



## ALROSA Q1 2020 operating results

Moscow, 16 April 2020 – ALROSA, a global leader in diamond production, reports its Q1 2020 diamond production of 8 m carats and increased sales of 9.4 m carats. Sales of rough and polished diamonds totalled \$904 m.

- **Diamond production** seasonally declined by 9% q-o-q to **8.0 m cts**. A 2% y-o-y growth was due to increased diamond production at the Jubilee pipe and the Aikhal and International underground mines.
- **Ore and gravels processing** seasonally decreased by 18% q-o-q (down 7% y-o-y) to **5.9 mt** following seasonal decrease in production at the Mirny Division's alluvial deposits.
- **Average diamond grade** stood at **1.36 cpt** (seasonal growth by 11% q-o-q due to reduced production at low-grade alluvial deposits).
- **Diamond sales** increased by 15% q-o-q to **9.4 m cts**, including 7.1 m cts of gem-quality diamonds (up 19% q-o-q) amid demand recovery in the first half of Q1. Since the end of February, markets have seen a sharp drop in consumer activity (for more details see the Market Overview section on page 2), which caused Q1 2020 sales to decline by 10%.
- **Diamond inventories as at the end of Q1** saw a seasonal reduction by 6% q-o-q to **21.1 m cts** as sales volumes exceeded diamond production.
- **Q1 average realised prices for gem-quality diamonds** totalled **\$123/ct**, going down by 17% q-o-q (flat y-o-y) amid stronger demand for large-size diamonds at the end of 2019.
- **Q1 diamond price index** declined by 1.2% q-o-q, and down 1.9% year-to-date.
- **Revenue from rough and polished diamond sales** came in at **\$904 m** (down 1% q-o-q and 10% y-o-y), including \$881 m in revenue from rough diamond sales and \$23 m in revenue from polished diamond sales.
- **2020 outlook:**
  - Production – 34.2 m cts;
  - Sales volumes will depend on the COVID-19 epidemiological situation and respective measures taken globally.

### Diamond market overview

- The diamond industry started 2020 in a good shape as consumer sentiment improved across key markets for diamond jewelry, inventories at the midstream normalised, polished diamonds prices began to recover, and diamond sales were quite robust in December and January.
- However, the trend reversed as early as February, following the closure of markets in China and Hong Kong. The plunge worsened after COVID-19 spread to Europe and the US. The coronavirus pandemic had an impact on the economy across the world. China, which was hit first and was also the first to recover, will be the key driver as demand starts to pick up again.
- In response to current global restrictions aimed at limiting the spread of the COVID-19 pandemic and amid suspended operations all along the diamond pipeline, ALROSA has been making efforts to offer improved flexibility to our customers during the April sales session.

*Hereinafter, data on Q1 2020 production, sales, prices, and inventories is preliminary and may be updated. Data on the diamond market is the Company's estimate.*

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

<b>12 May</b>	April 2020 sales results
<b>22 May</b>	Q1 2020 IFRS results – conference call
<b>10 June</b>	May 2020 sales results
<b>10 July</b>	June 2020 sales results
<b>16 July</b>	Q2 and 6M 2020 trading update

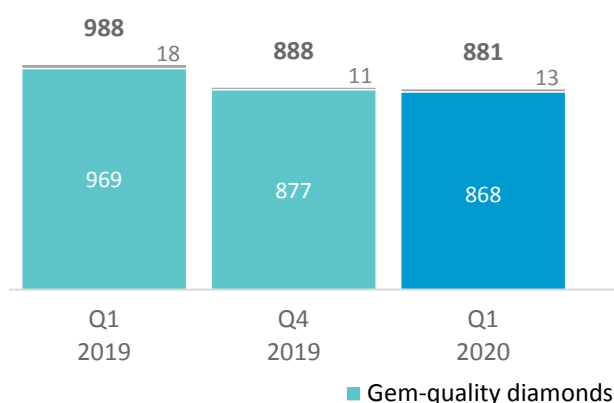
## PRELIMINARY SALES RESULTS

Sales: 9.4 m cts

- **Diamond sales (ex. polished diamonds) increased by 1.2 m cts q-o-q (up 15%) to 9.4 m cts**, with sales of gem-quality diamonds improving by 1.1 m cts to 7.1 m cts (up 19% q-o-q) amid a gradual recovery in diamond demand (in the first half of Q1). Industrial diamond sales went up by 5% q-o-q to 2.4 m cts and accounted for 25% of Q1 sales.
- Gem-quality diamond sales were down by 10% y-o-y against the backdrop of the COVID-19 spread starting mid-February and measures to combat the pandemic, which had an impact on all segments of the diamond market. Industrial diamond sales declined by 13% y-o-y.

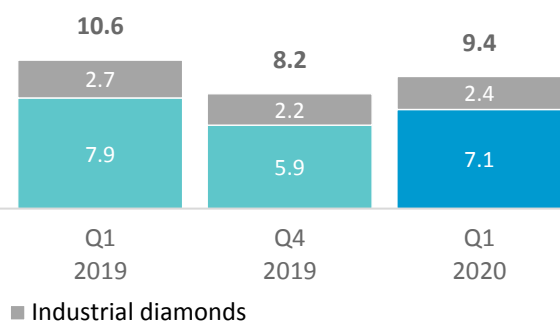
### Diamond sales

\$ m



### Diamond sales

m cts



Inventories: 21.1 m cts

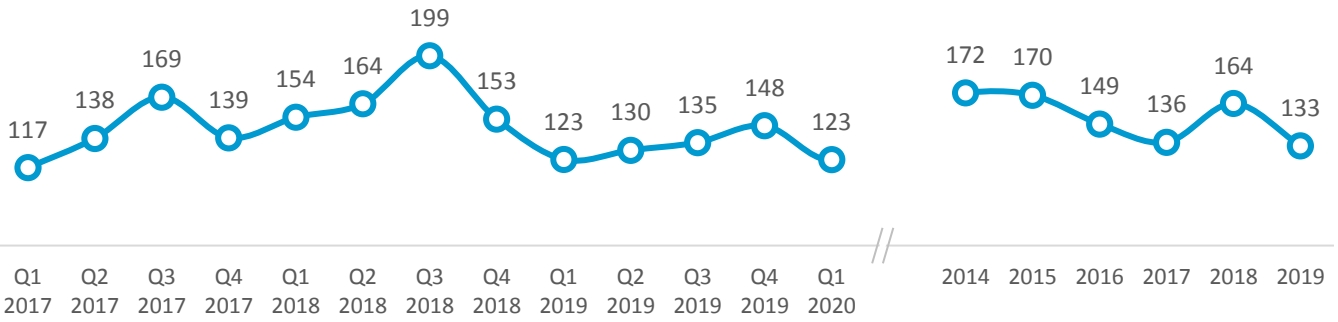
Total sales: \$904 m

Diamond sales: \$881 m

- **Diamond inventories as at the end of Q1 2020 decreased to 21.1 m cts** (down 6%, or 1.5 m cts, q-o-q). As compared to the previous year, inventories went up by 6.8 m cts (up 48%) due to both decreased sales and increased output.
- **Total sales amounted to \$904 m**, including \$881 m (down 1% q-o-q) in diamond sales (ex. polished diamonds), with a 15% q-o-q sales growth in carats due to changes in the sales mix (growth in share of small-size diamonds). An 11% y-o-y reduction in sales came as a result of lower sales in carats (down 11% y-o-y).
- **Gem-quality diamond sales** totalled \$868 m (down 1% q-o-q) – though sales in carats grew 19% q-o-q, average realised prices came lower due to higher share of smaller stones. A 10% y-o-y reduction was caused by lower sales in carats.
- **Polished diamond sales** amounted to \$23 m (down 17% q-o-q and up 40% y-o-y).
- **Q1 average realised prices for gem-quality diamonds** totalled **\$123/ct**, going down by 17% q-o-q (flat y-o-y) due to the high base effect of Q4 2019, which saw increased demand for large-size diamonds.

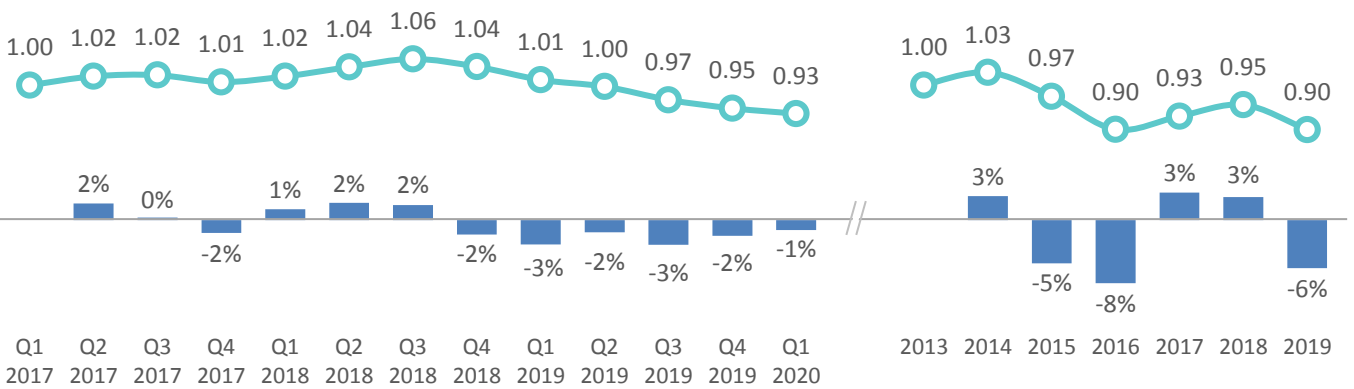
Average realised prices for gem-quality diamonds

\$/cts



- In Q1 2020, the diamond price index lost 1.2% q-o-q, down 1.9% year-to-date.

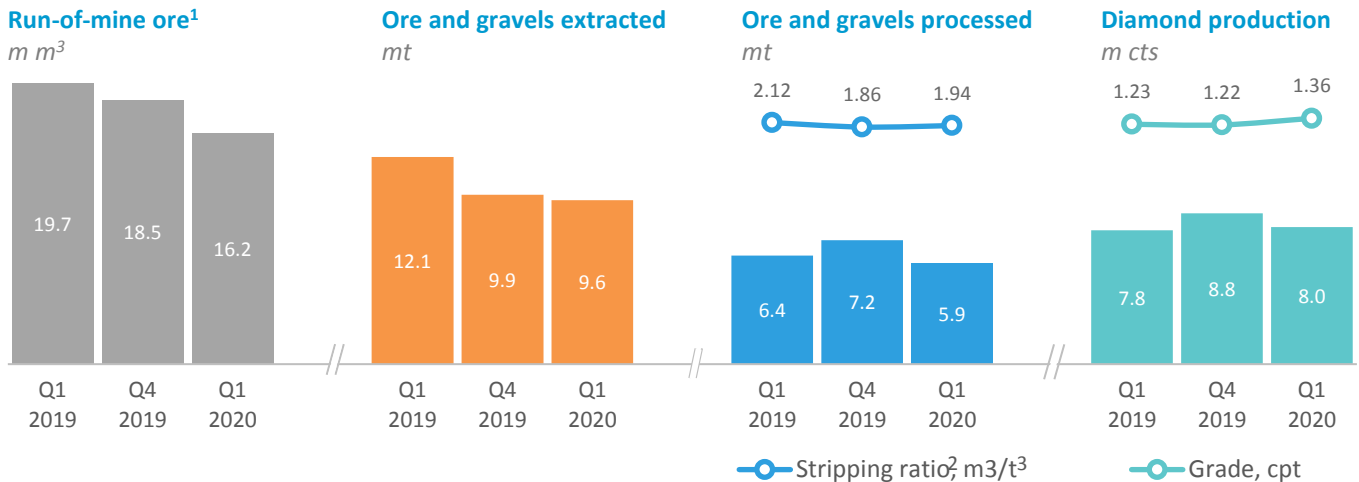
Gem-quality diamond price indices



## PRODUCTION

Production: 8 m cts

- **Diamond production** declined by 9% q-o-q to 8.0 m cts, mainly following lower production at the Aikhal underground mine (for more details see page 7) and the Botuobinskaya pipe (for more details see page 10). A 2% growth y-o-y was due to increased production at the Aikhal and Udachnaya underground mines.



- **Q1 ore and gravels inventories** delivered a growth of 14% q-o-q to 30.2 mt, mainly driven by a seasonal rise in gravels inventories at the Almazy Anabara deposits. On a y-o-y basis, ore and gravels inventories went up by 2%.

Run-of-mine ore: 16.2 m m<sup>3</sup>

- **Run-of-mine ore** declined by 12% q-o-q (down 18% y-o-y) to 16.2 m m<sup>3</sup>, largely due to decision to suspend project of pit deepening at the Arkhangelskaya pipe (Severalmaz) in 2020.
- **Q1 stripping ratio<sup>2</sup>** went up by 5% q-o-q to 1.94 m<sup>3</sup>/t as a result of an 18% q-o-q decline in processing volumes, mainly on the back of a seasonal reduction in gravels processing at the Mirny Division's alluvial deposits as rock moved went down by 15% q-o-q resulting from pit deepening suspension at Arkhangelskaya pipe in 2020. This factor also drove an 8% y-o-y reduction in stripping ratio.
- **Q1 open-pit mining totalled 5.9 m cts** (down 1% q-o-q, or 4% y-o-y), amounting to 74% of the Group's total production.
- A 23% q-o-q **decline in underground mining in Q1** to 2.0 m cts was associated with a decrease in production at the Aikhal underground mine (for more details see page 7). A **32% y-o-y growth** was due to increased processing of ore from the Aikhal underground mine following an improvement in the capacity of processing plant No. 14, and from the Udachny underground mine driven by technical measures for the mine's ramp-up to design capacity.

In **Q1, underground mining** accounted for 25% of total production.

- **Alluvial mining** saw a drop to 128,000 cts due to seasonal suspension of production at alluvial deposits. A 30% y-o-y decline in Q1 was due to a production decrease at the Udachny Division's alluvial deposits.

<sup>1</sup> Less pre-stripping.

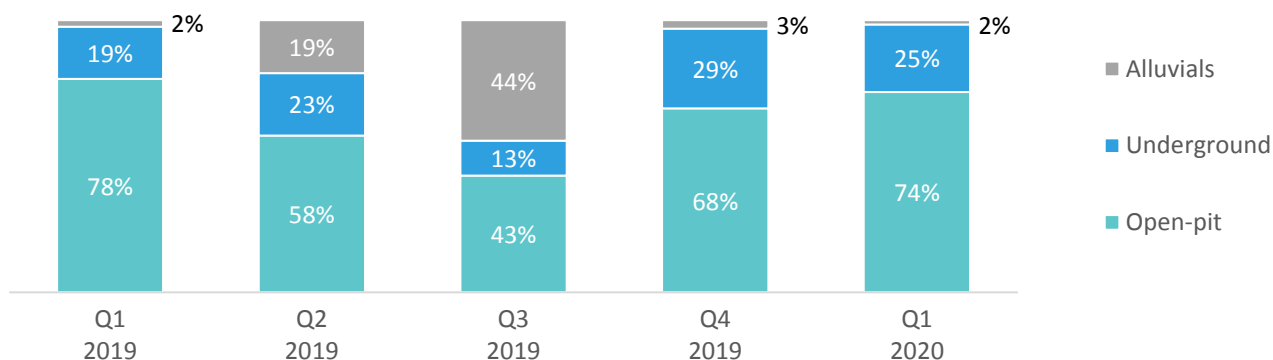
<sup>2</sup> The stripping ratio is calculated as rock moved in cubic metres (less pre-stripping) divided by ore and gravels processed (in tonnes).

In Q1, production at alluvial deposits accounted for 1.6% of total production.

Average diamond grade:  
1.36 cpt

- **Q1 average diamond grade** saw an increase of 11% q-o-q to 1.36 cpt due to seasonal suspension of production at the Mirny Division's lower-grade alluvial deposits. A 10% y-o-y growth was mostly driven by an increased share of high-grade ore processing at the underground mines of Aikhal (following discontinuation of operations at the Komsomolskaya pipe and capacity utilisation at processing plant No. 14 using Aikhal ore) and International (associated with improved production efficiency), along with a rise in the average diamond grade at the Jubilee pipe.

**Diamond production by mining type**



## PERFORMANCE BY DIVISION

### Aikhal Division operational overview

Aikhal Division accounted for 38% in ALROSA Group's total diamond production in Q1 2020.

	Q1 2020	Q4 2019	q-o-q	Q1 2019	y-o-y
Ore processing, '000 t	2,231	2,407	(7%)	2,449	(9%)
Grade, cpt	1.35	1.32	2%	1.13	20%
Diamond production, '000 cts	3,018	3,180	(5%)	2,773	9%

Aikhal Division:

Jubilee pipe

Aikhal pipe

Komsomolskaya pipe

Zarya pipe

Location: Republic of Sakha

(Yakutia), near Aikhal

settlement, 485 km away

from Mirny town

**Q1 diamond production** decreased by 5% q-o-q (up 9% y-o-y) to **3,018,000 cts**. Ore processed in this period amounted to **2,231,000 t**, down 7% q-o-q (9% y-o-y).

#### Open-pit mining

Jubilee:

- A 30% q-o-q (6% y-o-y) increase was associated with a higher average grade due to the processing of a larger share of higher-grade ore from the deposit's central ore body.

Komsomolskaya:

- No production underway due to the completion of mining in 2019.

Zarya:

- In Q1, ore mined was sent to stockpiles to be delivered to processing plant No. 14 in Q2 2020 (production at the Zarya pipe launched in Q4 2019).

#### Underground mining

Aikhal:

- A 50% q-o-q reduction was due to a 32% drop in ore processing as a result of the high base effect of Q4 2019 (the bulk of the production is reached by the year end), as well as a 27% reduction in the average grade due to ore body structure and mining direction (ore processing from lower-grade blocks). A 42% growth y-o-y was associated with ore processing going up 1.9x following the discontinuation of operations at the Komsomolskaya pipe and increased capacity at processing plant No. 14.

## Mirny Division operational overview

**Mirny Division accounted for 8% in ALROSA Group's total diamond production in Q1 2020.**

	Q1 2020	Q4 2019	q-o-q	Q1 2019	y-o-y
Ore and gravels processing, '000 t	412	1,270	(68%)	413	(0.2%)
Grade, cpt	1.62	0.64	152%	1.14	43%
Diamond production, '000 cts	669	818	(18%)	469	43%

Mirny Division:  
Mir pipe  
International pipe  
Alluvial deposits

Location: Republic of Sakha  
(Yakutia), Mirny town,  
220 km south of the Arctic  
Circle

**Q1 diamond production** totalled **669,000 cts** (down 18% q-o-q and up 43% y-o-y). Ore and gravels processed in this period amounted to **412,000 t**, a decrease of 68% q-o-q (flat y-o-y).

### Underground mining

International pipe:

- A 7% q-o-q reduction was caused by 10% lower ore processing volumes, which was partially offset by a higher average grade due to the processing of higher-grade ore from the underpit reserves. A 34% increase y-o-y was due to improved production efficiency.

### Alluvial mining

- A 45% q-o-q reduction was due to 73% lower gravels processing volumes as a result of seasonally reduced processing capacities, partially offset by a 2x q-o-q improvement in the average grade as higher-grade gravels were sent to processing. On a y-o-y basis, alluvial mining doubled following a 2.1x increase in the average grade due to the processing of higher-grade blocks of the Vodorazdelnye Galechniki deposit.



## Udachny Division operational overview

Udachny Division accounted for 15% in ALROSA Group's total diamond production in Q1 2020.

	Q1 2020	Q4 2019	q-o-q	Q1 2019	y-o-y
Ore and gravels processing, '000 t	1,830	2,140	(14%)	2,243	(18%)
Grade, cpt	0.66	0.61	9%	0.62	7%
Diamond production, '000 cts	1,204	1,297	(7%)	1,380	(13%)

*Udachny Division:  
Udachnaya pipe  
Zarnitsa pipe  
V.Munskoye deposit  
Mining at alluvial  
deposits was completed  
in 2019.*

*Location: Republic of  
Sakha (Yakutia), 550 km  
north of Mirny town*

**Q1 diamond production** decreased by 7% q-o-q (down 13% y-o-y) to **1,204,000 cts**. Ore and gravels processed in this period amounted to **1,830,000 t**, a decrease of 14% q-o-q (down 18% y-o-y).

### Open-pit mining

Zarnitsa:

- A 6% q-o-q increase was driven by a 12% growth in ore processing as a result of replacement of reserves at the Udachny Division's alluvial deposits, which were depleted in 2019. A 6% reduction y-o-y was due to a 12% y-o-y drop in the average grade following the processing of lower-grade blocks in line with the mining direction.

Zapolyarnaya (V.Munskoye deposit):

- Diamond production declined by 47% q-o-q (down 53% y-o-y) due to the temporary reduction in capacity of processing plant No. 12 required for the pumping equipment replacement in order to ramp up the plant's tailings thickening section.

### Underground mining

Udachnaya:

- A 10% increase q-o-q was the result of a 13% improvement in the average grade following the processing of higher-grade ore from the western ore body. A 24% growth y-o-y was driven by 34% higher ore processing volumes on the back of improved production efficiency at the mine following the completion of technical measures for the ramp-up to design capacity.

### Alluvial mining

- Mining at the Udachny Division's alluvial deposits was completed in 2019.

## Nyurba Division operational overview

Nyurba Division accounted for 26% in ALROSA Group's total diamond production in Q1 2020.

	Q1 2020	Q4 2019	q-o-q	Q1 2019	y-o-y
Ore and gravels processing, '000 t	497	495	0.4%	452	10.0%
Grade, cpt	4.19	4.83	(13%)	4.93	(15%)
Diamond production, '000 cts	2,084	2,393	(13%)	2,226	(6%)

*Nyurba Division:  
Nyurbinskaya pipe  
Botuobinskaya pipe  
Alluvial deposits*

*Location: Republic of  
Sakha (Yakutia), 200 km  
north-west of Nyurba  
town and 320 km north-  
east of Mirny town*

**Q1 diamond production** decreased by 13% q-o-q (down 6% y-o-y) to **2,084,000 cts**. Ore and gravels processed in this period amounted to **497,000 t** (up 0.4% q-o-q and 10% y-o-y).

### Open-pit mining

Nyurbinskaya:

- Diamond production grew by 26% q-o-q driven by a 17% increase in processing volumes due to processing more of the deposit's ore at plant No. 16. A 12% reduction y-o-y was due to a 12% drop in the diamond grade of the processed ore.

Botuobinskaya:

- A 39% q-o-q reduction was associated with (a) 12% q-o-q drop in processing volumes due to processing more of the Nyurbinskaya pipe's ore and (b) lower average grade as lower-grade blocks were mined. A 3% y-o-y growth came on the back of 30% higher processing volumes following the implementation of operational efficiency improvement projects, with the average grade dropping by 21%.

There was no **alluvial mining** in Q1 2020.

## Severalmaz operational overview

Severalmaz accounted for 13% in ALROSA Group's total diamond production in Q1 2020.

	Q1 2020	Q4 2019	q-o-q	Q1 2019	y-o-y
Ore processing, '000 t	941	929	1%	798	18%
Grade, cpt	1.11	1.21	(9%)	1.22	(10%)
Diamond production, '000 cts	1,040	1,123	(7%)	975	7%

Severalmaz  
(Lomonosov Division):  
Arkhangelskaya pipe  
Karpinskogo-1 pipe  
Karpinskogo-2 pipe

Location: Arkhangelsk  
Region, Russian  
Federation

**Q1 diamond production** decreased by 7% q-o-q (up 7% y-o-y) to **1,040,000 cts**.  
Ore processing increased by 1% q-o-q (up 18% y-o-y) to **941,000 t**.

### Open-pit mining

- A 7% q-o-q decrease was attributable to a 9% drop in the average grade as the ore body's lower-grade parts were mined. A 7% y-o-y growth was driven by an 18% increase in ore processing thanks to improved processing efficiency, with the average grade going down by 10% due to processing of lower-grade ore.

## Almazy Anabara operational overview

**Almazy Anabara accounted for 0% in ALROSA Group's total diamond production in Q1 2020.**

*Almazy Anabara: several alluvial deposits located in the north-west of the Republic of Sakha (Yakutia)*

**In Q1, there was no diamond production** at the Almazy Anabara alluvial deposits due to seasonal suspension of production.

Almazy Anabara conducts mining operations from May-June to September-October (weather permitting).

## APPENDICES

## Appendix 1. Diamond production

'000 cts	Q1 2020	Q4 2019	q-o-q	Q1 2019	y-o-y
<b>Aikhal Division</b>	<b>3,018</b>	<b>3,180</b>	<b>(5%)</b>	<b>2,773</b>	<b>9%</b>
Jubilee pipe	2,391	1,843	30%	2,251	6%
Aikhal underground mine	628	1,259	(50%)	442	42%
Komsomolskaya pipe	–	40	–	80	–
Zarya pipe	–	38	–	–	–
<b>Mirny Division</b>	<b>669</b>	<b>818</b>	<b>(18%)</b>	<b>469</b>	<b>43%</b>
International underground mine	541	585	(7%)	405	34%
Alluvial and technogenic deposits	128	234	(45%)	64	99%
<b>Udachny Division</b>	<b>1,204</b>	<b>1,297</b>	<b>(7%)</b>	<b>1,380</b>	<b>(13%)</b>
Udachny underground mine	817	740	10%	659	24%
Zarnitsa pipe	204	193	6%	217	(6%)
Zapolyarnaya pipe (V.Munskoye deposit)	183	342	(47%)	385	(53%)
Alluvial deposits	–	22	–	119	–
<b>Nyurba Division</b>	<b>2,084</b>	<b>2,393</b>	<b>(13%)</b>	<b>2,226</b>	<b>(6%)</b>
Nyurbinskaya pipe	1,243	990	26%	1,408	(12%)
Botuobinskaya pipe	841	1,386	(39%)	819	3%
Alluvial deposits	–	18	–	–	–
<b>Severalmaz</b>	<b>1,040</b>	<b>1,123</b>	<b>(7%)</b>	<b>975</b>	<b>7%</b>
Arkhangelskaya pipe	525	549	(4%)	385	37%
Karpinskogo-1 pipe	515	575	(10%)	590	(13%)
Karpinskogo-2 pipe	–	–	–	–	–
<b>Almazy Anabara</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>8,016</b>	<b>8,812</b>	<b>(9%)</b>	<b>7,823</b>	<b>2%</b>

## Appendix 2. Ore and gravel processing

'000 t	Q1 2020	Q4 2019	q-o-q	Q1 2019	y-o-y
<b>Aikhal Division</b>	<b>2,231</b>	<b>2,407</b>	<b>(7%)</b>	<b>2,449</b>	<b>(9%)</b>
Jubilee pipe	2,085	1,930	8%	2,185	(5%)
Aikhal underground mine	146	215	(32%)	77	90%
Komsomolskaya pipe	–	162	–	187	–
Zarya pipe	–	100	–	–	–
<b>Mirny Division</b>	<b>412</b>	<b>1,270</b>	<b>(68%)</b>	<b>413</b>	<b>(0%)</b>
International underground mine	92	103	(10%)	70	31%
Alluvial and technogenic deposits	320	1,168	(73%)	343	(7%)
<b>Udachny Division</b>	<b>1,830</b>	<b>2,140</b>	<b>(14%)</b>	<b>2,243</b>	<b>(18%)</b>
Udachny underground mine	664	679	(2%)	494	34%
Zarnitsa pipe	881	786	12%	822	7%
Zapolyarnaya pipe (V.Munskoye deposit)	285	545	(48%)	573	(50%)
Alluvial deposits	–	130	–	354	–
<b>Nyurba Division</b>	<b>497</b>	<b>495</b>	<b>0%</b>	<b>452</b>	<b>10.0%</b>
Nyurbinskaya pipe	310	266	17%	308	1%
Botuobinskaya pipe	187	212	(12%)	144	30%
Alluvial deposits	–	17	–	–	–
<b>Severalmaz</b>	<b>941</b>	<b>929</b>	<b>1%</b>	<b>798</b>	<b>18%</b>
Arkhangelskaya pipe	520	496	5%	374	39%
Karpinskogo-1 pipe	422	433	(3%)	424	(1%)
Karpinskogo-2 pipe	–	–	–	–	–
<b>Almazy Anabara</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>5,911</b>	<b>7,241</b>	<b>(18%)</b>	<b>6,355</b>	<b>(7%)</b>

## Appendix 3. Grade

cpt	Q1 2020	Q4 2019	q-o-q	Q1 2019	y-o-y
<b>Aikhal Division</b>	<b>1.35</b>	<b>1.32</b>	<b>2%</b>	<b>1.13</b>	<b>20%</b>
Jubilee pipe	1.15	0.95	20%	1.03	11%
Aikhal underground mine	4.30	5.86	(27%)	5.74	(25%)
Komsomolskaya pipe	–	0.25	–	0.43	–
Zarya pipe	–	0.38	–	–	–
<b>Mirny Division</b>	<b>1.62</b>	<b>0.64</b>	<b>152%</b>	<b>1.14</b>	<b>43%</b>
International underground mine	5.88	5.69	3%	5.78	2%
Alluvial and technogenic deposits	0.40	0.20	99%	0.19	113%
<b>Udachny Division</b>	<b>0.66</b>	<b>0.61</b>	<b>9%</b>	<b>0.62</b>	<b>7%</b>
Udachny underground mine	1.23	1.09	13%	1.33	(8%)
Zarnitsa pipe	0.23	0.25	(6%)	0.26	(12%)
Zapolyarnaya pipe (V.Munskoye deposit)	0.64	0.63	2%	0.67	(5%)
Alluvial deposits	–	0.17	–	0.34	–
<b>Nyurba Division</b>	<b>4.19</b>	<b>4.83</b>	<b>(13%)</b>	<b>4.93</b>	<b>(15%)</b>
Nyurbinskaya pipe	4.01	3.72	8%	4.57	(12%)
Botuobinskaya pipe	4.50	6.54	(31%)	5.68	(21%)
Alluvial deposits	–	1.04	–	–	–
<b>Severalmaz</b>	<b>1.11</b>	<b>1.21</b>	<b>(9%)</b>	<b>1.22</b>	<b>(10%)</b>
Arkhangelskaya pipe	1.01	1.11	(9%)	1.03	(2%)
Karpinskogo-1 pipe	1.22	1.33	(8%)	1.39	(12%)
Karpinskogo-2 pipe	–	–	–	–	–
<b>Almazy Anabara</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>1.36</b>	<b>1.22</b>	<b>11%</b>	<b>1.23</b>	<b>10%</b>

## Appendix 4. Diamond, ore and gravels inventories

<b>Inventories as at the end of the period</b>	<b>Q1 2020</b>	<b>Q4 2019</b>	<b>Q3 2019</b>	<b>Q2 2019</b>	<b>Q1 2019</b>	<b>Q4 2018</b>	<b>Q3 2018</b>	<b>Q2 2018</b>
Diamonds, m cts	21.1	22.6	21.7	15.9	14.3	17.0	15.5	11.7
Ore and gravels, mt	30.2	26.5	23.6	31.8	29.6	23.9	21.7	29.8



**GLOSSARY**

**gem-quality diamonds** – diamonds used in jewelry

**V.Munskoye deposit** – the Udachny Division’s Verkhne-Munskoye deposit

**ct, cts** – carat, unit of mass (weight) equal to 200 mg; one of the 4Cs of diamond quality along with colour, cut and clarity

**stripping ratio** is calculated as rock moved in cubic metres (less pre-stripping) divided by ore and gravels processed (in tonnes)

**p.p.** – percentage point

**diamond price index** helps track changes in average diamond prices on a like-for-like basis (excluding +10.8 cts stones)

**average realised price** is sales revenue in US dollars divided by sales volumes in carats

**t** – tonne