ALROSA 12M 2018 IFRS results

Moscow, 15 March 2019 – ALROSA, the world's leader in diamond mining, announces its IFRS financial results for 2018.

Key highlights for 12M 2018

- **Revenue** increased by 9% to RUB 300 bn driven by higher price index and a better sales mix, despite an 8% lower sales in carats.
- **EBITDA grew by 23% to RUB 156 bn** supported by top line growth and cost control.
- **EBITDA margin expanded by 6 p.p. to 52%.**
- **Net profit** grew to RUB 90 bn (up 15%) on stronger profitability.
- **Free cash flow** went up by 26% to RUB 92 bn following profitability expansion despite moderate capex growth.
- **Net debt to EBITDA** was at 0.4x compared to 0.7x in the previous year.

Key highlights for Q4 2018

- **Revenue** decreased by 12% q-o-q to RUB 61 bn, mainly due to sales mix change with increased sales of industrial diamonds. A 1% y-o-y growth was due to increase in average selling price offsetting lower sales in carats.
- **EBITDA** in Q4 declined by 33% q-o-q to RUB 27 bn as revenue declined. On a y-o-y basis, EBITDA remained unchanged.
- **EBITDA margin** in Q4 remained flat at 44%.
- **Free cash flow (FCF)** decreased to RUB 14.3 bn (down 11% q-o-q) as operating cash flow was 14% down q-o-q, while capex was down 20% q-o-q. On a y-o-y basis, FCF grew by 22% due to a 18% drop in capex, and 6% growth in operating cash flow.
- **Net profit** in Q4 declined to RUB 8 bn (down 67% q-o-q) due to a weaker EBITDA. A 53% reduction y-o-y was attributable to the recognition of income from the SOGAZ insurance reimbursement as other operating income for 2017, with the said reimbursement paid in full in 2018.

RUB bn	Q4 2018	Q3 2018	q-o-q	Q4 2017	y-o-y	2018	2017	y-o-y
Diamond sales, million carats, incl.	9.0	6.7	34%	9.4	(5%)	38.1	41.2	(8%)
gem-quality	5.3	4.7	12%	6.2	(15%)	26.4	30.1	(12%)
industrial	3.7	2.0	87%	3.3	12%	11.7	11.1	5%
Revenue	61.4	70.1	(12%)	61.0	1%	299.7	275.4	9%
EBITDA[1]	26.9	40.0	(33%)	27.0	–	156.2	126.9	23%
EBITDA margin	44%	57%		44%		52%	46%	
Net profit	7.9	24.3	(67%)	16.8	(52%)	90.4	78.6	15%
Free cash flow[2]	14.3	16.0	(11%)	11.7	22%	92.3	73.5	26%
Net debt[3]	67.4	36.6	84%	86.0	(22%)	67.4	86.0	22%
Net debt / EBITDA	0.4x	0.2x		0.7x		0.4x	0.7x	

Alexey Philippovskiy, ALROSA's Deputy CEO, commented on the results:
“In 2018, the Company continued to consistently improve its financial position: revenue grew by 9% to RUB 300 bn, while margins expanded by 6 p.p. to 52%, almost 2x higher than the industry average. EBITDA grew by 23% to RUB 156 bn in 2018.

The key financial drivers included improved market environment (recovery in prices and stronger demand for diamond jewellery in major markets) and management efforts to boost efficiency.

The rise in operating cash flow and moderate capex allowed us to increase our free cash flow by 26% to RUB 92 bn.

In 2018, ALROSA took an active approach to the debt portfolio management bringing down its total debt by 5% and interest expenses by 39%. As a result, the Company’s leverage slimmed down to an all-time low, with the net debt / EBITDA ratio now standing at 0.4x compared to 0.7x in the previous year.

International rating agencies have acknowledged strong credit quality and unique assets of the Company, with its credit rating upgraded to investment grade by S&P and Moody’s over the recent 12 months.

Significant free cash flow, low leverage and conservative investment strategy enable the Company to grow dividend payments. The 6M 2018 dividends amounted to ca. RUB 43.7 bn, while the total dividend payments for 2018 stood at RUB 80.7 bn, up 23% compared to 2017.”

[1]EBITDA stands for earnings for the last twelve months before interest, income tax, depreciation and amortisation calculated for the past twelve months in accordance with the International Financial Reporting Standards (IFRS).

[2]FCF (free cash flow) is the operating cash flow net of investments (capital expenditure) in the core business in accordance with the IFRS.

[3]Net debt is the amount of debt less cash and cash equivalents at each reporting date in accordance with the IFRS.

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Key events in the next three months (*Investor calendar*)

10 April	March 2019 sales results
17 April	Operating results for Q1 2019
26 April	Meeting of the Supervisory Board – 2018 Dividends recommendation
13 May	April 2019 sales results
15 May	Q1 2019 IFRS results – conference call
10 June	May 2019 sales results

PUBLICATIONS ARCHIVE

- 2018 IFRS Results (Excel)
- Q4 2018 Trading update (PDF)
- Q4 2018 Trading update (Excel)
- Company data book (Excel)
- February 2019 sales results (PDF)
- Presentation – Severalmaz (PDF)

MANAGEMENT DISCUSSION AND ANALYSIS OF ALROSA GROUP FOR 2018

The structure and scope of the report and overview of ALROSA's business are shown in Appendix 4.

MAJOR DEVELOPMENTS IN 2018 AND AFTER THE REPORTING DATE

February 2019: Moody's, a global credit rating agency, upgraded ALROSA's credit rating to Baa2 with a stable outlook.

October 2018: The Company started commercial mining operations at the Verkhne-Munskoye deposit, which is expected to produce about 1.8 m carats of diamonds a year and has reserves enough to continue mining operations until 2042 (please see the press release).

September 2018: Based on the Company's performance for 6M 2018, the General Meeting of Shareholders adopted a resolution approving a dividend pay-out of RUB 43.7 bn (RUB 5.93 per share).

August 2018: The Supervisory Board approved the new Dividend Policy and the Financial Policy. The new Dividend Policy provides for semi-annual dividend payments based on the Company's free cash flow (further details about the Dividend Policy of ALROSA are available on ALROSA's official website).

July 2018: The Company increased its stake in ALROSA-Nyurba from 87.5% to 98.1% mainly through the purchase of a 10% stake from the Republic of Sakha (Yakutia) for RUB 12 bn.

June 2018: ALROSA started implementing its three-year long-term incentive programme (stock option programme) offered to the Company's employees and based on changes in ALROSA's shareholder returns. The programme was approved by ALROSA's Supervisory Board in December 2017 (please see the press release). To support it, the Company bought back 156.1 million of its shares (2.1% of the authorised capital) in 9M 2018.

June 2018: S&P, a global credit rating agency, upgraded ALROSA's credit rating to BBB- with a stable outlook.

June 2018: Based on the Company's performance in 2017, the General Meeting of Shareholders adopted a resolution approving a dividend payout of RUB 38.6 bn (RUB 5.24 per share).

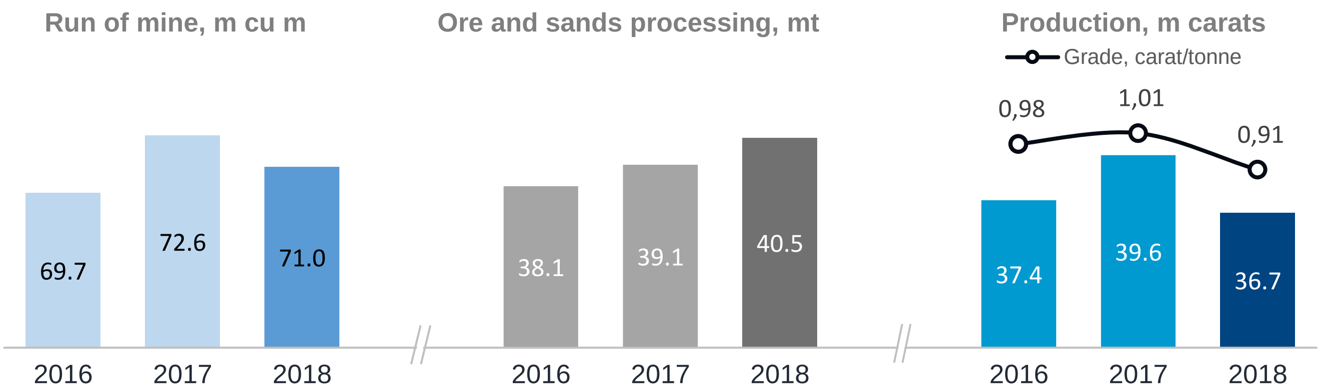
February 2018: The Company auctioned its gas assets (Geotransgaz and Urengoy Gas Company) off for RUB 30.3 bn.

February 2018: Moody's, a global credit rating agency, upgraded ALROSA's credit rating to Baa3 with a positive outlook.

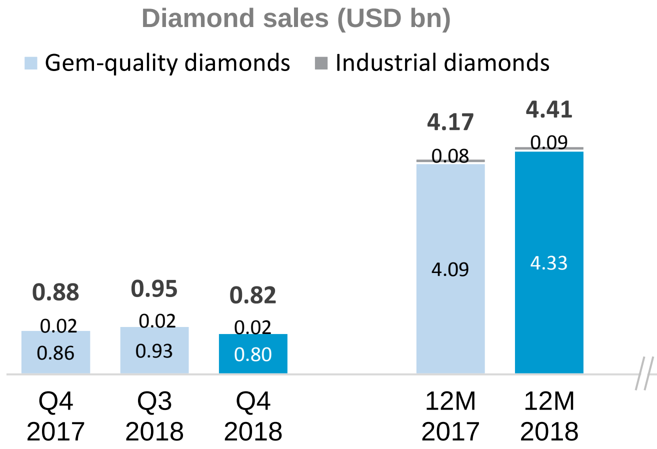
ROUGH AND POLISHED DIAMOND MARKET OVERVIEW

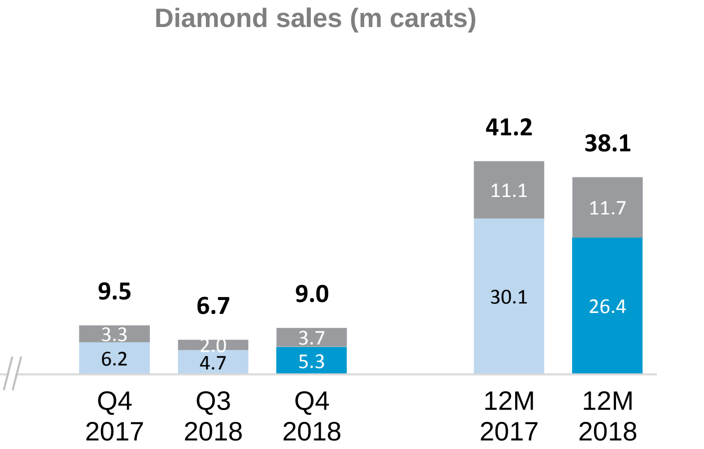
- In 9M 2018, global diamond jewellery sales grew by 5% y-o-y. North America, the world's largest diamond jewellery consumer, showed stable sales growth through the year, up 5% over 9M 2018.
- In most of the South Eastern Asia, including India, diamond jewellery sales growth slowed down, with some countries showing a decline triggered by devaluation of local currencies against the US dollar. However, strong demand in China in early 2018 drove a 7% sales growth in the region in 9M 2018. The preliminary data on diamond jewellery sales in China in Q4 2018 shows a further decline.
- The trend of weaker demand for lower priced stones that emerged in Q3 continued into Q4 2018. Demand for rough diamonds echoed the situation on the polished diamond market, where uncertified melee diamonds saw the strongest price decline due to oversupply, weak rupee and lower liquidity in India. Lower prices for small-size diamonds coupled with flat personnel expenses decreased the profitability of melee diamond polishing.

OPERATING HIGHLIGHTS

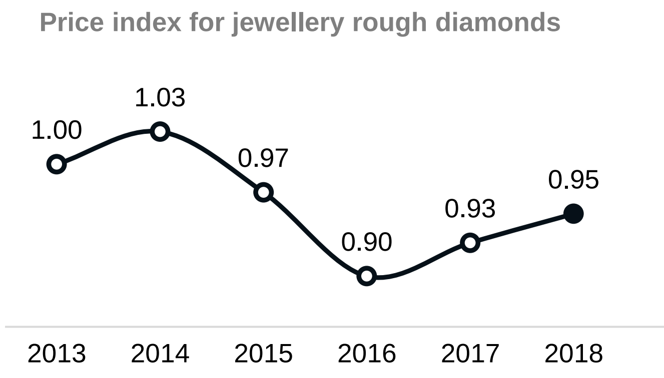


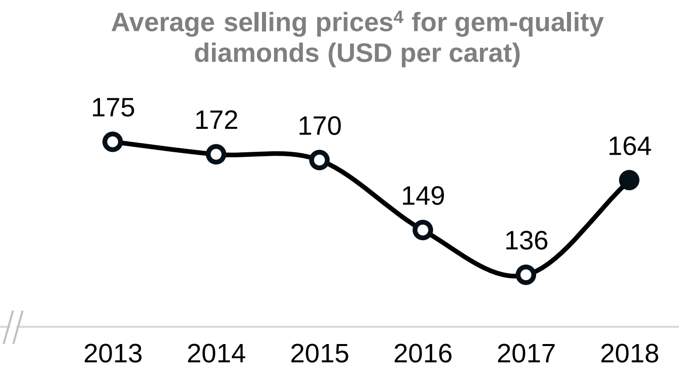
- **In 12M 2018, rock moved went down by 3% to 71 m cu. m**, following a planned reduction of stripping at the Severalmaz assets and Botuobinskaya pipe.
- **In 12M 2018, ore and gravels processing increased by 3% to 40.5 m tonnes** primarily driven by expanded processing at Almazy Anabara (+8%) and Udachny Division (+6%).
- **In 12M 2018, diamond production volume decreased by 7% to 36.7 m carats** due to the shutdown of the Mir pipe and the completion of open-pit mining at the Udachnaya pipe in 2017.





- **In 12M 2018, rough diamonds sales decreased by 3.2 m carats (down 8%)** to 38.1 m carats, with gem-quality diamond sales down by 3.7 m carats (down 12%) to 26.4 m carats driven by weaker demand for gem-quality diamonds in 2H 2018.
- **In Q4 2018, diamond sales (excluding polished diamonds) grew by 2.3 m carats q-o-q (up 34% q-o-q)** to 9 m carats, including gem-quality diamonds up by 0.6 m carats q-o-q (up 12% q-o-q) to 5.3 m carats due to increased small-size diamond sales driven by year-end restocking of Indian polishers.
- **The decrease in gem-quality diamond sales in Q4 by 15% y-o-y to 5.3 m carats** ensued from the high base of the previous year, when the consumers were re-stocking following a long-term slowdown in demand.
- **By late Q4 2018, diamond inventories totalled 17 m carats due to a seasonal pickup of 1.5 m carats.** On a y-on-y basis, inventories decreased by 1.2 m carats (down 6%), resulting from sales that exceeded production.





- **In 12M 2018, average selling prices[4] of gem-quality diamonds grew by 21% to USD 164/ct**, driven by a better sales mix and a higher price index (up 3% y-o-y).

[4] Average selling prices (sales revenue divided by sales volumes in carat terms) is also impacted by changes in the product mix throughout the reported period.

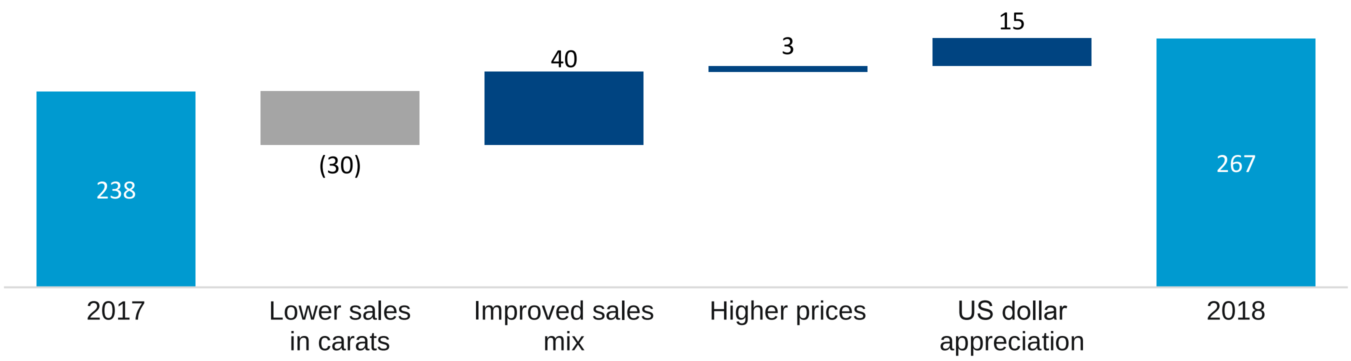
- **In Q4 2018,** the average selling price for gem-quality diamonds declined by 23% q-o-q (up 10% y-o-y) to USD 153/ct, driven by a lower share of large diamonds.

KEY FINANCIAL HIGHLIGHTS

Revenue

- **In 12M 2018, revenue increased by 9%** to RUB 300 bn as a result of higher rough diamond sales amid a decline in other revenue by RUB 5.6 bn (down 26%) to RUB 15.8 bn mainly due to the sale of gas assets (this factor brought other revenue down by RUB 5.5 bn). In Q4 2018, revenue dropped by 12% q-o-q, primarily due to lower revenue from rough diamond sales. On a y-o-y basis, revenue added 1%, driven by a 5% y-o-y improvement in rough diamond sales in value terms.
- **In 12M 2018, revenue from rough diamond sales grew by 12% to RUB 278 bn, of which RUB 267 bn were attributable to the sales of gem-quality diamonds (up 12%)** following an increase in average selling prices coupled with rouble depreciation, despite lower sales in carats (down 12%).

Sales mix's impact on revenue from gem-quality diamond sales (RUB bn)

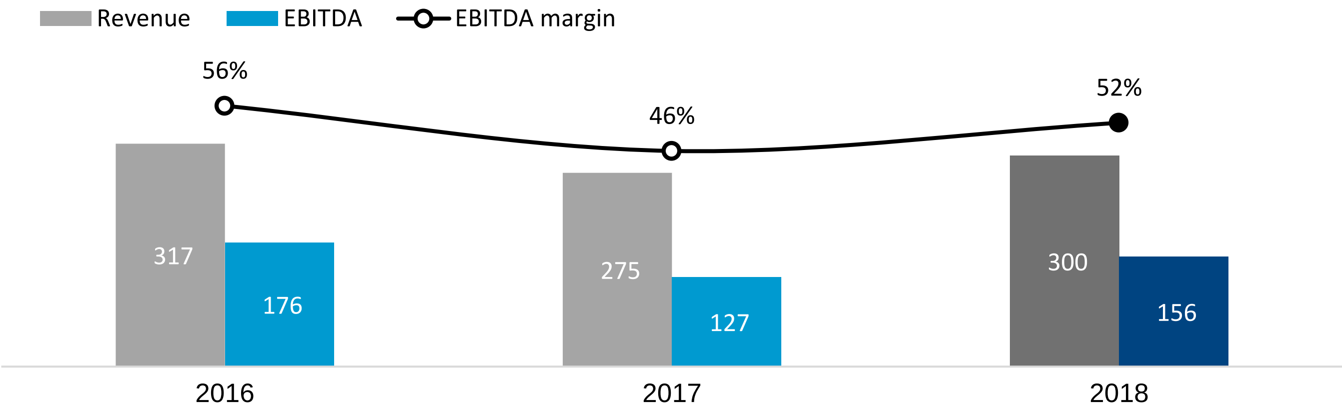


- **Revenue from rough diamond sales in Q4 2018 went down by 13% q-o-q to RUB 55.8 bn** mainly due to a decline in the average selling price of gem-quality diamonds (down 23% q-o-q) amid rising sales in carats (up +12% q-o-q). A 5% growth y-o-y was driven by the higher average selling price of gem-quality diamonds (up 10% y-o-y), which was offset by an overall decline in rough diamond sales in carats (down 5% y-o-y).
- **In Q4 2018, other revenue decreased by 19% q-o-q to RUB 3.8 bn**, predominantly as a result of lower revenue from the transportation business due to the seasonal nature of operations. A 30% decline y-o-y is attributable to divestment of the Group's gas assets (for 12M, down 26% y-o-y).
- **Subsidies grew by 2% in 12M 2018** as a result of electricity subsidies expanding by a total of RUB 1.1 bn as subsidies for housing and utilities maintenance were cut by RUB 0.9 bn. A 13% rise q-o-q in Q4 2018 was due to larger payments as part of existing housing and utilities contracts. A 26% reduction y-o-y was linked

to RUB 0.4 bn and RUB 0.2 bn reductions in the electricity subsidies and subsidies for housing and utilities maintenance, respectively.

- **Sales costs for 12M 2018 fell to RUB 143.7 bn (down 3%)** mostly due to a 8% decrease in sales in carats (impact – RUB 6.7 bn) and measures taken to enhance operational efficiency (impact – RUB 3,4 bn) amid the inflation which caused a reduction of RUB 6.7 bn.
- **Sales costs in Q4 2018 expanded to RUB 34.4 bn (up 14% q-o-q)** due to the annual bonus disbursement and a seasonal increase in exploration costs. Total costs in Q4 2018 added RUB 0.5 bn y-o-y (up 1% y-o-y).

EBITDA (RUB bn)



- **EBITDA for 12M 2018 went up to RUB 156 bn** (up 23%), mostly thanks to a better mix of gem-quality diamonds, higher price index, and FX rate impact.
- **EBITDA in Q4 declined by 33% q-o-q to RUB 26.9%** due to a 23% q-o-q drop in the average selling price of gem-quality-diamonds. On a y-o-y basis, EBITDA stayed unchanged.
- **Positive FX rate impact** added RUB 14.4 bn to EBITDA for 12M 2018 and RUB 0.3 bn to EBITDA for Q4.
- **EBITDA margin in 12M 2018 grew by 6 p.p. to 52%** driven by higher revenue supported by cost control measures, FX rate impact, and effect of selling less profitable gas assets. EBITDA margin in Q4 2018 stood at 44%.

EBITDA

RUB m	Q4 2018	Q3 2018	Q4 2017	2018	2017
Operating profit	14,428	34,541	23,139	127,061	99,083
Depreciation and amortisation	4,449	5,182	5,267	21,642	23,962
Adjustments (see financial statements in Excel)	8,042	252	(1,474)	7,269	3,845
EBITDA	**26,920**	**39,975**	**26,932**	**155,972**	**126,890**

- **12M 2018 net profit grew to RUB 90.4 bn, growing by 15%** on the back of a considerable profitability increase.
- Net profit in Q4 2018 **decreased to RUB 7.9 bn** (down 67% q-o-q), reflecting a lower EBITDA.

  A 53% reduction y-o-y was attributable to the recognition of income from the SOGAZ insurance reimbursement amounting to RUB 10.5 bn as other operating income for 2017, with the said reimbursement paid in full in 2018, as well as changes in the USD/RUB exchange rate (RUB 1.0 bn).

LIQUIDITY, WORKING CAPITAL AND INVESTMENTS

Cash flows

- **Cash and cash equivalents and 90+ days deposits** grew by RUB 31.8 bn to RUB 39.2 bn in 12M 2018 due to measures taken to maintain a minimum liquidity pool of RUB 25 bn (in line with the corporate financial policy) and sufficient liquidity for the 6M 2018 dividend payout.

Operating activity

- **In 12M 2018, operating cash flow rose to RUB 120.3 bn (up 20%)** on the back of increased revenue generated by the key products.

Analysis of changes in working capital investments

Working capital RUB m	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Diamond inventories	49,587	41,567	30,646	33,424	50,223
Ore inventories	14,032	12,505	19,628	15,662	14,522
Supplies	29,000	32,941	30,305	24,781	27,231
Trade and other receivables (excl. interest receivable)	17,911	21,683	22,727	19,108	13,141
Prepaid taxes other than income tax	300	261	1,248	2,751	4,168
Accounts payable to employees	(12,591)	(10,694)	(10,541)	(11,579)	(13,213)
Trade and other payables (excl. interest payable)	(8,433)	(9,667)	(12,181)	(8,704)	(8,258)
Other taxes payable	(8,585)	(5,347)	(5,966)	(7,028)	(6,506)
Working capital	**81,221**	**83,249**	**75,886**	**68,415**	**81,308**

- **Working capital remained flat in 12M 2018 (RUB 0.1 bn released)** due to mixed factors:
  - a net growth in receivables (associated with domestic buyers) by RUB 4.8 bn;
  - a reduction in Mineral extraction tax (MET) advance payments by RUB 3.6 bn;
  - a RUB 2.1 bn increase in other taxes payable, mostly due to the rise in VAT payable (up RUB 0.9 bn) caused by higher domestic sales of diamonds;
  - higher MET payable (up RUB 0.5 bn) on the back of the change in rouble exchange rate in December 2018 compared to December 2017.
- **In Q4 2018, working capital decreased by 2.4% q-o-q** (down RUB 2.0 bn) as a result of:
  - reduction in receivables by RUB 3.8 bn (down 17% q-o-q) mainly associated with a decrease in sales;
  - seasonal decrease in supplies by RUB 3.9 bn (down 12% q-o-q) following inventory destocking to ensure smooth operations during the winter;
  - increasing accounts payable to employees due to the annual bonus disbursed;
  - seasonal increase in rough diamond inventories by RUB 8 bn (up 19% q-o-q) and ore inventories by RUB 1.5 bn (up 12% q-o-q).

Free cash flow

RUB m	Q4 2018	Q3 2018	Q4 2017	2018	2017
EBITDA	**26,919**	**39,975**	**26,932**	**155,972**	126,890
Changes in working capital	2,028	(8,683)	(2,279)	87	(481)
Income tax paid	(4,852)	(5,775)	(3,504)	(29,806)	(22,495)
Other	(2,787)	(775)	952	(6,131)	3,450
Operating cash flow	**21,308**	**24,742**	**20,197**	**120,122**	**100,464**
Purchase of property, plant and equipment	(7,025)	(8,765)	(8,526)	(27,816)	(26,944)
Free cash flow	**14,283**	**15,977**	**11,671**	**92,306**	**73,520**

Free cash flow (FCF) for 12M 2018 improved by 26% on the back of a stronger operating cash flow (up 20%) as investments were slightly up (by 3%).

In Q4 2018, FCF fell by 11% q-o-q to RUB 14.3 bn as a result of a 14% lower operating cash flow q-o-q due to a seasonal reduction in investments (down 20% q-o-q). A 22% rise y-o-y is driven by the operating cash flow adding 6% y-o-y and also by an 18% y-o-y reduction in capex after investments in the Verkhne-Munskoye deposit peaked in Q3 2018.

Investing activities

Cash outflow from investing activities was driven by:

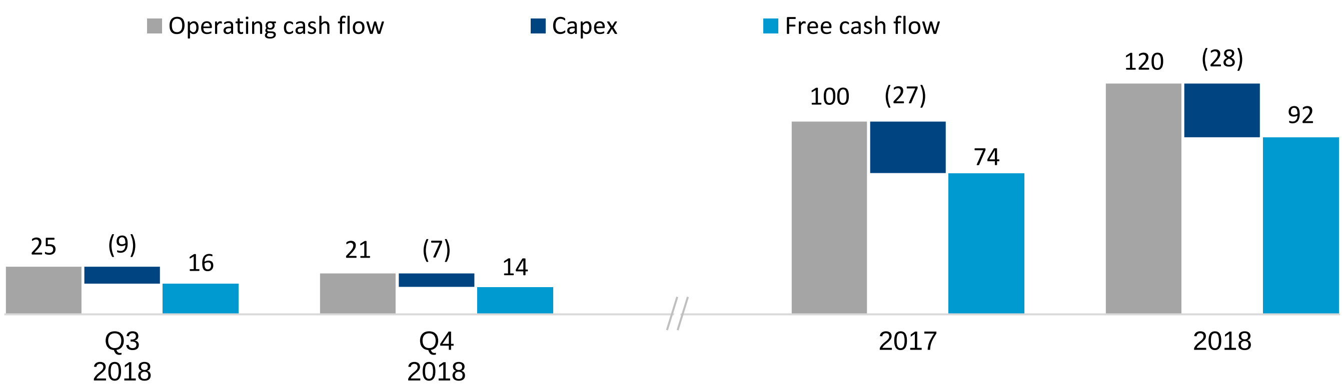
1) capital expenditures: RUB 27.8 bn;

2) purchase of a 10% stake in ALROSA-Nyurba: RUB 12 bn

Cash inflow from investing activities in 2018 was driven by non-core assets divestment totalling RUB 30.8 bn (including RUB 30.3 bn from the sale of gas assets)

Net outflow stood at RUB 1.8 bn.

Capex and free cash flow (RUB bn)



- **In 12M 2018, investment in the core business rose by 3% to RUB 27.8 bn** on the peak in the Verkhne-Munskoye deposit investment cycle.

- **In Q4 2018, investment in the core business fell by 20% q-o-q (-18% y-o-y) to RUB 7.0 bn** mainly as a result of a decrease in expansion capex associated with the Verkhne-Munskoye deposit (down by RUB 3.5 bn q-o-q) amid a seasonal rise of modernization capex.

Financing activities

- **Total debt for 12M 2018 was down to USD 1,535 m (-5**%) (an increase in the rouble equivalent to RUB 106.7 bn (+14% y-o-y,+24% q-o-q) mainly reflecting an impact of a revaluation caused by rouble depreciation.
  In September and November, ALROSA raised USD 600 m worth of short-term loans to maintain a minimum liquidity level (see above) after paying dividends for 6M 2018.
  The remaining debt mainly consists of USD 894 m Eurobonds due in November 2020.

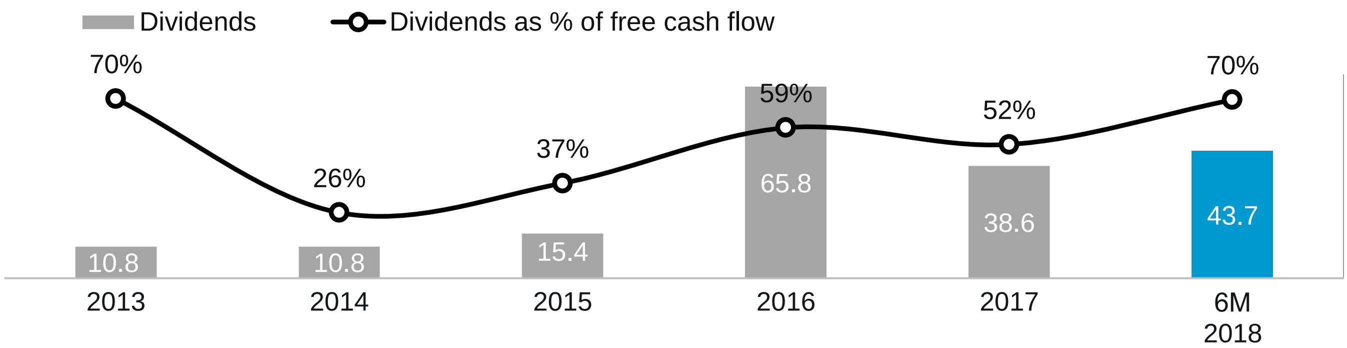
Debt service interest payments for 12M 2018 were down by 39% from RUB 10.4 bn to RUB 6.3 bn due to periods of lower leverage during 2018.

Net debt

RUB m	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Long-term borrowings	64,974	63,474	63,798	58,707	58,694
Short-term borrowings	41,687	22,547	63	99	34,734
Cash and cash equivalents	(27,437)	(49,403)	(52,674)	(40,221)	(7,381)
Bank deposits	(11,784)	(15)	(5,160)	(15)	–
Net debt	**67,440**	**36,603**	**6,027**	**18,570**	**86,047**

- **In 2018, net debt decreased to RUB 67.4 bn (-22%)** mainly through the disposal of non-core gas assets (totalling RUB 30.3 bn) and stronger free cash flow.
- **Net debt as at the end of Q4 2018** increased from RUB 36.6 bn to RUB 67.4 bn q-o-q due to the payment of RUB 43.7 bn in dividends based on the Company's 6M 2018 performance.
- **As at the end of 2018, net debt / EBITDA ratio** was 0.4x (0.7x a year ago).

Dividend payments (RUB bn)



- **6M 2018 dividends.** Based on the Company's performance in 6M 2018, on 30 September 2018, the General Meeting of Shareholders approved a dividend payout of RUB 43.7 bn (RUB 5.93 per share).

SOME OF THE FACTORS IMPACTING THE COMPANY'S OPERATING AND FINANCIAL PERFORMANCE

Macroeconomic environment

As the Group exports its products to Europe and elsewhere and raises a substantial amount of foreign currency borrowings, while the bulk of its expenses is denominated in roubles, it is exposed to a foreign exchange risk arising chiefly from the fluctuations in the RUB/USD rate and, to a lesser degree, in the RUB/EUR rate.

The table below shows rouble to euro and US dollar exchange rates as determined by the Central Bank of the Russian Federation as at specific dates:

RUB m	31 December 2018	30 September 2018	30 June 2018	31 March 2018	31 December 2017
RUB/USD	69.4706	65.5906	62.7565	57.2649	57.6002
RUB/EUR	79.4605	76.2294	72.9921	70.5618	68.8668

The table further shows fluctuations in average RUB/USD and RUB/EUR exchange rates for the periods under review:

	Q4 2018	Q4 2017	2018	2017
Average RUB/USD exchange rate for the period	66.5176	58.4022	62.9264	58.2982
Average RUB/EUR exchange rate for the period	75.9391	68.7839	74.1329	66.0305

APPENDICES

Appendix 1. Key financial metrics

RUB bn	Q4 2018	Q3 2018	q-o-q	Q4 2017	y-o-y	2018	2017	y-o-y
Revenue, incl.:	**61.4**	**70.1**	***(12%)***	**60.9**	***1%***	**299.6**	**275.4**	***9%***
revenue from diamond sales	55.8	63.9	*(13%)*	53.2	*5%*	278.1	248.3	*12%*
other revenue	3.8	4.7	*(19%)*	5.4	*(30%)*	15.8	21.4	*(26%)*
subsidies	1.7	1.5	*13%*	2.3	*(26%)*	5.8	5.7	*2%*
Costs, incl.:	**(34.4)**	**(30.1)**	***15%***	**(34.0)**	***1%***	**(143.7)**	**(148.5)**	***(3%)***
production costs	*(21.9)*	*(26.0)*	*(16%)*	*(19.8)*	*11%*	*(81.8)*	*(83.0)*	*(1%)*
non-production costs	*(12.5)*	*(4.1)*	*3.0x*	*(14.2)*	*(12%)*	*(61.8)*	*(65.5)*	*(6%)*
EBITDA	**26.9**	**40.0**	***(33%)***	**26.9**	**–**	**156.0**	**126.9**	***23%***
EBITDA margin	44%	57%	–	44%	–	52%	46%	–
Depreciation and amortisation	(4.4)	(5.3)	*(13%)*	(5.3)	*(15%)*	(21.6)	(24.0)	*(10%)*
Financial income/(expenses)	(5.1)	(4.6)	*11%*	(1.2)	*4.3x*	(15.9)	(1.3)	*12.0x*
Other income/(expenses)	(7.4)	0.5	–	1.9	–	(4.0)	(0.8)	*5.0x*
Income tax	(2.1)	(6.5)	*(68%)*	(5.6)	*(63%)*	(24.2)	(22.2)	*9%*
Net profit	**7.9**	**24.2**	***(67%)***	**16.8**	***(53%)***	**90.4**	**78.6**	***15%***
Net profit margin	13%	35%	–	28%	–	30%	29%	–
Free cash flow	**14.3**	**16.0**	***(11%)***	**11.7**	***22%***	**92.3**	**73.5**	***26%***
Net debt	**67.4**	**36.6**	***84%***	**86.0**	***(22%)***	**67.4**	**86.0**	***(22%)***
Net debt / EBITDA	**0.4x**	**0.2x**	**–**	**0.7x**	**–**	**0.4x**	**0.7x**	**–**

Appendix 2. Revenue by customer geography

	Q4 2018	Q3 2018	Q4 2017	2018	2017
Belgium	44%	40%	42%	44%	46%
Russia	18%	21%	21%	18%	18%
India	14%	14%	14%	14%	14%
Israel	10%	11%	9%	10%	9%
United Arab Emirates	9%	8%	8%	9%	7%
China	4%	4%	4%	4%	4%
Other	1%	2%	2%	2%	2%

Appendix 3. Per unit costs

RUB '000 / cu m	Q4 2018	Q3 2018	q-o-q	Q4 2017	y-o-y	2018	2017	y-o-y
Wages, salaries and other staff costs	0.78	0.62	*26%*	0.81	*(4%)*	0.62	0.60	*3%*
Fuel and energy	0.20	0.13	*54%*	0.25	*(20%)*	0.19	0.17	*12%*
Materials	0.22	0.22	–	0.28	*(21%)*	0.17	0.18	*(5%)*
Services and transport	0.17	0.17	–	0.21	*(19%)*	0.15	0.14	*7%*
Other	0.02	0.02	–	0.04	*(50%)*	0.02	0.02	–
Total	1.39	1.16	*20%*	1.58	*(12%)*	1.15	1.12	*3%*

Appendix 4. Structure (perimeter) of the report and overview of ALROSA's business

The report is a review of the financial condition of ALROSA Group (the "Group") for Q4 and 12M 2018 compared to previous periods, and also of material factors that may influence the Group's future operations.

The Group's financial and operating details include PJSC ALROSA and its subsidiaries, associates and JVs. The report is published quarterly based on a schedule required for the Group's consolidated financial statements.

The report contains forward-looking statements subject to risks and uncertainties. As a result of a variety of factors, the Group's actual results may differ materially from future results projected by the forward-looking statements.

About the Company

The key strategic business of ALROSA (the "Company") and its subsidiaries (jointly, the "Group") is diamond mining and sales, prospecting and appraisal of diamond deposits, and production and sales of polished diamonds and diamond powders. As the industry's leader, the Group accounts for one third of all reserves worldwide and over 25% of global diamond mining.

The Group operates in two Russian regions – the Republic of Sakha (Yakutia) and Arkhangelsk Region, and in Africa through its associates and joint ventures.

The Group maintains and expands its resources and reserves by engaging in targeted exploration activities in line with a long-term development programme until 2024. The Group invests in geological exploration and prospecting of new potential diamond deposits while also carrying out follow-up exploration at existing assets. The Group conducts prospecting and appraisal in Russia and Africa.

While maintaining a focus on diamond mining, the Group is committed to a social policy based on social responsibility of businesses and relations with government agencies and local authorities that benefit all stakeholders in the regions of operations. The Group undertakes initiatives to mitigate its environmental footprint and ensure sustainable use of resources, all compliant with international environmental protection and safety standards.