

# ALROSA

## **Meeting with Alexey Philippovskiy, CFO**

26 September 2018

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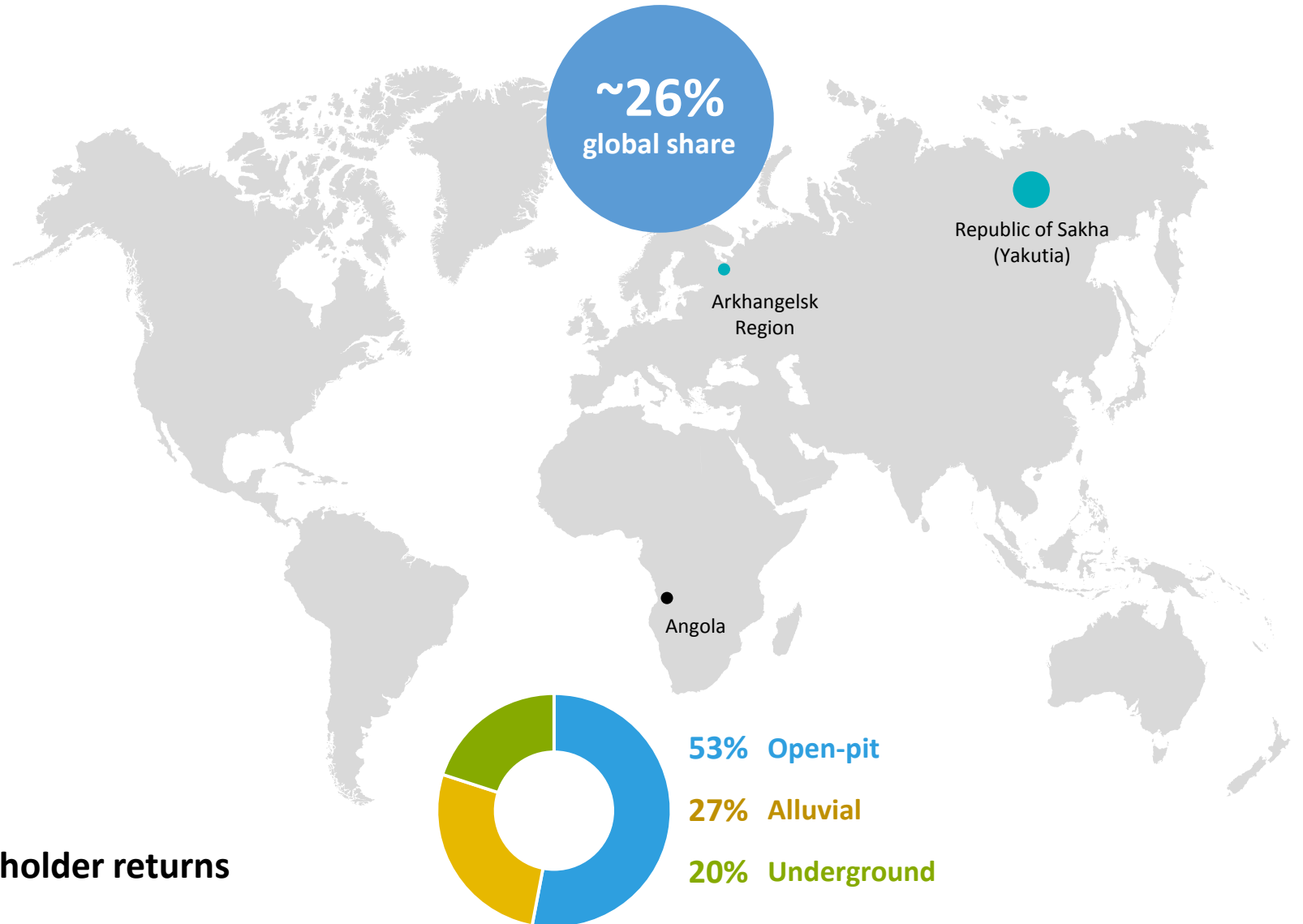
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# ABOUT ALROSA

*We are the world's leading producer of rough diamonds with assets located in Russia*

- 1 Leader in diamond production
- 2 Largest reserves
- 3 Diversified sales geography
- 4 Profitability leader
- 5 Investment grade credit profile
- 6 Committed to deliver strong shareholder returns



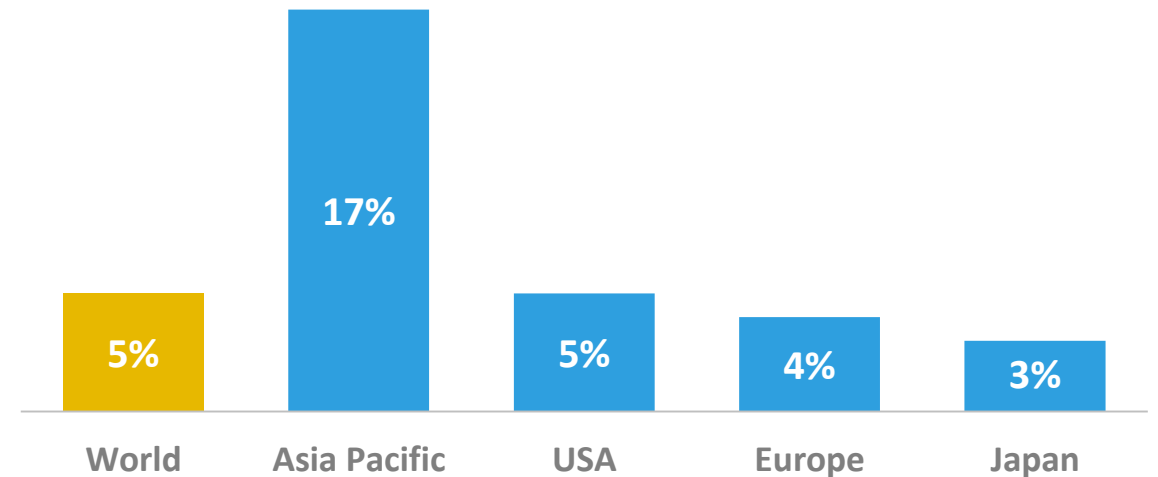
# DEMAND GROWTH IN END-MARKET

*Diamond jewelry market, \$ bn*



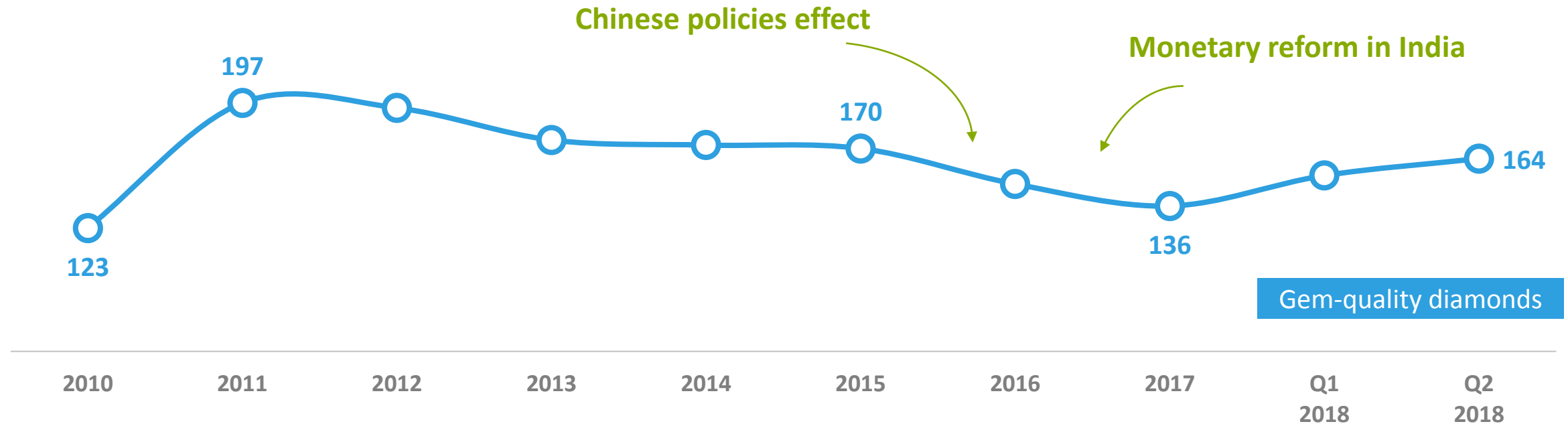
+4% annual growth since 2010

*Key growing regions in Q2 2018, % yoy*



# PRICES RECOVERED TO 5Y AVERAGE

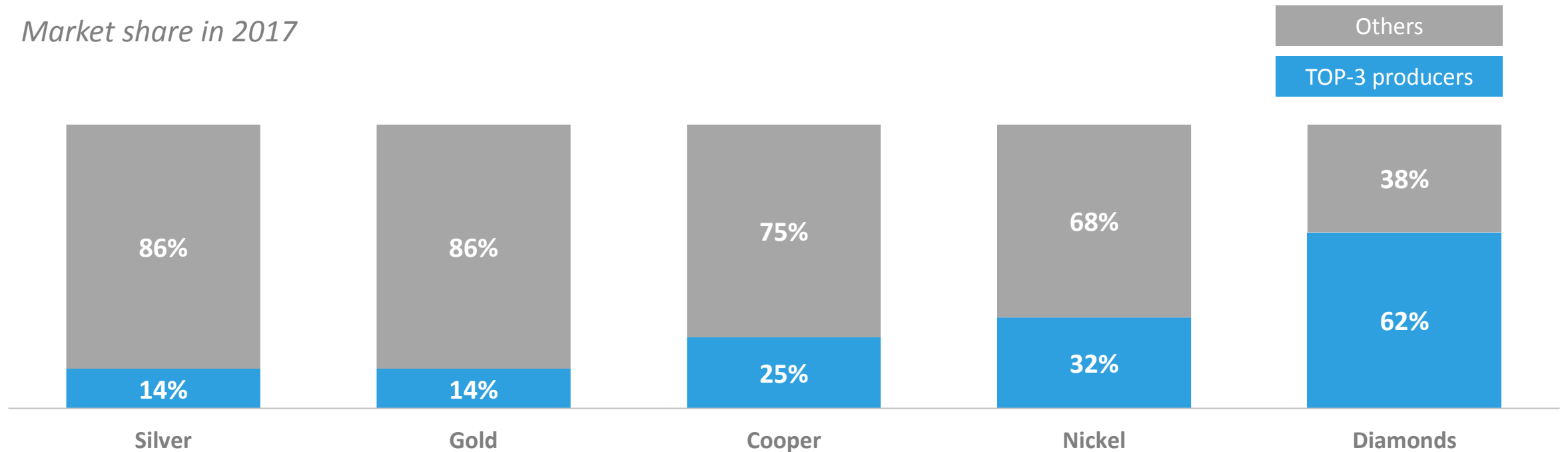
*ALROSA's average realized price, \$/ct*



\$160 per carat – 5Y average realized price of gem-quality rough diamonds

# MARKET CONSOLIDATION IMPROVES **SUPPLY DISCIPLINE**

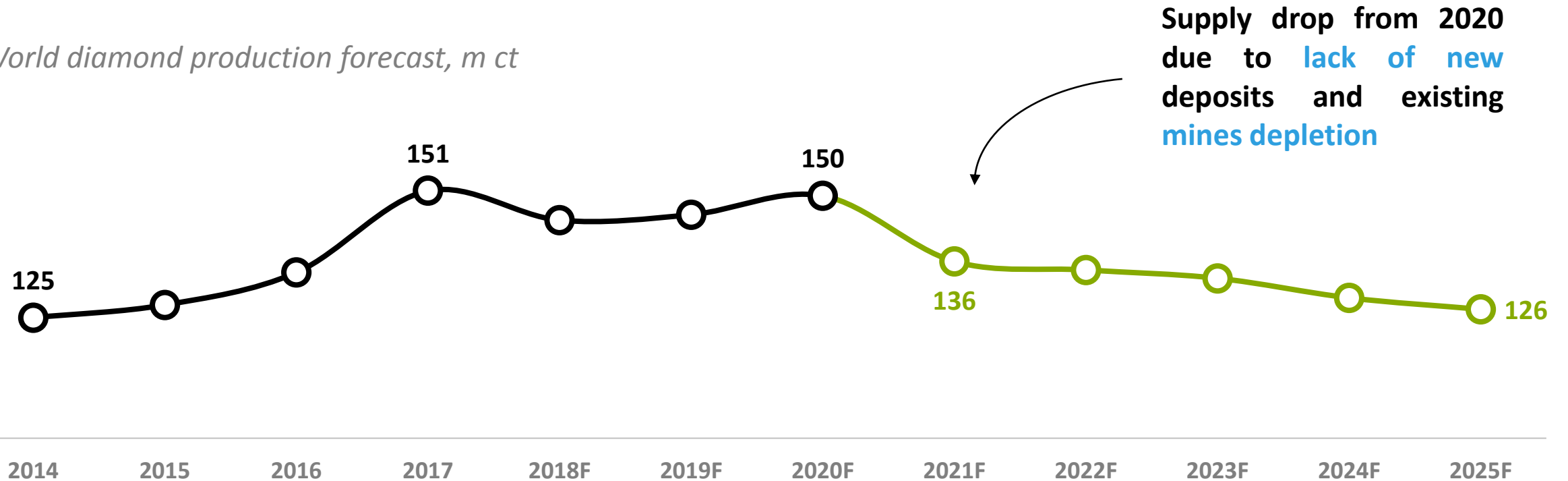
*Market share in 2017*



Diamond production is one of the most consolidated in extractive industries

# SUPPLY: INCREMENTAL GROWTH IS LIMITED

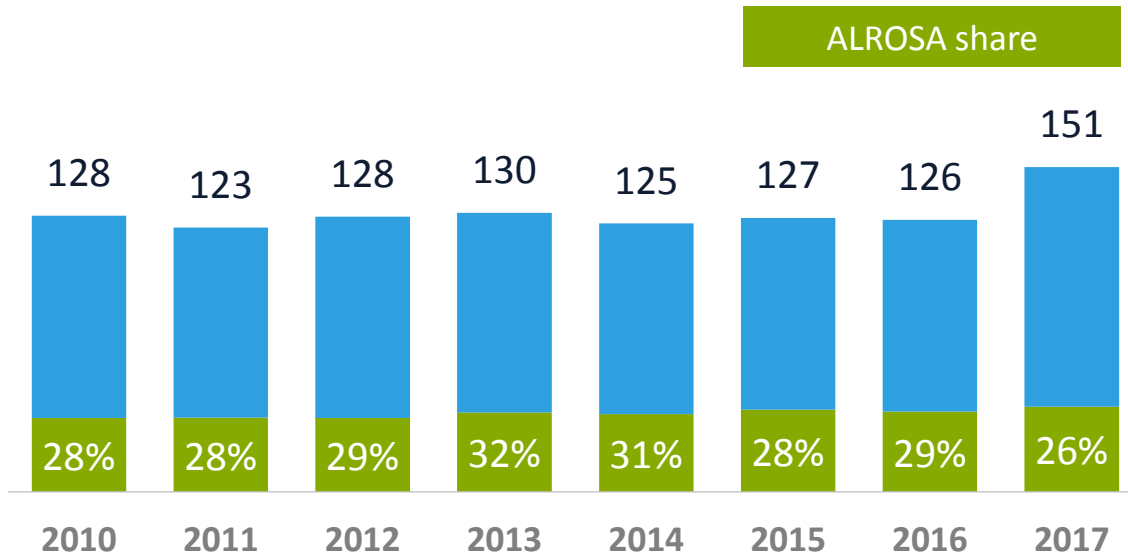
World diamond production forecast, m ct



Sources: Industry reports, officially reported information

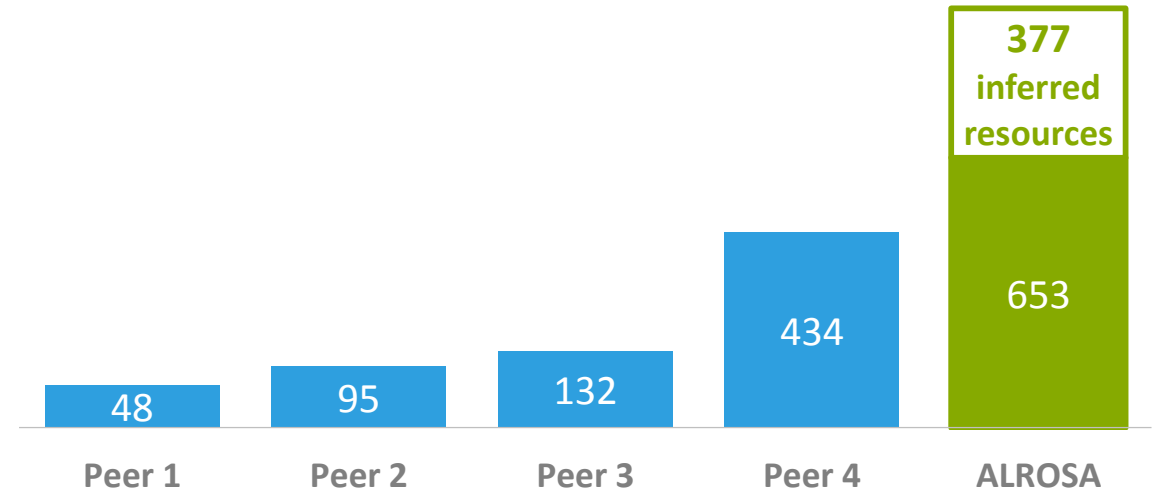
# ALROSA: GLOBAL LEADER IN OUTPUT AND RESERVES

Rough diamond production, m ct



Sustainable leader of the global market controlling over ¼ of global diamonds production

Diamond reserves according to JORC, m ct

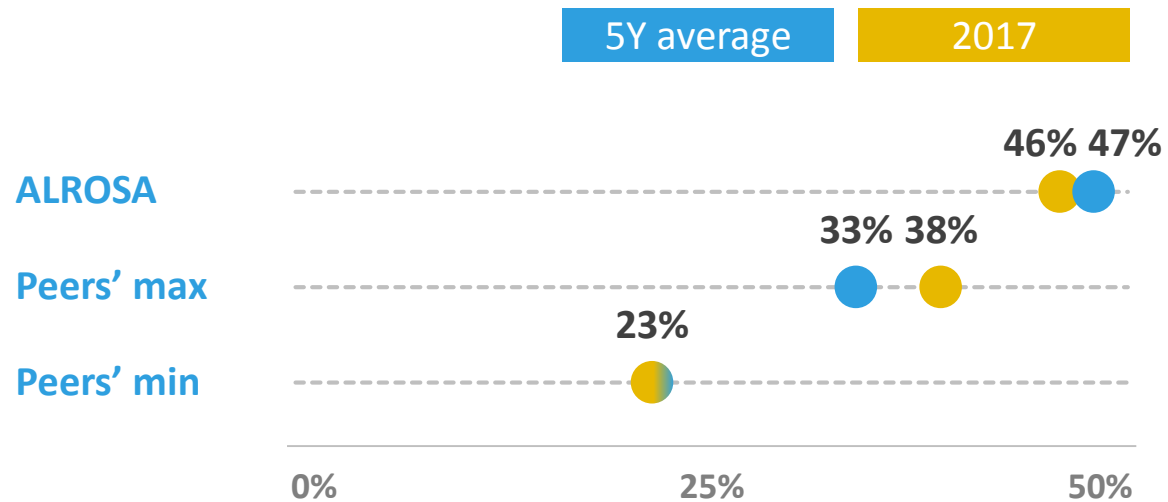


ALROSA operates the world's largest reserves



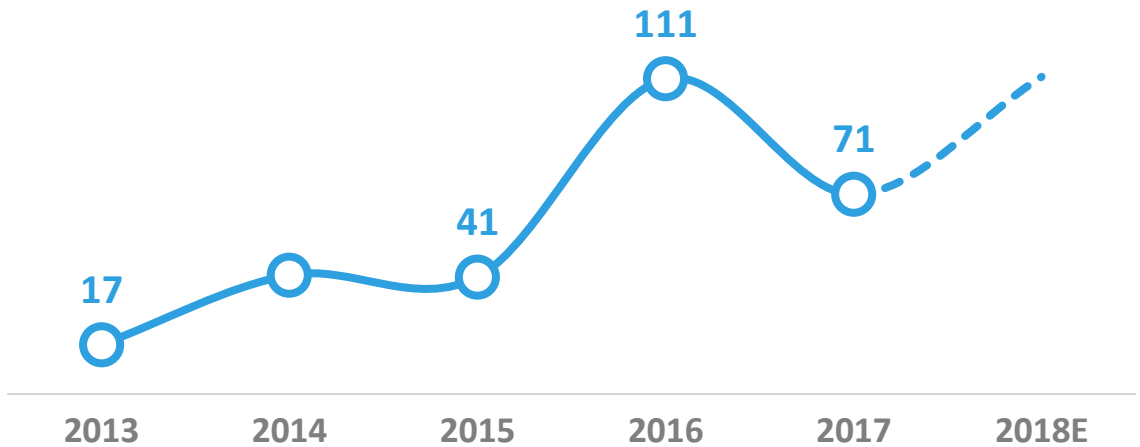
# ALROSA: LEADER IN RETURNS AND CASH GENERATION

Major diamond producers EBITDA margin



ALROSA sustainably demonstrates highest EBITDA margin among major rough diamond producers

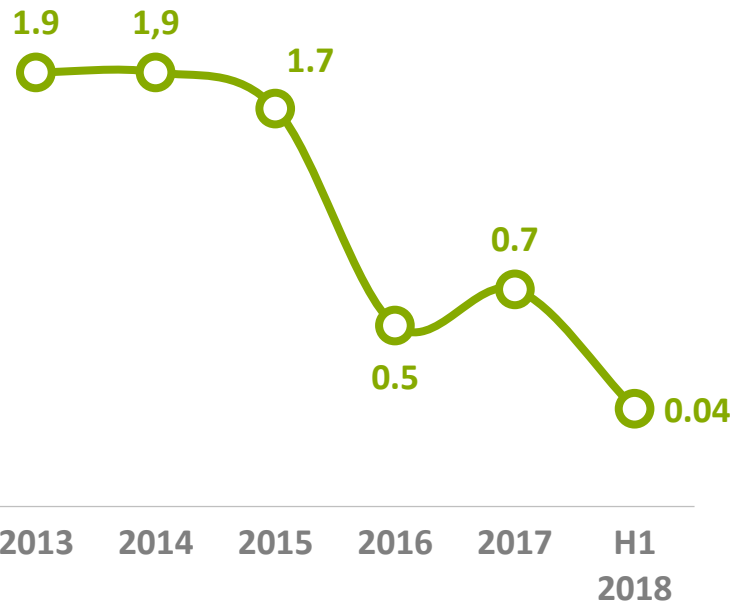
Free Cash Flow, bn RUB



...translating into strong Free Cash Flow

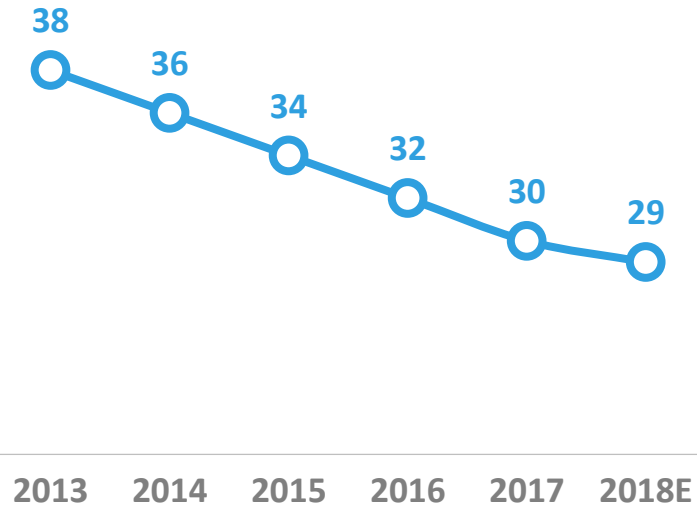
# CLEAR CAPITAL ALLOCATION STRATEGY

Net Debt / EBITDA



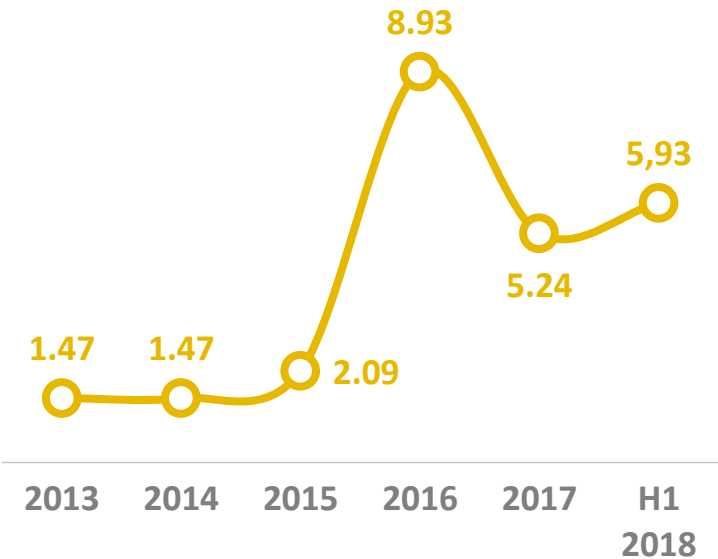
Investment grade criteria

CAPEX, RUB bn



CAPEX plateaus at RUB 30 bn

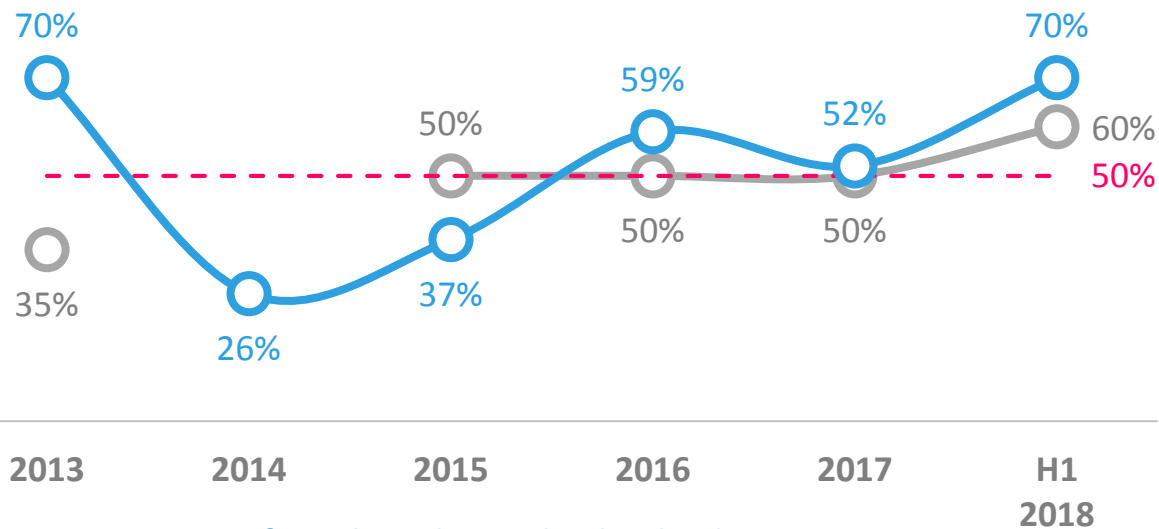
Dividends, RUB/share



Commitment to deliver strong shareholder return

# NEW DIVIDEND POLICY

Dividend payout ratios



Payout ratio as % of FCF based New dividend policy  
 Payout based on Net Income ("Old" Dividend policy)

## New dividend policy:

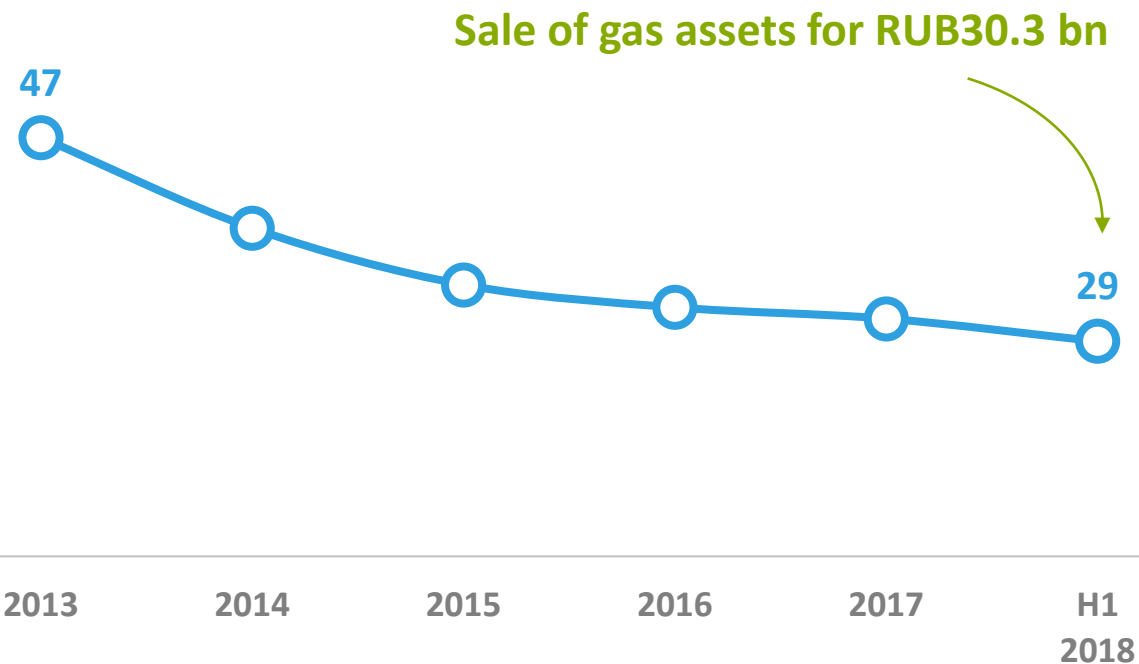
- ✓ Free cash flow based
- ✓ 2x a year
- ✓ Minimum level – 50% of IFRS net income

## Payout "mechanics":

- 1 ND/EBITDA < 0.0 – over 100% FCF
- 2 ND/EBITDA: 0.0–1.0 – 70–100% FCF
- 3 ND/EBITDA: 1.0–1.5 – 50–70% FCF

# ASSET PORTFOLIO STRATEGY – FOCUS ON THE CORE

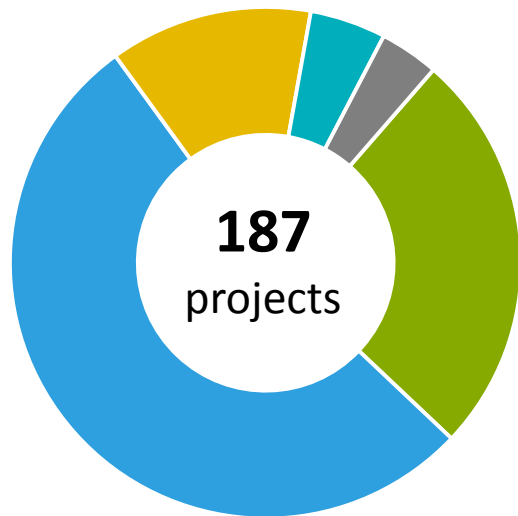
*Number of ALROSA's subsidiaries*



- Program to divest non-core assets started in 2013 – -40% of non-core entities to date
- C. 80% of total proceeds came from the sale of gas assets in Q1 2018 to Novatek

# OPERATIONAL EXCELLENCE PROGRAM

Number of projects in each stream



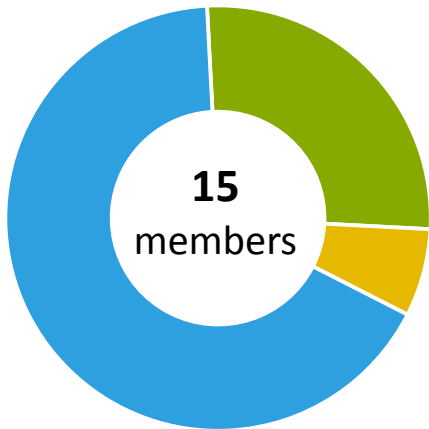
- 53% Energy use
- 26% Mining & production development
- 13% Organizational structure & administrative costs
- 5% Automation & maintenance
- 3% Logistics

- Key steps:

- ■ ■ ■ Identification of gaps and improvement areas
- ■ ■ ■ Formalized organizational structure and study best practice benchmark
- ■ ■ ■ Ripping 'quick wins' effects
- ■ ■ ■ Designed System and its staged launch

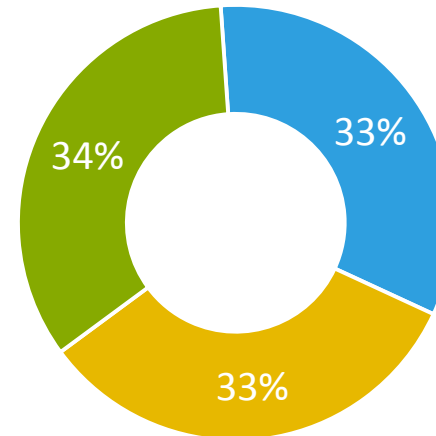
# GOVERNANCE & SHAREHOLDERS STRUCTURE

*Supervisory board composition, number of members*



- 10** Other
- 4** Independent directors
- 1** Executive director

*Shareholders structure*



- 33%** Russian Federation
- 33%** Republic of Sakha (Yakutia)
- 34%** Free float

# Q&A



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# FX EXPOSURE

