community to communicate the Company's strategic and tactical goals and recent operating and financial results. Presentations and meetings on the 2016 Investor Day were attended by 78 guests, including representatives of

- 18 minority shareholders owning more than 1 billion shares in PJSC ALROSA (about 14% of the share capital);
- 15 prospective investors and 20 investment banks.

The Investor Day events were broadcast online and widely covered by the financial press.

Efficient interaction between the Company managers and the investment community was one of the factors that made privatization of 10.9% of PJSC ALROSA shares a success. In 2016, PJSC ALROSA held 246 meetings with the investment community and shareholders, in particular, investors who participated in the privatization and ultimately acquired 84% of offered shares in the Company.

In 2016, the Company managers organized 3 visits to production sites:

- A visit to PJSC Severalmaz when the visitors were taken to Arkhangelskaya pipe, processing plant No. 1, and the rough diamond sorting center in Arkhangelsk in June and September 2016;
- A visit to production sites in the Republic of Sakha (Yakutia) when the visitors were taken to Mir pipe and Mir underground mine, processing plant No. 3, and Mirny MPD placer deposits, the Diamond Sorting Center, Udachny pipe, and Udachny underground mine in July 2016.

The Company's production sites in the Republic of Sakha (Yakutia) and the Arkhangelsk Region were visited by representatives of large minority shareholders, including Genesis, Mubadala, Verno Capital, East Capital, Pioneer, and Sberbank AM, which hold in aggregate more than 370 million shares in the Company, and prospective shareholders and analysts of investment banks.

Portfolio managers and analysts have a positive view of such efforts and note that such events increase the participants' awareness of the Company's business operations.

ANALYTICAL COVERAGE

PJSC ALROSA managers share information with investment bank analysts by means of regular disclosures of operating and financial information about the Company. 13 analysts monitor the Company's share performance.

*Changes in recommendations provided by investment bank analysts
on PJSC ALROSA shares in 2013-2016*

<i>Recommendation</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
To buy	16	19	13	10
To keep	3	1	9	3
To sell	–	2	3	0
The number of investment banks engaged in analytical coverage	19	22	25	13

Most analysts believe that the Company's fundamental features are attractive and supported by low CAPEX and declining debt burden.

**KEY AREAS OF COLLABORATION
WITH INVESTORS IN 2017**

IN 2017, the Department for interaction with the Company's investors will continue to implement a package of measures to increase investment attractiveness and informational transparency of the Company. The investor interaction plan for 2017 incorporates the following activities⁶⁰:

- Preparation and publication of 4 reports on the financial results of ALROSA Group in accordance with IFRS;
- 4 conference calls with participation of the Company's senior managers based on the results of the reports on the financial results of ALROSA Group in accordance with IFRS;
- Preparation and publication of 4 reports on production results of ALROSA Group;
- Organizing and holding the Investor's Day for shareholders and potential investors in shares and debt securities;
- 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;
- Organizing and holding personal and group off-site meetings, including the Company's senior managers and representatives of shareholders, potential investors in shares and debt securities during conferences organized by Russian and foreign investment banks;
- Organizing and conducting a visit of shareholders and potential investors to the Company's production facilities in Yakutia and Arkhangelsk region.

⁶⁰ The investor's calendar is available in the "Investors" section of the corporate website www.alrosa.ru

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 net profit distributed based on the consolidated reports prepared in accordance with the IFRS.

On June 30, 2016, the General Meeting of Shareholders of PJSC ALROSA passed the resolution on dividend payment based on the results of 2015. It was resolved to allocate RUB 15,393 bn for payment of dividends, which amounts to RUB 2.09 per one ordinary share with a par value of 50 kopecks.

The amount of dividends accrued and transferred to the federal budget of the Russian Federation in 2015 amounts to RUB 5,084 million. There is no debt with respect to the federal budget of the Russian Federation as of December 31, 2016.

*The Company's dividend history for the period
from 2011 to 2015*

<i>Dividend and payout ratio</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Total amount of announced dividends, RUB mn	7,439	8,175	10,826	10,826	15,393
Amount of dividend announced per 1 ordinary share, RUB	1.01	1.11	1.47	1.47	2.09
Payout ratio (share in net profit based on IFRS)	28.09	25.05	35.02	– ⁶¹	50.18

The dividend flow growth in 2016 will reach record-breaking RUB 53,420 million. The indicator value was estimated based on RUB 65.8 billion dividend forecast, which is 50% of the total net profit of ALROSA Group for 2016 calculated on the basis of consolidated financial statements prepared in accordance with IFRS⁶².

⁶¹ Based on the results of 2014, the Company recorded a net loss due to considerable weakening of the ruble due to valuation adjustment of credits issued in US Dollars. The shareholders resolved to pay out dividends for 2014 at the level of dividends for 2013 in absolute terms.

⁶² Net profit based on accounting statements prepared according to Russian standards is RUB 148,657.5 million in 2016.



VI

SUSTAINABLE DEVELOPMENT

PRINCIPLES OF SUSTAINABLE DEVELOPMENT

COMMITMENT TO SUSTAINABLE DEVELOPMENT

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.

In 2016, the Company achieved the following results in the area of sustainable development:

- The Social and Environmental Report of PJSC ALROSA⁶³ was developed and prepared, and a positive opinion of an independent external auditor was obtained with respect to non-financial audit of the Report;
- PJSC ALROSA won the award "For the active corporate policy in the area of information disclosure";
- PJSC ALROSA obtained the compliance certificate that confirms implementation and support of the social accountability management system in accordance with the international standard SA 8000:2014 (Social Accountability) and remains valid for 3 years;
- The Company was among leaders of the following RSPP's indices: "Responsibility and Transparency" and "The Sustainable Development Vector".

⁶³
In accordance with the Reporting guidelines in the area of sustainable development of the global reporting initiative (GRI) and the International Council on Mining and Metals.

⁶⁴
Adopted by the Supervisory Board in December, 2014.

STAKEHOLDER ENGAGEMENT

Not only the Policy in the area of sustainable development and corporate social accountability of PJSC ALROSA⁶⁴ determines objectives, tasks and principles of the activities in the area of sustainable development but also the Company's voluntary commitments to the groups of key interested parties.

The key task of the regular work with stakeholders is exercising of each party's right to be heard. The Company distinguishes the following stakeholders:

- Shareholders and investors;
- Governmental authorities of the Russian Federation and regions where the company operates;
- Employees and Profalmaz international trade union of PJSC ALROSA's employees;
- Customers;
- Suppliers of goods and services;
- International and national industry-specific community;
- Local communities;
- Scientific and expert communities;
- Mass media.

INTERACTION WITH GOVERNMENTAL AGENCIES

In 2016, representatives of the Company participated in more than 50 meetings of the State Duma Committee on Natural Resources, Natural Management and Ecology, Ministry of Natural Resources and Ecology of the Russian Federation, Ministry of Education and Science of the Russian Federation, Federal Agency for Mineral Resources, State Committee for Reserves, and others.

In 2016, the Company's specialists assessed more than 40 drafts of regulatory laws related to PJSC ALROSA as part of the Regulatory Impact Assessment procedure carried out by the Ministry of Economic Development of the Russian Federation.

Besides, the Company's representatives participated in working groups for eliminating administrative barriers in the area of natural resource use and study of mineral resources, recovery of mineral resources base, and rational use of natural resources.

The activities achieved the following results:

- Adoption of the Russian Federation Government Decree "On the procedure of calculation of one-time payments for using the sites of subsurface resources that are granted without prior tenders and auctions"⁶⁵;
- Ministry of Natural Resources and Environment of the Russian Federation issued the Order "About approval of the processing procedure for applications to obtain the rights to use subsoil for geological exploration"⁶⁶;
- Ministry of Natural Resources and Environment of the Russian Federation issued the Order "About approval of the project documentation expertise procedure for regional geological exploration of subsoil, including search and assessment of mineral deposits, exploration of mineral deposits, and payment for the expertise"⁶⁷;
- Amendments to Article 8 ФЗ On Departmental Security Service⁶⁸, as well as amendments to 29 ФЗ On Precious Metals and Precious Stones⁶⁹ were adopted;
- Federal Law On Amendments to the Law of the Russian Federation On Mineral Resources⁷⁰;
- Decree of the President of Russia On Amendment to the Decree of the President of Russia No. 1137, dated September 20, 2010, On Approval of the Regulation on import to the Russian Federation from countries outside of the Eurasian Customs Union and export from the Russian Federation to such countries of precious metals, precious stones and commodities containing precious metals and to the Regulation approved by that Decree⁷¹.

⁶⁵
Dated November 3, 2016, No. 1132, by which amendments were made to the Russian Government Decree No. 94 dated February 4, 2009.

⁶⁶
No. 583, dated November 10, 2016.

⁶⁷
No. 490, dated September 23, 2016.

⁶⁸
No. 77-ФЗ, dated April 14, 1999.

⁶⁹
No. 41, dated March 26, 1998.

⁷⁰
No. 279-ФЗ, dated July 3, 2016.

⁷¹
No. 352, dated July 21, 2016.

STAFF

HR AND HR POLICY

The Human Resources Policy of PJSC ALROSA is regulated by the Charter of PJSC ALROSA, Internal Code of Labor Conduct of PJSC ALROSA, Collective Agreement between PJSC ALROSA and Profalmaz interregional trade union of PJSC ALROSA, local internal regulations of the Company, within the scope of the Functional plan for the Company's personnel department for 2016.

ALROSA Group aims to be an attractive employer. All employees of the Company have equal rights to exercise their employment rights. The relationships between the companies of the Group and employees in the social and labor sphere are based on the principles of social partnership. PJSC ALROSA and its employees represented by the Profalmaz trade union made the Collective Agreement. The main tasks in the area of the Company's human resources policy are as follows:

- Ensuring employment of the local population;
- Creating a favorable social climate in the regions where the Company operates;
- Providing qualified human resources;
- Creation of human resource reserves;
- Minimizing 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 order to resolve the tasks in the area of the human resources policy, PJSC ALROSA has a well-developed IT infrastructure and a software system. All of the Company's centralized services related to the storage of personnel, accounting, and production data operate in data centers.

In 2016, 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 Center Training Centers;
- Non-exceeding of the planned number of employees in the Company's structural subdivisions;
- Performance of HR-related procedures resulting from the withdrawal of the Heat and water supply enterprise and Almazny Kray TV and Radio Broadcasting Company from the Company;
- Participation in preparing a new version of the Regulations on private pension provision of the Company's employees;
- Implementation of the Complex Program for Professional Orientation in PJSC ALROSA.

The majority of ALROSA Group personnel work in Western Yakutia. The average headcount throughout 2016 was 38,104 employees (39,508 employees in 2015). The number changed due to structural changes, changes in physical volume and structure of works and activities aimed at lowering costs.

Information about actual headcount of PJSC ALROSA as of December 31, 2016

No. Item	Structural unit	Workers	Employees	Specialists	Managers	TOTAL
1.	Administration and management units	56	9	205	361	631
2.	Mining, including:	10,712	50	1,252	1,471	13,485
	Aikhal Mining and Processing Division	3,500	23	384	442	4,349
	Mirny Mining and Processing Division	3,142	11	359	446	3,958
	Udachny Mining and Processing Division	2,955	7	313	354	3,629
	Nyurba Mining and Processing Division	1,115	9	196	229	1,549
3.	Transportation and procurement division	2,440	94	747	455	3,736
4.	Geological exploration complex	1,011	12	577	287	1,887
5.	Capital Construction Division	1,866	24	374	418	2,682
6.	Specialized repairs complex	349	18	501	171	1,039
7.	Scientific facilities	124	8	599	88	819
8.	Housing facilities	66	2	13	25	106
9.	Social facilities	850	82	717	170	1,819
10.	Rough and polished diamond complex	416	14	745	177	1,352
	TOTAL	17,890	313	5,730	3,623	27,556

HR turnover ratio lowered from 10.8% in 2015 to 10.0% in 2016, while the replacement ratio grew from 22% to 22.1%, respectively. In 2016, in PJSC ALROSA the ratio of workers/employees to managers/specialists was 64.9% to 35.1% (in 2015: 65.4% and 34.6%, respectively).

Educational level of personnel in PJSC ALROSA in 2015–2016, %

Education level	2015	2016
Higher professional education	34.1	35.2
Secondary professional and elementary vocational education	39.1	39.4
Secondary (complete) general education	24.8	22.9
Incomplete secondary education	2.0	2.5
TOTAL	100	100

The gender composition of the Company personnel is determined by the specifics of the mining industry and in 2016 the male/female ratio in PJSC ALROSA was 65.6% to 34.4% (in 2015, it was 64.9% and 35.1%, respectively).

PROFESSIONAL ORIENTATION

Within the scope of the Complex Program for Professional Orientation in PJSC ALROSA in 2016, the following activities were performed together with the Mirny District Department of Education:

- Specialized program courses were organized and held with participation of invited teachers from leading Russian universities for the students of the specialized engineering class based on the Municipal Budgetary Educational Institution Polytechnical Lyceum in Mirny;
- “My Choice” career-guidance party game was held to highlight areas of training and qualifications required by PJSC ALROSA for the pupils of 9–10 forms of the Mirny town based on the Municipal Budgetary Educational Institution “Secondary General School No. 26”;
- “Higher education jobs required by PJSC ALROSA” information leaflet was published.

Within the scope of the professional orientation activities, the HR Training Center organized meetings of the Company’s young specialists with the pupils of 10–11 forms of the Mirny town; prepared promotional films about the Company’s partner universities; schoolchildren were invited to the Company’s structural units; live program was shown on TRC “Almazny Krai” about entering the PJSC ALROSA partner universities under special-purpose programs supported by budget financing in the areas of professional training required by the Company — the program received media exposure in the Mirninsky Rabochiy newspaper and was broadcast on the Almazny Kray radio station; meeting of the students of the State Budget Educational Institution of Professional Education of the Republic of Sakha (Yakutia) “SIT” with the Company’s representatives within the scope of the All-Russian campaign “No Ticket Barrier Week”.

PRE-UNIVERSITY TRAINING

Two hundred and twenty people (2015: 172 people) participated in regional Olympiads annually held by the HR Training Center based on the agreement with the Federal State Autonomous Educational Institution of Higher Education “North-Eastern Federal University”.

Based on the results of the Unified State Exam and all-Russian schoolchildren Olympiads, 22 people (2015: 15 people) were admitted to the departments, specializing in key areas of the Company’s activities, based on applications submitted by structural units. In 2016, RUB 183.5 thousand were spent to hold the Olympiads (2015: RUB 765.3 thousand).

WORK WITH YOUNG SPECIALISTS

In 2016, 141 graduates from higher and secondary vocational schools (2015: 140 graduates) began working at PJSC ALROSA, including:

- Graduates from higher education schools: 50 (2015: 83 graduates);
- Graduates from secondary vocational schools: 91 (2015: 57 graduates).

In 2016, internships at the Company’s subdivisions were undertaken by 721 students of higher and secondary vocational schools (2015: 656 students).

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.

Throughout 2016, 3,517 residents of the Republic of Sakha (Yakutia) were engaged to work under fixed- and indefinite term employment agreements, including 329 people to work rotating shifts. In total, 2,825 representatives of indigenous peoples of Yakutia worked at the Company’s subdivisions at the end of the reporting period. 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 2016, 939 people from regions of the Russian Federation were engaged to work rotating shifts (870 people in 2015).

PERSONNEL TRAINING

Professional development of the Company personnel and personnel turnover was based on the approved 2016 plans of training, retraining and advanced training of managers, specialists and employees in the HR Training Center and at the premises of its training schools.

In 2016, 6,467 employees, including managers and specialists, underwent various types of training (2015: 6,689 employees).

In 2016, 132 people were trained under vocational retraining programs in training centers of the Russian Federation (2015: 141 people) and 129 specialists completed their programs (2015: 128 people). Thirteen people (2015: 14 people) were trained under retraining programs and 5 of them (2015: 1) completed them and obtained the Diploma of Higher Education.

HR training in PJSC ALROSA in 2015-2016

Subdivision	2015	2016
Executive bodies	30	25
Mining enterprises	4,054	4,009
Geology	175	210
Science	280	235
Construction enterprises	350	350
Transport enterprises	360	459
Automation	1,137	809
Other	303	370
TOTAL	6,689	6,467

A complete list of the programs under which the training is provided to workers includes more than 80 professions and special training courses. In 2016, 5,676 people were trained in PJSC ALROSA in basic professions with various work permits, and 4,381 people were given the instructional briefing (2015: 5,534 and 3,988 people, respectively).

In order to promote professional development its employees, the Company has been actively implementing new modern services and user IT system training in the convenient form of video clips. The Training Portal was deployed several years ago.

In 2016, the Application Directory service was launched on the information portal of PJSC ALROSA. This service was developed within the scope of a project for implementing the user self-service portal. The purpose of the project was to provide a tool for the Company's employees to independently and with minimal assistance from IT specialists install software products that are used in PJSC ALROSA.

HSE

The key documents in the area of industrial safety and labor protection are the existing HSE Regulations on Management System of PJSC ALROSA and HSE Policy of PJSC ALROSA.

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 behavioral practices of personnel undertaking production.

In 2016, PJSC ALROSA spent RUB 1,114.8 million (2015: RUB 1,158.3 million) to ensure industrial safety and health.

As compared to 2015, the general number of injuries in PJSC ALROSA lowered in 2016. In 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 subsidiaries and affiliates of ALROSA Group, 9 light injuries were recorded in 2016 (2015: 6 injuries); there were 1 heavy injury and 2 fatalities in 2016 (2015: no such cases).



*Number of occupational injuries
in ALROSA Group's subsidiaries during 2014-2016*

<i>Type of injuries</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Light	22	21	25
Severe	3	6	2
Fatal	3	2	4
TOTAL	28	29	31

*Number of occupational injuries
at PJSC ALROSA during 2014-2016*

<i>Type of injuries</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Light	9	15	16
Severe	1	6	1
Fatal	2	2	2
TOTAL	12	23	19

*Number of occupational injuries
in ALROSA Group's subsidiaries during 2014-2016*

<i>Type of injuries</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Light	13	6	9
Severe	2	0	1
Fatal	1	0	2
TOTAL	16	6	12

<i>Injuries in subsidiaries</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
JSC Almazy Anabara	3	0	1
PJSC Severalmaz	2	0	1
JSC NPP Bourevestnik	0	1	0
OJSC ALROSA-Gas	0	0	1
LLC ALROSA-Spetsbureniye	1	0	0
JSC Vilyuiskaya HPP-3	0	1	0
JSC Shipping Company ALROSA-Lena	0	1	1
ALROSA Air Company Limited	1	1	0
LLC ALROSA-Okhrana	6	1	5
LLC LenskTown Heating and Electrical Networks Enterprise	1	0	0
LLC Almas	2	1	3
TOTAL	16	6	12

At the end of 2016, a thorough analysis of occupational injuries in subdivisions of PJSC ALROSA for the last 5 years was conducted. Based on its results, a program of activities was developed and implemented. The program was aimed at elimination and prevention of the most hazardous factors that caused frequent injuries.

KEY EVENTS IN 2016

- PJSC ALROSA was among leaders of the following indices of the Russian Union of Industrialists and Entrepreneurs of Russia (RSPP): "Responsibility and Transparency" and "The Sustainable Development Vector";
- PJSC ALROSA obtained the compliance certificate that confirms implementation and support of the social accountability management system in accordance with an international standard and remains valid for 3 years;
- The Social and Human Resources Policy of the Company was adopted⁷².
- The Collective Agreement⁷³ between PJSC ALROSA and Profalmaz trade union was signed for the period of 2017–2019. The Company's social package is retained providing for additional allowances, compensations and benefits as compared to those stipulated by the law;
- Almaznaya Osen Non-State Pension Fund was rated at A++ (exceptionally high rating);
- In order to improve the Company's personnel disease rate, health improvement program was performed for 14.5 thousand employees and their family members. Two thousand and two hundred people were examined and treated in leading medical centers.

⁷² Approved by the President of PJSC ALROSA on June 29, 2016.

⁷³ December 30, 2016.

PLANS FOR 2017

The OHSMS is mainly focused on training, professional development and competence development of the specialists in the field of industrial safety and production control to prevent injuries.

ENVIRONMENT



The ecological strategy of ALROSA Group is tightly integrated into the Company's development strategy. The main goals in the area of environmental protection are preservation, rational use of natural resources that are the basis of sustainable development, life and activities of the peoples that live in the territory of the Companies production activity.

ALROSA Group applies a comprehensive approach to ensure that environmental requirements and measures to prevent negative impact on the environment are followed. Not only do the ecological regulations reflect the system of Russian standards, but also international indicators of environmental values and industrial practices. In accordance with international standards and best practices the Company undertakes to use natural resources carefully and rationally, to reduce negative environmental impact and environmental risks and to rehabilitate the damaged ecosystems.

In 2016, the key projects in the area of the environmental protection were:

- Construction of new and reconstruction of existing environmental objects;
- Upgrade of waste water treatment objects and circulation water systems;
- Implementation of the best available technologies for production waste treatment;
- Negative legacy mitigation by means of recovery and recultivation of disturbed soils;
- Implementation of ecological monitoring of the natural environment;
- Comprehensive assessment of environmental impact in the area of activity of PJSC ALROSA;
- Implementation of the environmental management system;
- Provision of technical facilities to sanitary industrial laboratories;
- Development of innovative projects.

In 2016, total costs associated with implementing a comprehensive program of measures to protect the environment and other ecological programs reached RUB 6,310.5 million (2015: RUB 6,736.0 million).

*Total costs associated with environment protection
and other ecological programs in 2015-2016, RUB million*

Type of expenses	2015	2016
Capital investments in construction of environmental protection facilities	1,637.9	1,560.9
Renovation and construction of sewage treatment facilities	1,209.4	788.9
Scientific and technical support of environmental activities	81.4	51.5
Comprehensive environmental monitoring	195.7	232.0
Mined land reclamation	247.1	251.1
Search for and introduction of up-to-the-minute technologies in the field of waste handling	-	0.9
Improvement of the environmental protection management system	4.5	3.4
Compensatory measures	22.9	21.1
Training, professional development	6.4	6.2
Maintenance and operation of fixed assets intended for nature protection purposes	3,025.1	3,160.1
Participation in the forums, congresses, hearings, conferences, provision of information to the public	0.2	0.4
Other ecological expenses	305.3	234.1
TOTAL	6,736.0	6,310.5

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 main tasks of the program were rationalization of subsoil use and resource saving.

In 2016, the program made it possible to save RUB 141.7 million (2015: RUB 110.7 million), mainly thanks to: saving thermal energy, diesel fuel, and water.

During the reporting year, energy consumption per carat of mined products in thousands GJ lowered to 0.324 thanks to successful implementation of a series of measures.

Economy of fuel and energy resources due to energy efficiency measures in 2014-2016

Type of resource	UoM	2014	2015	2016
Electrical energy	mn kWh	17.2	10.3	11.4
	RUB mn	74.4	55.6	74.7
Thermal energy	GCal	5,117.8	3,247.0	2,423.3
	RUB mn	10.3	9.7	17.9
Gas	thousand cub. m	1,720.0	6,299.4	1,396.4
	RUB mn	10.0	31.7	6.8
Other (diesel fuel and oil to produce electricity and heat)	thousand ton	0.6	0.4	0.16
	RUB mn	17.9	8.2	32.6
Water supply	thousand cub. m	254.3	151.0	79.4
	RUB mn	8.9	5.5	9.7

Energy costs for 2014-2016, RUB million

Type of resource	2014	2015	2016
Thermal energy from third-party organizations	258.7	250.6	-
Electrical energy purchased	8,864.7	9,413.6	10,504.0
Oil (crude) for heat generation	99.0	81.3	93.8
Gas (natural) for heat generation, total	1,236.6	1,045.3	1,187.1
Diesel fuel, including:	783.3	766.7	-
– for electric energy generation	648.2	648.1	-
– for heat generation	135.1	118.6	-
Coal for heat generation	25.8	23.6	-
TOTAL	11,268.1	11,581.1	11,785.0

SOCIAL INVESTMENTS



PJSC ALROSA is a socially oriented mining company. Its efficient operation depends on the society's trust.

Social Policy is a part of the corporate strategy. It is implemented in partnership with the Profalmaz Interregional Trade Union of workers of PJSC ALROSA, government authorities, and local self-government bodies in the regions where ALROSA operates. The Social Policy of PJSC ALROSA is implemented in accordance with the Agreement on the socio-economic development of the Republic of Sakha (Yakutia) between the Company and the Government of the Republic of Sakha (Yakutia) on March 5, 2011, for the period until December 31, 2020. The Agreement provides for long-term cooperation of the parties by means of the Company participation in implementing targeted programs and projects for the socio-economic development of the Republic of Sakha (Yakutia), cooperation of the parties in mobilizing material and intellectual resources. The activity of PJSC ALROSA in the area of social investments has been traditionally aimed at providing gratuitous targeted financial aid to child care facilities, objects of culture, sports, science, education, medicine.

In 2016, PJSC ALROSA approved the Company's Social Policy and obtained the compliance certificate that confirms implementation and support of the social accountability management system in accordance with an international standard.

PJSC ALROSA voluntarily undertakes duties in the area of corporate social responsibility in addition to those stipulated by the existing Law of the Russian Federation.

In 2016, the Company's expenses for the implementation of target corporate programs Health, Housing, Rest and Rehabilitation, Charity, Patronage, Material and Sponsor Support, Culture and Sports grew by 9.1% and reached RUB 5,596.8 million (2015: RUB 5,131.5 million).

“HEALTH” PROGRAM

IN 2016, the expenses for the “Health” program of ALROSA Group amounted to RUB 289.0 million (2015: RUB 245.4 million). 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 2016, the Company spend RUB 284.7 million (2015: RUB 168.1 million) for examination and treatment of its employees and their family members, retirees of the Company through of the Voluntary Health Insurance program. In order to improve the Company’s personnel disease rate, health improvement program was performed for 14.5 thousand employees and their family members during the reporting year. Two thousand and two hundred people were examined and treated in leading medical centers.

“REST AND REHABILITATION” PROGRAM

Special emphasis in the Social Policy is made on prevention of illnesses and organization of rehabilitative treatment. Over many years, the Company has run the “Rest and Rehabilitation Program” with direct participation of the Profalmaz labor union. In 2016, the Company spent RUB 1,018 million to implement this program (2015: RUB 876.1 million). Recreation of ALROSA’s employees, their family members and retired pensioners in ensured mainly, via their own modern preventative health treatments and retreats to third party recreation complexes. In 2016, expenses for health and recreation resort maintenance and local recreation of children reached RUB 640.5 million (2015: RUB 532 million), while expenses for recreation that involved travel reached RUB 374.2 million (2015: RUB 338.8 million). The Company organized children trips to leisure resorts situated on the Black Sea coast.

“HOUSING” PROGRAM

For the purpose of recruitment and retention of qualified personnel, the Company has been implementing the Housing corporate program aimed at improvement of the personnel living conditions. In 2016, expenses associated with the implementation of this program reached RUB 466.7 million (2015: RUB 1,121.9 million). The considerably lower program investments as compared to the year of 2015 is associated with the completion of Company’s residential development division reform — housing stock property was transferred to municipalities of the Republic of Sakha (Yakutia) and financing for its maintenance was completed. In 2012–2015, ALROSA spent almost RUB 3 billion on the implementation of this program. For the employees of PJSC ALROSA who purchase lodgings using their own funds, the Company offers targeted corporate support in the following forms:

- Compensation of mortgage interest⁷⁴;
- Selling the Company’s residential properties occupied by its employees under commercial rent contracts and agreements on use without charge (except for dormitory premises) with payment by installments and using the properties as a security (mortgage);
- Purchasing of residential properties by the Company’s employees on the terms of shared ownership with the Company;
- Exchanging the residential properties owned by the Company’s employees to residential properties owned by the Company in the areas of its activity.

⁷⁴ Under the Program of mortgage lending to PJSC ALROSA employees for the period of 2011–2018.



Expenses associated with compensations to employees who purchased residential properties using their own funds reached RUB 72.3 million in 2016 (2015: RUB 71.4 million). During the reporting period, interests on mortgages compensated to employees amounted to RUB 57.1 million (2015: RUB 40.4 million).

Throughout 2016, construction of a dormitory for 340 people in the Mirny town continued. The Company spent RUB 273.7 million for this purpose.

The Company continues the work on the resettlement of retired veterans to more favorable places and a veteran concessional housing scheme. In 2016, 137 flats (cottages) were sold in the town of Orel (2015: 129); compensations accrued to employees when allocating the housing premises reached RUB 23.5 million (2015: RUB 23.4 million).

“CHARITY, PATRONAGE, MATERIAL AND SPONSOR SUPPORT”

The program is aimed at providing targeted material support and sponsorship of non-commercial projects by the Company. In 2016, a new regulatory document was developed — “Regulations on the Company’s charity and sponsorship activities” — to regulate the respective activity of ALROSA Group. In 2016, the Company provided free material, patronage, sponsor and targeted support to individuals, public, municipal, governmental organizations, establishments, populated areas in the amount of RUB 3.7 million (2015: RUB 2.6 billion).

Since its foundation, PJSC ALROSA has been attempting to create a comfortable social environment for as many citizens as possible. The regional development program embraces nine districts of the Republic of Sakha (Yakutia). Cooperation agreements with these districts are made for the period until 2021.

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By providing financial assistance to uluses (districts) of the Western Yakutia in performing agricultural and traditional fishing and hunting activities, and by organizing charitable campaigns for the children in sponsored uluses, the Company promotes employment of the population and their higher earnings making a considerable contribution in improvement of the social stability in the whole rough diamond production region.

In 2016, financial assistance under the regional development program was provided to nine uluses (districts) of the Republic of Sakha (Yakutia) amounting to RUB 83.2 million (2015: RUB 81.7 million).

Each year, the Company transfers RUB 584 million to the Target Fund for Future Generations of the Republic of Sakha (Yakutia) in accordance with the Agreement on the socio-economic development of the Republic of Sakha (Yakutia) for construction of objects associated with education, health care, culture, and sports in the territory of the Republic.

Throughout 2016, the Company continued to make charitable contributions to a series of social, cultural, sports projects on the regional and national levels.

Strategic areas of charitable activities of PJSC ALROSA in 2016:

- Charitable assistance to the “Roskongress Foundation” non-profit organization for the preparation of and conducting the Eastern Economic Forum;
- Charitable assistance to the International Committee of “Children of Asia” Games for the preparation of and conducting the VI International Sports Games “Children of Asia”.

“CULTURE AND SPORTS” PROGRAM

The cultural and sports projects are implemented under the Culture and Sports corporate program that has both internal and external dimensions making a large contribution to creating a favorable social environment both for the Company employees and for the local population.

The expenses under the Culture and Sports program in 2016 reached RUB 146.9 million (2015: RUB 208.5); 508 sports events and 4,845 culture and mass events were held. The Cultural and Sports Complex has 175 classes and clubs operating on a permanent basis that are attended by over 10,000 people.

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VII

FINANCIAL STATEMENTS



Independent Auditor's Report

To the Shareholders and Supervisory Council of Public Joint Stock Company ALROSA:

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Public Joint Stock Company ALROSA (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Our audit approach

Overview



- Overall group materiality: US\$ 120 million, which represents 5% of profit before tax.
- We conducted audit work at the parent company – PJSC ALROSA. In respect of other Group companies, we performed procedures over significant financial statements lines and analytical procedures.
- The group engagement team visited the divisions of PJSC ALROSA, located in Udachny and Mirny.
- Our audit scope addressed 93% of the Group's revenues and 83% of the Group's absolute value of underlying profit before tax and before adjustments to eliminate intercompany balances.

Key audit matters:

- Evaluation of property, plant and equipment's impairment of Urengoy Gas Company Ltd.;
- Evaluation of the provision for pension obligations.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.



<i>Overall group materiality</i>	US\$ 120 million
<i>How we determined it</i>	5% of profit before tax
<i>Rationale for the materiality benchmark applied</i>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
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Evaluation of property, plant and equipment's impairment of Urengoy Gas Company Ltd.

See Note 2, Summary of Significant Accounting Policies And Critical Estimates

Based on the Group management's estimates as at 31 December 2016, impairment indicators were identified for the property, plant and equipment (PP&E) of Urengoy Gas Company Ltd., the Group's subsidiary. The calculation of value in use of cash-generating unit ("CGU") to which PP&E belong showed no impairment.

We focused on the matter due to the materiality of the carrying amount of property, plant and equipment (US\$ 150 million at 31 December 2016) and because the management's estimation of the CGU's "value in use" involved significant judgements and estimates about the future results of operations, capital investment, hydrocarbon prices and discount rates.

We tested the future cash flow forecasts developed by management for Urengoy Gas Company Ltd., and we worked with our internal valuation specialists. As part of our audit, the following procedures were performed:

- We made sure the source data from the projected future cash flows that were used in impairment tests were consistent with the company's approved budgets, and the total volume of hydrocarbon extraction was in line with the approved inventory data;
- We made sure the methodology used for the preparation of future discounted cash flows is consistent with the requirements of IAS 36 "Impairment Of Assets": the recoverable amount is based on the value in use, the estimates did not include cash inflows or outflows from financing activities and related to income taxes, the application of the period of more than five years is appropriate, and also other key aspects;



Key audit matter	How our audit addressed the Key audit matter
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In the current business environment, we are observing a certain volatility of macroeconomic parameters used in the models, which impedes their projections. Fluctuations in hydrocarbon prices can have a significant influence on the carrying amount of Urengoy Gas Company Ltd. assets.

The significant uncertainty is related to the fact that the above company is not engaged in any production activities; its gas fields are being explored and developed, the infrastructure is being constructed for future extraction, which requires considerable capital expenditures.

- We compared the expected oil prices used in developing the future cash flow forecast, with information from third party sources;
- We compared some other macroeconomic assumptions, including the expected RUB/US Dollar rate, changes in internal gas prices, producer price index and consumer price index against forecasts by independent recognised analysts and government statistical authorities;
- The auditor's specialists analysed the methodology for calculating the discount rate and its components, through comparing the value of debt and equity for comparable peer entities.

Based on the above procedures, we obtained appropriate audit evidence that the assumptions used by the Group's management for impairment tests of the CGU are consistent and meet the expectations of independent recognised sources.

In addition, based on the sensitivity tests performed for various assumptions used by management in preparing the future cash flows, we assessed the sensitivity of the test results to the projected oil prices, production growth rates and discount rate. The impact of a reasonably acceptable change in the above assumptions on the test results was disclosed in the consolidated financial statements.

As a result of our work, we concluded that the key assumptions applied by management for PP&E impairment testing, and the management's opinion that as at the reporting date no impairment was in place, required no adjustments for the consolidated financial statements presentation purposes.



Key audit matter	How our audit addressed the Key audit matter
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Evaluation of the provision for pension obligations

See Note 15, Provision For Pension Obligations

Non-government pension scheme for the Group employees is arranged through non-government pension fund JSC NPF Almaznaya ozen (hereinafter, "NPF").

The liability calculation implies using significant management judgment and is made using mathematic models developed by actuaries, is technically complicated and requires special knowledge.

The assumptions used to measurement the obligation include the projected growth of salaries and pension, expected increase of retirement age, turnover of employees, projected mortality rate and discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

In 2016, PJSC ALROSA signed agreements with NPF for adopting a new pension plan using the tariffs with pension indexation based on actual return on plan assets and updated mortality table, which resulted in a recalculation of liabilities as of the reporting date.

In January 2017, management approved amendments to the regulations on non-government pension scheme for PJSC ALROSA employees, which provide for the adoption of a parity pension programme.

These factors add to complexities of measuring the liabilities, which are material for the Group's consolidated financial statements.

To estimate the Group's pension obligations at 31 December 2016 under IAS 19 "Employee Benefits", management engaged an independent expert. In order to test the pension obligations, we worked with our internal specialists that have knowledge of actuarial mathematics and techniques.

As part of auditing the pension liabilities, we performed the following audit procedures:

- We analysed the expert's independence, objectivity and knowledge through interviews, analysis of the terms and conditions of the agreement for conducting the actuarial evaluations and previous experience evaluation;
- The internal specialists in actuarial calculations analysed the assumptions and evaluated techniques used by the expert engaged by the Group's management. During the audit, the impact of the following factors on the liabilities' calculation was analysed:
 - Changes in actuarial assumptions,
 - Application of the new tariffs of the pension plan,
 - Deviation of the actual situation from the assumptions used as of the reporting date,
 - Settlement of liabilities (pension payments),
 - Changes in the headcount and gender composition of the employees and retired staff.
- We tested the following assumptions included in the calculation of pension liabilities:

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Key audit matter	How our audit addressed the Key audit matter
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- We compared the discount rate with the government bonds' profitability with maturities of 9-11 years (estimated period of liabilities under the benefits' plan).
 - We compared the projected inflation rate included in the calculation with data of independent analysts,
 - We compared the projected growth of salaries and pensions with the average actual indexation in the previous years with consideration of the Group's plans,
 - We tested the assumptions of employee turnover and retirement age using the approach based on the actual statistics of dismissals and retirement of the Group's employees over the last five years.
- We tested the completeness and accuracy of the source data used by the Group to assess pension obligations (length of service for the Group, salary amount, average monthly salary, age and gender) through comparing them with related documents provided by the Group;
 - Based on the information received from NPF management, we tested the accuracy of measuring fixed interest assets of the pension plan that have no quotes on the active market. The fair value of the plan's assets that have quotes in the active market was compared to data from public sources.
 - We assessed the completeness of disclosures in the consolidated financial statements, including the disclosed analysis of sensitivity of the liability to changes in the actuarial assumptions.

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Key audit matter

How our audit addressed the Key audit matter

Based on the procedures performed, we did not identify any material errors that affect our opinion on the consolidated financial statements.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, the accounting processes and controls and the industry in which the Group operates.

Based on our risk assessment, analysis of materiality of the Group entities' financial statements line items, we identified PJSC ALROSA as a material component of the Group and audited the financial information using ISA 600 "Special Considerations – Audits Of Group Financial Statements (Including The Work Of Component Auditors)".

We determined the other entities of the Group as immaterial components, in respect of which we performed procedures over significant financial statements line items, and analytical procedures.

Other information

Management is responsible for the other information. The other information comprises the PJSC ALROSA's Annual Report and Issuer's Report for the 1st quarter of 2017, but does not include the consolidated financial statements and our auditor's report thereon. PJSC ALROSA's Annual Report and Issuer's Report for the first quarter of 2017 are expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, upon reviewing the PJSC ALROSA's Annual Report and Issuer's Report for the 1st quarter of 2017 we conclude that there is a material misstatement, we are required to report that fact to those charged with governance in the Group.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is Mikhail Igorevich Buchnev.

AO PricewaterhouseCoopers Audit

14 April 2017

Moscow, Russian Federation

M.I. Buchnev, certified auditor (license No. 01-000056), AO PricewaterhouseCoopers Audit.

Audited entity: AK ALROSA TYMCT

State registration certificate series 54 07 0000049000, issued by Administration of Mirovsky District (Sector) of the Republic of Sakha (Yakutia) on 12 August 2009

Certificate of inclusion in the Unified State Register of Legal Entities issued on 17 July 2012 under registration № 10212000070902

8, Lenin Street, Mirny, Arctico, Republic of Sakha (Yakutia), Russia



Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 50 0000000000, issued by the Moscow Registration Chamber on 08 February 2009

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2009 under registration № 1027700048421

Member of self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNL «obshchestvo» in the register of auditors and audit organizations

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Consolidated Statement of Financial Position

	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current Assets			
Goodwill	5.1	1,439	1,439
Property, plant and equipment	8	288,874	283,963
Investments in associates and joint ventures	5.2	4,061	6,891
Deferred tax assets	17	1,967	1,919
Available-for-sale investments		1,424	711
Long-term accounts receivable	10	2,093	3,453
Total Non-current Assets		299,858	298,376
Current assets			
Inventories	9	98,576	94,296
Prepaid income tax		121	6,258
Trade and other receivables	10	15,179	15,632
Bank deposits	6	28,570	-
Cash and cash equivalents	7	30,410	20,503
Total Current Assets		172,856	136,689
Total Assets		472,714	435,065
EQUITY			
Share capital	11	12,473	12,473
Share premium		10,431	10,431
Treasury shares	11	-	(15)
Retained earnings and other reserves	11	234,298	128,853
Equity attributable to owners of PJSC ALROSA		257,202	151,742
Non-Controlling Interest in Subsidiaries	28	(232)	(257)
Total Equity		256,970	151,485
LIABILITIES			
Non-current Liabilities			
Long-term debt	12	141,669	197,467
Provision for pension obligations	15	19,954	10,556
Other provisions	14	6,691	5,841
Deferred tax liabilities	17	11,018	13,966
Total Non-current Liabilities		179,332	227,830
Current Liabilities			
Short-term loans and current portion of long-term debt	13	666	25,692
Trade and other payables	16	25,488	23,047
Income tax payable		2,368	921
Other taxes payable	17	7,804	6,001
Dividends payable		86	89
Total Current Liabilities		36,412	55,750
Total Liabilities		215,744	283,580
Total Equity and Liabilities		472,714	435,065

Approved for issue and signed on 15 March 2017 by the following members of management:

Sergey S. Ivanov
President



Svetlana V. Linnik
Chief accountant


Consolidated Statement of Profit and Loss
and Other Comprehensive Income

	Notes	Year ended on 31 December 2016	Year ended on 31 December 2015
Revenue	18	317,090	224,524
Cost of sales	19	(129,751)	(93,240)
Royalty	17	(1,209)	(1,209)
Gross profit		186,130	130,075
General and administrative expenses	20	(12,436)	(10,243)
Selling and marketing expenses	21	(3,346)	(2,768)
Other operating income	22	3,090	3,101
Other operating expenses	23	(30,473)	(22,996)
Operating profit		142,965	97,169
Finance income / (costs), net	24	24,124	(58,481)
Share of net profit of associates and joint ventures	5.2	2,650	2,628
Profit before income tax		169,739	41,316
Income tax	17	(36,268)	(9,124)
Profit for the year		133,471	32,192
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations, net of tax	15.17	(11,098)	(4,716)
Total items that will not be reclassified to profit or loss		(11,098)	(4,716)
Items that will be reclassified to profit or loss:			
Currency translation differences, net of tax		(101)	(159)
Change in fair value of available for sale investments		181	16
Total items that will be reclassified to profit or loss		80	(143)
Other comprehensive loss for the year		(11,018)	(4,859)
Total comprehensive income for the year		122,453	27,333
Profit attributable to:			
Owners of PJSC ALROSA		131,392	30,674
Non-controlling interest	28	2,079	1,518
Profit for the year		133,471	32,192
Total comprehensive income attributable to:			
Owners of PJSC ALROSA		120,147	26,078
Non-controlling interest		2,306	1,255
Total comprehensive income for the year		122,453	27,333
Basic and diluted earnings per share for profit attributable to the owners of PJSC ALROSA (in Roubles)	11	17.85	4.17

Consolidated Statement of Cash Flows

	Notes	Year ended on 31 December 2016	Year ended on 31 December 2015
Net Cash Inflow from Operating Activities	25	143,138	75,541
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(31,752)	(34,241)
Proceeds from sales of property, plant and equipment		1,231	304
(Acquisition) / sales of available-for-sale investments		(522)	122
Proceeds / (losses) from disposal of subsidiaries, net of cash disposed of		388	(425)
Interest received		3,526	3,616
Cash transfer to deposit accounts		(30,825)	-
Dividends received from associates		4,591	1,664
Net Cash Outflow from Investing Activities		(53,363)	(28,960)
Cash Flows from Financing Activities			
Repayment of loans		(45,830)	(44,279)
Loans received		217	21,491
Interest paid		(11,368)	(12,083)
Sale / (purchase) of treasury shares		621	(642)
Dividends paid		(17,578)	(12,789)
Net Cash Outflow from Financing Activities		(73,938)	(48,302)
Net Increase / (Decrease) in Cash and Cash Equivalents		15,837	(1,721)
Cash and cash equivalents at the beginning of the year		20,503	21,693
Effect of exchange rate changes on cash and cash equivalents		(5,930)	531
Cash and Cash Equivalents at the End of the Year	7	30,410	20,503

Consolidated Statement of Changes in Equity

	Number of shares out- standing	Attributable to owners of PJSC ALROSA							Non- controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Other reserves (note 11)	Retained earnings	Total			
Balance at 31 December 2014	7,364,965,630	12,473	10,431	-	(1,419)	115,566	137,051	123	137,174	
Comprehensive income / (loss)										
Profit for the year	-	-	-	-	-	30,674	30,674	1,518	32,192	
Other comprehensive loss	-	-	-	-	(4,596)	-	(4,596)	(263)	(4,859)	
Total comprehensive income / (loss) for the year	-	-	-	-	(4,596)	30,674	26,078	1,255	27,333	
Transactions with owners										
Dividends (note 11)	-	-	-	-	-	(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)	
Total transactions with owners	(8,599,300)	-	-	(15)	71	(11,443)	(11,387)	(1,635)	(13,022)	
Balance at 31 December 2015	7,356,366,330	12,473	10,431	(15)	(5,944)	134,797	151,742	(257)	151,485	
Comprehensive income / (loss)										
Profit for the year	-	-	-	-	-	131,392	131,392	2,079	133,471	
Other comprehensive income / (loss)	-	-	-	-	(11,245)	-	(11,245)	227	(11,018)	
Total comprehensive income / (loss) for the year	-	-	-	-	(11,245)	131,392	120,147	2,306	122,453	
Transactions with owners										
Dividends (note 11)	-	-	-	-	-	(15,393)	(15,393)	-	(15,393)	
Sale of treasury shares	8,599,300	-	-	15	-	606	621	-	621	
Sale of non-controlling interest	-	-	-	-	85	-	85	(85)	-	
Dividends of subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	(2,196)	(2,196)	
Total transactions with owners	8,599,300	-	-	15	85	(14,787)	(14,687)	(2,281)	(16,968)	
Balance at 31 December 2016	7,364,965,630	12,473	10,431	-	(17,104)	251,402	257,202	(232)	256,970	



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ANNEXES

DISCLAIMER

The Annual Report of PJSC ALROSA for 2016 (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. The Company 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 others, the state of the economy, competitive landscape, technological changes and other factors, may cause substantial differences between actual results and results included in the forecasting statements contained in the Annual Report.

GLOSSARY

<i>Abbreviation</i>	<i>Definition</i>
CCM	Common commercial minerals
CJSC	Closed Joint Stock Company
CIP	Construction in progress
DPA	Diamond Producers Association
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EE	Exploration expedition
FR	Feasibility report
FSFI	Federal State-Funded Institution
GDP	Gross domestic product
HPP	Hydro power plant
IFRS	International Financial Reporting Standards
JSC	Joint Stock Company
KPI	Key performance indicators
LLC	Limited Liability Company
MC	Mining Company
MICEX	Moscow Interbank Currency Exchange
MPD	Mining and Processing Division
M&TE	Material and Technical Resources
NPP	Research and Production Enterprise
OJSC	Open Joint Stock Company
PJSC	Public Joint Stock Company
RAS	Russian Accounting Standards
RF	Russian Federation
ROE	Return on equity is a ratio of net income for the period to the average weighted equity
R&D	Research and Development
SRC	State Reserves Commission
TRC	Territorial Reserves Committee
USO	United Selling Organization
WDC	World Diamond Council
WTF	Wastewater treatment facilities

INFORMATION ON SUBSIDIARIES AND AFFILIATES

Information on companies with interest in the authorized capital less than 50%

No. Item	Company name	Interest in the authorized capital, %	Purpose of interest participation	Core activity	Long-term financial investments amount, RUB mn	Revenue, RUB mn	Net profit (loss), RUB mn
1	Arcos Diamonds Israel Ltd.	2.2885	Receipt of profit	Market research	2.5	101.6	14.2
2	Catoca Ltd. Mining Company (Catoca LTD)	32.8	Receipt of profit	Diamond mining	34.1	36,857.0	8,992.5
3	Closed Joint Stock Company MMC Timir	48.9999	Receipt of profit	Iron ore extraction	4,755.7		-78.2
4	Open Joint Stock Company Almazny Mir	47.3677	Receipt of profit	Production of jewelry and items technical items of precious metals and stones, coins, and medals	157.4		

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Information on subsidiary companies with the Company's interest in authorized capital from 50% + 1 share to 100%

No. Item	Company name	Interest in the authorized capital, %	Purpose of interest participation	Core activity	Long-term financial investments amount, RUB mn	Revenue, RUB mn	Net profit (loss), RUB mn
1	ALROSA OVERSEAS SA	100.0	Receipt of profit	Financial activities	321.4		
2	Arcos Belgium N.V.	99.6	Receipt of profit	Market research	3.2	127.4	7.9
3	Arcos East DMCC (Company Limited by Shares)	100.0	Receipt of profit	Market research	2.9	53.1	-11.4
4	Arcos Hong Kong Limited	100.0	Receipt of profit	Market research	8.5	81.0	0.0
5	ARCOS USA Inc.	100.0	Receipt of profit	Market research	26.7	2.5	-362.4
6	Joint Stock Company ALROSA Air Company	100.0	Receipt of profit	Air Transportation Business	1,216.30	7,205.00	391.9
7	JSC Almazny Anabara	99.9999	Receipt of profit	Diamond mining	4,414.0	18,252.9	2,871.6
8	Joint Stock Company ALROSA-Torg	100.0	Receipt of profit	Wholesale and Retail	23.3	56.8	1.6
9	Joint Stock Company Vilyuiskaya HPP-3	99.7313	Receipt of profit	Production and distribution of electricity, gas, and water	5,510.4	4,279.2	898.3
10	Joint Stock Company Research and Production Enterprise Bourestnik	90.6555	Receipt of profit	Processing	129.7	1,878.3	326.9
11	Joint Stock Company Almaznaya Osen Non-State Pension Fund (JSC PPF Almaznaya Osen)	99.75	Receipt of profit	Non-State pension plan program activities	119.7		
12	Joint Stock Company Golubaya Volna Resort	100.0	Receipt of profit	Healthcare and social security	1,143.2	356.1	5.9
13	HIDROCHICAPA S.A.R.L.	55.0	Receipt of profit	Production and distribution of electricity, gas, and water	1.6	986.2	23.5
14	Joint Stock Company ALROSA-Lena Shipping Company	99.5617	Receipt of profit	Transport and communications	137.8	634.6	45.8
15	Limited Liability Company ALROSA-Okhrana	100.0	Receipt of profit	Security Service	31.4	1,335.4	2.6
16	Limited Liability Company ALROSA-Spetsbureniye	100.0	Receipt of profit	Construction	89.2	1,971.7	52.6
17	Limited Liability Company DIAMONDS ALROSA	100.0	Receipt of profit	Production of jewelry and items technical items of precious metals and stones, coins, and medals	93.9	106.9	0.7
18	Limited Liability Company Mirny Town Printing House	57.2693	Receipt of profit	Printing facility	5.7	45.8	0.8
19	Limited Liability Company Orel-ALROSA	51.0	Receipt of profit	Production of jewelry and items technical items of precious metals and stones, coins, and medals	20.5	40.8	-9.4
20	Limited Liability Company Heat and Water Supply Company	100.0	Receipt of profit	Steam and hot water (heat energy) production	6,970.4		
21	LLC Lensk Town Housing Enterprise	100.0	Receipt of profit	Site cleaning and similar activities	23.0	189.3	20.1
22	Lensk Heat and Electrical Networks LLC	100.0	Receipt of profit	Steam and hot water (heat energy) production	3,029.2	647.5	-15.1
23	OJSC ALROSA-Gas	99.9995	Receipt of profit	Mining operations	1,409.7	1,115.9	70.7
24	OJSC ALROSA-Yakutia	50.851	Receipt of profit	Mining operations	2.5		
25	OJSC Sakhaneftegaz National Oil&Gas Company	50.4006	Receipt of profit	Oil and gas production services	184.6		
26	PJSC ALROSA-Nyurba	87.4878	Receipt of profit	Diamond mining	129,831.8	47,390.5	18,270.4
27	PJSC Severalmaz	99.6564	Receipt of profit	Diamond mining	35,123.3	6,260.0	476.0
28	Private Limited Liability Company Alrosa Finance B.V.	100.0	Receipt of profit	Financial activities	0.1		

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*Information on all forms of participation
in commercial and non-profit organizations,
amount of dividends received in 2016*

No. Item	Item	Purpose of interest participation	Core activity	Financial investments in equity capital of subsidiaries and associates.	Allowance for impairment of investments	Financial investments in equity capital of subsidiaries and affiliates less reserves	Share in the Authorized capital	Dividends paid to the Company
				RUB thousand	RUB thousand	RUB thousand	%	RUB thousand
	Investments in subsidiaries							
1	Alrosa Finance B.V.	Receipt of profit	Financial activities	119		119	100	95,128
2	Arcos Belgium N.V.	Receipt of profit	Market research	3,193		3,193	99.6	
3	Arcos East DMCC	Receipt of profit	Market research	2,935		2,935	100	156
4	Arcos Hong Kong Ltd.	Receipt of profit	Market research	8,527		8,527	100	
5	Arcos USA Inc.	Receipt of profit	Market research	26,726		26,726	100	
6	ALROSA OVERSEAS S.A. (former Sunland Holding S.A.)	Receipt of profit	Financial activities	321,355		321,355	100	
7	JSC Hydrochicapa	Receipt of profit	Production and distribution of electricity, gas, and water	1,568		1,568	55	
8	JSC ALROSA Air Company Limited	Receipt of profit	Air Transportation Business	1,216,312		1,216,312	100	
9	JSC ALROSA-Torg	Receipt of profit	Wholesale and Retail	23,300		23,300	100	314
10	JSC Golubaya Volna Resort	Receipt of profit	Healthcare and social security	1,143,182		1,143,182	100	3,364
11	JSC Almaznaya Osen Non-State Pension Fund	Receipt of profit	Non-State pension plan program activities	119,700		119,700	99.75	
12	JSC Almazny Anabara	Receipt of profit	Diamond mining	4,413,967	1,113,182	3,300,785	99.9999	424,461
13	OJSC ALROSA-Gas	Receipt of profit	Mining operations	1,409,652		1,409,652	99.9995	8,399
14	PJSC ALROSA-Nyurba	Receipt of profit	Diamond mining	129,831,821		129,831,821	87.4878	15,352,350
15	OJSC ALROSA-Yakutia	Receipt of profit	Mining operations	2,543	2,543	0	50.851	
16	JSC Vilyuiskaya HPP-3	Receipt of profit	Production and distribution of electricity, gas, and water	5,510,353		5,510,353	99.7313	
17	JSC NPP Bourestnik	Receipt of profit	Processing	129,728		129,728	90.6555	
18	OJSC Sakhaneftegaz National Oil&Gas Company	Receipt of profit	Oil and gas production services	184,616	184,616	0	50.4006	
19	PJSC Severalmaz	Receipt of profit	Diamond mining	35,123,261	1,107,974	34,015,287	99.6564	
20	OJSC ALROSA-Lena Shipping Company	Receipt of profit	Transport and communications	137,826		137,826	99.5617	6,734
21	LLC ALROSA-Okhrana	Receipt of profit	Security Service	31,394		31,394	100	262

No. Item	Item	Purpose of interest participation	Core activity	Financial investments in equity capital of subsidiaries and associates.	Allowance for impairment of investments	Financial investments in equity capital of subsidiaries and affiliates less reserves	Share in the Authorized capital	Dividends paid to the Company
				RUB thousand	RUB thousand	RUB thousand	%	RUB thousand
22	ALROSA-Spetsbureniye LLC	Receipt of profit	Construction	89,205		89,205	100	10,265
23	LLC DIAMONDS ALROSA	Receipt of profit	Production of jewelry and items technical items of precious metals and stones, coins, and medals	93,933		93,933	100	
24	LLC Lensk Town Housing Enterprise	Receipt of profit	Site cleaning and similar activities	22,971	22,971	0	100	
25	LLC LenskTown Heating and Electrical Networks Enterprise	Receipt of profit	Steam and hot water (heat energy) production	3,029,218		3,029,218	100	285
26	LLC Mirny Town Printing House	Receipt of profit	Printing facility	5,749		5,749	57.2693	102
27	LLC Orel-ALROSA	Receipt of profit	Production of jewelry and technical items made from precious metals and stones, coins, and medals	20,534	20,534	0	51	
28	LLC Heat and water supply enterprise	Receipt of profit	Steam and hot water (heat energy) production	6,970,376		6,970,376	100	
	Subtotal:			189,874,064	2,451,820	187,422,244		15,901,820
	Investments in dependent companies							
29	CJSC MMC Timir	Receipt of profit	Iron ore extraction	4,755,713	4,755,713	0	48.9999	
30	CATOCA Ltd Mining Company	Receipt of profit	Diamond mining	34,080		34,080	32.8	2,304,295
31	OJSC Almazny Mir	Receipt of profit	Production of jewelry and technical items made from precious metals and stones, coins, and medals	157,433		157,433	47.3677	3,509
	Subtotal:			4,947,226	4,755,713	191,513		2,307,804
	Investments in other organizations							
32	Arcos Diamonds Israel Ltd	Receipt of profit	Market research	2,546		2,546	2.2885	53
	Subtotal:			2,546		2,546		53
	TOTAL			194,823,836	7,207,533	187,616,303		18,209,677

LIST OF LOCAL REGULATORY DOCUMENTS

<i>Title of the document</i>	<i>Date</i>	<i>Document reference</i>
Regulations on internal audit of PJSC ALROSA (new version)	Approved by the Supervisory Board on September 29, 2016 (Minutes No. A-01/247-PP-HC)	Regulations on internal audit of PJSC ALROSA (new version)
The Regulations concerning maintenance of the register of executives and managers at PJSC ALROSA who must report their interest in interested party transactions (other than the conflict of interest)	Approved by order A01/68-П of the President of the Company dated March 06, 2016	The Regulations concerning maintenance of the register of executives and managers at PJSC ALROSA who must report their interest in interested party transactions (other than the conflict of interest)
Regulations on Procurement Activities of PJSC ALROSA (New version)	Approved by the Supervisory Board on September 29, 2016 (Minutes No. A01/247-PP-HC)	Regulations on Procurement Activities of PJSC ALROSA (New version)
PJSC ALROSA's Standard Procurement Regulations from Subsidiaries	Approved by the Executive Committee dated November 30, 2016 (Minutes No. A01/209-PP-П)	PJSC ALROSA's Standard Procurement Regulations from Subsidiaries
Operating Efficiency Improvement and Cost Cutting Program of PJSC ALROSA for 2017–2019.	Approved by the Supervisory Board on December 20, 2016 (Minutes No. A01/250-PP-HC)	Operating Efficiency Improvement and Cost Cutting Program of PJSC ALROSA for 2017–2019
Program of measures aimed at a 10% Cost Cutting of PJSC ALROSA for 2017	Approved by the Supervisory Board on December 20, 2016 (Minutes No. A01/250-PP-HC)	Program of measures aimed at Cost Cutting of PJSC ALROSA for 2016
Social policy of PJSC ALROSA	Approved by the President of PJSC ALROSA on June 29, 2016	Social policy of PJSC ALROSA
HR policy of PJSC ALROSA	Approved by the President of PJSC ALROSA on June 29, 2016	HR policy of PJSC ALROSA
Regulations on the Supervisory Board of PJSC ALROSA	Approved by the Annual General Meeting of Shareholders on June 25, 2015 (Minutes No. 33) including amendment approved by the Annual General Meeting of Shareholders on June 30, 2016 (Minutes No. 34)	Regulations on the Supervisory Board of PJSC ALROSA
Regulations on Remuneration to Members of the Supervisory Board of PJSC ALROSA	Approved by the Annual General Meeting of Shareholders on June 25, 2015 (Minutes No. 33) including amendment approved by the Annual General Meeting of Shareholders on June 30, 2016 (Minutes No. 34)	Regulations on Remuneration to Members of the Supervisory Board of PJSC ALROSA

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<i>Title of the document</i>	<i>Date</i>	<i>Document reference</i>
Corporate Governance Code of PJSC ALROSA (New revision)	Approved by the Annual General Meeting of Shareholders of PJSC ALROSA on June 30, 2016 (Minutes No. 34)	Corporate Governance Code of PJSC ALROSA (New revision)
Regulations on the Strategic Planning Committee at the Supervisory Board of PJSC ALROSA	Approved by the Supervisory Board of PJSC ALROSA on July 14, 2015 (Minutes No. A01/233-PP-HC) with amendments approved by the Supervisory Board of PJSC ALROSA on August 26, 2016 (Minutes No. 246-PP-HC)	Regulations on the Strategic Planning Committee at the Supervisory Board of PJSC ALROSA
Regulations on the Audit Committee at the Supervisory Board of PJSC ALROSA	Approved by the Supervisory Board of PJSC ALROSA on July 14, 2015 (Minutes No. A01/233-PP-HC) with amendments approved by the Supervisory Board of PJSC ALROSA on August 26, 2016 (Minutes No. A01/246-PP-HC)	Regulations on the Audit Committee at the Supervisory Board of PJSC ALROSA
Regulations on the HR and Remunerations Committee at the Supervisory Board of PJSC ALROSA.	Approved by the Supervisory Board of PJSC ALROSA on July 14, 2015 (Minutes No. A01/233-PP-HC) with amendments approved by the Supervisory Board of PJSC ALROSA on August 26, 2016 (Minutes No. A01/246-PP-HC)	Regulations on the HR and Remunerations Committee at the Supervisory Board of PJSC ALROSA.
Regulations on Remuneration to the President of PJSC ALROSA	Approved by the Supervisory Board of PJSC ALROSA on November 10, 2015 (Minutes No. A01/236-PP-HC) with amendments approved by the Supervisory Board of PJSC ALROSA on August 26, 2016 (Minutes No. A01/246-PP-HC)	Regulations on Remuneration to the President of PJSC ALROSA
Regulations on Remuneration to Members of the Executive Committee of PJSC ALROSA	Approved by the Supervisory Board of PJSC ALROSA on November 10, 2015 (Minutes No. A01/236-PP-HC) with amendments approved by the Supervisory Board of PJSC ALROSA on August 26, 2016 (Minutes No. A01/246-PP-HC)	Regulations on Remuneration to Members of the Executive Committee of PJSC ALROSA

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AUDIT REPORTS



AUDITOR'S OPINION

We conducted audit of implementation of the Long-Term Development Program of ALROSA Group until 2023.

We have conducted an audit in accordance with the Terms of Reference and the Standard of audit for implementation of the Long-Term Development Program of ALROSA Group until 2023 approved by the Supervisory Board of PJSC ALROSA of December 11, 2014 Minutes No. A01/223-PP-H.

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 December 30, 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 audited item was resulting performance indicators as defined by the Long-Term Development Program of ALROSA Group.

The scope of the audit of the Long-Term Development Program of ALROSA Group by the Auditor was conducting expert assessment of:

- reliability of actual ALROSA Group performance indicators for the audited period, and extent, to which the target values were reached;
- causes of deviations of actual values of the performance indicators of ALROSA Group from the target values planned by the Program.

While conducting the audit, we did not pursue the goal to identify all existing deviations of the actual values of indicators from the planned figures of implementation of the Long-Term Development Program of ALROSA Group until 2023.

Selection of the audit procedures is subject to our judgment based on risk assessment of material misstatements, whether due to fraud or error. When assessing the risk, we 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 efficiency of accounting and internal control system.

Actual values of ALROSA Group KPIs for 2016, and the extent, to which target values were reached, are shown in the table below.

Table 1. ALROSA Group Key Performance Indicators for 2016.

No.	KPI name	2016 Target (Long-Term Development Program)	2016 Target (appr. by Supervisory Board on November 28, 2016)	2016, Actual	% to the Program Target	% to the Program Target (appr. by Supervisory Board on November 28, 2016)	Values Achievement status	
							appr. in the Program	appr. by Super- visory Board on November 28, 2016
Quarterly KPIs								
1.	Revenue from sales of core products, USD mn (before export customs duty deduction)	5,599	4,350	4,514	81%	104%	no	yes
2.	Net profit, RUB bn	47	114	133	283%	118%	yes	yes
3.	Rough diamond production, mn carats	39.76	37.00	37.36	94%	101%	no	yes
Annual KPIs								
4.	Market rate of return per share	More than the growth rate of MICEX index		49.9%	+49.9%	+49.9%	yes	yes
5.	Dividend flow growth, RUB mn	>0	>0	n/a. ¹	–	–	–	–
6.	Return on equity (ROE)	21%	57.7%	65.3%	+44.3%	+7.6%	yes	yes
7.	Adj. EBITDA margin	42%	52.1%	55.6%	+13.6%	+3.5%	yes	yes
8.	Share of the cost of sales in the sales revenue	≤54%	40.6%	40.9%	+13.1% ²	-0.3% ²	yes	no
9.	Integral KPI of the innovative activity	–	100% ³	99.5%	–	-0.5%	–	no
Bonus cancellation figures								
10.	Net debt / EBITDA adj.	≤2.0	≤2.0	0.6	–	–	yes	yes
11.	Lost time injury frequency rate (LTIFR)	≤0.1	≤0.1	0.08	–	–	yes	yes

¹ No opinion can be expressed, because at the time of the auditor report, the decision on distribution of dividends was not yet made.

² The extent to which the indicator was reached is calculated as the difference of target and actual values, as the target is considered to be reached, if the actual value is equal or less than the target.

³ The target value of "Integral KPI of the Innovative Activity" indicator was approved by the Inter-Agency Task Force for Implementing Innovation Development Priorities under the Presidential Counsel for Modernization of the Economy and Innovation Development of Russia (Minutes of the Meeting No. АД-П36-247np dated December 17, 2015).

We believe that the audit evidence we have obtained during the audit is sufficient for expressing an opinion on:

- reliability of the actual indicators of ALROSA Group performance contained in the Report on implementation of the Long-Term Development Program of ALROSA Group until 2023 for the year 2016, in all material respects.
- On achieving the target KPI values of ALROSA Group determined by the Long-Term Development Program of ALROSA Group until 2023, except for "Revenue from Sales of Core Products, USD mn" (81% reached) and "Rough Diamond Production" (94% reached).

The cause of deviation of the actual value of the "Revenue from sales of core products, USD mn" indicator from the value defined in the Program is lower market prices on rough diamonds in USD vs. the price assumption in the Program, with small growth rate of sales in kind vs. the target

Deviation of the actual value of "Rough Diamond Production" indicator from the target is accounted for by revision of the Diamond Production Program for 2016 as a result of rough diamond market slowdown and significant increase of rough diamond stock of ALROSA Group as of the beginning of 2016.

- Achieving the target KPI values of ALROSA Group approved by the Supervisory Board of PJSC ALROSA in the adjusted consolidated budget of ALROSA Group

for 2016 (Minutes No. A01/249-PP-HC dated November 28, 2016), except “Share of the Cost of Sales in the Sales Revenue” indicator.

Insignificant deviation of “Share of the Cost of Sales in the Sales Revenue” indicator from the target (0.3 p.p.) is accounted for, mostly, by increase of depreciation charges as a result of update of deferred capital expenditure data used to calculate per ton depreciation (in accordance with the Draft Investment Program of PJSC ALROSA until 2030) that were not taken into account at the time of planning.

- On failure to achieve for 0.5% of the target value of “Integral KPI of the Innovative Activity” approved by the Inter-Agency Task Force for Implementing Innovation Development Priorities (Minutes of the Meeting No. АД-П36-247np dated December 17, 2015).

Deviation of the actual value of “Integral KPI of the Innovative Activity” from the target is accounted for by the final assessment of the quality of development (update) of PID&TM that is a part of Integral KPI.

Assessment of quality of development (update) of PID&TM at 98.2% was approved by the Inter-Agency Commission for Technology Development of the Presidium of the Presidential Council for Economy Modernization and Innovation Development (Minutes of the Meeting No. 2-Д01 dated January 27, 2017) and is determined by comments of experts of the Inter-Agency Commission that must be taken into account for further update of PID&TM.

- On utilizing funds in accordance with the budgets provided for by the investment and innovative programs during the audited period, in all material respects.
- On implementation of the key activities planned for 2016 to achieve the goals set in the Long-Term Development Program of ALROSA Group until 2023, in all material respects.

President of LLC FBK

S.M. Shapiguzov

On the basis of the Charter,
Auditor Qualification Certificate
01-001230, ORNZ (Principal Registration
Number of Entry) 29501041926

The date of the Auditor’s Opinion
May 05, 2017

REGISTRAR'S DETAILS

REGISTRAR

JSC VTB Registrar maintains the register of registered security holders of PJSC ALROSA⁷⁵ ("Registrar").

⁷⁵ License No. 10-000-1-00347 dated February 21, 2008. The Registrar shall make all actions required by the applicable laws of the Russian Federation, including opening personal accounts, disclosing information from the shareholders' register, title transfer, and changes in current accounts of registered persons reportable for dividend payment.

The Registrar business reliability is guaranteed by a 100% ownership of its shares by PJSC VTB Bank.

The Registrar services more than 8,100 joint stock companies-issuers. Branches and Representative offices are operating in all Federal Regions and the following cities: Arkhangelsk, Vladivostok, Vladikavkaz, Vladimir, Volgograd, Vologda, Voronezh, Georgievsk, Ekaterinburg, Zelenograd, Irkutsk, Krasnoyarsk, Krasnodar, Kaliningrad, Maikop, Mirny, Moscow, Murmansk, Nalchik, Nizhny Novgorod, Novosibirsk, Omsk, Orenburg, Orekhovo-Zuevo, Penza, Perm, Petrozavodsk, Pskov, Pyatigorsk, Rostov-on-Don, St. Petersburg, Saratov, Smolensk, Sochi, Stavropol, Tver, Togliatti, Tomsk, Chelyabinsk, Cherkessk, Elista, Yuzhno-Sakhalinsk, Yakutsk. For the purpose of enhancing interaction between the Company and Registrar, the Registrar establishes the transfer and agent points at the joint stock companies for provision of services to the shareholders, that allows issuer to manage their equity capital efficiently.

The Registrar is covered by a contract of comprehensive insurance of Registrar's professional liability as a member of electronic document management with Ingosstrakh Insurance Company No. 433-052417/16 dated August 17, 2016.

The contract validity period is from August 1, 2016, to July 31, 2017.

Insurance value: Four million (USD 4,000,000) US Dollars.

The Registrar has a certificate confirming conformity of the Management System to 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;
- Certificate of Conformity No. POCC RU.3675.04PCP0/OC.CMK.00842-15.

The Registrar is a member of self-regulatory organization National Securities Market Association, a leading professional association of Russian securities market members established in 1996. Today the Association includes about 250 professional members representing different segments of the securities market from 27 regions of all 8 Federal Districts of Russia.

The Registrar operates PARTAD-certified Zenith software (supplied by CJSC Eldis-Soft) and holds the Certificate of Conformity with the Registrar Standards approved by PARTAD.

ACCOUNTING RECORDS



AUDITOR'S REPORT

To Shareholders of Public Joint Stock Company ALROSA

Audited entity

Public Joint Stock Company ALROSA

State registration certificate of the joint-stock company No. 1 issued by the Administration of Mirny district, Republic of Sakha (Yakutia) on August 13, 1992.

Certificate of the entry made in the Unified State Register of Legal Entities of the legal entity registered before July 01, 2002, under No. 1021400967092 dated July 17, 2002 is issued by Interdistrict Inspectorate of the Federal Tax Service of Russia No. 1 for the Republic of Sakha (Yakutia).

6 Lenina St., Mirny, Republic of Sakha (Yakutia), 678174, Russia

Auditor

Joint Stock Company PricewaterhouseCoopers Audit (JSC PwC Audit with its seat at: 10 Butyrskiy Val St., 125047, Moscow, Russian Federation

State registration certificate of the joint stock company No. 008.890 issued by the Moscow Registration Chamber on February 28, 1992.

Certificate of entry made in the Unified State Register of Legal Entities of the legal entity registered before July 01, 2002, under No. 1027700148431 dated July 22, 2002 is issued by Interdistrict Inspectorate of the Federal Tax Service of Russia No. 39 for Moscow.

Member of the auditors' self-regulating organization "Russian Auditors' Union" (Association).

Principal Registration Number of Entry (ORNZ) in the Auditors' Register is 11603050547.

Joint Stock Company PriceWaterhouseCoopers Audit (JSC PwC Audit)
Belaya Ploschad Business Center, Butyrskiy Val St., Moscow, Russia, 125047
Tel.: +7(495) 967 6000, Fax: +7(495) 967 6001, www.pwc.ru

Auditor's Report

To Shareholders of Public Joint Stock Company ALROSA
We audited the attached financial statements of PJSC ALROSA (hereinafter, the Company) consisting of the accounting balance sheet as of December 31, 2016, income statement, statement of changes in equity and cash flow statement for 2016, notes to the accounting balance sheet and income statement (collectively hereinafter referred to as "financial statements").

Company's Liability for Financial Statements

The Company's management shall be responsible for preparation and reliability of the said financial statements in accordance with the accounting reporting rules established in the Russian Federation, and for the internal control system required for preparation of the 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 reliability of the financial statements based on our audit. We conducted our audit in accordance with the federal standards on auditing. These standards require that we comply with applicable ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The audit involved performing audit procedures aimed at obtaining audit evidence about the figures and disclosures in the financial 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 have reviewed the internal control system that ensures development and reliability of the financial 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 Company's management as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient for expressing an opinion on reliability of these financial statements.

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the Company's financial status as of December 31, 2016 and its financial performance and cash flow for 2016 in accordance with the Accounting Reporting Rules established in the Russian Federation.

Director, Joint Stock Company PricewaterhouseCoopers

M. I. Buchnev

February 10, 2017

PJSC ALROSA
Accounting (Financial) Statements for the Year Ended December 31, 2016
BALANCE SHEET
As of December 31, 2016

	Form as per OKUD	Codes		
	Date (DD/MM/YYYY)	31	12	2016
Organization: PJSC ALROSA	as per OKPO	23308410		
Taxpayer Identification Number	INN	1433000147		
Type of activity: Diamond mining	as per OKVED	14.50.22		
Legal status / Form of ownership Public Joint Stock Company / mixed Russian ownership with shares of federal ownership and ownership of constituent entities of the Russian Federation	as per OKOPF/OKFS	1 22 47	43	
Unit of measurement: RUB thousand / RUB-mn (strike out as applicable)	as per OKEI	384		

Address: 6 Lenina Street, Mirny, Republic of Sakha (Yakutia), 678174, Russia

Notes	Indicator	Code	As of December 31, 2016	as of December 31, 2015	as of December 31, 2014
1	2	3	4	5	6
	ASSETS				
	I. CAPITAL ASSETS				
4.1	Intangible assets	1110	183,495	60,029	66,066
4.2	Research and development results	1120	300,489	236,654	139,612
4.3	Intangible development assets	1130	2,807,986	2,808,511	2,157,332
4.3	Tangible development assets	1140	-	-	-
4.4	Fixed assets	1150	252,670,583	259,704,045	195,426,630
	Fixed assets	1151	218,218,371	210,385,158	155,631,933
	Construction in progress	1152	34,452,212	49,318,887	39,794,697
4.5	Income yielding investments into material assets	1160	433,983	446,060	731,566
4.6	Financial investments (long-term)	1170	267,007,757	210,101,766	139,935,180
	Investments in subsidiaries	1171	187,416,495	115,014,677	105,621,021
	Investments in associates	1172	34,080	4,947,226	4,947,226
	Investments in other organizations	1173	2,546	2,546	2,546
	Loans	1174	79,554,636	90,137,317	29,364,387
	Other financial investments	1175	-	-	-
4.7	Deferred tax assets	1180	7,673,757	3,711,036	3,712,667
4.8	Other non-current assets	1190	4,329,119	4,822,108	5,241,666
	Total for Section I	1100	535,407,169	481,890,209	347,410,719
	II. CURRENT ASSETS				
4.9	Inventories	1210	69,023,788	58,539,017	44,503,558
	Raw materials and other similar assets	1211	19,828,566	15,914,315	14,634,120
	Fatstock animals	1212	627,430	631,822	629,782
	Work-in-process expenses	1213	22,133,581	18,801,582	19,079,204
	Finished products and goods for resale	1214	25,476,154	22,484,390	9,846,848
	Goods dispatched	1215	813,842	627,439	281,608
	Deferred expenses	1216	144,215	79,469	31,996
4.10	Value added tax on value items acquired	1220	508,754	454,988	768,133
4.11	Accounts receivable	1230	21,020,955	30,175,918	16,795,421
	Long-term receivables	1231	3,088,549	7,523,249	2,630,351
	Short-term receivables	1232	17,932,406	22,652,669	14,165,070
4.12	Financial investments (short-term)	1240	31,564,222	11,782,150	77,264,905
	Loans	1241	2,831,040	4,837,432	68,967,068
	Other financial investments	1242	28,733,182	6,944,718	8,297,837
4.13	Cash and cash equivalents	1250	25,822,451	15,669,045	14,140,272
	Short-term deposits	1252	24,513,915	11,670,000	11,650,000
	Other cash	1253	1,308,536	3,999,045	2,490,272
4.14	Other current assets	1260	49,171	95,373	108,822
	Total for Section II	1200	147,989,341	116,716,491	153,581,111
	BALANCE	1600	683,396,510	598,606,700	500,991,830

PJSC ALROSA
Accounting (Financial) Statements for the Year Ended December 31, 2016

Notes	Indicator	Code	As of December 31, 2016	as of December 31, 2015	as of December 31, 2014
1	2	3	4	5	6
	LIABILITIES				
	III. CAPITAL AND PROVISIONS				
4.15	Authorized capital (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	61,653,539	66,469,327	8,072,414
4.17	Additional capital (without revaluation)	1350	50,041,003	50,041,720	50,041,284
4.18	Reserve capital	1360	736,500	736,500	736,500
	Reserves established in accordance with the legislation	1361	184,125	184,125	184,125
	Reserves established in accordance with the constituent documents	1362	552,375	552,375	552,375
4.19	Undistributed profit (uncovered loss)	1370	322,874,247	184,590,369	185,375,697
	Undistributed profit from previous years	1371	174,216,782	184,590,369	185,375,697
	Undistributed profit of the reporting year	1372	148,657,465		
	Total for Section III	1300	438,987,772	305,520,399	247,908,378
	IV. LONG-TERM LIABILITIES				
4.21	Borrowings	1410	140,724,008	196,054,463	175,807,500
	Bank loans repayable later than 12 months after the reporting date	1411	80,067,108	123,171,763	119,549,100
	Loans repayable later than 12 months after the reporting date	1412	60,656,900	72,882,700	56,258,400
4.20	Deferred tax liabilities	1420	51,295,225	40,810,338	27,100,347
4.24	Long-term estimated liabilities	1430	19,878,747	8,566,271	7,927,485
	Other liabilities	1450	-	-	-
	Total for Section IV	1400	211,897,980	245,431,072	210,835,332
	V. SHORT-TERM LIABILITIES				
4.21	Borrowings	1510	2,525,314	27,054,332	21,331,607
	Bank loans repayable within 12 months after the reporting date	1511	576,241	26,142,432	404,336
	Loans repayable within 12 months after the reporting date	1512	1,949,073	911,900	20,927,271
4.22	Accounts payable	1520	20,971,693	13,170,830	13,344,608
4.23	Deferred income	1530	-	6,850	6,850
4.24	Short-term estimated liabilities	1540	9,002,618	7,413,114	7,541,416
4.25	Other liabilities	1550	11,133	10,103	23,639
	Total for Section V	1500	32,510,758	47,655,229	42,248,120
	BALANCE	1700	683,396,510	598,606,700	500,991,830

PJSC ALROSA
Accounting (Financial) Statements for the Year Ended December 31, 2016
FINANCIAL PERFORMANCE REPORT
for 2016

		Codes		
		0710002		
Form as per OKUD		31	12	2016
Date (DD/MM/YYYY)				
as per OKPO		23308410		
Taxpayer Identification Number		INN		
		1433000147		
Type of activity: Diamond mining		as per OKVED		
		14.50.22		
Legal status / Form of ownership		as per OKOPF/OKFS		
Public Joint Stock Company / mixed Russian ownership with shares of federal ownership and ownership of constituent entities of the Russian Federation		1 22 47	43	
Unit of measurement: RUB thousand / RUB mn (strike out as applicable)		as per OKEI		
		384		

Notes	Indicator	Code	For 2016	For 2015
1	2	3	4	5
5.1	Revenue including:	2110	249,566,455	185,276,834
	diamond mining		215,976,897	152,918,773
	production of polished diamonds and diamond abrasive powders		7,566,388	6,919,107
	services of production, sorting and sales of rough diamonds		19,471,471	18,839,606
5.2	Cost of sales including:	2120	(94,417,716)	(80,796,975)
	diamond mining		(66,733,981)	(55,647,865)
	manufacture of polished diamonds and diamond abrasive powders		(4,507,593)	(3,428,104)
	services of production, sorting and sales of rough diamonds		(10,507,935)	(9,537,081)
	Gross profit (loss)	2100	155,148,739	104,479,859
5.2	Business expenses	2210	(14,156,959)	(13,539,407)
5.2	Administrative expenses	2220	(7,343,068)	(6,317,514)
	Sales profit (loss)	2200	133,648,712	84,622,938
5.3	Income from participation in other organizations	2310	18,209,677	13,587,224
5.3	Interest receivable	2320	6,495,206	5,678,092
5.3	Interest payable	2330	(10,902,143)	(11,983,067)
5.3	Other income	2340	89,470,518	14,313,947
5.3	Other expenses	2350	(51,169,759)	(80,148,213)
	Profit (loss) before taxes	2300	185,752,211	26,070,921
5.4	Current profit tax	2410	(29,839,188)	(2,831,114)
5.4	including permanent tax (liabilities) assets	2421	(3,279,494)	(2,064,071)
5.4	Changes in deferred tax liabilities	2430	(10,449,970)	(1,986,948)
5.4	Changes in deferred tax assets	2450	3,507,666	(1,715)
	Other	2460	(313,254)	(138,901)
	Net profit (loss)	2400	148,657,465	21,112,243

Notes	Indicator	Code	For 2016	For 2015
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	191,206	(11,696,779)
5.5	Consolidated financial results for the period	2500	148,848,671	68,423,223
5.5	For reference only Basic profit (loss) per share	2900	0.02	0.003
5.5	Diluted profit (loss) per share	2910		

Head A. V. Zharkov
February 10, 2017

Head A. V. Zharkov
February 10, 2017

PJSC ALROSA
Accounting (Financial) Statements for the Year Ended December 31, 2016
STATEMENT OF CHANGES IN EQUITY
for 2016

		Codes		
	Form as per OKUD	0710003		
	Date (DD/MM/YYYY)	31	12	2016
Organization: PJSC ALROSA	as per OKPO	23308410		
Taxpayer Identification Number	INN	1433000147		
Type of activity: Diamond mining	as per OKVED	14.50.22		
Legal status / Form of ownership Public Joint Stock Company / mixed Russian ownership with shares of federal ownership and ownership of constituent entities of the Russian Federation	as per OKOPF/OKFS	1 22 47	43	
Unit of measurement: RUB thousand / RUB mn (strike out as applicable)	as per OKEI	384		

1. Capital movements

Indicator	Code	Authorized capital	Shares repurchased	Additional capital	Reserve capital	Undistributed profit (uncovered loss)	Total
1	2	3	4	5	6	7	8
Total equity as of December 31, 2014	3100	3,682,483	-	58,113,698	736,500	185,375,697	247,908,378
For 2015							-
Total capital increase:	3210	-	-	59,008,195	-	21,112,243	80,120,438
including: net profit	3211	X	X	X	X	21,112,243	21,112,243
revaluation of assets	3212	X	X	59,007,759	X	-	59,007,759
income directly attributable to increase in the capital	3213	X	X	436	X	-	436
additional issue of shares	3214	-	-	-	X	X	-
increase in the nominal value of shares	3215	-	-	-	X	-	X
reorganization of legal entity	3216	-	-	-	-	-	-
Total capital decrease:	3220	-	-	(5,135)	-	(22,503,282)	(22,508,417)
including: loss	3221	X	X	X	X	-	-
revaluation of assets	3222	X	X	-	X	-	-
expenditures directly attributable to decrease in the capital	3223	X	X	(5,135)	X	(11,692,080)	(11,697,215)
decrease in the nominal value of shares	3224	-	-	-	X	-	-
decrease in the number of shares	3225	-	-	-	X	-	-
reorganization of legal entity	3226	-	-	-	-	-	-

PJSC ALROSA
Accounting (Financial) Statements for the Year Ended December 31, 2016

1	2	3	4	5	6	7	8
dividends	3227	X	X	X	X	(10,811,202)	(10,811,202)
Change in the additional capital	3230	X	X	(605,711)	-	605,711	X
Change in the reserve capital	3240	X	X	X	-	-	X
Total equity as of December 31, 2015	3200	3,682,483	-	116,511,047	736,500	184,590,369	305,520,399
For 2016							
Total capital increase:	3310	-	-	-	-	148,906,517	148,906,517
including: net profit	3311	X	X	X	X	148,657,465	148,657,465
revaluation of assets	3312	X	X	-	X	-	-
income directly attributable to increase in the capital	3313	X	X	-	X	249,052	249,052
additional issue of shares	3314	-	-	-	X	X	-
increase in the nominal value of shares	3315	-	-	-	X	-	X
reorganization of legal entity	3316	-	-	-	-	-	-
Total capital decrease:	3320	-	-	(717)	-	(15,438,427)	(15,439,144)
including: loss	3321	X	X	X	X	-	-
revaluation of assets	3322	X	X	-	X	-	-
expenditures directly attributable to decrease in the capital	3323	X	X	(717)	X	(57,129)	(57,846)
decrease in the nominal value of shares	3324	-	-	-	X	-	-
decrease in the number of shares	3325	-	-	-	X	-	-
reorganization of legal entity	3326	-	-	-	-	-	-
dividends	3327	X	X	X	X	(15,381,298)	(15,381,298)
Change in the additional capital	3330	X	X	(4,815,788)	-	4,815,788	X
Change in the reserve capital	3340	X	X	X	-	-	X
Total equity as of December 31, 2016	3300	3,682,483	-	111,694,542	736,500	322,874,247	438,987,772

PJSC ALROSA
Accounting (Financial) Statements for the Year Ended December 31, 2016

2. Adjustments due to change in the accounting policy and correction of errors

Indicator	Code	As of December 31, 2014	Changes in equity for 2015		As of December 31, 2015
			attributable to net profit	attributable to other factors	
1	2	3	4	5	6
Total equity					
prior to adjustments	3400	250,020,189	21,229,498	36,499,778	307,749,465
Adjustment in connection with: changes in accounting policy	3410	[2,111,811]	[117,255]	-	[2,229,066]
error corrections	3420	-	-	-	-
after adjustments	3500	247,908,378	21,112,243	36,499,778	305,520,399
including: undistributed profit					
prior to adjustments	3401	187,487,508	21,229,498	[21,897,571]	186,819,435
Adjustment in connection with: changes in accounting policy	3411	[2,111,811]	[117,255]	-	[2,229,066]
error corrections	3421	-	-	-	-
after adjustments	3501	185,375,697	21,112,243	[21,897,571]	184,590,369
Other capital items, for which adjustments were made:					
prior to adjustments	3402	62,532,681	-	58,397,349	120,930,030
Adjustment in connection with: changes in accounting policy	3412	-	-	-	-
error corrections	3422	-	-	-	-
after adjustments	3502	62,532,681	-	58,397,349	120,930,030

3. Net assets

Indicator	Code	As of December 31, 2016	as of December 31, 2015	as of December 31, 2014
1	2	3	4	5
Net assets	3600	438,987,772	305,527,249	247,915,228

PJSC ALROSA
Accounting (Financial) Statements for the Year Ended December 31, 2016
CASH FLOWS STATEMENT
for 2016

Form as per OKUD Date (DD/MM/YYYY) as per OKPO	Codes		
	31	12	2016
Organization: PJSC ALROSA	0710004		
Taxpayer Identification Number	23308410		
Type of activity: Diamond mining	14.50.22		
Legal status / Form of ownership Public Joint Stock Company / mixed Russian ownership with shares of federal ownership and ownership of constituent entities of the Russian Federation	1 22 47	43	
Unit of measurement: RUB thousand / RUB mn (strike out as applicable) as per OKEI	384		

Indicator	Code	For 2016	For 2015
1	2	3	4
Cash flow from current operations			
Total inflows	4110	254,098,698	185,120,452
including:			
from sale of products, goods, works and services	4111	246,425,956	178,295,432
from lease payments, license fees, royalties, commission charges and other similar payments	4112	4,249,316	4,702,296
from resale of financial investments	4113	-	-
other inflows	4119	3,423,426	2,122,724
Total outflows	4120	[157,187,287]	[138,897,714]
including:			
to suppliers (contractors) for raw materials, works and services	4121	[44,817,749]	[42,019,691]
remuneration of employees	4122	[35,115,745]	[32,607,521]
interest on debt obligations	4123	[10,708,090]	[11,655,705]
income tax	4124	[22,181,232]	[5,041,878]
other payments	4129	[44,364,471]	[47,572,919]
Net cash flows from current activities	4100	96,911,411	46,222,738
Cash flow from investing activities			
Total inflows	4210	103,969,958	55,357,477
including:			
Sale of non-current assets (excluding financial investments)	4211	228,355	143,231
Sale of shares in other organizations (participation interest)	4212	963,190	271,326
Repayment of loans provided, sale of debt securities (rights of claim on other parties)	4213	11,844,551	9,864,198
Dividends, interest on debt financial investments and similar proceeds from participation interest in other organizations	4214	22,266,882	17,278,697
other inflows	4219	68,666,980	27,800,025
Total outflows	4220	[125,476,228]	[64,318,253]
including:			
Non-current assets purchase, creation, renovation, reconstruction and preparation for use	4221	[23,262,065]	[24,137,803]
Purchase of shares (participation interest) in other organizations	4222	[484,004]	[48,370]
acquisition of debt securities (rights of claim on other parties) and provision loans to other parties	4223	[101,256,851]	[39,738,347]
Interest on debt obligations that are included in the investment asset value	4224	[432,399]	[359,401]
other payments	4229	[40,909]	[34,332]
Net cash flows from investment activities	4200	[21,506,270]	[8,960,776]

Head A. V. Zharkov

February 10, 2017

PJSC ALROSA
Accounting (Financial) Statements for the Year Ended December 31, 2016

1	2	3	4
Cash flow from financing activities			
Total inflows	4310	4,006,200	19,869,330
including: facilities and loans	4311	4,006,200	19,869,330
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 inflows	4319	-	-
Total outflows	4320	(63,856,030)	(55,387,724)
including: to owners (participants) in connection with repurchase of their shares (participation interest) in the organization or their withdrawal from participation	4321	-	-
dividends and other payments to distribute profits to owners (participants)	4322	(15,380,585)	(10,824,744)
payment (repurchase) of promissory notes and other debt securities, repayment of facilities and loans	4323	(48,475,445)	(44,562,980)
other payments	4329	-	-
Net cash flows from financing activities	4300	(59,849,830)	(35,518,394)
Net cash flows for the reporting period	4400	15,555,311	1,743,568
Balance of cash and cash equivalents as of the beginning of the reporting period	4450	15,669,045	14,140,272
Balance of cash and cash equivalents as of the end of the reporting period	4500	25,822,451	15,669,045
Effect of changes in the foreign currency to ruble exchange rate	4490	(5,401,905)	(214,795)

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Head A. V. Zharkov

February 10, 2017

INFORMATION ON LICENSES

No.	Legal entity	License No.	License	License	Issuance date (dd/mm/yy)	Expiry date (dd/mm/yy)
1	PJSC ALROSA	ЯКУ 02994 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	06.07.2011	31.12.2019
2	PJSC ALROSA	ЯКУ 03062 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	14.09.2011	31.12.2021
3	PJSC ALROSA	ЯКУ 03066 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	15.09.2011	06.06.2020
4	PJSC ALROSA	ЯКУ 03067 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	16.09.2011	15.04.2017
5	PJSC ALROSA	ЯКУ 03074 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	20.09.2011	15.04.2019
6	PJSC ALROSA	ЯКУ 03079 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	20.09.2011	15.07.2021
7	PJSC ALROSA	ЯКУ 03083 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	21.09.2011	31.12.2020
8	PJSC ALROSA	ЯКУ 15827 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	18.12.2014	31.12.2021
9	PJSC ALROSA	ЯКУ 04559 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	11.11.2015	31.12.2022
10	PJSC ALROSA	ЯКУ 04560 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	11.11.2015	31.12.2022
11	PJSC ALROSA	ЯКУ 04553 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	12.10.2015	10.10.2020
12	PJSC ALROSA	ЯКУ 04554 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	12.10.2015	10.10.2020
13	PJSC ALROSA	ЯКУ 04555 КП	Use of Mineral Resource (Geological survey)	Geological survey for rough diamonds	12.10.2015	10.10.2020
14	PJSC ALROSA	ЯКУ 03000 КЭ	Use of Mineral Resource (Exploration and diamond production)	Exploration and diamond production	12.06.2011	31.12.2031
15	PJSC ALROSA	ЯКУ 03013 КЭ	Use of Mineral Resource (Exploration and diamond production)	Exploration and diamond production	19.07.2011	31.12.2030
16	PJSC ALROSA	ЯКУ 03014 КЭ	Use of Mineral Resource (Exploration and diamond production)	Exploration and diamond production	19.07.2011	31.12.2021
17	PJSC ALROSA	ЯКУ 03015 КЭ	Use of Mineral Resource (Exploration and diamond production)	Exploration and diamond production	19.07.2011	31.12.2020
18	PJSC ALROSA	ЯКУ 03016 КЭ	Use of Mineral Resource (Exploration and diamond production)	Exploration and diamond production	19.07.2011	31.12.2048
19	PJSC ALROSA	ЯКУ 03017 КЭ	Use of Mineral Resource (Exploration and diamond production)	Exploration and diamond production	19.07.2011	31.12.2034
20	PJSC ALROSA	ЯКУ 03018 КЭ	Use of Mineral Resource (Exploration and diamond production)	Exploration and diamond production	19.07.2011	31.12.2021
21	PJSC ALROSA	ЯКУ 03042 КЭ	Use of Mineral Resource (Exploration and diamond production)	Exploration and diamond production	15.08.2011	31.12.2028
22	PJSC ALROSA	ЯКУ 03044 КЭ	Use of Mineral Resource (Exploration and diamond production)	Exploration and diamond production	15.08.2011	01.01.2018

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No.	Legal entity	License No.	License	License	Issuance date (dd/mm/yy)	Expiry date (dd/mm/yy)
94	PJSC ALROSA	ГКГ 00588 ГЭ	Use of Mineral Resource (CCM)	Exploration and production of CCM	21.09.2011	01.10.2022
95	PJSC ALROSA	ГКГ 00589 ГЭ	Use of Mineral Resource (CCM)	Exploration and production of CCM	21.09.2011	01.10.2018
96	PJSC ALROSA	ГКГ 00590 ГЭ	Use of Mineral Resource (CCM)	Exploration and production of CCM	21.09.2011	31.12.2020
97	PJSC ALROSA	ГКГ 00591 ГЭ	Use of Mineral Resource (CCM)	Exploration and production of CCM	21.09.2011	01.10.2022
98	PJSC ALROSA	ГКГ 00592 ГЭ	Use of Mineral Resource (CCM)	Exploration and production of CCM	21.09.2011	01.10.2019
99	PJSC ALROSA	ГКГ 00603 ГЭ	Use of Mineral Resource (CCM)	Exploration and production of CCM	30.12.2011	30.12.2017
100	PJSC ALROSA	ГКГ 00604 ГЭ	Use of Mineral Resource (CCM)	Exploration and production of CCM	30.12.2011	30.12.2017
101	PJSC ALROSA	ГКГ 00738 ГЭ	Use of Mineral Resource (CCM)	Exploration and production of CCM	11.06.2014	16.05.2024
102	PJSC ALROSA	ГКГ 00975 ГЭ	Use of Mineral Resource (CCM)	Exploration and production of CCM	03.11.2015	01.11.2030
103	PJSC ALROSA	ЯКУ 03098 ВЭ	Use of Mineral Resource (Ground water production, Well No. 7э)	Other activities	18.10.2011	12.10.2029
104	PJSC ALROSA	ЯКУ 03095 ВЭ	Use of Mineral Resource (Ground water production, Well No. 5п)	Other activities	07.10.2011	01.03.2020
105	PJSC ALROSA	ИПК 02815 ВЭ	Use of Mineral Resource (Ground water production)	Other activities	21.09.2011	01.06.2032
106	PJSC ALROSA	МСК 03430 ВЭ	Use of Mineral Resource (Ground water production)	Other activities	26.10.2011	01.12.2031
107	PJSC ALROSA	ГКГ 00717 ГГ	Use of Mineral Resource (Drain water injection)	Other activities	10.03.2014	31.12.2033
108	PJSC ALROSA	ГКГ 00647 ГГ	Use of Mineral Resource (Brine drainage injection)	Other activities	31.12.2012	31.12.2022
109	PJSC ALROSA	ГКГ 00634 ГГ	Use of Mineral Resource (saline industrial water injection)	Other activities	02.10.2012	01.10.2022
110	PJSC ALROSA	ГКГ 00652 ГГ	Use of Mineral Resource (Mine and drain water injection)	Other activities	15.02.2013	01.03.2020
111	PJSC ALROSA	ЯКУ 02995 МР	Use of Mineral Resource (Exploration and production of therapeutic mud at Kempendyay)	Other activities	07.07.2011	28.03.2028
112	PJSC ALROSA	ГКГ 00618 ГГ	Use of Mineral Resource (Geological survey for assessment and R&D purposes)	Other activities	17.06.2012	30.12.2017
113	PJSC ALROSA	ГКГ 00750 ГП	Use of Mineral Resource (Geological survey for assessment and R&D purposes)	Other activities	15.07.2014	01.07.2019
114	PJSC ALROSA	ГКГ 00907 ГП	Use of Mineral Resource (Geological survey and applicability of the site for drain water and industrial waste water injection)	Other activities	19.06.2015	01.05.2020
115	PJSC ALROSA	ГКГ 00980 ГП	Use of Mineral Resource (Geological survey and applicability of the site Middle Cambrian for Udachny mine drain water and industrial waste water injection)	Other activities	30.11.2015	01.12.2020
116	PJSC ALROSA	ГКГ 01083 ГП	Use of Mineral Resource (construction and trial operation of the drainage water injection system at Yubileyny open pit mine at Zarechny site)	Other activities	14.04.2016	01.05.2024
117	PJSC ALROSA	ГКГ 01150 ГГ	Use of Mineral Resource (construction and operation of underground facilities for drainage water injection at Mir underground mine.)	Other activities	29.06.2016	01.07.2036
118	PJSC ALROSA-Nyurba	ЯКУ 01450 КЭ	Geological survey, exploration and diamond production at Nyurbinskaya pipe	Geological survey, exploration and diamond production	02.12.2007	31.12.2032

No.	Legal entity	License No.	License	License	Issuance date (dd/mm/yy)	Expiry date (dd/mm/yy)
119	PJSC ALROSA-Nyurba	ЯКУ 01451 КЭ	Geological survey, exploration and diamond production at Botuobinskaya pipe	Geological survey, exploration and diamond production	02.12.2007	31.12.2039
120	PJSC ALROSA-Nyurba	ГКГ 00616 ГГ	Construction and trial operation of a disposal site for drainage water burial from Botuobinsky and Nyurbinsky open pit mines at Botuobinsky site	Other activities	18.04.2012	01.05.2017
121	PJSC Severalmaz	АПХ 01569 КЭ	Further survey and trial and industrial diamond production at Lomonosov deposit	Exploration and diamond production	25.11.2016	20.12.2026
122	PJSC Severalmaz	АПХ 00698 ВР	Geological survey of Kepino-Zolotitsky site and underground water production for drinking and public water supply and industrial water supply to production facilities	Other activities	20.12.2001	19.12.2026
123	PJSC Severalmaz	АПХ 00731 ТЭ	Search, assessment, exploration and further production of standard minerals at the identified deposits within Lomonosov mineral property	Geological survey, exploration and production of common commercial minerals	27.05.2002	28.05.2026
124	PJSC Severalmaz	АПХ 01456 КП	Geological survey, including search for and assessment of rough diamond deposits at Svetlinsky site	Geological survey for rough diamonds	16.03.2012	15.03.2017
125	PJSC Severalmaz	АПХ 01566 КП	Geological survey, including search for and assessment of rough diamond deposits at Chernoozersky-1 site	Geological survey for rough diamonds	26.10.2016	26.09.2021
126	PJSC Severalmaz	АПХ 01567 КП	Geological survey, including search for and assessment of rough diamond deposits at Chernoozersky-2 site	Geological survey for rough diamonds	28.10.2016	26.09.2021
127	PJSC Severalmaz	АПХ 01466 ВЭ	Underground drinking water production for process water supply to production facilities	Other activities	19.07.2012	01.01.2027
128	PJSC Severalmaz	АПХ 00474 ТР	Geological survey, exploration and production of CCM (sand and sand gravel mix) at the Severny site	Geological survey, exploration and production of common commercial minerals	15.07.2016	16.07.2026
129	JSC Nizhne-Lenskoye	ЯКУ 04641 КЭ	Exploration and diamond production at Molodo placer deposit	Exploration and diamond production	10.05.2016	31.12.2017
130	JSC Nizhne-Lenskoye	ЯКУ 04640 КЭ	Exploration and diamond production at the placer deposit at the Billyakh river	Exploration and diamond production	01.07.2016	31.12.2018
131	JSC Nizhne-Lenskoye	ЯКУ 05133 КР	Geological survey, exploration and diamond production along the Billyakh river tributaries, including Verkhny Billyakh (Relic) placer	Geological survey, exploration and diamond production	28.11.2016	20.08.2025
132	JSC Almazy Anabara	ЯКУ 05095 КЭ	Exploration and diamond production at Talakhtakh placer deposit	Exploration and diamond production	30.09.2016	01.08.2018
133	JSC Almazy Anabara	ЯКУ 05094 КР	Geological survey, exploration and diamond production on the prospective site of the Bolshaya Kuonamka River	Geological survey, exploration and diamond production	30.09.2016	15.04.2028
134	JSC Almazy Anabara	ЯКУ 05096 КЭ	Exploration and diamond production at federally important sites, including Molodo placer site	Exploration and diamond production	30.09.2016	30.06.2035
135	JSC Almazy Anabara	ЯКУ 04618 КЭ	Exploration and diamond production at the Gusiny placer deposit	Exploration and diamond production	13.04.2016	18.03.2031
136	JSC Almazy Anabara	ЯКУ 04736 КЭ	Exploration and diamond production at the placer deposit at the Ebelyakh river	Exploration and diamond production	15.06.2016	18.03.2031
137	JSC Almazy Anabara	ЯКУ 04619 КЭ	Geological survey, exploration and production at Morgogor primary rough diamond deposit	Geological survey, exploration and diamond production	13.04.2016	01.06.2019
138	JSC Almazy Anabara	ЯКУ 13534 КР	Geological survey, exploration and production at Mayat placer deposit sites	Geological survey, exploration and diamond production	17.03.2006	20.03.2031
139	JSC Almazy Anabara	ЯКУ 02646 КЭ	Exploration and diamond production at Kholomolokh placer deposit	Exploration and diamond production	01.04.2008	01.06.2024

No.	Legal entity	License No.	License	License	Issuance date (dd/mm/yy)	Expiry date (dd/mm/yy)
140	JSC Almazy Anabara	ЯКУ 02647 КЭ	Exploration and diamond production at Istok placer deposit at the Ebelyakh river	Exploration and diamond production	01.04.2008	01.06.2023
141	JSC Almazy Anabara	ЯКУ 04610 КР	Geological survey, exploration and production at Pravoberezhnye site, the Morgogor River	Geological survey, exploration and diamond production	06.04.2016	15.04.2028
142	JSC Almazy Anabara	ЯКУ 02663 КР	Geological survey, exploration and diamond production at the Khara-Mas River with the Ottuktakh tribute and the catchment area of the Kychkin, Uchakh-Ytyrbat, and Khara-Mas rivers outside Khara-Mas site	Geological survey, exploration and diamond production	29.04.2008	20.04.2033
143	JSC Almazy Anabara	ЯКУ 04621 КЭ	Exploration and diamond production at federally important sites, including Olom placer (Istok site) and the placer of Log 325.	Exploration and diamond production	13.04.2016	01.11.2034
144	JSC Almazy Anabara	ЯКУ 04611 КР	Geological survey, exploration and diamond production and associated components at the deposit located on the Malaya Kuonamka River with the Maspaky tributary	Geological survey, exploration and diamond production	06.04.2016	31.12.2034
145	JSC Almazy Anabara	ЯКУ 04620 КР	Geological survey, including search for and assessment of mineral reserves and mineral production, including using mining and related wastes at Ochuos site	Geological survey, exploration and diamond production	13.04.2016	31.08.2040
146	JSC Almazy Anabara	ЯКУ 04612 КР	Geological survey, exploration and diamond production at the Eekitsky site	Geological survey, exploration and diamond production	06.04.2016	01.03.2040
147	JSC Almazy Anabara	ЯКУ16031 КЭ	Exploration and production of minerals, including using mining and related processing wastes at Lyaseger-Yuryakh deposit, the left Tributary of the Mayat River	Exploration and diamond production	24.03.2016	23.03.2036
148	JSC Almazy Anabara	АНА 00002 ГС	Related fossil ivory collection in the Morgogor River catchment area	Other activities	17.05.2007	01.06.2019
149	OJSC Vilyuiskaya HPP-3	ГКГ 00581 ГЭ	Dolerite exploration and production at the Sourthern Area, site No. 14 ID	Exploration and production of CCM	09.09.2011	01.09.2031
150	OJSC ALROSA-Gas	ЯКУ 11144 НЭ	Gas and gas condensate production at Srednebotuobinsky oil/gas condensate field	Gas and gas condensate production	15.04.2002	31.12.2099
151	OJSC ALROSA-Gas	ЯКУ 15113 НР	Geological survey, exploration and production of raw hydrocarbons within Tektyuye site	Geological survey, exploration and production of raw hydrocarbons	01.03.2011	21.02.2036
152	MMC Timir	ЯКУ 15819 ТЭ	Geological survey, exploration and production of iron ore at the Desovskoe deposit	Geological survey, exploration and production of iron ore	10.12.2014	14.05.2034
153	MMC Timir	ЯКУ 15817 ТЭ	Geological survey, exploration and production of iron ore at the Tazhnoe deposit	Geological survey, exploration and production of iron ore	10.12.2014	31.12.2042
154	MMC Timir	ЯКУ 15820 ТЭ	Geological survey, exploration and production of iron ore at the Gorkitskoe deposit	Geological survey, exploration and production of iron ore	10.12.2014	14.05.2034
155	MMC Timir	ЯКУ 15818 ТЭ	Geological survey, exploration and production of iron ore at the Taryna-khskoe deposit	Geological survey, exploration and production of iron ore	10.12.2014	14.05.2034
156	Urengoy Gas Company LLC	СЛХ 13707 НР	Geological survey, exploration and production of raw hydrocarbons within Ust-Yamsoveysky mineral property	Geological survey and production of raw hydrocarbons	03.08.2006	15.11.2024
157	Urengoy Gas Company LLC	СЛХ 01981 ВЭ	Fresh underground water production for process water supply to exploration wells at Valanginian deposits within Ust-Yamsoveysky licensed site	Other activities	06.11.2007	31.12.2017

No.	Legal entity	License No.	License	License	Issuance date (dd/mm/yy)	Expiry date (dd/mm/yy)
158	Urengoy Gas Company LLC	СЛХ 02281 ВЭ	Fresh underground water production for potable and process water supply to Ust-Yamsoveysky licensed site	Other activities	21.12.2010	02.02.2036
159	Urengoy Gas Company LLC	СЛХ 01957 ВЭ	Fresh underground water production for potable and process water supply for pilot well production at Ust-Yamsoveysky site	Other activities	24.07.2007	15.11.2024
160	Urengoy Gas Company LLC	СЛХ 80622 ТЭ	Exploration and production of sand (Zarbeyevsky open pit mine)	Exploration and production of CCM	31.08.2009	31.12.2017
161	CJSC Geotransgaz	СЛХ 00343 НЭ	Gas production from PK1 (up to January 01, 2015), geological survey with further hydrocarbon crude production from BT9 and BT10, Beregovoy deposit	Gas production	11.08.2016	31.12.2070
162	CJSC Geotransgaz	СЛХ 02010 ВЭ	Fresh underground water production for: Underground water supply UK-PG-B (5 wells) Underground water supply UKPG-C (1 well)	Other activities	11.03.2008	01.02.2037
163	CJSC Geotransgaz	СЛХ 01875 ВЭ	Fresh underground water production for process water supply to Beregovoy NGKM cluster sites	Other activities	08.08.2006	31.12.2020
164	CJSC Geotransgaz	СЛХ 15164 ЗП	Geological survey to assess feasibility of industrial waste water injection	Other activities	16.06.2011	31.12.2018
165	CJSC Geotransgaz	СЛХ 80071 ТЭ	Exploration and production of sand (Open pit mine 156)	Exploration and production of CCM	21.03.2007	31.12.2018
166	CJSC Geotransgaz	СЛХ 80798 ТЭ	Exploration and production of peat (Open pit mine K-1)	Exploration and production of CCM	15.06.2011	31.12.2018
167	CJSC Geotransgaz	СЛХ 80114 ТЭ	Exploration and production of sand (Open pit mine K-1)	Exploration and production of CCM	04.09.2007	31.12.2019
168	CJSC Golubaya Volna Resort	КРД 01672 ВЭ	Fresh underground water production for potable and processing water supply	Other activities	15.06.2000	01.06.2020
169	LLC Lensk Town Heat and Electric Networks Enterprise	ЯКУ 03102 ВЭ	Fresh underground water production for potable and processing water supply to Almaz children's summer camp from single water well 2-81д	Other activities	18.10.2011	01.03.2022
170	LLC Lensk Town Heat and Electric Networks Enterprise	ЯКУ 02908 ВЭ	Fresh underground water production for potable and processing water supply from wells 1р, 1-82д, 3-83д, and 1-92д	Other activities	28.04.2011	01.03.2020
171	LLC Lensk Town Heat and Electric Networks Enterprise	ЯКУ 02909 ВЭ	Fresh underground water production for potable and processing water supply from wells 1-A(3), 2-A(4), 12э, and 12э*	Other activities	28.04.2011	01.07.2017

SUMMARY DATA ON THE RESULTS OF SALES OF ROUGH DIAMONDS AND POLISHED DIAMONDS

Designation	Contract value, USD mn			Excess of the contractual value over the book value (actual assessment price list), %		
	2014	2015	2016	2014	2015	2016
Rough diamond sales						
Total, ALROSA Group	4,900.6	3,437.1	4,392.1	28.2	17.0	18.7
Domestic market, including the GOKHRAN of RUSSIA	524.6	343.3	408.9	11.6	2.5	12.5
Export	4,376.0	3,093.9	3,917.6	30.6	18.9	19.7
including:						
PJSC ALROSA	3,494.1	2,561.0	3,164.2	28.3	17.3	18.6
Domestic market, including the GOKHRAN of RUSSIA	462.8	313.2	360.9	11.5	1.8	11.3
Export	3,031.4	2,247.7	2,737.7	31.3	19.9	20.0
PJSC ALROSA-NYURBA	760.4	540.3	646.6	29.4	20.2	25.6
Domestic market, including the GOKHRAN of RUSSIA	60.9	29.5	47.2	11.9	9.2	22.4
Export	699.5	510.7	599.5	31.2	20.9	25.8
JSC ALMAZY ANABARA	263.2	127.5	192.5	39.6	19.0	22.6
Domestic market, including the GOKHRAN of RUSSIA	0.5	0.2	0.6	57.6	35.7	13.2
Export	262.7	127.3	191.9	39.5	18.9	22.6
PJSC SEVERALMAZ	80.2	83.1	92.0	-0.5	-6.8	-10.3
Domestic market, including the GOKHRAN of RUSSIA	0.1	0.2	0.015	13.8	87.7	15.0
Export	80.1	83.0	92.0	-0.5	-6.9	-10.3
JSC NIZHNE-LENSKOYE	302.6	125.3	239.2	25.7	14.7	19.3
Domestic market, including the GOKHRAN of RUSSIA	0.3	0.015	0.2	170.3	34.2	4.2
Export	302.3	125.3	239.0	25.6	14.7	19.3
In addition:						
Shipment to DIAMONDS ALROSA branch	150.3	159.0	125.2	20.7	15.7	18.9
Sales of polished diamonds⁷⁴						
Total, ALROSA Group	144.4	117.3	122.3	47.1	34.2	9.9
Export	142.9	116.8	121.9	46.9	34.2	9.8
Domestic market	1.5	0.6	0.4	61.2	39.6	36.2

⁷⁴ Excess of the contract value over the book value is an excess of the contract value of polished diamonds over the selling price of the United Selling Organization (USO) for rough diamonds.

Rough diamond sales by ALROSA Group

Designation	Contract value, USD mn			Excess of the contractual value over the book value (actual assessment price list), %		
	2014	2015	2016	2014	2015	2016
Total, ALROSA Group	4,900.6	3,437.1	4,392.1	28.2	17.0	18.7
Diamond jewelry	4,754.9	3,336.7	4,316.0	25.6	15.0	18.1
Industrial diamonds including polishing powders	145.7	100.4	76.1	290.3	178.6	62.7

Rough diamond sale for export

Designation	Contract value, USD mn			Excess of the contractual value over the book value (actual assessment price list), %		
	2014	2015	2016	2014	2015	2016
Total export	4,376.0	3,093.9	3,917.6	30.6	18.9	19.7
Total diamond jewelry	4,238.7	3,002.1	3,848.0	27.8	16.8	19.5
including:						
- Market	3,441.9	2,469.0	3,256.4	21.0	11.9	15.5
- ALMAZJUVELIREXPORT (inspection lots)	264.9	159.5	221.6	17.7	2.9	8.7
- International auctions (+10.8)	531.9	373.6	370.1	114.4	78.1	86.2
Total industrial diamonds including polishing powders	137.2	91.8	69.6	301.4	183.8	

Sales of diamond jewelry in the foreign market by ALROSA Group*

Designation	Contract value, USD mn			Excess of the contractual value over the book value (actual assessment price list), %		
	2014	2015	2016	2014	2015	2016
Total market	3,441.9	2,469.0	3,256.4	21.0	11.9	15.5
Foreign enterprises	3,420.2	2,441.3	3,185.0	21.0	12.0	15.6
Enterprises of the CIS	21.7	27.7	71.4	16.6	9.5	11.0
Including:						
- Armenia	4.6	8.9	32.1	17.2	0.9	10.2
- Republic of Belarus	17.0	18.8	39.3	16.5	14.1	11.7

* Net of sales of special-size rough diamonds at international auctions. Breakdown of target figures: foreign enterprises, enterprises of the CIS (Armenia, Belarus) were not included.

Sales results at international auctions for ALROSA Group**

Designation	Contract value, USD mn			Excess of the contractual value over the book value (actual assessment price list), %		
	2014	2015	2016	2014	2015	2016
Total International auctions (+10.8 ct)	533.3	374.1	371.4	114.3	78.1	86.3
Including:						
- Russian enterprises	1.3	0.5	1.3	91.0	40.3	96.1
- Foreign enterprises	531.9	373.6	370.1	114.4	78.1	86.2

**A price ceiling for rough diamonds +10.8 ct shall be determined in accordance with the Procedure for determining the limit evaluation of special-size rough diamonds with the weight of 10.8 ct and more, established by Order of the Ministry of Finance of the Russian Federation, No. 54u as of July 20, 2001.

Sales of ALROSA Group's rough diamonds in the domestic market

Designation	Contract value, USD mn			Excess of the contractual value over the book value (actual assessment price list), %		
	2014	2015	2016	2014	2015	2016
Total domestic market*	524.6	343.3	474.4	11.6	2.5	11.4
Gem diamond*	516.2	334.6	468.0	10.5	1.0	10.7
– Including rough diamonds +10.8	1.3	0.5	1.3	91.0	40.3	96.1
Total industrial diamonds including polishing powders	8.5	8.7	6.5	169.3	133.3	108.5

* Excluding shipment to DIAMONDS ALROSA

Sales of ALROSA Group's diamond jewelry in the domestic market

Designation	Contract value, USD mn			Excess of the contractual value over the book value (actual assessment price list), %		
	2014	2015	2016	2014	2015	2016
Domestic market. ALROSA Group	516.2	334.6	468.0	10.5	1.0	10.7
Including:						
– Lapidary enterprises	516.2	334.5	402.4	10.5	1.0	11.7
– The GOKHRAN of RUSSIA		0.1	65.6		0.0	5.2
Besides, shipment to DIAMONDS ALROSA branch	150.3	159.0	125.2	20.7	15.7	18.9

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INFORMATION ON DISPOSAL OF NON-CORE ASSETS

In pursuance of the Government Decree No. 4863n-П13 dated July 07, 2016 and subject to Methodology Guidelines of the Federal Property Management Agency concerning identification and disposal of non-core assets approved by Government Order No. ИШ-П13-4065 dated July 07, 2016, the Company's Supervisory Board⁷⁶ approved a new (fourth) version of the Company's non-core asset disposal program.

⁷⁶ Minutes No. A01/247-ПП-НС dated October 04, 2016.

The program includes 12 sections that document goals, objectives, and principles of the non-core asset disposal; the procedure for non-core assets identification and assessment; description of possible asset-related actions; the principles, procedures, and methods of non-core asset sale; information and document sale support; and program implementation reporting. The Program attaches the Register of non-core assets subject to disposal that include shares (stakes) in 13 companies, 831 real property items, and 69 construction-in-progress assets. The Program defines the criteria for classifying the assets as non-core, the procedure for disposal of non-core assets and the procedure for monitoring the Program implementation.

The non-core asset register comprises three parts:

- Part I: Controlled Legal Entities;
- Part II: Register of Production (Service) Facilities as Real Estate Assets (as part of fixed assets); and
- Part III: Register of Production (Service) Facilities as Construction-in-Progress Assets.

Each Register part contains two sections: non-core assets subject to disposal and non-core assets retained by the Company.

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.

In 2016, the Company disposed of (sold, liquidated, donated, or contributed to the authorized capital) 487 assets included in the Non-Core Asset Register totaling RUB 14,369.40 mn.

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Section I. Register of non-core assets in the form

No.	Description of asset	Company's interest in the authorized capital, %	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)
1.	LLC Mirny Town Housing Enterprise	100	1,242	9112750000/ 9123750000
2.	ARCOS Ltd	78,2783	1,242	9112750000/ 9123750000
	Section 1, Total	-	-	-

Section II. Register of non-core assets

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)
1	SBO redesigned for the police	330001006995	line 1151	9125110000
2	Warehouse building	950000102801	line 1151	7640510000
3	Chlorination plant	950000102802	line 1151	7640510000
4	Land plot for waste water treatment (19,717 square meters)	950000102543	line 1151	7640510000
5	Access road to KOS	950000102804	line 1151	7640510000
6	Non-residential building (TVK utilities and drainage sewage networks)	950000102455	line 1151	7640510000
7	Utilities and HVAC systems	950000102531	line 1151	7640510000
8	Pumping station	950000102575	line 1151	7640510000
9	Lake water pressure main	950000102548	line 1151	7640510000
10	Process pipeline	950000102458	line 1151	7640510000
11	Tank pipeline discharge	950000102549	line 1151	7640510000
12	Bypass highway	950000102571	line 1151	7640510000
13	Dam approach	330001019468	line 1151	7640510000
14	River water pipeline	950000102546	line 1151	7640510000
15	On-site TVK networks	950000102551	line 1151	7640510000
16	Temporary river water main	950000102570	line 1151	7640510000
17	River water main engineering constructions	950000102547	line 1151	7640510000
18	Wastewater Treatment Plant (WTF)	950000102530	line 1151	7640510000
19	14-car garage	310001104418	line 1151	9124120000
20	14-car garage	310001104419	line 1151	9124120000
21	Unit substation building	310001104443	line 1151	9124120000
22	Open pit mine western exit road	320004068707	line 1151	9124120000
23	Switchgear substation building with electric boiler for Nadyozhny housing facility	950000104919	line 1151	7640510000
24	Pump house for heat supply building	950000104921	line 1151	7640510000
25	Building (Repair mechanical workshops)	320004066931	line 1151	9124120000
26	Dispatcher service building	320004066416	line 1151	9124120000
27	Land plot for operation of the PTES production base at Polyarny deposit (28,068 square m)	320004070106	line 1151	9124120000
28	Steel framework production workshop	320004067452	line 1151	9124120000
29	Land plot for motor depot service center No. 2 UGOK (6,326 square meters)	320004070107	line 1151	9124120000

of shares (interest in authorized capitals) of companies

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
237,932	0	-237,932	Donations to the Mirny District municipal entities
17,396	463,190	445,794	Sales at the market value
255,328	463,190	207,862	

in the form of immovable property

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
18,975	0	-18,975	The program provides for an option of donation
2,613	2,500	-112	Sales cost according to the report of market value
5,125	3,914	-1,210	Sales cost according to the report of market value
6,712	3,066	-3,646	Sales cost according to the report of market value
0	2,401	2,401	Sales cost according to the report of market value
938	40,924	39,986	Sales cost according to the report of market value
5,036	8,883	3,848	Sales cost according to the report of market value
5,680	4,127	-1,553	Sales cost according to the report of market value
0	62,534	62,534	Sales cost according to the report of market value
0	120,490	120,490	Sales cost according to the report of market value
0	6,142	6,142	Sales cost according to the report of market value
4,649	2,173	-2,476	Sales cost according to the report of market value
1,759,818	10,190	-1,749,628	Sales cost according to the report of market value
0	22,611	22,611	Sales cost according to the report of market value
48,543	37,991	-10,552	Sales cost according to the report of market value
0	19,976	19,976	Sales cost according to the report of market value
0	2,166	2,166	Sales cost according to the report of market value
0	4,269	4,269	Sales cost according to the report of market value
7,455	0	-7,455	The program provides for an action - liquidation
10,011	0	-10,011	The program provides for an action - liquidation
3,080	0	-3,080	The program provides for an action - liquidation
0	0	0	The program provides for an action - liquidation
12,304	18,429	6,124	Sales cost according to the report of market value
22,154	14,986	-7,167	Sales cost according to the report of market value
20,266	0	-20,266	The program provides for an action - liquidation
12,163	0	-12,163	The program provides for an action - liquidation
8,106	0	-8,106	The program provides for an action - liquidation
4,543	0	-4,543	The program provides for an action - liquidation
1,123	0	-1,123	The program provides for an action - liquidation

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)
30	Land plot for UGOK pump station and oil product collection at Polyarny deposit (12,123 sq. m)	320004070109	line 1151	9124120000
31	Land plot for TVK networks, Polyarny village (9,086 sq. m)	320004070110	line 1151	9124120000
32	Utilities and HVAC systems, Sewage pumping station	950000104940	line 1151	7640510000
33	Land plot for the sewage pumping station	950000104968	line 1151	7640510000
34	Underground water main from the Sytykan River reservoir to OF 12	320004066336	line 1151	7640510000
35	UTILITIES AND HVAC SYSTEMS (NETWORKS OF THE WATER SUPPLY)	950000104944	line 1151	7640510000
36	WATER PIPELINE FROM STAGE 2 TO NADYOZHNY DEPOSIT	950000104948	line 1151	7640510000
37	Utilities and HVAC systems (networks of the heat supply)	950000104943	line 1151	7640510000
38	BUILDING (STAGE 2 PUMPING STATION)	950000104914	line 1151	7640510000
39	CLEAR WATER TANK 700 CUB. M	950000104945	line 1151	7640510000
40	CLEAR WATER TANK 700 CUB. M	950000104946	line 1151	7640510000
41	Land plot for stage 2 pumping station in the Nadyozhny district stage	950000104965	line 1151	7640510000
42	WATER MAIN	950000104947	line 1151	7640510000
43	Land plot for underground water main from the Sytykan reservoir to F 12 (two lines)	320004070112	line 1151	7640510000
44	SEWAGE PUMPING STATION	950000104925	line 1151	7640510000
45	CLEAR WATER TANK, V = 5000 M3	950000104942	line 1151	7640510000
46	WATER PIPELINE TREATMENT STATION	950000104926	line 1151	7640510000
47	CHLORINATION BUILDING (WATER TREATMENT STATION)	950000104927	line 1151	7640510000
48	PUMP HOUSE BUILDING (WATER TREATMENT STATION)	950000104928	line 1151	7640510000
49	CLEAR WATER TANK, V = 5000 M3	950000104962	line 1151	7640510000
50	Udachny WTS SALT WAREHOUSE	950000104929	line 1151	7640510000
51	Land plot for the water treatment station, 18,154 sq. m	950000104964	line 1151	7640510000
52	WATER PIPELINE UTILITIES	950000104949	line 1151	7640510000
53	SEWERAGE SYSTEM	950000104950	line 1151	7640510000
54	IN-SIDE WATER PIPELINE UTILITIES	950000104932	line 1151	7640510000
55	IN-SIDE SEWERAGE SYSTEM	950000104934	line 1151	7640510000
56	SALT WAREHOUSE	950000104931	line 1151	7640510000
57	TP-103 building, residential house 72, residential group 3	32000010887	line 1151	9125110000
58	TRANSFORMER SUBSTATION BUILDING 2X630 KW 104	320004068954	line 1151	9125110000
59	Land Plot for Transformer Substation	320004070104	line 1151	9125110000
60	Land plot (production base of UGRP)	520000999698	line 1151	9125110000
61	Indoor switch gear - 6 KV	712001470528	line 1151	9125110000
62	Land plot for operation of service building	712001470745	line 1151	9125110000
63	Hydro-Assemble Office	712001468941	line 1151	7640510000
64	Production workshops	712001468856	line 1151	7640510000
65	Machine Workshop	712001468858	line 1151	7640510000
66	Turning Shop	712001468935	line 1151	7640510000
67	Temporary not-heated warehouse (No.1, No.2)	712001468940	line 1151	7640510000
68	Hydro-Assemble Shops	712001468942	line 1151	7640510000
69	Smith's shop	712001468934	line 1151	7640510000
70	Open spider crane site	712001468938	line 1151	7640510000
71	Land plot for operation of metal items warehouse	712001469231	line 1151	7640510000

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
3,284	0	-3,284	The program provides for an action - liquidation
3,132	0	-3,132	The program provides for an action - liquidation
0	12,551	12,551	Sales cost according to the report of market value
513	522	9	Sales cost according to the report of market value
61,826	30,419	-31,407	Sales cost according to the report of market value
0	4,435	4,435	Sales cost according to the report of market value
0	22,997	22,997	Sales cost according to the report of market value
876	9,458	8,582	Sales cost according to the report of market value
4,643	4,267	-376	Sales cost according to the report of market value
109	774	665	Sales cost according to the report of market value
63	774	711	Sales cost according to the report of market value
-1,696	3,066	-1,370	Sales cost according to the report of market value
95,106	23,525	-71,580	Sales cost according to the report of market value
12	80	68	Sales cost according to the report of market value
7,827	8,258	431	Sales cost according to the report of market value
7,526	7,054	-471	Sales cost according to the report of market value
12,618	53,302	40,683	Sales cost according to the report of market value
15,644	4,062	-11,582	Sales cost according to the report of market value
13,836	10,517	-3,319	Sales cost according to the report of market value
0	2,859	2,859	Sales cost according to the report of market value
31,615	4,586	-27,030	Sales cost according to the report of market value
3,616	7,220	3,604	Sales cost according to the report of market value
354	2,195	1,841	Sales cost according to the report of market value
0	3,935	3,935	Sales cost according to the report of market value
0	4,186	4,186	Sales cost according to the report of market value
0	709	709	Sales cost according to the report of market value
4,614	6,705	2,092	Sales cost according to the report of market value
1,497	0	-1,497	The program provides for an option of donation
15,728	0	-15,728	The program provides for an option of donation
55	0	-55	The program provides for an option of donation
8,435	0	-8,435	The program provides for an action - liquidation
1,755	0	-1,755	The program provides for an action - liquidation
252	0	-252	The program provides for an action - liquidation
2,258	2,436	177	Sales cost according to the report of market value
1,269	2,705	1,436	Sales cost according to the report of market value
812	1,880	1,069	Sales cost according to the report of market value
1,213	1,375	162	Sales cost according to the report of market value
0	573	573	Sales cost according to the report of market value
14,758	20,104	5,346	Sales cost according to the report of market value
838	412	-426	Sales cost according to the report of market value
269	438	169	Sales cost according to the report of market value
7,634	3,171	-4,463	Sales cost according to the report of market value

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)
72	Coating materials warehouse	712001468865	line 1151	9123110000
73	Equipment Heated Warehouse	712001468872	line 1151	9123110000
74	Passenger cars garage	712000000220	line 1151	9123110000
75	Heated warehouse	712001468864	line 1151	9123110000
76	Administration Building	712001468869	line 1151	9123110000
77	Open warehouse with spider crane	712001468870	line 1151	9123110000
78	Not-heated warehouse	712001468873	line 1151	9123110000
79	Heated parking garage	712001468874	line 1151	9123110000
80	Outside transformer substation building	712001468867	line 1151	9123110000
81	Land plot for the Production and Processing Equipment Division (52,243 sq m)	712001469815	line 1151	9123110000
82	Office and amenities building (former office of the Botuobinskaya exploration expedition)	712001469127	line 1151	9124120000
83	Land plot for operation of the administration and amenity building (Botuobinskaya exploration expedition office) 1314 m	712001469228	line 1151	9124120000
84	Crushing-and-sorting building	712000000134	line 1151	9124120000
85	Silicate shop	712001470220	line 1151	9124120000
86	Recreation Room	712001470221	line 1151	9124120000
87	Open site for the column cranes	712001470247	line 1151	9124120000
88	Land plot for the silicate shop SGMP (23,863 sq m)	712001470744	line 1151	9124120000
89	Land plot for the heated parking facility	710000017368	line 1151	9125110000
90	Heated parking	710000017280	line 1151	9124120000
91	Heating and water supply utilities	710000017306	line 1151	9125110000
92	Site for the prefab reinforced concrete	710000017289	line 1151	9125110000
93	Building for the assembly shop	710000017282	line 1151	9125110000
94	Molding shop	710000017292	line 1151	9125110000
95	Finished goods warehouse	710000017295	line 1151	9125110000
96	Concrete mixing plant building	710000017283	line 1151	9125110000
97	Plaster production building	710000017284	line 1151	9125110000
98	Finished goods warehouse	710000017288	line 1151	9125110000
99	AH-38-100 RA-41904	831000012025	line 1151	6211400100
100	AH-38-100 RA-41907	831000027027	line 1151	6211400100
101	MI-8 RA-24692	831000033029	line 1151	9123110000
102	MI-8 RA-25333	831000033031	line 1151	9123110000
103	MI-8 RA-24417	831000033055	line 1151	9123110000
104	AH-24 RA-46488	831000033063	line 1151	9123110000
105	AH-24 RA-46621	831000033064	line 1151	9123110000
106	AH-24 RA-47694	831000033065	line 1151	9123110000
107	AH-26 RA-26668	831000033069	line 1151	9123110000
108	MI-8 RA-25313	831000033073	line 1151	9123110000
109	MI-8 RA-22744	831000033074	line 1151	9123110000
110	MI-8 RA-25376	831000033075	line 1151	9123110000
111	MI-8 RA-22899	831000033076	line 1151	9123110000
112	MI-8 RA-24435	831000033077	line 1151	9123110000

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
1,088	3,169	2,081	Sale price as per market value report including extra charge for installment payment
2,567	2,768	201	Sale price as per market value report including extra charge for installment payment
1,155	1,424	269	Sale price as per market value report including extra charge for installment payment
4,596	10,706	6,110	Sale price as per market value report including extra charge for installment payment
17,730	5,336	-12,394	Sale price as per market value report including extra charge for installment payment
24,763	3,347	-21,416	Sale price as per market value report including extra charge for installment payment
1,383	3,943	2,560	Sale price as per market value report including extra charge for installment payment
1,833	4,934	3,101	Sale price as per market value report including extra charge for installment payment
72	391	319	Sale price as per market value report including extra charge for installment payment
29,551	5,146	-24,405	Sale price as per market value report including extra charge for installment payment
7,314	0	-7,314	The program provides for an action - liquidation
278	0	-278	The program provides for an action - liquidation
3,624	0	-3,624	The program provides for an action - liquidation
563,970	0	-563,970	The program provides for an action - liquidation
35,575	0	-35,575	The program provides for an action - liquidation
4,694	0	-4,694	The program provides for an action - liquidation
8,124	0	-8,124	The program provides for an action - liquidation
11	100	89	Sale without price disclosed
0	0	0	The program provides for an action - liquidation
529	0	-529	The program provides for an action - liquidation
3,514	0	-3,514	The program provides for an action - liquidation
19,604	0	-19,604	The program provides for an action - liquidation
50,336	0	-50	The program provides for an action - liquidation
8,094	0	-8,094	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
8,668	3,750	-4,918	Sales cost according to the report of market value
25,275	8,361	-16,914	Sales cost according to the report of market value
0	1,710	1,710	Sales cost according to the report of market value
0	4,278	4,278	Sales cost according to the report of market value
4,535	6,527	1,992	Sales cost according to the report of market value
0	2,181	2,181	Sales cost according to the report of market value
0	837	837	Sales cost according to the report of market value
0	2,750	2,750	Sales cost according to the report of market value
3,122	2,441	-682	Sales cost according to the report of market value
0	2,920	2,920	Sales cost according to the report of market value
0	1,482	1,482	Sales cost according to the report of market value
0	1,814	1,814	Sales cost according to the report of market value
0	2,618	2,618	Sales cost according to the report of market value
25	3,648	3,623	Sales cost according to the report of market value

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)
113	МИ-8 RA-24451	831000033078	line 1151	9123110000
114	МИ-8 RA-24257	831000033079	line 1151	9123110000
115	МИ-8 RA-22879	831000033080	line 1151	9123110000
116	МИ-8 RA-24741	831000033081	line 1151	9123110000
117	МИ-8 RA-22731	831000033084	line 1151	9123110000
118	МИ-8 RA-24564	831000033085	line 1151	9123110000
119	МИ-8 RA-24536	831000033086	line 1151	9123110000
120	МИ-8 RA-22902	831000033087	line 1151	9123110000
121	МИ-8 RA-24256	831000033089	line 1151	9123110000
122	ИЛ-76 ТД RA-76360	831000034750	line 1151	9123110000
123	ИЛ-76 ТД RA-76420	831000034748	line 1151	9123110000
124	АН-2 RA-84583	831000029922	line 1151	9123110000
125	АН-2 RA-40642	831000033094	line 1151	9123110000
126	АН-2 RA-02522	831000033095	line 1151	9123110000
127	МИ-26 RA-06081	831000034745	line 1151	9123110000
128	ТУ-154М RA-85654	831000034757	line 1151	9123110000
129	ТУ-154М RA-85684	831000034753	line 1151	9123110000
130	Land plot for the boiler station	810007001315	line 1151	7640510000
131	External electric power supply Oyunskiy str 28 A -0.4 km	810007000516	line 1151	9125110000
132	Parking garage Obyezdnaya str 12/2	810001201319	line 1151	9123110000
133	Land plot Lensk, Obyezdnaya str 12/2 (under the parking garage) 1,647 sq m	810000046189	line 1151	9123110000
134	Transformer substation No.1 outside transformer substation building 2x400 kVA 6/0,4 kV	810007004008	line 1151	9125110000
135	Transformer substation No.2 outside transformer substation building 2x250 kVA 6/0,4 kV	810007004010	line 1151	9125110000
136	Transformer substation No.4 outside transformer substation building 2x250 kVA 6/0,4 kV	810007004012	line 1151	9125110000
137	Transformer substation No.5 outside transformer substation building 2x400 kVA 6/0,4 kV	810007004013	line 1151	9125110000
138	Transformer substation No.6 outside transformer substation building 2x400 kVA 6/0,4 kV	810007004014	line 1151	9125110000
139	Transformer substation No.7 outside transformer substation building 2x400 kVA 6/0,4 kV	810007004016	line 1151	9125110000
140	Off-site utilities ВЛ-6 kV-5.83km	810007004017	line 1151	9125110000
141	Off-site utilities ВЛ-0.4 kV-5.158km	810007004018	line 1151	9125110000
142	Off-site utilities КЛ-6 kV-1.38km	810007001441	line 1151	9125110000
143	On-site utilities КЛ-0.4 kV-8.48km	810007001442	line 1151	9125110000
144	Saardana transformer substation 2x400 kVA - 6/0.4 kV 6/0.4 kV	810000042839	line 1151	9125110000
145	Car check point in Ebelyakh	9520211	line 1151	9123110000
146	Land plot for the production facilities and car check point (7,076.77 sq m)	9520673	line 1151	9123110000
147	Car check point boiler building in Olenek	9520256	line 1151	9125110000
148	Car transit car check point in Olenek	9520257	line 1151	9125110000
149	A ten-car garage in car check point in Olenek	9520258	line 1151	9125110000
150	Pipeline inlet to house 28	950000096758	line 1151	7640510000
151	Gate utilities connection to public bath house	950000097386	line 1151	7640510000

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
0	3,857	3,857	Sales cost according to the report of market value
27,482	4,154	-23,328	Sales cost according to the report of market value
0	2,618	2,618	Sales cost according to the report of market value
0	3,054	3,054	Sales cost according to the report of market value
0	3,118	3,118	Sales cost according to the report of market value
0	5,786	5,786	Sales cost according to the report of market value
0	5,786	5,786	Sales cost according to the report of market value
0	5,786	5,786	Sales cost according to the report of market value
24,361	4,335	-20,026	Sales cost according to the report of market value
0	9,844	9,844	Sales cost according to the report of market value
0	13,849	13,849	Sales cost according to the report of market value
401	15	-386	Sales cost according to the report of market value
359	318	-41	Sales cost according to the report of market value
0	15	15	Sales cost according to the report of market value
0	594	594	Sales cost according to the report of market value
0	150	150	Sales cost according to the report of market value
0	300	300	Sales cost according to the report of market value
1,384	1,395	11	Sales cost according to the report of market value
0	0	0	The program provides for an option of donation
3,902	522	-3,380	Sales cost according to the report of market value
50	544	494	Sales cost according to the report of market value
0	0	0	The program provides for an option of donation
0	0	0	The program provides for an option of donation
0	0	0	The program provides for an option of donation
0	0	0	The program provides for an option of donation
0	0	0	The program provides for an option of donation
0	0	0	The program provides for an option of donation
1,031	0	-1,031	The program provides for an option of donation
740	0	-740	The program provides for an option of donation
561	0	-561	The program provides for an option of donation
758	0	-758	The program provides for an option of donation
2,060	0	-2,060	The program provides for an option of donation
1,149	852	-297	Sales cost according to the report of market value
339	363	24	Sales cost according to the report of market value
2,255	0.00	-2,255	The program provides for an option of donation
2,687	0.00	-2,687	The program provides for an option of donation
1,562	0.00	-1,562	The program provides for an option of donation
730	16,941	16,210	Sales cost according to the report of market value
34,278	41,916	7,638	Sales cost according to the report of market value

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)
152	Fifth district pipe manifold (Pipeline inlet to house 11)	950000098103	line 1151	7640510000
153	FILTRATION FACILITIES WATER TREATMENT STATION	950000100455	line 1151	7640510000
154	WAREHOUSE FOR WATER TREATMENT STATION MATERIALS	950000100456	line 1151	7640510000
155	Second stage pumping station	950000100460	line 1151	7640510000
156	FACILITIES FOR CHEMICAL WATER TREATMENT STATION	950000100468	line 1151	7640510000
157	BUILDING FOR THE CHLORATING EQUIPMENT	950000100469	line 1151	7640510000
158	Clear water tank WTS (Wastewater treatment plants)	950000100486	line 1151	7640510000
159	Clear water tank WTS (Wastewater treatment plants)	950000100483	line 1151	7640510000
160	LAND PLOT FOR OPERATION OF WTS (22,076 sq m)	950000100409	line 1151	7640510000
161	SEWAGE PUMPING STATION MUAD	950000080299	line 1151	7640510000
162	SECOND STAGE PUMPING STATION	950000100454	line 1151	7640510000
163	LAND PLOT FOR OPERATION OF SECOND STAGE PUMPING STATION (143 sq m)	950000100414	line 1151	7640510000
164	PUMPING STATION WITH SEWAGE WATER TANKS AND MINERALIZER	950000101299	line 1151	7640510000
165	LAND PLOT FOR OPERATION OF BIOLOGICAL TREATMENT UNIT (20,333 sq m)	950000100420	line 1151	7640510000
166	LAND PLOT FOR OPERATION OF FIRST STAGE PUMPING STATION (37,759 sq m)	950000100417	line 1151	7640510000
167	FIRST STAGE PUMPING STATION	950000100459	line 1151	7640510000
168	POWER SUPPLY TO SECURITY POST AND ELECTRICITY CONSUMPTION FACILITIES	950000100502	line 1151	7640510000
169	WATER MAINS FROM WC-3 TO WTS	950000100513	line 1151	7640510000
170	LAND PLOT FOR OPERATION OF THE WATER MAINS FROM WC-3 TO WTS (4,646 sq m)	950000100426	line 1151	7640510000
171	THIRD STAGE PUMPING STATION BUILDING	950000100475	line 1151	7640510000
172	3000 cub. m Tank	950000100918	line 1151	7640510000
173	LAND PLOT FOR OPERATION OF THIRD STAGE PUMPING STATION (13,232 sq m)	950000100429	line 1151	7640510000
174	"SCHOOL 8" SEWAGE PUMPING STATION	950000100843	line 1151	7640510000
175	LAND PLOT FOR OPERATION OF "SCHOOL 8" SEWAGE PUMPING STATION (149 sq m)	950000100432	line 1151	7640510000
176	OFF-SITE UTILITIES AND SEWAGE STRUCTURES OF RESIDENTIAL DISTRICT 24 (24kv) -SEWAGE PUMPING STATION 24kv	950000100497	line 1151	7640510000
177	TREATED WATER DISCHARGE TO THE IRELYAH RIVER	950000100495	line 1151	7640510000
178	OFF-SITE UTILITIES AND SEWAGE STRUCTURES 24kv-BIOLOGICAL TREATMENT UNIT	950000100498	line 1151	7640510000
179	STREET LIGHTING OF DISTRICT 24kv	950000100514	line 1151	9125110000
180	STRUCTURE (ENGINEERING UTILITIES LENINGRADSKY PR. FACTORY No. 7	950000100519	line 1151	7640510000
181	BUILDING OF SEWAGE PUMPING STATION, 24kv (SEWAGE PUMPING STATION)	950000100849	line 1151	7640510000
182	SEWAGE PUMPING STATION, No.3 MIR MINE	950000101060	line 1151	7640510000
183	OFF-SITE SEWAGE UTILITIES FROM SEWAGE PUMPING STATION No.3 TO t.18	950000101061	line 1151	7640510000
184	COLLECTOR UTILITIES TO HOUSE No.2 PROEZD STROITELEY	950000101145	line 1151	7640510000
185	Outside heat and water supply utilities, and sewage facilities	950000101980	line 1151	7640510000
186	TRANSFORMER SUBSTATION (ТП С ПП-10кV 7KV)	950000098104	line 1151	9125110000
187	TRANSFORMER SUBSTATION BUILDING, THIRD DISTRICT	950000100011	line 1151	9125110000

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
0	88,062	88,062	Sales cost according to the report of market value
192,378	52,829	-139,549	Sales cost according to the report of market value
0	639	639	Sales cost according to the report of market value
8,989	7,296	-1,692	Sales cost according to the report of market value
27,457	28,558	1,101	Sales cost according to the report of market value
28,502	2,216	-26,286	Sales cost according to the report of market value
8,861	838	-8,024	Sales cost according to the report of market value
0	838	838	Sales cost according to the report of market value
16,885	9,340	-7,544	Sales cost according to the report of market value
0	2,047	2,047	Sales cost according to the report of market value
10,656	3,397	-7,259	Sales cost according to the report of market value
10	61	51	Sales cost according to the report of market value
59,899	34,702	-25,197	Sales cost according to the report of market value
11,289	8,603	-2,686	Sales cost according to the report of market value
2,607	15,976	13,368	Sales cost according to the report of market value
8,753	14,247	5,495	Sales cost according to the report of market value
60	400	340	Sales cost according to the report of market value
4,607	58,817	54,210	Sales cost according to the report of market value
1,135	1,966	830	Sales cost according to the report of market value
55,972	22,896	-33,075	Sales cost according to the report of market value
57	8,351	8,294	Sales cost according to the report of market value
11,531	5,598	-5,933	Sales cost according to the report of market value
1,833	4,202	2,369	Sales cost according to the report of market value
70	63	-7	Sales cost according to the report of market value
11,682	29,212	17,530	Sales cost according to the report of market value
15,761	16,594	833	Sales cost according to the report of market value
11,682	30,366	18,684	Sales cost according to the report of market value
1,350	0	-1,350	The program provides for an option of donation
1,737	1,328	-409	Sales cost according to the report of market value
123,383	14,084	-109,299	Sales cost according to the report of market value
2,174	3,688	1,514	Sales cost according to the report of market value
112,102	87,823	-24,280	Sales cost according to the report of market value
13,379	15,949	2,570	Sales cost according to the report of market value
5,820	9,321	3,501	Sales cost according to the report of market value
4,832	0	-4,832	The program provides for an option of donation
1,503	0	-1,503	The program provides for an option of donation

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)
188	TRANSFORMER SUBSTATION No.61	950000100477	line 1151	9125110000
189	LAND PLOT FOR OPERATION OF TRANSFORMER SUBSTATION No.61 (140 sq m)	950000100430	line 1151	9125110000
190	TRANSFORMER SUBSTATION No.63	950000100557	line 1151	9125110000
191	LAND PLOT FOR OPERATION OF TRANSFORMER SUBSTATION No.63 (100 sq m)	950000100437	line 1151	9125110000
192	TRANSFORMER SUBSTATION No.64 TM-630	950000100920	line 1151	9125110000
193	LAND PLOT FOR OPERATION OF TRANSFORMER SUBSTATION No.64 (247 sq m)	950000100444	line 1151	9125110000
194	TRANSFORMER SUBSTATION No.66	950000100571	line 1151	9125110000
195	LAND PLOT FOR OPERATION OF TRANSFORMER SUBSTATION No.66 (216 sq m)	950000100442	line 1151	9125110000
196	TRANSFORMER SUBSTATION No.68	950000100921	line 1151	9125110000
197	LAND PLOT FOR OPERATION OF TRANSFORMER SUBSTATION No.68 (363 sq m)	950000100443	line 1151	9125110000
198	TRANSFORMER SUBSTATION	950000101050	line 1151	9125110000
199	TRANSFORMER SUBSTATION BUILDING IN DISTRICT 7 (2*630 KV)	950000100010	line 1151	9125110000
200	CABLE POWER LINE 10kV	950000100506	line 1151	7640510000
201	Maintenance and repairs shop (Mukhtuyskaya str)	0000991	line 1151	9123110000
202	Personnel office, Housing and Utilities Services, Housing and Utilities Administration Office Building Dzerzhinskogo str. 34a	810007495422	line 1151	9123110000
203	Land plot for Personnel office and Housing and Utilities Services S=2,271 sq m Dzerzhinskogo str. 34a	810007495423	line 1151	9123110000
204	Post office Baykalova str.10, bld.1 Almazny	970000113412	line 1151	9123110000
205	Security guards premises, Baykalova str.10, bld.1 Almazny	970000113410	line 1151	9123110000
206	Sberbank branch at Baykalova str.10, bld.1 Almazny	970000113411	line 1151	9123110000
207	Library at Baykalova str.10, bld.1 Almazny	970000113409	line 1151	9123110000
208	Sauna building, non-residential premises	970000113418	line 1151	9125110000
209	Bank of Russia premises at Sovetskaya str. 2a, non-residential premises	970000113423	line 1151	9124120000
210	Oktyabrskaya str. 17, non-residential building	970000113421	line 1151	9124120000
211	Hotel at Gagarina str. 19, non-residential premises	970000113419	line 1151	9124120000
212	Medical supplies warehouse	310001094211	line 1151	9125110000
213	Car check point Office Building in Olenek	9520259	line 1151	9125110000
214	Land plot for operation of the car check point (45,000 sq m)	9520667	line 1151	9125110000
215	Office space (S= 73.0 sq m)	230000000237	line 1151	9123110000
216	Office space (S= 72.4 sq m)	230000000269	line 1151	9123110000
217	Office space (S= 66.6 sq m)	230000000270	line 1151	9123110000
218	Office space (S= 66.4 sq m)	230000000273	line 1151	9123110000
219	Hotel premises (S total= 350.2 sq m)	230000000066	line 1151	9125110000
220	Land plot cadastral number 57:06:0370101:0038 (S=7,779 sq m)	230000000088	line 1151	9125110000
221	Covered parking (S= 231.3 sq m)	230000000083	line 1151	9125110000
222	Land plot cadastral number 57:06:0370101:0045 (S=1,004 sq m)	230000000090	line 1151	9125110000
223	Pond with a dam (S total= 2.1 ha)	230000000067	line 1151	9125110000
224	Land plot cadastral number 57:06:0370101:0040 (S=55,127 sq m)	230000000072	line 1151	9125110000
225	Green house (S total= 221.4 sq m)	230000000084	line 1151	9125110000
226	Land plot for the Sardaana transformer substation at Ordzhonikidze str. 7v	810007001313	line 1151	9125110000

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
1,961	0	-1,961	The program provides for an option of donation
137	0	-137	The program provides for an option of donation
994	0	-994	The program provides for an option of donation
98	0	-98	The program provides for an option of donation
2,445	0	-2,445	The program provides for an option of donation
242	0	-242	The program provides for an option of donation
381	0	-381	The program provides for an option of donation
212	0	-212	The program provides for an option of donation
851	0	-851	The program provides for an option of donation
356	0	-356	The program provides for an option of donation
30,501	0	-30,501	The program provides for an option of donation
2,108	0	-2,108	The program provides for an option of donation
204	12,740	12,536	Sales cost according to the report of market value
34,862	1,337	-33,525	Sales cost according to the report of market value
10,465	6,156	-4,309	Sale at a 30% discount from the market value
631	568	-63	Sale at a 30% discount from the market value
27,731	6,786	-20,945	Sales cost according to the report of market value
7,021	1,718	-5,303	Sales cost according to the report of market value
16,005	3,917	-12,088	Sales cost according to the report of market value
21,821	5,340	-16,481	Sales cost according to the report of market value
11,737	0	-11,737	The program provides for an option of donation
1,745	0	-1,745	The program provides for an action - liquidation
6,836	0	-6,836	The program provides for an action - liquidation
6,012	0	-6,012	The program provides for an action - liquidation
1,614	0	-1,614	The program provides for an option of donation
804	0.00	-804	The program provides for an option of donation
628	0.00	-628	The program provides for an option of donation
2,448	3,090	642	Sales cost according to the report of market value
2,406	3,419	1,013	Sales cost according to the report of market value
2,214	3,145	931	Sales cost according to the report of market value
2,209	2,806	597	Sales cost according to the report of market value
10,204	0	-10,204	The program provides for an option of donation
86	0	-86	The program provides for an option of donation
1,789	0	-1,789	The program provides for an option of donation
5	0	-5	The program provides for an option of donation
2,600	0	-2,600	The program provides for an option of donation
304	0	-304	The program provides for an option of donation
393	0	-393	The program provides for an option of donation
53	0	-53	The program provides for an option of donation

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)
227	Central Dispatch Service Building in the town of Lensk	820009520286	line 1151	9123110000
228	Land plot for Central Dispatch Service and 30 car parking (5,374 sq m)	820009520660	line 1151	9123110000
229	Radioactive materials warehouse	510000297060	line 1151	9124120000
230	Building & Construction Department Office	510000297053	line 1151	9124120000
231	Boiler station	510000297061	line 1151	9124120000
232	CAR REPAIR SHOP	310001104432	line 1151	9124120000
233	PUMP HOUSE BUILDING	950000106547	line 1151	7640510000
234	Sewage pumping station, the town of Mirny	950000106562	line 1151	7640510000
235	Land plot for utility (sewage) equipment	950000106563	line 1151	7640510000
236	Residential facility and a hotel	833000033191	line 1151	9123110000
237	Pumping station	833000030874	line 1151	9123110000
238	MUAD HEAT STATION	950000100809	line 1151	7640510000
239	Land plot for MUAD heat station (8,390 sq. m)	950000105189	line 1151	7640510000
240	BUILDING OF BOILER 1	950000100461	line 1151	7640510000
241	LAND PLOT FOR OPERATION OF BOILER 1 (1,942 sq m)	950000100427	line 1151	7640510000
242	READY-MADE FINNISH SHOPS	950000100464	line 1151	7640510000
243	Land plot for utility section (11,275 sq. m)	950000105188	line 1151	7640510000
244	Heat and water supply mains (heat station connection)	950000102172	line 1151	7640510000
245	Heat unit	950000102173	line 1151	7640510000
246	LAND PLOT FOR OPERATION OF TP 9Q FACILITY (1,739 sq. m)	950000100422	line 1151	7640510000
247	Heat and water supply networks from UT-6 to UT-7	950000102264	line 1151	7640510000
248	Collector utilities from UT-6 to UT-7	950000102265	line 1151	7640510000
249	On-site utilities TVK	950000102402	line 1151	7640510000
250	Off-site utilities TVK	950000102403	line 1151	7640510000
251	Transformer substation	950000102404	line 1151	7640510000
252	Heat unit	950000102405	line 1151	7640510000
253	OFF-SITE UTILITIES DISTRICT 3 FROM TK-12 TO TK-13	950000002007	line 1151	7640510000
254	HEAT SUPPLY MAINS TO MIR DEPOSIT FROM TK-1 TO TK-12	950000002013	line 1151	7640510000
255	HEAT MAINS FROM TK-13 TO UP6	950000002014	line 1151	7640510000
256	HEAT MAINS TK1A MIR Mine	950000002015	line 1151	7640510000
257	HEAT MAINS FROM UP6 TO PNS AND FROM PNS TO A	950000002016	line 1151	7640510000
258	OFF-SITE UTILITIES MIR mine	950000097198	line 1151	7640510000
259	HEAT UNIT 13(TK13)	950000099533	line 1151	7640510000
260	HEAT MAINS BUILDING PNS	950000099534	line 1151	7640510000
261	HEAT NETWORK FACILITY	950000100520	line 1151	7640510000
262	PNS HEAT STATION (BOOSTER PUMPING PLANT)	950000100621	line 1151	7640510000
263	LAND PLOT FOR TVK UTILITIES from TK-2 to KNS24Q (20,638 sq. m)	950000100434	line 1151	7640510000
264	HEAT UNIT 3	950000100855	line 1151	7640510000
265	NORTH-WESTERN BOILER (SVK) STEAM MAIN PLANT 3	950000100845	line 1151	7640510000
266	LAND PLOT FOR OFF-SITE NETWORK AND BUILDINGS from SVK to F3 (8,559 sq.m)	950000100436	line 1151	7640510000
267	PARKING GARAGE	950000000156	line 1151	7640510000
268	PIPE MANIFOLD, DISTRICT 24	950000002012	line 1151	7640510000
269	PIPE MANIFOLD, DISTRICT 25	950000025005	line 1151	7640510000

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
7,860	2,957	-4,902	Sale at a 40% discount from the market value and extra charge on installments
881	1,336	456	Sale at a 40% discount from the market value and extra charge on installments
2,426	0	-2,426	The program provides for an action - liquidation
2,089	0	-2,089	The program provides for an action - liquidation
2,111	0	-2,111	The program provides for an action - liquidation
17,281	0	-17,281	The program provides for an action - liquidation
0	569	569	Sales cost according to the report of market value
42,194	49,395	7,201	Sales cost according to the report of market value
667	643	-24	Sales cost according to the report of market value
32,929	118	-32,811	Sale without price disclosed
437	172	-265	Sales cost according to the report of market value
2,222	6,671	4,449	Sales cost according to the report of market value
1,831	3,550	1,719	Sales cost according to the report of market value
8,127	22,118	13,990	Sales cost according to the report of market value
939	822	-117	Sales cost according to the report of market value
20,409	11,087	-9,323	Sales cost according to the report of market value
7,685	4,770	-2,915	Sales cost according to the report of market value
5,836	5,635	-201	Sales cost according to the report of market value
22,365	11,908	-10,457	Sales cost according to the report of market value
1,809	736	-1,074	Sales cost according to the report of market value
15,385	3,942	-11,443	Sales cost according to the report of market value
10,890	23,296	12,406	Sales cost according to the report of market value
22,588	9,301	-13,287	Sales cost according to the report of market value
91,584	47,844	-43,739	Sales cost according to the report of market value
11,143	3,526	-7,617	Sales cost according to the report of market value
32,196	17,061	-15,136	Sales cost according to the report of market value
9,110	17,750	8,640	Sales cost according to the report of market value
31,021	54,296	23,274	Sales cost according to the report of market value
5,448	17,741	12,292	Sales cost according to the report of market value
657	1,841	1,184	Sales cost according to the report of market value
14,769	25,119	10,350	Sales cost according to the report of market value
21,474	64,415	42,941	Sales cost according to the report of market value
206	1,261	1,056	Sales cost according to the report of market value
2,215	7,727	5,512	Sales cost according to the report of market value
104	39,998	39,894	Sales cost according to the report of market value
2,076	5,404	3,328	Sales cost according to the report of market value
13,937	8,732	-5,206	Sales cost according to the report of market value
666	32,691	32,025	Sales cost according to the report of market value
19,808	14,786	-5,022	Sales cost according to the report of market value
5,097	3,621	-1,476	Sales cost according to the report of market value
0	36,058	36,058	Sales cost according to the report of market value
0	78,618	78,618	Sales cost according to the report of market value
0	50,457	50,457	Sales cost according to the report of market value

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)
270	UVKH BASE	950000080553	line 1151	7640510000
271	HEAT UNIT AT OPEN PIT MINE MIR	950000095982	line 1151	7640510000
272	HEAT STATION, DISTRICT 3	950000096209	line 1151	7640510000
273	CONNECTED UTILITIES OF DISTRICT 7	950000098102	line 1151	7640510000
274	SALT WAREHOUSE	950000098220	line 1151	7640510000
275	SMOKE STACK	950000098221	line 1151	7640510000
276	BUFFER TANK 1,000 CUB M	950000098222	line 1151	7640510000
277	SVK MAIN OFFICE BUILDING	950000100472	line 1151	7640510000
278	ABK BUILDING AND SVK GALLERY	950000100473	line 1151	7640510000
279	PUMP STATION BUILDING	950000100474	line 1151	7640510000
280	LAND PLOT FOR OPERATION OF SVK (32,296 sq. m)	950000100418	line 1151	7640510000
281	REPAIR MECHANICAL WORKSHOPS	950000100458	line 1151	7640510000
282	LAND PLOT FOR OPERATION OF RMM (4,038 sq. m)	950000100410	line 1151	7640510000
283	HEAT STATION AND PUMPING STATION, DISTRICT 23	950000100466	line 1151	7640510000
284	LAND PLOT FOR HEAT STATION AND PUMPING STATION, DISTRICT 23 (689 sq. m)	950000100411	line 1151	7640510000
285	HEAT STATION, DISTRICT 2	950000100476	line 1151	7640510000
286	LAND PLOT FOR OPERATION OF HEAT SUPPLY UNIT (467 sq. m)	950000100412	line 1151	7640510000
287	HEAT SUPPLY MAIN FROM BIOLOGICAL TREATMENT UNIT TO MUAD HEAT STATION	950000100812	line 1151	7640510000
288	LAND PLOT FOR OPERATION OF HEAT SUPPLY MAIN FROM BIOLOGICAL TREATMENT UNIT TO MUAD HEAT STATION (2,124 sq m)	950000100415	line 1151	7640510000
289	CENTRAL ELECTRIC BOILER BUILDING	950000100457	line 1151	7640510000
290	LAND PLOT FOR OPERATION OF CENTRAL ELECTRIC BOILER BUILDING (2,316 sq m)	950000100416	line 1151	7640510000
291	CENTRAL HEAT STATION BUILDING, DISTRICT 24	950000100478	line 1151	7640510000
292	LAND PLOT FOR OPERATION OF CENTRAL HEAT STATION BUILDING, DISTRICT 24 (823 sq m)	950000100419	line 1151	7640510000
293	POWER UNIT BUILDING, DISTRICT 11	950000100624	line 1151	7640510000
294	LAND PLOT FOR OPERATION OF POWER UNIT, DISTRICT 11 (1,220 sq m)	950000100423	line 1151	7640510000
295	HEAT MAIN FROM DISTRICT 11 HEAT STATION TO UTILITY SECTION	950000100510	line 1151	7640510000
296	LAND PLOT FOR VG ENGINEERING UTILITIES (5,854 sq m)	950000100424	line 1151	7640510000
297	INDUSTRIAL AREA BOILER STATION	950000100470	line 1151	7640510000
298	DIESEL FUEL PUMP BUILDING	950000100471	line 1151	7640510000
299	LAND PLOT FOR OPERATION OF INDUSTRIAL AREA BOILER STATION BSI (14,766 sq m)	950000100425	line 1151	7640510000
300	YUGV HEAT STATION	950000100465	line 1151	7640510000
301	LAND PLOT FOR OPERATION OF YUGV HEAT SUPPLY STATION BUILDING (235 sq m)	950000105187	line 1151	7640510000
302	LAND PLOT FOR OPERATION OF 3 BOILER GEOLOG HEAT SUPPLY STATION (506 sq m)	950000100431	line 1151	7640510000
303	STEAM PIPELINE FROM BAZA STROYUNDUSTRII (BSI) TO DAIRY FACTORY	950000100499	line 1151	9124120000
304	MAINS UTILITIES FROM BOILER STATION TO YUGO-ZAPADNY HEAT STATION (YUGZ)	950000100496	line 1151	7640510000
305	LAND PLOT FOR OPERATION OF HEAT- STEAM SUPPLY MAIN FROM BSI TO OIL PLANT (1,231sq m)	950000100435	line 1151	7640510000
306	UPGD HEAT SUPPLY STATION	950000100623	line 1151	7640510000

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
0	41,786	41 786	Sales cost according to the report of market value
2,505	32,636	30,130	Sales cost according to the report of market value
2,920	62,014	59,093	Sales cost according to the report of market value
0	20,823	20,823	Sales cost according to the report of market value
5,852	5,837	-15	Sales cost according to the report of market value
224	2,129	1,905	Sales cost according to the report of market value
0	2,560	2,560	Sales cost according to the report of market value
659,982	249,214	-410,768	Sales cost according to the report of market value
33,683	13,598	-20,085	Sales cost according to the report of market value
3,461	1,850	-1,610	Sales cost according to the report of market value
24,349	13,664	-10,685	Sales cost according to the report of market value
21,069	14,849	-6,220	Sales cost according to the report of market value
3,024	1,708	-1,316	Sales cost according to the report of market value
6,112	31,399	25,287	Sales cost according to the report of market value
778	292	-486	Sales cost according to the report of market value
10,459	55,643	45,184	Sales cost according to the report of market value
520	198	-323	Sales cost according to the report of market value
2,557	35,260	32,703	Sales cost according to the report of market value
833	899	65	Sales cost according to the report of market value
24,002	48,939	24,936	Sales cost according to the report of market value
2,270	980	-1,290	Sales cost according to the report of market value
10,749	53,590	42,840	Sales cost according to the report of market value
806	348	-458	Sales cost according to the report of market value
39,131	68,661	29,530	Sales cost according to the report of market value
1,275	516	-759	Sales cost according to the report of market value
2,475	6,521	4,046	Sales cost according to the report of market value
2,922	2,477	-446	Sales cost according to the report of market value
168,659	98,248	-70,411	Sales cost according to the report of market value
2,478	1,078	-1,400	Sales cost according to the report of market value
11,294	6,247	-5,046	Sales cost according to the report of market value
70,644	20,080	-50,564	Sales cost according to the report of market value
176	99	-77	Sales cost according to the report of market value
248	214	-34	Sales cost according to the report of market value
344,47	0	-344	The program provides for an action - liquidation
2,154	3,539	1,385	Sales cost according to the report of market value
770	521	-249	Sales cost according to the report of market value
5,842	1,516	-4,326	Sales cost according to the report of market value

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)
307	LAND PLOT FOR OPERATION OF UPGD HEAT SUPPLY STATION (85 sq m)	950000100440	line 1151	7640510000
308	HEAT SUPPLY UNIT "SCHOOL 8"	950000100633	line 1151	7640510000
309	LAND PLOT FOR OPERATION OF HEAT SUPPLY UNIT "SCHOOL 8" (130 sq m)	950000100441	line 1151	7640510000
310	SEVERNAYA SUBSTATION	950000100447	line 1151	9125110000
311	SEVERNAYA BOILER STATION	950000100449	line 1151	7640510000
312	LAND PLOT FOR OPERATION OF SEVERNAYA BOILER STATION (2,461sq m)	950000100408	line 1151	7640510000
313	Pump station building with water pipelines	950000100463	line 1151	7640510000
314	Town collector from CEK (central electric boiler) to district 23 heat supply unit TP	950000100489	line 1151	7640510000
315	HEAT MAIN FROM CENTRALNAYA ELEKTROKOTELNAYA TO SEVERNAYA KOTELNAYA (CEK-SEVKOT)	950000100508	line 1151	7640510000
316	UTILITIES FROM HEAT UNIT 34 (TK-34) TO YUGO-VOSTOCHNY HEAT STATION (TP YUGV)	950000100493	line 1151	7640510000
317	TOWN COLLECTOR OF INDUSTRIALNAYA WATER TREATMENT STATION	950000100807	line 1151	7640510000
318	STRUCTURE - ENGINEERING UTILITIES	950000100840	line 1151	7640510000
319	Haul road (Overhead Line 6 and Cable Line 6 maintenance and repair road)	950000101732	line 1151	7640510000
320	Cable Line KL-6 kV SVK Power Supply	950000101733	line 1151	7640510000
321	Overhead Line VL-6 kV SVK Power Supply	950000101734	line 1151	7640510000
322	Vilyuygesstroy Administration building	950000101890	line 1151	7640510000
323	Pumping and filtering station including transformer substation	950000102407	line 1151	7640510000
324	Pumping and filtering station site fencing	950000102408	line 1151	7640510000
325	Outside heat and water supply utilities, sewage facilities, and pumping and filtering station	950000102406	line 1151	7640510000
326	Heat supply unit, district 9	950000100620	line 1151	9124120000
327	POTABLE WATER MAIN, HEAT CHAMBER 4 - HEAT CHAMBER 1A (TK-4-TK-1a)	950000100504	line 1151	7640510000
328	BIOLOGICAL TREATMENT UNIT	950000105676	line 1151	7640510000
329	Coating chamber	950000105667	line 1151	7640510000
330	Chlorination plant	950000105666	line 1151	9124120000
331	Hutch water pumping station with tanks V2x700 cub. m		line 1151	7640510000
332	PUMPING AND FILTERING STATION	950000104918	line 1151	7640510000
333	LAND PLOT FOR OPERATION OF ELECTRIC BOILER	950000104966	line 1151	7640510000
334	MAIN UTILITIES AND HVAC SYSTEMS	950000104935	line 1151	7640510000
335	MAIN UTILITIES AND HVAC SYSTEMS	950000104936	line 1151	7640510000
336	MAIN UTILITIES AND HVAC SYSTEMS	950000104937	line 1151	7640510000
[337]	MAIN UTILITIES AND HVAC SYSTEMS	950000104938	line 1151	7640510000
338	LAND PLOT FOR NADYOZHNY MAIN UTILITIES AND HVAC SYSTEMS (23,395 sq. m)	950000104963	line 1151	7640510000
339	BSI POWER UNIT	950000104917	line 1151	7640510000
340	LAND PLOT FOR OPERATION OF THE BOILER HOUSE	950000104969	line 1151	7640510000
341	HEAT MAINS ON-SITE	950000104933	line 1151	7640510000
342	HEAT MAINS	950000104953	line 1151	7640510000
343	LAND FOR UNDERGROUND COLLECTOR IN NEW TOWN (496 sq. m)	950000104970	line 1151	7640510000
344	BUILDING (ADMINISTRATIVE BUILDING FOR UTILITIES AND MAINTENANCE SERVICE)	950000104915	line 1151	7640510000

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
48	36	-12	Sales cost according to the report of market value
3,721	1,467	-2,254	Sales cost according to the report of market value
61	55	-6	Sales cost according to the report of market value
1,571	0	-1,571	The program provides for an option of donation
2,122	59,099	56,977	Sales cost according to the report of market value
2,777	1,041	-1,736	Sales cost according to the report of market value
4,721	2,779	-1,943	Sales cost according to the report of market value
237,659	193,586	-44,072	Sales cost according to the report of market value
267	9,988	9,721	Sales cost according to the report of market value
7,129	7,359	231	Sales cost according to the report of market value
74,353	133,265	58,912	Sales cost according to the report of market value
192	42,947	42,755	Sales cost according to the report of market value
1,510	6,239	4,729	Sales cost according to the report of market value
49,530	51,297	1,767	Sales cost according to the report of market value
5,720	6,239	519	Sales cost according to the report of market value
90,794	100,251	9,457	Sales cost according to the report of market value
439,875	230,989	-208,886	Sales cost according to the report of market value
8,579	4,905	-3,673	Sales cost according to the report of market value
80,909	75,404	-5,505	Sales cost according to the report of market value
5,071	0	-5,071	The program provides for an action - liquidation
40,943	16,661	-24,282	Sales cost according to the report of market value
2,474,182	147,702	-2,326,481	Sales cost according to the report of market value
47,691	6,263	-41,428	Sales cost according to the report of market value
31,944	0	-31,944	The program provides for an action - liquidation
76,202	29,420	-46,782	Sales cost according to the report of market value
0	960	960	Sales cost according to the report of market value
501	1,544	1,043	Sales cost according to the report of market value
0	11,047	11,047	Sales cost according to the report of market value
0	11,740	11,740	Sales cost according to the report of market value
0	15,265	15,265	Sales cost according to the report of market value
0	18,007	18,007	Sales cost according to the report of market value
3,173	6,230	3,057	Sales cost according to the report of market value
9,319	30,384	21,066	Sales cost according to the report of market value
338	379	42	Sales cost according to the report of market value
0	11,859	11,859	Sales cost according to the report of market value
0	14,623	14,623	Sales cost according to the report of market value
12	197	186	Sales cost according to the report of market value
0	8,787	8,787	Sales cost according to the report of market value

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)
345	HEATED WAREHOUSE FOR HEATING, ELECTRICAL AND HOUSING UTILITIES	950000104924	line 1151	7640510000
346	LAND PLOT OF 31,362 sq. m	950000105153	line 1151	7640510000
347	PUMPING STATION FOR RESIDENTIAL DISTRICT	950000104920	line 1151	7640510000
348	POWER UNIT BUILDING	950000104923	line 1151	7640510000
349	700 cub. m Tank	950000104939	line 1151	7640510000
350	700 cub. m Tank	950000104951	line 1151	7640510000
351	LAND PLOT OF 17,028 sq. m	950000105152	line 1151	7640510000
352	BUILDING (ELECTRIC BOILER, FACTORY 12)	950000104913	line 1151	7640510000
353	WORKER SERVICE BUILDING	950000104922	line 1151	7640510000
354	400 cub. m Tank	950000104941	line 1151	7640510000
355	Land of 9,758 sq. m	950000105154	line 1151	7640510000
356	HEAT MAINS	950000104952	line 1151	7640510000
357	HEAT MAINS	950000104956	line 1151	7640510000
358	HEAT MAINS	950000104961	line 1151	7640510000
359	WATER SUPPLY MAINS	950000104954	line 1151	7640510000
360	SEWERAGE SYSTEM	950000104955	line 1151	7640510000
361	WATER SUPPLY MAINS	950000104957	line 1151	7640510000
362	SEWERAGE SYSTEM	950000104958	line 1151	7640510000
363	WATER SUPPLY MAINS	950000104959	line 1151	7640510000
364	SEWERAGE SYSTEM	950000104960	line 1151	7640510000
365	LAND FOR UNDERGROUND COLLECTOR IN THE INDUSTRIAL AREA	950000104971	line 1151	7640510000
366	HVAC grids and drainage sewage	950000102563	line 1151	7640510000
367	On-site TVK networks	950000102553	line 1151	7640510000
368	Module heating unit	950000102573	line 1151	7640510000
369	Fencing	950000102582	line 1151	7640510000
370	Utilities and HVAC systems	950000102554	line 1151	7640510000
371	Engineering utilities. Cable networks 0.4kV from TCH heating	950000102556	line 1151	7640510000
372	Engineering utilities. Cable networks 0.4kV from TCH heating	950000102557	line 1151	7640510000
373	Utilities. Cable lines 10 kV	950000102558	line 1151	7640510000
374	Sewage pumping station, Central boiler station	950000102574	line 1151	7640510000
375	Distributing point 6kV. Central boiler station	950000102576	line 1151	7640510000
376	Heating unit PNS-2	950000102577	line 1151	7640510000
377	On-site TVK networks	950000102552	line 1151	7640510000
378	Workshop	950000102806	line 1151	7640510000
379	Electric equipment Repair workshops	950000102808	line 1151	7640510000
380	Warehouse	950000102809	line 1151	7640510000
381	Heating unit PNS-2 Fencing	950000102589	line 1151	7640510000
382	VRT heating unit	950000102578	line 1151	7640510000
383	VRT heating unit: 2x100 cub. m tanks	950000102585	line 1151	7640510000
384	Heating unit "Energoblok" Central Boiler Station	950000102579	line 1151	7640510000
385	CGK: Main building	950000102580	line 1151	7640510000
386	CGK: Emergency fuel pump station	950000102581	line 1151	7640510000

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
0	7,193	7,193	Sales cost according to the report of market value
1,875	12,473	10,598	Sales cost according to the report of market value
1,243	3,422	2,179	Sales cost according to the report of market value
5,044	61,746	56,702	Sales cost according to the report of market value
0	1,445	1,445	Sales cost according to the report of market value
2,221	2,270	49	Sales cost according to the report of market value
1,018	6,772	5,754	Sales cost according to the report of market value
0	88,517	88,517	Sales cost according to the report of market value
3,233	6,259	3,026	Sales cost according to the report of market value
142	1,142	1,000	Sales cost according to the report of market value
2,147	3,881	1,734	Sales cost according to the report of market value
699	12,566	11,867	Sales cost according to the report of market value
179	7,489	7,310	Sales cost according to the report of market value
287	7,028	6,741	Sales cost according to the report of market value
1,296	4,044	2,748	Sales cost according to the report of market value
507	4,524	4,017	Sales cost according to the report of market value
242	1,979	1,737	Sales cost according to the report of market value
166	612	447	Sales cost according to the report of market value
1,413	4,053	2,640	Sales cost according to the report of market value
259	8,546	8,287	Sales cost according to the report of market value
11	7	-3	Sales cost according to the report of market value
9,140	5,618	-3,521	Sales cost according to the report of market value
15,938	9,196	-6,742	Sales cost according to the report of market value
41 036	22,858	-18,178	Sales cost according to the report of market value
1,848	2,730	882	Sales cost according to the report of market value
51,728	47,285	-4,443	Sales cost according to the report of market value
527	1,018	490	Sales cost according to the report of market value
2,455	1,018	-1,438	Sales cost according to the report of market value
5,254	4,719	-535	Sales cost according to the report of market value
5,315	3,578	-1,737	Sales cost according to the report of market value
12,370	4,103	-8,267	Sales cost according to the report of market value
27,168	16,072	-11,097	Sales cost according to the report of market value
18,520	7,810	-10,711	Sales cost according to the report of market value
166,425	10,499	-155,926	Sales cost according to the report of market value
31,116	12,149	-18,967	Sales cost according to the report of market value
3,374	12,839	9,465	Sales cost according to the report of market value
3,734	1,027	-2,707	Sales cost according to the report of market value
47,719	16,091	-31,628	Sales cost according to the report of market value
9,808	3,441	-6,367	Sales cost according to the report of market value
97,997	62,952	-35,025	Sales cost according to the report of market value
499,935	203,693	-295,972	Sales cost according to the report of market value
6,262	2,606	-3,656	Sales cost according to the report of market value

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)
387	CGK: On-site utilities	950000102590	line 1151	7640510000
388	CGK: Cable networks and external lightening	950000102591	line 1151	7640510000
389	CGK: Fencing	950000102592	line 1151	7640510000
390	CGK: V-25 cub. m foamer solution tank with building extension	950000102593	line 1151	7640510000
391	CGK: Emergency tank farm	950000102594	line 1151	7640510000
392	CGK: Stormwater treatment station	950000102595	line 1151	7640510000
393	Power unit building	950000102811	line 1151	7640510000
394	Land plot for open-air switch-gear 110kW (6,088 sq m)	950000102534	line 1151	7640510000
395	Electric power supply for "Energoblok" site	950000102529	line 1151	7640510000
396	Off-site utilities including sewage utilities Central Boiler Station	950000102535	line 1151	7640510000
397	Site from K-28 to K-85 engineering utilities	950000102555	line 1151	7640510000
398	Central Boiler Station site, engineering utilities	950000102559	line 1151	7640510000
399	Residential houses heating, heating utilities	950000102560	line 1151	7640510000
400	Heating and water supply utilities	950000102561	line 1151	7640510000
401	Hot water supply to a residential block well	950000102562	line 1151	7640510000
402	PNS-2 heat station. Utilities and HVAC systems	950000102564	line 1151	7640510000
403	OEL Heating Utilities	950000102565	line 1151	7640510000
404	Engineering utilities HVAC Systems from the existing electrical	950000102566	line 1151	7640510000
405	Engineering utilities. Cable networks 0.4kV from TCH heating unit to CEK BGMK	950000102567	line 1151	7640510000
406	Engineering utilities. Cable networks 6kV from CEK Switchgear substation-6kV to TCH Heating unit	950000102568	line 1151	7640510000
407	Packaged gas-burning boiler house	950000102596	line 1151	7640510000
408	Fencing	950000102598	line 1151	7640510000
409	HVAC Systems with drenching facilities	950000102584	line 1151	7640510000
410	VRT heating unit: off-site utilities	950000102586	line 1151	7640510000
411	VRT heat unit: off-site power networks	950000102587	line 1151	7640510000
412	Utilities (hostel for 450 employees)	950000104998	line 1151	7640510000
413	Collector (hostel for 450 employees)	950000104999	line 1151	7640510000
414	Electrode boiler station	950000102597	line 1151	7640510000
415	Land plot for operation of electrode boiler station	950000102545	line 1151	7640510000
416	Building (annex building to the boiler station)	950000102572	line 1151	7640510000
417	Land plot for the boiler station in Aikhal Dorozhny	950000102544	line 1151	7640510000
418	Office building of SU-887 in Dorozhny	950000102805	line 1151	7640510000
419	Annex office building of SU-887 in Dorozhny	950000102807	line 1151	7640510000
420	Land plot for the office building	950000102542	line 1151	7640510000
421	PTES office space	950000102810	line 1151	7640510000
422	Booster pumping plant	950000102569	line 1151	7640510000
423	Water supply	950000102532	line 1151	7640510000
424	Overhead line 6 kV Hydro system on the Oyuur-Yurenge River	950000105133	line 1151	7640510000
425	Cable Line 6 kV. Hydro system on the Oyuur-Yurenge River	950000105134	line 1151	7640510000
426	In-site power networks. Hydro system on the Oyuur-Yurenge River	950000105135	line 1151	7640510000
427	Fencing Hydro system on the Oyuur-Yurenge River	950000105136	line 1151	7640510000
428	Approach railway line	61600000023	line 1151	9124120000

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
0	16,497	16,497	Sales cost according to the report of market value
66	9,076	9,010	Sales cost according to the report of market value
1,652	9,512	7,860	Sales cost according to the report of market value
409	673	265	Sales cost according to the report of market value
4,130	4,644	514	Sales cost according to the report of market value
2,249	6,595	4,347	Sales cost according to the report of market value
255,195	42,864	-212,330	Sales cost according to the report of market value
3,092	890	-2,203	Sales cost according to the report of market value
5,051	21,381	16,330	Sales cost according to the report of market value
0	108,796	108,796	Sales cost according to the report of market value
0	11,519	11,519	Sales cost according to the report of market value
38,860	122,554	83,695	Sales cost according to the report of market value
0	496	496	Sales cost according to the report of market value
0	8,879	8,879	Sales cost according to the report of market value
6,587	38,206	31,619	Sales cost according to the report of market value
15,885	5,391	-10,494	Sales cost according to the report of market value
0	1,044	1,044	Sales cost according to the report of market value
20,316	13,227	-7,089	Sales cost according to the report of market value
8,558	7,754	-803	Sales cost according to the report of market value
10,305	9,608	-697	Sales cost according to the report of market value
51,615	38,147	-13,467	Sales cost according to the report of market value
5,997	3,521	-2,476	Sales cost according to the report of market value
0	16,134	16,134	Sales cost according to the report of market value
6,960	7,251	291	Sales cost according to the report of market value
25,225	13,122	-12,103	Sales cost according to the report of market value
8,181	5,990	-2,191	Sales cost according to the report of market value
10,964	18,260	7,295	Sales cost according to the report of market value
202,729	42,864	-159,864	Sales cost according to the report of market value
527	167	-360	Sales cost according to the report of market value
2,533	4,638	2,105	Sales cost according to the report of market value
684	238	-446	Sales cost according to the report of market value
434	1,882	1,448	Sales cost according to the report of market value
1,125	1,905	780	Sales cost according to the report of market value
797	176	-621	Sales cost according to the report of market value
17,175	26,167	8,992	Sales cost according to the report of market value
6,509	8,150	1,641	Sales cost according to the report of market value
0	2,439	2,439	Sales cost according to the report of market value
77,519	32,941	-44,579	Sales cost according to the report of market value
70,023	46,005	-24,018	Sales cost according to the report of market value
6,093	8,905	2,811	Sales cost according to the report of market value
7,592	4,962	-2,631	Sales cost according to the report of market value
989	0	989	The program provides for an action - liquidation

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)
429	Packaged modular water boiler	810007495643	line 1151	7640510000
430	Packaged modular water boiler smoke stack	810007495667	line 1151	7640510000
431	Packaged modular steam boiler	810007495663	line 1151	7640510000
432	Packaged steam boiler smoke stack	810007495662	line 1151	7640510000
433	Concrete site	810007495659	line 1151	7640510000
434	Fuel pumping station	810007495660	line 1151	7640510000
435	Drain valve	810007495665	line 1151	7640510000
436	Cesspool	810007495655	line 1151	7640510000
437	Power networks 0.4kV	810007495683	line 1151	7640510000
438	Heat supply mains	810007495682	line 1151	7640510000
439	Hot water supply utilities	810007495679	line 1151	7640510000
440	Water supply utilities	810007495677	line 1151	7640510000
441	Sewerage system	810007495680	line 1151	7640510000
442	Gas supply utilities	810007495669	line 1151	7640510000
443	Chamber UT-1	810007495670	line 1151	7640510000
444	Transformer substation KTPK-1000-6/0,4kW	810007495343	line 1151	7640510000
445	Boiler station fuel storage	810007495345	line 1151	7640510000
446	DES diesel-generator unit (Packaged)	810007495421	line 1151	7640510000
447	Fire tank with pumping station	810007495346	line 1151	7640510000
448	Boiler station 6 MW	810007495347	line 1151	7640510000
449	Smoke stack	810007495348	line 1151	7640510000
450	Gas pipeline	810007495350	line 1151	7640510000
451	Fuel storage intake/drain valve	810007495352	line 1151	7640510000
452	Emergency discharge tank	810007495351	line 1151	7640510000
453	Off-site and on-site power networks 6kV, 0.4kV	810007495353	line 1151	7640510000
454	On-site heating and water supply utilities.	810007495349	line 1151	7640510000
455	Landscaping	810007495342	line 1151	7640510000
456	Administrative and production building	commissioned in June, 2016	line 1151	7640510000
457	Biological treatment unit	commissioned in June, 2016	line 1151	7640510000
458	Production building with a drainage device	commissioned in June, 2016	line 1151	7640510000
459	Security check point	commissioned in June, 2016	line 1151	7640510000
460	Sewage treatment facilities site fencing	commissioned in June, 2016	line 1151	7640510000
461	On-site heating and water supply utilities and sewerage system	commissioned in June, 2016	line 1151	7640510000
462	Diffuse source	commissioned in June, 2016	line 1151	7640510000
463	Discharge header	commissioned in June, 2016	line 1151	7640510000
464	Discharge header building	commissioned in June, 2016	line 1151	7640510000
465	On-site power networks	commissioned in June, 2016	line 1151	7640510000

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
38,758.38	36,591.34	-2,167	Sales cost according to the report of market value
9,228.24	12,425.37	3,197	Sales cost according to the report of market value
70,314.05	71,924.50	1,610	Sales cost according to the report of market value
13,075.04	9,181.89	-3,893	Sales cost according to the report of market value
9,985.32	7,097.99	-2,887	Sales cost according to the report of market value
10,339.70	11,488.94	1,149	Sales cost according to the report of market value
798.01	692.67	-105	Sales cost according to the report of market value
321.74	452.24	130	Sales cost according to the report of market value
14,589.21	19,528.27	4,939	Sales cost according to the report of market value
15,121.92	17,203.37	2,081	Sales cost according to the report of market value
12,547.97	10,598.31	-1,950	Sales cost according to the report of market value
2,232.09	2,950.80	719	Sales cost according to the report of market value
5,304.00	2,867.62	-2,436	Sales cost according to the report of market value
648.63	1,159.08	510	Sales cost according to the report of market value
1,878.07	2,505.74	628	Sales cost according to the report of market value
3,485.18	6,539.17	3,054	Sales cost according to the report of market value
21,529.96	13,467.64	-8,062	Sales cost according to the report of market value
3,689.66	2,126.01	-1,564	Sales cost according to the report of market value
12,373.98	25,798.02	13,424	Sales cost according to the report of market value
4,825.63	10,739.57	5,914	Sales cost according to the report of market value
5,864.67	9,788.13	3,923	Sales cost according to the report of market value
1,038.61	5,499.44	4,461	Sales cost according to the report of market value
1,066.30	7,243.68	6,177	Sales cost according to the report of market value
2,240.15	1,400.77	-839	Sales cost according to the report of market value
17,266.86	2,805.80	-14,461	Sales cost according to the report of market value
37,555.42	19,217.38	-18,338	Sales cost according to the report of market value
13,718.97	20,562.33	6,843	Sales cost according to the report of market value
141,133.72	262,166.64	121,033	Sales cost according to the report of market value
883,266.88	238,746.02	-644 521	Sales cost according to the report of market value
133,473.23	66,824.42	-66,649	Sales cost according to the report of market value
5,881.49	2,458.05	-3,423	Sales cost according to the report of market value
9,514.61	11,293.88	1,779	Sales cost according to the report of market value
33,522.45	15,803.05	-17,719	Sales cost according to the report of market value
64,592.14	32,193.44	-32,399	Sales cost according to the report of market value
17,823.14	12,171.84	-5,651	Sales cost according to the report of market value
1,209.56	1,095.52	-114	Sales cost according to the report of market value
3,061.44	4,309.78	1,248	Sales cost according to the report of market value

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)
466	Phone networks	commissioned in June, 2016	line 1151	7640510000
467	Landscaping	commissioned in June, 2016	line 1151	7640510000
468	Heated warehouse No. 2 Udachny VZiS RMM (reinforcement shop)	712001470505	line 1151	9124120000
469	Stage 1 pumping station with water intake facility	320004068178	line 1151	7640510000
470	Water supply lines from factory 12 to SBO	320005087622	line 1151	7640510000
471	Water supply lines from factory 12 to SBO	320005087623	line 1151	7640510000
472	Pumping and filtering station	950000105888	line 1151	7640510000
473	Clean water tanks V = 2x200 cub. m with a switching camera	950000105886	line 1151	7640510000
474	Fencing	950000105884	line 1151	7640510000
475	Power supply grids, including outdoor lighting	950000105889	line 1151	7640510000
476	Chemicals warehouse	950000105887	line 1151	7640510000
477	Landscaping	950000105885	line 1151	7640510000
478	Land plot for the Production and Processing Equipment Division (9164 sq m)	712001469814	line 1151	9123110000
479	Electric boiler station	320004066414	line 1151	9124120000
480	Not-heated warehouse building	820009520244	line 1151	9124120000
481	Housekeeping premises attached to a residential house (library) of 229.9 sq. m of the total 523.2 sq. m	970000109325	line 1151	9123110000
482	Building of the administrative office at Novy	950000102800	line 1151	9123110000
	Section III, Total			

Section III. Register of non-core assets

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)
1	Proletarsky District development in Lensk 9-floor 72-apartment residential building No. 3	2440019	1152	9113710000
2	Goods warehouse, supply department	12560079	1152	9113710000
3	Garage for 4 cars	12070704	1152	9124500000
	Section III, Total			
	Total for the Program			

Book value of an asset, RUB thousand	Actual sales cost, RUB thousand	Deviation of the actual sales cost from the book value of an asset, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
2,928.34	1,030.45	-1,898	Sales cost according to the report of market value
49,047.14	24,620.80	-24,426	Sales cost according to the report of market value
18,660	0	-18,660	The program provides for an action - liquidation
48,014	35,553	-12,461	Sales cost according to the report of market value
41,160	43,381	2,221	Sales cost according to the report of market value
46,515	43,381	-3,134	Sales cost according to the report of market value
609,950	325,972	-283,978	Sales cost according to the report of market value
77,985	28,224	-49,761	Sales cost according to the report of market value
48,045	22,648	-25,397	Sales cost according to the report of market value
16,271	16,868	597	Sales cost according to the report of market value
21,384	8,883	-12,501	Sales cost according to the report of market value
6,438	3,917	-2,521	Sales cost according to the report of market value
5,184	880	-4,304	Sales cost according to the report of market value
1,060	0	-1,060	The program provides for an action - liquidation
1,147	0	-1,147	The program provides for an action - liquidation
11,796	9,986	-1,810	Sales cost according to the report of market value
0	40	40	Sale without price disclosed
14,093,638	7,304,579	-6,789,059	

in the form of facilities under construction

Asset book value, RUB thousand	Actual sales value, RUB thousand	Deviation of the actual sales value from the asset book value, RUB thousand	Reasons for deviation of the actual sales cost from the book value of an asset
14,381	7,191	-7,190	Sold at the market value determined by an independent appraiser. Loss was expected in the plan.
5,802	1,600	-4,202	Sold at the market value determined by an independent appraiser. Loss was expected in the plan.
296	0	-296	The program provides for an option of liquidation
20,479	8,791	-11,688	
14,369,445	7,776,560	-6,592,885	

PERFORMANCE OF INSTRUCTIONS

Information related to actual execution of orders given by the President and the Government of the Russian Federation and decrees of the Government of the Russian Federation

INNOVATION DEVELOPMENT

In pursuance of Instructions No. АД-П36-6296 dated September 15, 2015, ДМ-П36-7563 dated November 07, 2015, and АД-П36-8381 dated December 10, 2015 of the Government of the Russian Federation, and orders 1471н-П13 and 1472н-П13 dated March 03, 2016 of the Government of the Russian Federation to representatives of the Russian Federation concerning attendance at the meetings of the board of directors (supervisory boards) of open joint stock companies related to Innovation Development:

1. The Company updated the Program for Innovation Development and Technological Modernization of PJSC ALROSA for the Period from 2016 to 2023 (hereinafter, the "Program").

The Program was prepared according to the following documents:

- Methodological guidelines ДМ-П36-7563 to develop and adjust Innovation Development Programs for state-owned joint-stock companies, state-owned corporations, state-owned companies, and federal unitary enterprises dated November 07, 2015;
- Methodological materials to develop and adjust Innovation Development Programs for state-owned joint-stock companies, state-owned corporations, state-owned companies, and federal unitary enterprises approved by resolution 38-Д04 of the Intergovernmental Commission for Technological Development at the Presidium of the Presidential Council for Economic Modernization and Innovations of Russia dated September 22, 2015;
- Company's By-Laws

To prepare the updated Program, the Company relied on expert opinions of the Ministry of Education and Science and the Ministry for Economic Development of the Russian Federation, and the positive assessment of Skolkovo's independent expert. The Program was approved by the Intergovernmental Commission for Technological Development at the Presidium of the Presidential Council for Economic Modernization and Innovations of Russia with an 84.4% rating and recommended for approval to the Supervisory Board subject to expert comments.

On November 28, 2016, the Supervisory Board approved the updated Program of Innovation Development and Technological Modernization of PJSC ALROSA for 2016-2023.

2. To comply with the Government Decree 1472н-П13 dated March 03, 2016, the resolution of the Supervisory Board dated August 26, 2016 amended the Regulations on Remuneration to the President of PJSC ALROSA and the Regulations on Remuneration to Members of the Executive Committee of PJSC ALROSA to include amendments and addenda related to consistency with the integral key performance indicator (KPI) of innovative activities and a possibility to exclude macroeconomic factors from assessment of quarterly financial and economic performance of the Company.

APPROVAL OF THE PROCEDURE FOR RECORDING INVESTMENT PROJECTS THAT ARE INCLUDED IN THE INVESTMENT PROJECT LIST

In pursuance of Clause 6, Decree No. 1516 of the Government of the Russian Federation dated December 30, 2015 and Decree 1659н-П13 dated March 15, 2016 On Approval of the Procedure for Recording Investment Projects to be Included in the Investment Project List, the Company prepared the procedure for recording investment projects that establishes the rules for defining, keeping, and making amendments to the investment project list ("Procedure").

The Procedure relies on the rules to select investment projects for further inclusion in the investment project register and maintain such investment project register approved by Decree No. 1516 of the Government of the Russian Federation dated December 30, 2015 On Approval of the Rules to Select Investment Projects for Further Inclusion in the Investment Project Register and Maintain Such Investment Project Register. The Procedure establishes the rules for defining, keeping, and making amendments to the investment project register, where procurement is subject to Article 3.1, the Federal Law On Procurement of Goods, Work, and Services by Some Types of Legal Entities.

Upon preliminary approval by the Strategic Planning Committee, the Supervisory Board approved the Procedure for Recording Investment Projects and Establishing the Rules for Defining, Maintenance, and Amendment of the Investment Project List of PJSC ALROSA on November 28, 2016.

A 10% CUT IN OPERATING COSTS

In 2013, the Supervisory Board of PJSC ALROSA approved the ALROSA Group Strategy that contemplates the Operating Efficiency as one of the seven approved strategic initiatives. The Operating Efficiency Improvement Program for 2014-2016 was developed to implement such strategic initiative. The Program saved RUB 4.7 bn through 40 developments.

In pursuance of the instructions of the President of the Russian Federation given at the meeting concerning performance improvement at state-owned companies dated December 9, 2014, the Company developed the Rules for the Improvement of Investment and Operating Performance and Cost Cutting at PJSC ALROSA ("Rules") (approved by the resolution of the Supervisory Board dated November 19, 2015).

According to these Rules, the Company developed the Regulations On Development and Implementation of the Program for Operating Efficiency Improvement and Cost Cutting ("OPICC").

Pursuant to the Directives of the Government of the Russian Federation:

- No. 2303n-П13 dated April 16, 2015, On Cutting Operating Expenditures (Costs) by at least 2-3 percent annually; and
- No. 4750n-П13 dated July 04, 2016, On the Development (Updating) of Plans (Programs) for Operating Cost Cutting by 10% and based on the Rules and Regulations, the Company developed the Program for Operating Efficiency Improvement and Cost Cutting ("OPICC").

The OPICC for 2017–2019 is based on the technical audit and benchmarking analysis of the Company's operating performance, which determined the main challenges and key areas for operating efficiency improvements. The implementation of the OPICC for 2017–2019 will enable the Company to comply with the decrees of the Government of the Russian Federation and cut operating costs by at least 2% per year.

On December 20, 2016, the Supervisory Board reviewed the Program for Operating Performance Improvement and Cost Cutting of PJSC ALROSA for 2017–2019 and

1. Approved the following priority areas to improve operating performance:
 - Improvement of key mining technologies;
 - Improvement of treatment technologies;
 - Saving fuel and energy resources;
 - Repairs and maintenance optimization; and
 - Labor performance improvement.
2. Approved the Program for Operating Efficiency Improvement and Cost Cutting of PJSC ALROSA for 2017–2019 and the Program for a 10% Cost Cutting at PJSC ALROSA in 2016.

RATIONING PROCUREMENT OF SOME GOODS, WORK AND SERVICES

IN pursuance of Clause 2, Instruction No. ДМ-П9-8413 of the Government of the Russian Federation dated December 12, 2015, and Decree No. 2793n-П13 of the Government of the Russian Federation dated April 19, 2016 concerning the Supervisory Board meeting with the following agenda:

- Development and enactment of the JSC regulations to ration the procurement of some goods, work, and services;
- Publication of such procurement regulations on the Company websites on the Internet;
- Mandatory application of the procurement standards to planning and business operations at JSC.

The Company's website includes the Procurement section with the Procurement Standards of Goods, Work, and Services at PJSC ALROSA <http://www.alrosa.ru/закупки/нормативы-закупок-товаров-работ-услуг/>.

The section contains scanned orders of the Company related to rationing procurement of goods, work, and services.

IDENTIFICATION AND SALE OF NON-CORE ASSETS

According to Decrees No. 4863n-П13 of the Government of the Russian Federation dated July 07, 2016, the Company prepared a new (fourth) version of the Program on the Non-Core Assets Disposal of PJSC ALROSA relying on the Methodical Guidelines for Identification and Disposal of Non-Core Assets by the Federal Property Management Agency.

The Program includes a section on the procedure for non-core asset identification. This procedure consists of several stages to identify non-core assets by formal criteria. The Program includes the section to regulate the procedure for non-core asset assessment.

The Company amended requirements for publication of non-core asset sale notifications, and the full set of documents and information is posted on the Company's website with releases of short notices in press.

The structure of the Non-Core Asset Register has changed: The Register is divided into three parts (shares, real estate and land, and construction-in-progress) each containing two sections — non-core assets subject to disposal and non-core assets retained by the Company.

On September 29, 2016, pursuant to Decree No. 4863n-П13 of the Government of the Russian Federation dated September 29., 2016, the Supervisory Board approved the new version of the Non-Core Asset Disposal Program at PJSC ALROSA and ordered the Company's management to submit to the Audit Committee the information related to disposal of the Company's non-core assets, where the value materially changes during such sale, and submit the verification results to the Supervisory Board.

On December 13, 2016, the Strategic Planning Committee reviewed the 2017 Action Plan for Non-Core Asset Disposal and proposed that the Executive Committee introduce to the Committee the plan for selling shares (stakes) in the authorized capital of non-core key subsidiaries and related companies, where the book or market value is above RUB 1 billion.

In 2016, the Company disinvested interest in 2 subsidiaries through non-core asset disposal:

- LLC Mirny Town Housing Enterprise

Disinvestment was part of the Company's effort to renovate its housing and utilities infrastructure by donating interest in the authorized capital to municipal entities of the Mirny District. Disposal loss totaled RUB 237.9 million (the value of transferred interest)

- ARCOS Ltd (UK)

Disinvestment was conducted as part of optimization of the foreign subsidiary network. 77.2783% of shares in the authorized capital of ARCOS Ltd were sold by a public offer at 4,170 thousand pounds (or RUB 463.2 million at the rate of the Central Bank of Russia on the payment date February 18, 2016). The sale revenue was RUB 445.8 million.

PROCUREMENT OF DOMESTIC COMPETITIVE
SOFTWARE REQUIRED
FOR THE COMPANY'S BUSINESS

IN pursuance of Instruction No. ИШ-П13-1872 of the Government of the Russian Federation dated April 01, 2016 related to procurement of domestic software required for state-owned joint-stock companies and Decree No. 4972п-П13 of the Government of the Russian Federation dated July 11, 2016, the Supervisory Board committed the Company management to develop and submit to the Supervisory Board in the established procedure the amendments to the Regulations on Procurement Activities of PJSC ALROSA concerning requirements for procurement of items and other local regulations to be approved for all types of procurement related to computers, software and databases and the requirement to submit proposals on such software that is registered with the Unified Register of Russian Software for Computers and Databases established according to Article 12.1, Federal Law No. 149-ФЗ On Information, Information Technology, and Information Protection dated July 27, 2016 ("Register"), unless

- The Register contains no information about software of the same class as the software to be procured;
- Software included in the Register, which is of the same class as the software to be procured, fails competition (its functional, technical, and/or operating criteria fail to meet the customer's requirements for procured software).

For procurement subject to the above exceptions, the Company's website must publish information related to such procurement explaining the reasons why it is unable to meet the restrictions imposed on access to foreign-made software in the procurement section no later than 7 calendar days from the publication of such procurement information on PJSC ALROSA website or other online resource used by PJSC ALROSA for procurement (tender platforms).

Introduce the above approach across Company's subsidiaries where PJSC ALROSA's interest is 50% or more.

The above commitments are included in the new version of PJSC ALROSA Regulations on Procurement Activities dated September 29, 2016.

The model Regulations on Procurement Activities at Subsidiaries approved by the PJSC ALROSA Board on October 30, 2016 contains similar procurement standards.

AMENDMENTS TO COMPANY'S
PROCUREMENT POLICIES RELATED
TO INNOVATIVE CONSTRUCTION
MATERIALS

IN pursuance of Clause 7, Minutes No. ДМ-П9-38п dated July 14, 2016 of the meeting at the office of the Prime Minister of the Russian Federation Dmitry Medvedev and Decrees of the Government of the Russian Federation related to amendments to the procurement policy in terms of innovative construction materials, the Supervisory Board on September 29, 2016 committed the Company management to develop and submit in the established procedure to the Supervisory Board amendments to the PJSC ALROSA Procurement Regulations to include the following:

1. Focus on procurement of domestic innovative construction materials;
2. Seeking to enter into long-term agreements with domestic construction materials manufacturers secured by guaranteed procurement of innovative construction materials for future periods and with those manufacturers who have executed special purpose investment contracts to manufacture such products.

Cause all subsidiaries to implement the above regulations.

The above commitments are included in the new version of PJSC ALROSA Regulations on Procurement Activities dated September 29, 2016.

The model Regulations on Procurement Activities at Subsidiaries approved by the PJSC ALROSA Executive Committee on October 30, 2016 contains similar procurement standards.

ENHANCE FACTORING SERVICES
IN PERFORMANCE OF AGREEMENTS ON SUPPLY OF GOODS
(PERFORMANCE OF WORK AND SERVICES)

IN pursuance of Instruction No. ДМ-П13-1100 dated March 1, 2016 of the Government of the Russian Federation (Clause 89, Action Plan of the Government of the Russian Federation aimed at stable social and economic development of the Russian Federation in 2016) and Decree No. 7704п-П13 dated October 11, 2016 of the Government of the Russian Federation, the Supervisory Board on November 28, 2016 addressed the issue of enhancing the factoring practice in performance of agreements related to supply of goods (performance of work and services) and committed the Company management to amend the PJSC ALROSA Regulations on Procurement Activities in terms of establishing the procedure for applying factoring to performance of agreements related to supply of goods (performance of work and services) made between PJSC ALROSA and SME entities under procurement procedures set forth in the PJSC ALROSA Regulations on procurement activities, other than tenders according to the civil laws of the Russian Federation.

DEVELOPMENT OF INTERNAL
DOCUMENTS OF THE COMPANY

IN accordance with Directives of the Russian Federation Government to the representatives of interests of the Russian Federation No. 3984п-П13 as of June 24, 2015 On Use of the Guidelines for Development of Internal Documents Regulating the Company's Activity, the Supervisory Board approved the following internal documents as amended and restated in 2016:

- Regulations on Procurement Activities of PJSC ALROSA;
- Regulations on Internal Audit of PJSC ALROSA;
- Regulations on the Strategic Planning Committee at the Supervisory Board of PJSC ALROSA;
- Regulations on the Audit Committee at the Supervisory Board of PJSC ALROSA;
- Regulations on the HR and Remunerations Committee at the Supervisory Board of PJSC ALROSA;
- Regulations on Remuneration to Members of the Supervisory Board of PJSC ALROSA;
- Regulations on Remuneration to the President of PJSC ALROSA;
- Regulations on Remuneration to Members of the Executive Committee of PJSC ALROSA.

INFORMATION ON MAJOR TRANSACTIONS AND INTERESTED PARTY TRANSACTIONS

INFORMATION
ON MAJOR TRANSACTIONS

Subject to Federal Law 208-ФЗ On Joint Stock Companies dated December 26, 1995, the Company made no major transactions (including loans, credit, pledge, or guarantees) or a series of related transactions concerning acquisition, disposal of or a possible disposal directly or indirectly of any assets with the value of 25% or more of the book value of the Company assets according to accounts as of December 31, 2016.

Information on interested-party transactions

<i>Counterparties and participants in the transactions</i>	<i>Subject of the contract</i>	<i>Currency of the contract</i>	<i>Contract amount in rubles</i>	<i>Parties recognized as interested in the transaction</i>	<i>Governing body that approved the transaction</i>
JSC NPP Bourevestnik	Issuance of a loan	RUB	250,000,000.00	interested member of the Executive Committee	Supervisory Board
JSC Almazy Anabara	Provision of services	RUB	951,627,406.64	interested member of the Executive Committee	Supervisory Board
JSC Almazy Anabara	Provision of services	RUB	146,095.73	interested member of the Executive Committee	Supervisory Board
JSC Nizhne-Lenskoye	Provision of services	RUB	833,931,217.92	interested member of the Executive Committee	Supervisory Board
JSC Nizhne-Lenskoye	Provision of services	RUB	64,073.10	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Provision of services	RUB	12,581,728.19	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Provision of services	RUB	342,026,089.49	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Provision of services	RUB	4,393.68	interested member of the Executive Committee	Supervisory Board
OJSC PO Kristall	inventory pledge 24,836,537.53	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 65,977,208.98	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 1,676,007.85	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 8,442,411.47	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 55,324,533.51	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 9,768,501.58	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 1,504,018.89	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 23,692,824.97	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 5,942,504.50	RUB	0.00	interested shareholder	Supervisory Board

<i>Counterparties and participants in the transactions</i>	<i>Subject of the contract</i>	<i>Currency of the contract</i>	<i>Contract amount in rubles</i>	<i>Parties recognized as interested in the transaction</i>	<i>Governing body that approved the transaction</i>
JSC NPP Bouvestnik	Commission agreement	RUB	10,000.00	interested member of the Executive Committee	Supervisory Board
JSC Vilyuiskaya HPP-3	Commission agreement	RUB	10,000.00	interested member of the Executive Committee	Supervisory Board
JSC Almazy Anabara	Commission agreement	RUB	10,000.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Commission agreement	RUB	10,000.00	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Commission agreement	RUB	10,000.00	interested member of the Executive Committee	Supervisory Board
LLC Urengoy Gas Company	Commission agreement	RUB	10,000.00	interested member of the Executive Committee	Supervisory Board
OJSC PO Kristall	inventory pledge 22,729,193.32	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 8,022,029.54	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 10,124,180.36	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 19,724,664.47	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 13,629,453.05	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 9,636,195.16	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 40,668,239.69	RUB	0.00	interested member of the Executive Committee	Supervisory Board
OJSC PO Kristall	inventory pledge 14,300,165.59	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 43,252,838.22	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 24,602,145.23	RUB	0.00	interested shareholder	Supervisory Board
JSC ALROSA Air Company Limited	Loan	RUB	300,000,000.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Loan	RUB	900,000,000.00	interested member of the Executive Committee	Supervisory Board
OJSC PO Kristall	inventory pledge 3,759,495.30	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 767,811.99	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 17,777,680.78	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 4,469,709.61	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 4,149,269.56	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 25,873,969.14	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 1,645,876.07	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 7,503,277.51	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 35,114,409.74	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 9,454,497.39	RUB	0.00	interested shareholder	General Meeting of Shareholders
OJSC PO Kristall	inventory pledge 44,871,748.69	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 5,036,200.29	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 14,531,141.11	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 2,729,941.55	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 4,056,055.15	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 1,823,386.11	RUB	0.00	interested shareholder	Supervisory Board
PJSC Severalmaz	Issuance of a loan	RUB	2,072,000,000.00	interested member of the Executive Committee	Supervisory Board
OJSC PO Kristall	inventory pledge 85,237,815.34	RUB	85,237,815.34	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 15,505,976.20	RUB	15,505,976.20	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 29,339,207.47	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 2,181,961.27	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 10,046,950.42	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 35,861,773.27	RUB	0.00	interested shareholder	Supervisory Board

<i>Counterparties and participants in the transactions</i>	<i>Subject of the contract</i>	<i>Currency of the contract</i>	<i>Contract amount in rubles</i>	<i>Parties recognized as interested in the transaction</i>	<i>Governing body that approved the transaction</i>
OJSC PO Kristall	inventory pledge 34,143,682.58	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 2,711,703.09	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 2,686,711.94	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 1,590,242.67	RUB	0.00	interested shareholder	Supervisory Board
OJSC PO Kristall	inventory pledge 4,158,546.58	RUB	0.00	interested shareholder	Supervisory Board
JSC ALROSA Air Company Limited	Loan	RUB	900,000,000.00	interested member of the Executive Committee	Supervisory Board
JSC Almaznaya Osen Non-State Pension Fund	Co-investment	RUB	7,804,842,588.00	interested member of the Executive Committee	Supervisory Board
JSC Almaznaya Osen Non-State Pension Fund	Letter of Intent	RUB	2 419 644 681,00	interested member of the Executive Committee	Supervisory Board
JSC Golubaya Volna Resort	Sanatorium and spa treatment	RUB	2,883,790.00	interested member of the Executive Committee	Supervisory Board
JSC Vilyuiskaya HPP-3	Power supply contract	RUB	4 171 004 008,49	interested member of the Executive Committee	Supervisory Board
JSC Vilyuiskaya HPP-3	Power supply contract	RUB	650,387,564.40	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Donation	RUB	965,000,000.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Gas supply contract	RUB	1,157,615,000.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Lease of non-residential premises	RUB	196,900.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Lease of non-residential premises	RUB	208,122.00	interested member of the Executive Committee	Supervisory Board
JSC Almazy Anabara	Provision of services	RUB	14,316,873.80	interested member of the Executive Committee	Supervisory Board
JSC Nizhne-Lenskoye	Provision of services	RUB	20,992,216.52	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Lease of non-residential premises	RUB	512,710.00	interested member of the Executive Committee	Supervisory Board
JSC Almaznaya Osen Non-State Pension Fund	Real estate	RUB	2,618,644.07	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	386,640.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Chemicals	RUB	17,265.43	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Drilling	RUB	39,510,001.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Chemicals	RUB	415,591.23	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Equipment decommissioning	RUB	8,788,835.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Performance of work	RUB	83,813,490.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Gas supply contract	RUB	122,240,000.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Drilling	RUB	23,474,545.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Non-standard equipment	RUB	6,255,515.69	interested member of the Executive Committee	Supervisory Board
JSC Almazy Anabara	Explosives	RUB	1,311,325.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Property lease	RUB	6,850,151.00	interested member of the Executive Committee	Supervisory Board

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LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	123,777.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	73,511.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	308,826.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Non-standard equipment	RUB	8,547,870.01	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	6,297,533.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	954,709.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Paid services	RUB	701,620.92	interested member of the Executive Committee	Supervisory Board
JSC Almazny Anabara	Equipment lease	RUB	6,521,568.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Paid services	RUB	290,990.36	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Repair works	RUB	5,748,712.20	interested member of the Executive Committee	Supervisory Board
JSC Nizhne-Lenskoye	Paid services	RUB	9,099,388.28	interested member of the Executive Committee	Supervisory Board
JSC Nizhne-Lenskoye	Paid services	RUB	103,977.04	interested member of the Executive Committee	Supervisory Board
JSC Almazny Anabara	Paid services	RUB	17,588,879.40	interested member of the Executive Committee	Supervisory Board
JSC Almazny Anabara	Paid services	RUB	723,656.45	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Paid services	RUB	11,974,640.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	167,268.54	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Motor transport services	RUB	517,254.42	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	709,799.31	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Movable property donation	RUB	0.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Land and rock work	RUB	41,382,191.01	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Paid services	RUB	25,858,520.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Gas supply contract	RUB	101,634,000.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Performance of work	RUB	1,089,000.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Performance of work	RUB	2,030,000.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Repair works	RUB	2,870,279.00	interested member of the Executive Committee	Supervisory Board
JSC Golubaya Volna Resort	Provision of services	RUB	905,040.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	12,490,571.00	interested member of the Executive Committee	Supervisory Board
JSC Almazny Anabara	Provision of services	RUB	152,768.28	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Provision of services	RUB	10,350,556,605.20	interested member of the Executive Committee	Supervisory Board

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PJSC ALRO-SA-Nyurba	Provision of services	RUB	8,704,333,532.38	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Provision of services	RUB	8,295,751,923.20	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Performance of work	RUB	457,218,635.60	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Provision of services	RUB	8,721,365,900.18	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	492,934,260.00	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Property lease	RUB	175,001,153.16	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Property lease	RUB	9,061,999.98	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Property lease	RUB	11,300,582.70	interested member of the Executive Committee	Supervisory Board
JSC NPP Bourevestnik	Maintenance	RUB	2,194,744.20	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Self-propelled machinery	RUB	7,434,250.85	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Property lease	RUB	144,734,426.00	interested member of the Executive Committee	Supervisory Board
JSC Almazny Anabara	Measuring equipment	RUB	418,383.75	interested member of the Executive Committee	Supervisory Board
JSC Almazny Anabara	Measuring equipment	RUB	145,405.50	interested member of the Executive Committee	Supervisory Board
JSC NPP Bourevestnik	Measuring equipment	RUB	678,150.00	interested member of the Executive Committee	Supervisory Board
JSC NPP Bourevestnik	Measuring equipment	RUB	678,150.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	10,717.98	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Real estate lease	RUB	3,382,032.10	interested member of the Executive Committee	Supervisory Board
JSC NPP Bourevestnik	Transfer of rough diamond sample collection	RUB	1.00	interested member of the Executive Committee	Supervisory Board
JSC Nizhne-Lenskoye	Production of diamonds	RUB	5,500,000.00	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Provision of services	RUB	21,648,000.00	interested member of the Executive Committee	Supervisory Board
OJSC Almazny Mir	Health services	RUB	206,000.00	interested member of the Executive Committee	Supervisory Board
OJSC Almazny Mir	Provision of services	RUB	169,200.00	interested member of the Executive Committee	Supervisory Board
OJSC Almazny Mir	Provision of services	RUB	173,200.00	interested member of the Executive Committee	Supervisory Board
OJSC Almazny Mir	Lease of non-residential premises	RUB	2,626.60	interested member of the Executive Committee	Supervisory Board
OJSC Almazny Mir	Real estate lease	RUB	61,608,000.00	interested member of the Executive Committee	Supervisory Board
JSC Almazny Anabara	Rough diamonds	RUB	18,605,661.72	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Provision of services	RUB	202,436,382.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Provision of services	RUB	2,934,749.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	185,495.60	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	422,021.10	interested member of the Executive Committee	Supervisory Board

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JSC ALROSA Air Company Limited	Aircraft services	RUB	186,179,661.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Garbage disposal	RUB	11,170.91	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Lease of non-residential premises	RUB	341,462.22	interested member of the Executive Committee	Supervisory Board
JSC Almazy Anabara	Scientific and survey work	RUB	1,376,834.11	interested member of the Executive Committee	Supervisory Board
JSC Almazy Anabara	Scientific and survey work	RUB	1,411,747.31	interested member of the Executive Committee	Supervisory Board
JSC NPP Bourestnik	Lease of non-residential premises	RUB	147,379.43	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Exploration operations	RUB	23,289,025.16	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Exploration operations	RUB	306,978,386.50	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	31,264,387.92	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	421,804.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Fuels and lubricants	RUB	1,417,592.75	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Fuels and lubricants	RUB	1,619,130.00	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Fuels and lubricants	RUB	515,746.07	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Fuels and lubricants	RUB	23,222.02	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Fuels and lubricants	RUB	62,925,495.63	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Fuels and lubricants	RUB	32,197,051.31	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Fuels and lubricants	RUB	2,189,710.40	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Explosives	RUB	89,561,154.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Explosives	RUB	30,479,799.00	interested member of the Executive Committee	Supervisory Board
JSC NPP Bourestnik	Technology equipment	RUB	375,505,500.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Provision of services	RUB	648,065,242.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Provision of services	RUB	1,704,220.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Provision of services	RUB	3,964,859.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Provision of services	RUB	2,769,858.00	interested member of the Executive Committee	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	18,921,371.67	interested member of the Executive Committee	Supervisory Board
JSC NPP Bourestnik	Electrical equipment	RUB	30,371,784.63	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Fuels and lubricants	RUB	6,352,588.41	interested member of the Executive Committee	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	107,563,827.01	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Non-precious metal products	RUB	3,405,000.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Non-precious metal products	RUB	14,005.90	interested member of the Executive Committee	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	141,354,757.65	interested member of the Executive Committee	Supervisory Board

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JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	520,580,015.76	interested member of the Executive Committee	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	65,680,662.89	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Non-precious metal products	RUB	6,726,480.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Explosives	RUB	51,107,547.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Fuels and lubricants	RUB	9,180,960.52	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	32,697,815.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	473,715.00	interested member of the Executive Committee	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	18,921,371.67	interested member of the Executive Committee	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	107,563,827.01	interested member of the Executive Committee	Supervisory Board
JSC Almazy Anabara	Real estate lease	RUB	170,859.38	interested member of the Executive Committee	Supervisory Board
JSC Almazy Anabara	Storage of and refill with fuels and lubricants	RUB	322,696.51	interested member of the Executive Committee	Supervisory Board
JSC Almazy Anabara	Provision of services	RUB	2,453,367.87	interested member of the Executive Committee	Supervisory Board
JSC Almazy Anabara	Provision of services	RUB	367,814.50	interested member of the Executive Committee	Supervisory Board
JSC NPP Bourestnik	Provision of services	RUB	6,106,400.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	1,346,247.25	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Provision of services	RUB	579,145.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Drilling	RUB	10,453,220.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Property lease	RUB	24,954.70	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Property lease	RUB	707,367.13	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	24,954.70	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Construction and installation works	RUB	13,552,083.24	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	4,081,507.84	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Property lease	RUB	21,905,055.21	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Real estate lease	RUB	2,874,776.41	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Equipment lease	RUB	1,435,922.36	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Building materials	RUB	198,922.09	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Property lease	RUB	6,956,148.33	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	10,222,996.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	5,755,792.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	9,182,919.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	126,084.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Drilling	RUB	5,957,797.95	interested member of the Executive Committee	Supervisory Board

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JSC Vilyuiskaya HPP-3	Communication services	RUB	3,195,380.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Provision of services	RUB	277,723.39	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Provision of services	RUB	40,962.07	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	78,615.97	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Provision of services	RUB	8,729,951.73	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Scientific and survey work	RUB	1,591,995.46	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Research and technical services	RUB	4,128,341.60	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Research and technical services	RUB	2,520,315.01	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Scientific and survey work	RUB	3,713,342.00	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Research and technical services	RUB	6,352,353.00	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Research and survey work	RUB	10,732,936.62	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Research and survey work	RUB	5,825,025.16	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Research and survey work	RUB	5,825,025.16	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Paid services	RUB	82,770.39	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Provision of services	RUB	4,229,281.66	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Research and survey work	RUB	23,319,667.40	interested member of the Executive Committee	Supervisory Board
PJSC ALRO-SA-Nyurba	Research and survey work	RUB	7,210,653.14	interested member of the Executive Committee	Supervisory Board
JSC NPP Bourestnik	Scientific and survey work	RUB	17,575,115.70	interested member of the Executive Committee	Supervisory Board
JSC Vilyuiskaya HPP-3	Research and survey work	RUB	219,115.38	interested member of the Executive Committee	Supervisory Board
PJSC Severalmaz	Research and survey work	RUB	11,523,357.26	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Research and survey work	RUB	499,988.42	interested shareholder	Supervisory Board
JSC NPP Bourestnik	Research and technical services	RUB	24,564,843.60	interested shareholder	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	297,127.00	interested member of the Executive Committee	Supervisory Board
JSC Almaznaya Osen Non-State Pension Fund	Lease of non-residential premises	RUB	685,295.44	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Heat supply contract	RUB	626,772.20	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Maintenance	RUB	69,960.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	13,950,410.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	203,409.00	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Transport services	RUB	1,389.32	interested member of the Executive Committee	Supervisory Board
JSC Almazny Anabara	Performance of work	RUB	164,002,895.40	interested member of the Executive Committee	Supervisory Board

<i>Counterparties and participants in the transactions</i>	<i>Subject of the contract</i>	<i>Currency of the contract</i>	<i>Contract amount in rubles</i>	<i>Parties recognized as interested in the transaction</i>	<i>Governing body that approved the transaction</i>
JSC Almazny Anabara	Real estate	RUB	1,214,702.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Real estate lease	RUB	8,924,690.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	734,856.86	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Performance of work	RUB	2,800,000.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Heat supply contract	RUB	172,584.62	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Provision of services	RUB	12,687,806.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Heat supply contract	RUB	177,374.76	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Air tickets	RUB	5,000,000.00	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Air tickets	RUB	3,500,000.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Fuels and lubricants	RUB	488,832.11	interested member of the Executive Committee	Supervisory Board
JSC Vilyuiskaya HPP-3	Air tickets	RUB	3,000,000.00	interested member of the Executive Committee	Supervisory Board
JSC Vilyuiskaya HPP-3	Air tickets	RUB	6,000,000.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Fuels and lubricants	RUB	11,583,389.15	interested member of the Executive Committee	Supervisory Board
JSC Aircompany Yakutia	Fuels and lubricants	RUB	704,699.37	interested shareholder	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	280,700.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Fuels and lubricants	RUB	1,081,121.73	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Fuels and lubricants	RUB	21,173.92	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Provision of services	RUB	29,661,017.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircrafts	RUB	19,490,318.28	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Motor transport services	RUB	3,092,994.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Maintenance	RUB	92,419.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Natural gas	RUB	212,621.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Natural gas	RUB	212,621.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Training services	RUB	107,621.90	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Training services	RUB	77,885.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Training services	RUB	8,850.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Training services	RUB	69,856.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Advanced training	RUB	12,513.90	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	58,847.13	interested member of the Executive Committee	Supervisory Board
JSC NPP Bourestnik	Training services	RUB	111,764.49	interested member of the Executive Committee	Supervisory Board
JSC NPP Bourestnik	Training services	RUB	191,941.34	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Training services	RUB	49,335.80	interested member of the Executive Committee	Supervisory Board

<i>Counterparties and participants in the transactions</i>	<i>Subject of the contract</i>	<i>Currency of the contract</i>	<i>Contract amount in rubles</i>	<i>Parties recognized as interested in the transaction</i>	<i>Governing body that approved the transaction</i>
Almazik, an independent non-profit pre-school educational entity	Training services	RUB	23,010.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Training services	RUB	55,500.00	interested member of the Executive Committee	Supervisory Board
OJSC ALROSA-Gas	Training services	RUB	74,000.00	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Property lease	RUB	831,077.15	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Heat network maintenance	RUB	5,008,353.98	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Property donation of RUB 29,778,675.86	RUB	0.00	interested member of the Executive Committee	Supervisory Board
JSC Almaznaya Osen Non-State Pension Fund	Real estate lease	RUB	11,545,721.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	4,040,623.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	162,902.64	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Aircraft services	RUB	4,203,965.00	interested member of the Executive Committee	Supervisory Board
Almazik, an independent non-profit pre-school educational entity	Provision of services	RUB	31,380.00	interested member of the Executive Committee	Supervisory Board
LLC ALRO-SA-Spetsbureniye	Provision of services	RUB	384,000.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Sanatorium and spa treatment	RUB	429,030.00	interested member of the Executive Committee	Supervisory Board
JSC ALROSA Air Company Limited	Provision of services	RUB	3,199,991.00	interested member of the Executive Committee	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	84,229,167.18	interested shareholder	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	18,921,371.67	interested shareholder	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	107,563,827.01	interested shareholder	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	141,354,757.65	interested shareholder	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	260,290,007.88	interested shareholder	Supervisory Board
JSC Sakhaneftegazsbyt	Fuels and lubricants	RUB	65,680,662.89	interested shareholder	Supervisory Board
JSC Sakhaenergo	Real estate	RUB	339,183.92	interested shareholder	Supervisory Board
JSC SOGAZ	Liability insurance	RUB	7,629,276.00	interested shareholder	Supervisory Board
JSC SOGAZ	Liability insurance	RUB	7,668,348.00	interested shareholder	Supervisory Board
Forestry Affairs Department of the Republic of Sakha (Yakutia)	Land lease	RUB	4,958.35	interested shareholder	Supervisory Board
Forestry Affairs Department of the Republic of Sakha (Yakutia)	Land lease	RUB	28,052.51	interested shareholder	Supervisory Board

<i>Counterparties and participants in the transactions</i>	<i>Subject of the contract</i>	<i>Currency of the contract</i>	<i>Contract amount in rubles</i>	<i>Parties recognized as interested in the transaction</i>	<i>Governing body that approved the transaction</i>
Forestry Affairs Department of the Republic of Sakha (Yakutia)	Land lease	RUB	131,886.78	interested shareholder	Supervisory Board
Forestry Affairs Department of the Republic of Sakha (Yakutia)	Land lease	RUB	187,345.61	interested shareholder	Supervisory Board
Forestry Affairs Department of the Republic of Sakha (Yakutia)	Land lease	RUB	189,536.08	interested shareholder	Supervisory Board
Forestry Affairs Department of the Republic of Sakha (Yakutia)	Land lease	RUB	29,331.51	interested shareholder	Supervisory Board
MI&ZO RS(Y)	Real estate donation of RUB 1,613,995.53	RUB	0	interested shareholder	Supervisory Board
MI&ZO RS(Y)	Real estate lease	RUB	221,783.4	interested shareholder	Supervisory Board
Mirny Power Supply Branch, PJSC Yakutskenergo	Heat supply contract	RUB	7,383,321.47	interested shareholder	Supervisory Board
Udachny Municipal Housing Enterprise	Paid services	RUB	62,366.3	interested shareholder	Supervisory Board
PJSC VTB Bank	Banking services	RUB	130,000.00	interested shareholder	Supervisory Board
PJSC VTB Bank	Banking services	RUB	130,000.00	interested shareholder	Supervisory Board
PJSC VTB Bank	Banking services	RUB	130,000.00	interested shareholder	Supervisory Board
PJSC VTB Bank	Banking services	RUB	130,000.00	interested shareholder	Supervisory Board
PJSC VTB Bank	Guarantee agreement		0.00	interested shareholder	Supervisory Board
Zhiganskoy Oil Base, JSC Sakhaneftegazsbyt	Provision of services	RUB	641,000.00	interested shareholder	Supervisory Board
JSC RBK	Provision of services	RUB	590,000.00	interested shareholder	Supervisory Board
Mirny Town Housing Enterprise LLC	Paid services	RUB	1,236,834.24	interested shareholder	Supervisory Board

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

This report on compliance with principles and recommendations of the Corporate Governance Code was reviewed by the Supervisory Board of PJSC ALROSA at the meeting of April 19, 2017. Supervisory Board confirms that the data in this report contains complete and accurate information on consistency with principles and recommendations of the Corporate Governance Code by the Company in 2016.

No.	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
1.1	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.			
1.1.1	The Company creates the most favorable 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.	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. 2. The Company provides an 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.	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.	1. General meeting notification is placed (posted) at web-site on the Internet not less than 30 days before the date of General Meeting. 2. Meeting's location and documents required for access into the building are specified in the meeting notification. 3. Shareholders were provided by the access to information concerning who suggested the agenda and who nominated the candidates to the Board of Directors and Auditing Committee of the Company.	complied with	

No.	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
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.	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. 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 the shareholders. 3. The Company provided the shareholders, having the right to 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.	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.	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. 2. In the reporting period, the Company did not refuse the acceptance of proposals for agenda or candidates to the bodies of the Company because of misprints or any other insignificant shortcomings in the shareholder's proposal.	complied with	
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.	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. 2. Candidates to the governance and supervision bodies of the Company were available for answers the questions of shareholders at the meeting, where their candidacies were nominated for voting. 3. The Board of Directors within taking the decisions, related to preparation and holding of the General meetings of the shareholders, considered the use of telecommunications to provide the shareholders a remote access for participation in the General meetings in reporting period.	complied with	
1.2	The shareholders have been given an equal and fair opportunity to participate in the Company's profits through dividends receipt.			
1.2.1	The Company developed and introduced transparent and understandable methods to calculate the amount of dividends and their payment.	1. The Company developed, approved by the Board of Directors and disclosed the dividend policy. 2. If the dividend policy of the Company uses indicators of the Company's reporting to calculate the amount of dividends, the appropriate provisions of the dividend policy take into account the consolidated indicators of financial reporting.	complied with	

No.	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
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.	1. Dividend policy of the Company contains clear directions for financial/economic conditions, when the Company shall not pay the dividends.	complied with	
1.2.3	The Company does not allow the impairment of dividend rights of current shareholders.	1. In the reporting period, the Company did not take actions leading to the impairment of dividend rights of current shareholders.	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.	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.	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.			
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 interest conflicts 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.			
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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No.	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
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.			
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. 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	
2.1.2	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.	1. During the reporting period, 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 were considered at meetings of the Board of Directors.	complied with	
2.1.3	The Board of Directors determines the principles and approaches to arrange the risk management and internal control system in the Company.	1. The Board of Directors determined the principles and approaches to arrange the risk management and internal control system in the Company. 2. The Board of Directors assessed the risk management and internal control system of the Company within the reporting period.	partially complied with	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 December 11, 2014, Minutes No. A01/223-PP-HC), Regulations on Risk Management (approved on November 10, 2015, Minutes No. A01/236-PP-HC), and the Regulations on the procedures of internal control for financial and economic activity of PJSC ALROSA (approved by the decision on March 16, 2012 (Minutes No. 179), with amendments, approved on September 12, 2012 (Minutes No. 185)). 2. For the purposes of regulatory and methodological support of the processes of risk management in the reporting period, the Company developed a set of methodological documents, regulating the operation of the risk management system (informational rules for risk management, risk classifier, risk assessment methodology, risk management system assessment methodology). The methodological document set (risk classifier, risk assessment methods, and risk profile template) is under review of the executive body. In 2017, the portfolio of documents is to be submitted for approval, and information on risks (report on risks) to be drafted for the Supervisory Board of the Company.

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No.	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
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.	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. 2. Within the reporting period the issues related to the mentioned policy (policies) have been considered at the meetings of the Board of Directors.	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.	1. The Board of Directors plays key role in prevention, reveal and settlement of internal conflicts. 2. The Company developed the transactions identification system, related to the conflict of interest, and measures, oriented to the settlement of such conflicts.	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.	1. The Board of Directors approved the Regulations on Information Policy. 2. Persons, responsible for the implementation of the information policy, are determined in the Company.	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.	1. Within the reporting period the Board of Directors considered the problem of corporate governance practice in the Company.	complied with	
2.2	The Board of Directors is accountable to the Company's shareholders.			
2.2.1	Information on the work of the Board of Directors is disclosed and provided to the shareholders.	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. 2. The Annual report contains the information on the main assessment results of the work of Board of Directors, performed within the reporting period.	complied with	
2.2.2	Chairman of the Board of Directors is contactable for the Company's shareholders.	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 on them.	complied with	

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No.	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
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.			
2.3.1	Only persons with excellent business and personal reputation and knowledge, skills and experience, necessary for making decisions relating to the responsibility of the Board of Directors and needed for effective performance of its functions are eligible for election to the Board of Directors.	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. 2. In the reporting period, the Board of the Directors (or its Nomination Committee) assessed the candidates to the Board of Directors in the context of their required experience, knowledge, business reputation, absence of interest conflict, etc.	complied with	
2.3.2	The members of the Board of Directors of the Company are elected by the transparent procedure, allowing the shareholders obtain information on the nominees sufficient to form the perception about their personal and professional qualities.	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 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.	complied with	
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 analyzed 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 the 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	

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No.	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
2.4	The Board of Directors consists of sufficient number of independent directors.			
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 member of the Board of Directors), who connected to the Company, its sufficient shareholder, sufficient counterparty or competitor of the Company or related to the state cannot be considered as independent.	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	
2.4.2	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.	1. In the 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. 2. For the 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. 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.	complied with	
2.4.3	Independent directors shall comprise not less than one-third of the elected members of the Board of Directors.	1. Independent directors shall comprise not less than one-third of the members of the Board of Directors.	complied with	
2.4.4	Independent directors play key role in prevention of internal conflicts in the Company and in significant corporate actions of the Company.	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.	complied with	

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No.	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
2.5	The Chairman of the Board of Directors contributes to more effective implementation of the functions assigned to the Board of Directors.			
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. 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.	complied with	
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	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.			
2.6.1	Members of the Board of Directors take decisions with all available information, no conflict of interest, equal attitude to the Company's shareholders, within the ordinary business risk.	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. 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. 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.	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.	1. The Company adopted and published an internal document, clearly defining the rights and obligations of the members of the Board of Directors.	complied with	

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No.	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
2.6.3	Members of the Board of Directors have sufficient time to perform their obligations.	<p>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.</p> <p>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 and related organizations of the company), as well as the fact of such assignment.</p>	complied with	
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.	<p>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.</p> <p>2. There is a formalized program of introductory events in the Company for newly elected members of the Board of Directors.</p>	complied with	
2.7	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.			
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.	1. The Board of Directors held not less than six meetings during reporting period.	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.	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.	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.	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.	complied with	
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	<p>According to the Company's Charter</p> <p>– Resolutions on the following matters are passed by a 3/4 majority of the Supervisory Board's votes in attendance (Clause 12.1.2):</p> <p>election of the Chairman of the Supervisory Board;</p> <p>2) establish the Supervisory Board committees, elect members of the Supervisory Board, change the committee's membership (including early termination of powers of all or part of the committee members), approve regulations on the Supervisory Board and internal documents concerning remunerations and/or compensations related to duties of the Committee members and to non-members of the Supervisory Board;</p>

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				<p>3) recommendations to executive bodies of the Company on any issues concerning activities of the Company.</p> <p>– Resolutions on election of the first deputy chair of the Supervisory Board and deputy chair of the Supervisory Board are passed by the majority of all votes of the Supervisory Board (paragraph 1, Clause 12.1.3);</p> <p>– Resolutions related to approval of transactions under Chapter XI, the Federal Law On Joint Stock Companies, are made by a majority of votes cast by independent Supervisory Board members who are defined as such in Article 83, Clause 3, the Federal Law On Joint Stock Companies (if a member of the Supervisory Board or their affiliates are the counterparty's employee with the executive powers but is not a formal member of the counterparty's management bodies, such person is deemed to have interest in the Company's transaction with such counterparty) (paragraph 2, Clause 12.1.3);</p> <p>– Resolutions related to the approval of large-scale transactions (including those that are both large-scale and interested-party transactions, which are not subject to approval as interested-party transactions under applicable law) as provided for in Chapter X of the Federal Law On Joint Stock Companies are passed unanimously by all Members of the Supervisory Board (paragraph 3, Clause 12.1.3);</p> <p>– Resolutions on approval of proposals to the general shareholders' meeting are made by a 3/4 majority of votes of all Members of the Supervisory Body.</p> <p>Clause 1.2 of Shareholders Agreement No. 01-05/533 dated November 18, 2013 provides that the Russian Federation and Republic of Sakha (Yakutia) undertake 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.</p> <p>According to the Corporate Governance Code (clause 5.7.4), for the purpose of taking into account opinions of all Members of the Supervisory Board, the Company seeks that all resolutions of the Supervisory Board meeting related to the key issues of the Company's business are passed by the qualified majority or majority of votes of all elected Members of the Supervisory Board, regardless of the quorum set by the Charter.</p>

No.	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
				Such issues include the following: 1) approval of the priority areas of Company's business and financial business plan; 2) approval of the Company's dividend policy; 3) resolutions related to listing the Company's shares or securities convertible into shares; 4) definition of the Company's major transaction value and approval of such transactions; 5) submitting issues related to the Company's reorganization and liquidation to the general meeting of shareholders; 6) submitting to the general meeting of shareholders issues related to increasing or decreasing the authorized capital of the Company, determining the price (monetary value) of property, contributed as payment for placement of additional shares; 7) submitting for discussion of the general meeting of shareholders any issues related to the Charter amendment, major transactions approval, and delisting of the Company's shares and/or securities convertible into shares; 8) addressing critical business matters related to entities under the Company's control; 9) approval of recommendations on any voluntary or mandatory offer made to the Company; 10) approval of recommendations related to the Company's dividends.
2.8	The Board of Directors establishes committees for the preliminary consideration of the most important issues of the Company's activity.			
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. 2. Internal documents of the Company determine the tasks of the Audit Committee, including tasks which are contained in Recommendation 172 of the Code. 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. 4. Meetings of the Audit Committee were held at least once per quarter during the reporting period.	partially complied with	Chairman of the Audit Committee at the Supervisory Board of PJSC ALROSA, is an independent director. Independent directors constitute the majority of the Committee membership (3 of 5). Non-compliance in terms of the Committee membership is explained by failure by an independent director to consent with the Committee's operations. To remedy this non-compliance, the Company intends to raise awareness of the new Supervisory Board of the need to comply with the Corporate Governance Code.
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.	1. The Board of Directors established the Remunerations Committee, which consists only of independent directors. 2. The Chairman of the Remunerations Committee is an independent director, who is not the Chairman of the Board of Directors. 3. Internal documents of the Company determine the tasks of the Remunerations Committee, including tasks which are contained in Recommendation 180 of the Code.	complied with	

No.	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
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.	1. The Board of Directors established the Nomination Committee (or its tasks, specified in recommendation 186 of the Code, are implemented within the other Committee40), most members of which are independent directors. 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.	complied with	
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 Management 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	
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.	1. Committees of the Board of Directors are chaired by the independent directors. 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.	partially complied with	The Audit Committee and the Human Resources and Remunerations Committee at PJSC ALROSA are headed by independent directors and the Strategic Planning Committee at the Supervisory Board is headed by a non-executive director. The Regulations on Supervisory Board Committees of PJSC ALROSA provide that the Committee's chair may be invited from non-members of the Committees
2.8.6	Chairmen of the Committees shall regularly inform the Board of Directors and its Chairman on the work of their committees.	1. During the reporting period, the chairmen of the committees report regularly on the work of committees to the Board of Directors.	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.			
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.	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. 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.	partially complied with	According to the Corporate Governance Code and methodology of the Supervisory Board Performance Assessment, performance of the Supervisory Board and its Committees, members and the corporate secretary are recommended to be assessed at least once every three years, engaging an outside entity for this purpose. The next assessment is expected 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.	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 involved an external organization (consultant).	complied with	

No.	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
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.			
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. 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.			
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 of 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	
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	

No.	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
4.2	The system of 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	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.			
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. 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. 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	

No.	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
4.3.2	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>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).</p> <p>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>	not complied with	<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> <p>The resolution of the Supervisory Board PJSC ALROSA dated September 29, 2016 approved the List of Persons (Titles) in the category of key executives at PJSC ALROSA; and the major shareholders are currently discussing the need to include additional key employees in the long-term executive motivation program at PJSC ALROSA.</p>
4.3.3	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.	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.	complied with	
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 allocation of functions and responsibilities in respect of risk management and internal control between managers (heads) of divisions and departments accountable to them.	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.	<p>1. The Company approved a policy on combating the corruption.</p> <p>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.</p>	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	<p>No risk management system assessment was made due to updating and development of new internal and methodological documents that regulate the risk management system's functioning; the work started in the reporting year and will be completed in 2017. Development of Methodology for assessment of efficiency of internal control system is scheduled for 2017;</p>

No.	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
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	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.	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.	complied with	
5.2.2	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. The Company uses generally accepted activities' standards in the field of internal audit.	<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>	partially complied with	<p>1. No risk management system assessment was made due to updating and development of new internal and methodological documents that regulate the risk management system's functioning; the work started in the reporting year and will be completed in 2017. Development of Methodology for assessment of efficiency of internal control system is scheduled for 2017;</p> <p>2. Approved internal regulations of the Company in the area of risk management and internal audit (Risk management policy, Regulations on risk management, and Regulations on internal audit) comply with the requirements of the Russian legislation, as well as generally accepted practices and standards in so far as they do not conflict with the Russian legislation.</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.	<p>1. The Board of Directors of the Company approved an information policy of the Company, developed together with recommendations of the Code.</p> <p>2. The Board of Directors (or one of its committees) discussed the issues related to the Company's conformity with its information policy at least once during the reporting period.</p>	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.	<p>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.</p> <p>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).</p> <p>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.</p>	complied with	

No.	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
6.2	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.			
6.2.1	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>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.</p> <p>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.</p> <p>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.</p>	complied with	
6.2.2	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>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.</p> <p>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.</p>	complied with	
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.	<p>1. During the reporting period, the Company did not refuse to satisfy the shareholders' requests for information, or such refusals were justified.</p> <p>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.</p>	complied with	

No.	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
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.	<p>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.</p> <p>2. Charter of the Company attributed to significant corporate actions, at least: the 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 shares.</p>	complied with	
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.	<p>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.</p> <p>2. During the reporting period, all major corporate actions passed the approval process before their implementation.</p>	complied with	
7.2	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.			
7.2.1	Information on committing of 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 of actions.	complied with	
7.2.2	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>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.</p> <p>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.</p> <p>3. Internal documents of the Company provide an extended list of grounds for the members of the Board of Directors of the Company and any other persons specified by the legislation to be deemed interested in the transactions of the Company.</p>	complied with	

REPORT OF THE AUDITING COMMITTEE

OPINION
OF THE AUDITING COMMITTEE
OF PJSC ALROSA ON RESULTS
OF THE AUDIT OF FINANCIAL
AND BUSINESS ACTIVITIES
OF PJSC ALROSA
FOR 2016

Moscow April 13, 2017

The Auditing Committee of PJSC ALROSA elected by the annual General Meeting of shareholders of the Company on June 30, 2016, consisting of:

Anna I. Vasilyeva, Deputy Chairman of the Auditing Committee, Head of the Department of Rough and Polished Diamond Complex Property, Financial and Insurance Organizations, Ministry of Property and Land Relations of the Republic of Sakha (Yakutia); Alexander S. Vasilchenko, Deputy Director of the Corporate Governance Department at the Russian Federation Ministry for Economic Development;

Marina V. Mikhina, Deputy Head of the Internal Audit Department of JSC OSK.

Victor N. Pushmin, Deputy Minister of Finance of the Republic of Sakha (Yakutia) carried out an annual audit (hereinafter - Audit) of financial and business activities of PJSC ALROSA (hereinafter - the Company) for 2016.

The Audit was carried out in accordance with the requirements of Federal Law No. 208-ФЗ 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 achieving of the basic production indicators and planned economic indicators, including the analysis of actually achieved financial results.
3. Analysis of net profit disposal.
4. Analysis of accuracy of calculation and payment of dividends.
5. On fulfilment of the Non-core assets disposal program in 2016.
6. Analysis of the results of sales policy in the domestic and foreign markets in 2016.
7. Assessment of execution (status) of instructions of the President of the Russian Federation and Government of the Russian Federation.
8. Analysis of procurement in 2016.
9. Analysis of the performed corrective actions following the previous internal audit.
10. Opinion (including recommendations to address identified deficiencies)

The Auditing Committee considered the following documents submitted by the Company:

1. Draft Annual Report of PJSC ALROSA (hereinafter the Company) for 2016.
2. Auditor's Report on accounting (financial) statements for 2016.
3. Accounting (financial) reporting of the Company for 2016: 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 of the accounting policy for 2016 for the purpose of business accounting (in digital media), Order of the accounting policy for 2016 for the purpose of taxation (in digital media),
5. Information on the layout of the Table for Performance Analysis of PJSC ALROSA by results of 2016.
6. Summary budget for generation, distribution and use of the Company's net profit for 2016.
7. Information on payment of taxes, duties and other mandatory payments by the Company for 2015 - 2016.
8. Information on dividends accrued and paid on the Company's shares in 2016
9. Certificate on the activities of the Company's Supervisory Board and Executive Committee for 2016;
 - Information of performance of the Directives of the Government of the Russian Federation;
 - Report on fulfillment of recommendations to eliminate the identified deficiencies.
10. Register of loan agreements of PJSC ALROSA for 2016.
11. Register of financial investments of PJSC ALROSA as of December 31, 2016;
 - Financial investments of PJSC ALROSA (balance sheet line 1170, 1240 "Long-Term and Short-Term Financial Investments");
 - Register of financial investments of PJSC ALROSA (deposits);
 - Financial investments of PJSC ALROSA (loans provided to other entities, as of December 31, 2016).
12. The consolidated cash flow budget of PJSC ALROSA for 2016.
13. Register of contracts with contract value over RUB 10 mn concluded by the Company and registered by the Company's Legal Department.
 - Register of contracts with contract value over RUB 10 mn concluded by the Company and registered by the Company's business units.

Under individual requirement of the members of the Company's Auditing Committee: copies of agreements, addenda thereto, copies of procurement documentation.
14. Information of disposal of Company's non-core assets in 2016.
15. Analytical report of procurement in 2016.
16. Analysis of the results of sales policy of the Company in the domestic and foreign markets in 2016. Summarized information on Company's import/export of rough and polished diamonds (in kind and in cash), including export under agency contracts.
17. Report on ALROSA Group rough diamond mining for 2015 - 2016 (by enterprises, MPDs, deposits).
18. Report on diamond mining by assessment of the USO for ALROSA Group for 2015 - 2016, according to classification codes of Russian National Product Classifier 14.50.21.120 and 14.50.22.110 (monthly, with breakdown by licensees, in carats and USD).
19. Report of mining work progress for ALROSA Group for 2015 - 2016 (with breakdown by MPDs, enterprises), and minutes, orders, inspection reports on corrective actions of violations discovered by supervisory agencies during 2016.
20. Consolidated labor costs budget of the Company for 2015 - 2016 with breakdown by business units (providing details on headcount, payroll budget, average wages).

21. List of PJSC ALROSA pro-bono transactions (except transactions of transfer of real estate and fixed assets (movable property), report for 2016.

Under individual requirement of the members of the Company's Auditing Committee: copies of agreements, addenda thereto.

22. Plans and reports of the Company's Internal Audit Department for 2016.

In 2016, PJSC ALROSA produced 23,200.9 thousand carats of rough diamonds, which is 98.6% vs. 2015, worth USD 2,543.0 mn (88.5% vs. 2015).

All exploration and onsite exploration operations are performed in accordance with the approved projects and on-site plans. Total growth of rough diamond stock of ALROSA Group amounted to RUB 58.4 mn in 2016. Stock growth in 2016 exceeds stock depreciation in situ.

In 2016, PJSC ALROSA revenue from sales of core products (diamonds) amounted to USD 3,190.8 mn, 24.6% increase as compared to the similar indicator of 2015 (USD 2,561.0 mn).

As compared to 2015, revenues from sales of products, work, services of PJSC ALROSA for 2016 shows increase of RUB 64,289.6 mn (34.7%) and amounts to RUB 249,566.5 mn, which is accounted for by increasing sales of rough diamond products for USD 628.7 mn (+ RUB 37,623.2 mn) and growth of USD exchange rate in 2016 (RUB + 26,082.2 mn).

In 2016, facilities and loans payable reduced 35.9% and amounted to RUB 141,913.5 mn (USD 2,339.6 mn) due to repayment of short-term loans and lower USD to RUB exchange rate.

Net profit of PJSC ALROSA in 2016 amounted to RUB 148,657.5 mn, which makes 704.1% vs. 2015 (RUB 21,112.2 mn).

In 2016, the Company's accrued taxes and mandatory payments to budgets and extra budgetary funds amounted to RUB 64,573.4 mn, 4.3% increase vs. the target (for RUB 2,677.5 mn) due to growth of income tax by RUB 1,737.5 mn resulting from increase of diamond sales and changes in USD / RUB exchange rate vs. the target, increase of VAT payable by the amount of RUB 1,709.7 mn in connection with tax benefits obtained in smaller amount due to decrease of actual supply of inventory and growth of rough diamond sales in the domestic market, and reduction of mineral (diamond) tax, property and transport tax for RUB 780.2 mn.

In accordance with the decision of the annual General Meeting of PJSC ALROSA shareholders dated June 30, 2016 (Minutes No. 34), the following distribution of Net profit for 2015 was approved:

Net profit available for distribution, total:	RUB 21,229,498 thousand
Net profit excluding income received from adjusted cost of financial investments:	RUB 11,990,792 thousand
for dividend payment:	RUB 15,392,778 thousand
profit retained by PJSC ALROSA before payment of remuneration to PJSC ALROSA Members of the Supervisory Board]:	RUB 5,836,720 thousand

The Company allocated RUB 15,392.8 mn for dividend payment for 2015.

The total dividends paid for 2015 amount to RUB 15,370.3 mn, including:

– federal executive authorities, executive government bodies of the constituent entities of the Russian Federation, executive local government bodies in an amount of RUB 10,163.3 mn, including:

Russian Federation represented by the Federal Agency for State Property Management RUB 5,083.6 mn;

Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) RUB 3,848.23 mn; regions (uluses) of the Republic of Sakha (Yakutia) RUB 1,231.5 mn;

– other shareholders RUB 5,207.0 mn.

The dividends were not paid out in full due to 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 Rules, annual audit of the Company results for 2016 was carried out by the Company's Auditor, Joint Stock Company PricewaterhouseCoopers Audit approved by the annual General Meeting of the Company's Shareholders on June 30, 2016, Minutes No. 34. The Company's Auditor confirms reliability of the accounting (financial) statements as of December 31, 2016, results of financial and business activities and cash flow for 2016.

Based on consideration of documents submitted by the Company, the Auditing Committee concluded that PJSC ALROSA carried out its financial and business activities in 2016 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 accounting procedures, 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.

Deputy Chairman of the Auditing Committee

A. I. Vasilyeva

Members of the Auditing Committee:

A.S. Vasilchenko

M. V. Mikhina

V. N. Pushmin

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ABOUT THE COMPANY

Company full name	Public Joint Stock Company ALROSA
Number and date of issue of the certificate of state registration of a legal entity	Certificate No.1 dated August 13, 1992 issued by the Mirny District Administration, Republic of Sakha (Yakutia) [order No. 554 dated August 13, 1992]
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
Contact telephone	In Moscow: Executive Bodies of PJSC ALROSA Telephone: +7 (495) 620-92-50 +7 (495) 411-75-25 Fax: +7 (495) 411-75-15 Telex: 113258 «Almaz» RU E-mail: info@alrosa.ru In Mirny: Executive Bodies of PJSC ALROSA Telephone: +7 (41136) 9-00-21 +7 (41136) 3-01-80 Fax: +7 (41136) 3-04-51 +7 (41136) 9-01-62 +7 (495) 745-80-61 E-mail: info@alrosa.ru
Core activity	As per information on the types of economic activity according to the All-Russian Classifier of Types of Economic Activity (OKVED OK 029-2001, NACE Rev. 1), the main activity is diamond mining, code 14.50.22. (in accordance with OKVED OK 029-2014 (KDES REV. 2) - 08.99.32).
Information on inclusion in the list of strategic enterprises and strategic joint-stock companies	PJSC ALROSA is included in the list of strategic enterprises and strategic joint-stock companies [Presidential Order No. 1009 dated August 04, 2004]
Full name and address of the registrar	Closed Joint Stock Company VTB Registrar
Registrar's address	23 Pravdy St., 127015, Moscow
Company's auditor full name	Joint Stock Company PriceWaterhouseCoopers Abbreviated name: JSC PwC Audit INN: 7705051102, OGRN: 1027700148431
Address of the Company's auditor	Legal/registered address: 10 Butyrskiy Val St., 125047, Moscow, Russian Federation Telephone: +7(495) 967-60-00 Fax: +7 (495) 967-60-01
Authorized capital	Three billion six hundred and eighty-two million four hundred and eighty-two thousand eight hundred and fifteen rubles [RUB 3,682,482,815]
Total number of shares	Seven billion three hundred and sixty-four million nine hundred and sixty-five thousand six hundred and thirty [7,364,965,630] shares
Number of ordinary shares	Seven billion three hundred and sixty-four million nine hundred and sixty-five thousand six hundred and thirty [7,364,965,630] shares
Par value of ordinary shares	[Three billion six hundred and eighty-two million four hundred and eighty-two thousand eight hundred and fifteen rubles [RUB 3,682,482,815]

State registration number for issue of ordinary (preferred) shares and date of state registration	1-03-40046-N as of August 25, 2011.
State registration number for additional issue of ordinary (preferred) shares and the state registration date (if the registration authority failed to cancel the individual number (code) of the additional issue of ordinary (preferred) shares at the date when the Supervisory Board approved the draft annual report)	No
Preferred shares number	No preferred shares
Information on additional shares placed by the Company and annual capital movement (a change in the composition of persons who have the right to dispose, directly or indirectly, of, at least, five percent of the votes attached to voting shares of the company)	No changes in the list of persons who have the right to dispose, directly or indirectly, of, at least, five percent of the votes attached to voting shares of the company, other than: - The stake of the Russian Federation decreased from 43.9256% of the authorized capital (3,235,103,207.3437 ordinary shares) as of December 31, 2015 to 33.0256% of the authorized capital (2,432,321,953.3437 ordinary shares) as of December 31, 2016; - The stake of non-banking credit institution National Settlement Depository increased from 21.1127% of the authorized capital (1,554,946.370 shares) as of December 31, 2015 to 32.2393% of the authorized capital (2,374,410,494 ordinary shares) as of December 31, 2016.
No information is available on the number of shares held by the Company, or on the number of the Company shares owned by legal entities controlled by the Company	No shares held by the company, or the number of the Company shares owned by legal entities controlled by the Company
The number of shares held by the Russian Federation as of December 31, 2016	2,432,321,953.3437 ordinary shares
Share of the Russian Federation in the authorized capital, showing% of ownership of ordinary shares and preferred shares as of December 31, 2016	33.0256% 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)	No
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 2015 is RUB 5,083,552,882.49.
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 December 31, 2016.
Amount provided to the Company's reserve fund (rubles, percent of net profit)	No amounts were provided to the reserve fund.
Amount provided to the Company's other funds (rubles, percent of net profit)	No amounts were provided to other funds.

*Information on state support received
by the Company in 2016,
including the data on allowances,
purpose of use, information on the use of the funds
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>
Budgetary funds received:	6,850	1,812,477	-1,819,327	-
including:				
for current expenses, total namely:	-	1,812,477	-1,812,477	-
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	-	1,750,399	-1,750,399	-
to compensate the difference in tariffs for electricity	-	6,530	-6,530	-
to preserve the breeding stock of cattle (cows); and financing a portion of costs to grant consumer loans for cattle purchase	-	51,053	-51,053	-
for MMI program services	-	4,495	-4,495	-
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 ON INVESTMENTS WITH THE EXPECTED LEVEL OF INCOME EXCEEDING 10% PER YEAR

<i>Subsidiary</i>	<i>Book valuation of financial contributions* in the authorized capital as of December 31, 2016, RUB thousand</i>	<i>Dividends accrued in 2016, RUB thousand</i>	<i>Return on investment for 2016 (% per annum)</i>	<i>Dividends expected to accrue in 2017, RUB thousand</i>	<i>Expected return on investments in 2017 (% per annum)</i>	<i>Investment target</i>	<i>Source of financing</i>
PJSC ALROSA-Nyurba	129,831,821	15,352,350	12	12,895,584	10	Diversification of activities, profit	Own funds of PJSC AIROSA
CATOCA Limited	34,080	2,304,295	67.6	2,293,964	6,731		
JSC Almazy Anabara	3,300,785	424,461	13	1,588,398	48		
ALROSA-Spetsbureniye LLC	89,205	10,265	12	27,246	31		
JSC NPP Bourevestnik	129,728	0	0	140,787	109		
For reference only:							
ALROSA FINANCE B.V.	119	95,128	797,5x	0	0		

* The book valuation of financial contributions includes additional assessment of shares at the market value (PJSC ALROSA-Nyurba) and the provision for financial contribution impairment (JSC Almazy Anabara).

INFORMATION ON PENDING COURT PROCEEDINGS

Information on pending court proceedings arising from business operations as of December 31, 2016 where the Company appears as:

- A claimant in arbitration courts of various instances in 19 cases, claims totaling RUB 295,155 thousand; and general courts of various instances in 5 cases, claims totaling RUB 2,192 thousand;
- A defendant in arbitration courts of various instances in 7 cases, claims totaling RUB 3,730 thousand; and general courts of various instances in 9 cases, claims totaling RUB 1,781,072 thousand.

