ALROSA Q1 2020 IFRS results

Moscow, 5 June 2020 – ALROSA, a global leader in diamond production, announces its IFRS results for Q1 2020.

- **Revenue** in Q1 was **RUB 63 bn (-3% q-o-q)** amid a 14% decline in the average realised price, and decrease in other revenue and income from grants.

  On a y-o-y basis, revenue decreased by 11% as a result of lower sales volumes (down 11% y-o-y) caused by COVID-19 and price index reduction.
- **EBITDA**[1] increased to **RUB 30 bn** (up 2% q-o-q) mainly due to seasonal reduction in social and SG&A expenses. A 4% y-o-y reduction resulted primarily from lower sales volumes (down 11%).
- **EBITDA margin** expanded to **48%** (up 2 pp q-o-q and up 4 pp y-o-y) on the backdrop of lower costs.
- **Free cash flow (FCF)** in Q1 went up by 30% q-o-q to **RUB 22 bn** amid a stronger operating cash flow (up RUB 0.7 bn) and a seasonal reduction in CAPEX (down RUB 4.3 bn).

  A 16% y-o-y decline was mostly driven by a RUB 5.2 bn decrease in the operating cash flow partially offset by a RUB 1.2 bn reduction in CAPEX.
- **Net profit** amounted to RUB 3 bn, having dropped by RUB 9 bn q-o-q (down 87% y-o-y) due to non-cash factors (foreign exchange loss of RUB 21 bn resulting from the revaluation of foreign currency debt).
- **Net debt / LTM EBITDA** stood at 0.7x as at the end of Q1 2020 (flat q-o-q).
- **2020 guidance:**
  - Production – 28–31 m ct (vs the previous guidance of 34 m ct);
  - CAPEX – RUB 20 bn (vs the previous guidance of RUB 22 bn).

[1] EBITDA stands for the Group's earnings or loss for the period adjusted for income tax expenses, financial income and expenses, share of net profit of associates and joint ventures, depreciation and amortisation, impairment and disposals of property, plant and equipment, gain or loss on disposal of joint ventures, revaluation of investments, and one-off items.

RUB bn	Q1 2020	Q4 2019	q-o-q	Q1 2019	y-o-y
Diamond sales, m ct, incl.	9.4	8.2	*15%*	10.6	*(11%)*
gem-quality	*7.1*	*5.9*	*19%*	*7.9*	*(10%)*
industrial	*2.4*	*2.2*	*5%*	*2.7*	*(13%)*
Revenue	62.7	64.6	*(3%)*	70.5	*(11%)*
EBITDA	30.0	29.5	*2%*	31.4	*(4%)*
EBITDA margin	48%	46%	*2 pp*	44%	*4 pp*
Net profit	3.1	11.7	*(74%)*	24.1	*(87%)*
FCF[2]	21.8	16.8	*30%*	25.9	*(16%)*
Net debt[3]	77.4	79.6	*(3%)*	38.7	*2.0x*
Net debt / LTM EBITDA	0.7x	0.7x	–	0.3x	–

Alexey Philippovskiy, ALROSA's CFO, commented:

"Steps taken in 2019 to restore the balance of supply and demand in the diamond pipeline gave the industry a healthy start into 2020: the retail and midstream stocks normalised, the leverage of Indian polishers returned to historical averages, and the key sales markets saw a recovery in consumer activity.

In January, cutters demonstrated steady demand on the back of robust retail sales during Christmas holidays, but after mid-February the demand and customer activity declined amid the uncertainty surrounding the COVID-19 pandemic. In March, the situation escalated, with sales dropping considerably as the restrictions were being introduced around the world. In April, the Company began to provide its long-term customers with unprecedentedly flexible terms, allowing them to completely suspend purchases and transferring the contractual volumes to subsequent months. Today, we see diamond jewellery sales bouncing back in China and other Asian markets, which is expected to drive diamond demand up as soon as in July –August.

In terms of our production operations, in an effort to cut operational expenses, we decided to reduce the production target from 34.2 m to 28–31 m carats, and cut CAPEX from RUB 22 bn to RUB 20 bn.

In Q1 2020, diamond sales and total revenue amounted to 9.4 m carats and $904 m (including $23 m from the sale of polished diamonds) (down 1% q-o-q and 10% y-o-y), respectively. FCF stood at RUB 21.8 bn. Net debt / EBITDA as at the end of Q1 2020 remained at 0.7x.

In early May, ALROSA's Supervisory Board recommended to distribute RUB 19.4 bn as dividends for H2 2019, i.e. 100% of FCF for the period, the maximum amount allowed by the dividend policy.

On 22 May, the Company issued 5-year exchange-traded bonds in the amount of RUB 25 bn. The coupon rate of 5.75% per annum demonstrates investor confidence in ALROSA's financial stability and the diamond market outlook in general."

[2] FCF (free cash flow) is the operating cash flow calculated in accordance with the International Financial Reporting Standards (IFRS), net of capital expenditure (posted as Purchase of Property, Plant and Equipment on the consolidated IFRS statement of cash flows).
[3] Net debt is the amount of debt less cash and cash equivalents and bank deposits at each reporting date in accordance with the IFRS.

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

10 June	May 2020 sales results
24 June	Annual General Meeting of Shareholders –H2 2019 dividend approval
10 July	June 2020 sales results
16 July	Q2 and 6M 2020 operating results
10 August	July 2020 sales results
14 August	Q2 and 6M 2020 IFRS results – conference call with management

PUBLICATIONS ARCHIVE

- Q1 2020 IFRS results
- April 2020 sales results
- Q1 2020 operating results
- Investor Day

MANAGEMENT DISCUSSION AND ANALYSIS OF ALROSA GROUP RESULTS FOR Q1 2020

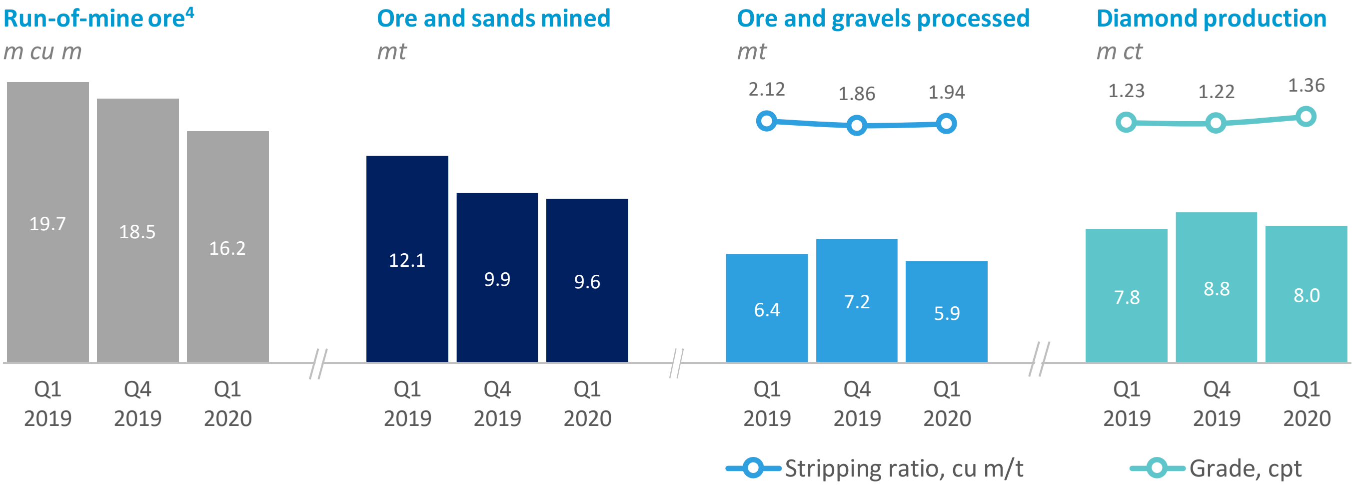
The structure and scope of the report and overview of ALROSA's business are shown in Appendix 4.

Q1 2020 ROUGH AND POLISHED DIAMOND MARKET OVERVIEW

- The rough and polished diamond industry started 2020 in a good shape as consumer sentiment improved across key sales markets for diamond jewellery, stocks in the cutting sector normalised, prices for polished diamonds 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 most likely become the key driver as demand starts to pick up again.
- To stabilise the industry in the long term, ALROSA responded immediately to the coronavirus-related restrictions around the globe and offered the most flexible sales terms during the April trading session and throughout Q2 2020. The terms mitigate market oversaturation risk and speed up the recovery of demand.

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.

OPERATING HIGHLIGHTS



Run-of-mine ore: 16.2 m cu

- **Run-of-mine ore** declined by 12% q-o-q (down 18% y-o-y) to 16.2 m cu m, predominantly due to suspended implementation of design solutions for pit deepening at the Arkhangelskaya pipe (Severalmaz) in 2020.

Production: 8 m ct

- **Diamond production** saw a decline of 9% q-o-q to 8.0 m ct, mainly following lower production at the Aikhal underground mine and the Botuobinskaya pipe. A 2% growth y-o-y was due to increased production at the Aikhal and Udachnaya underground mines.
- **Q1 stripping ratio**[5] went up by 5% q-o-q to 1.94 cu m / 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 following the suspension of the pit deepening project at the Arkhangelskaya pipe. An 8% y-o-y reduction was also due to the Severalmaz design solutions.

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.

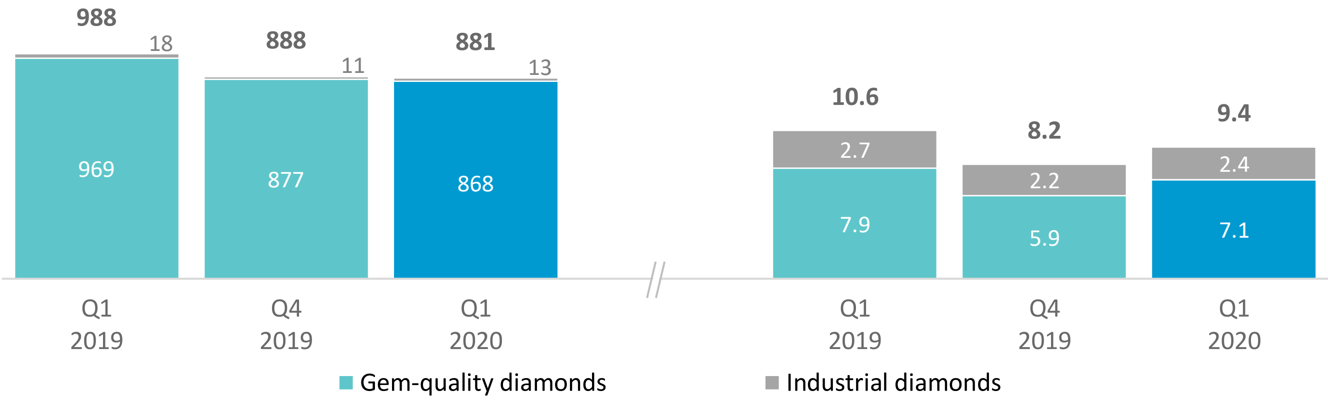
  A 10% y-o-y growth was mostly driven by an increased share of high-grade ore processing at the underground mines of Aikhal (following discontinuation of operations at the Komsomolskaya pipe and capacity utilisation at processing plant No. 14 using Aikhal ore) and International (associated with improved production efficiency), along with a rise in the average diamond grade at the Jubilee pipe.

[4] *Less pre-stripping.*

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

Diamond sales
$ m

Diamond sales
m ct



Sales: 9.4 m ct

- **Diamond sales (ex. polished diamonds) increased by 1.2 m ct q-o-q (up 15%) to 9.4 m ct**, with sales of gem-quality diamonds improving by 1.1 m ct to 7.1 m ct (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 ct 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.

Inventories: 21.1 m ct

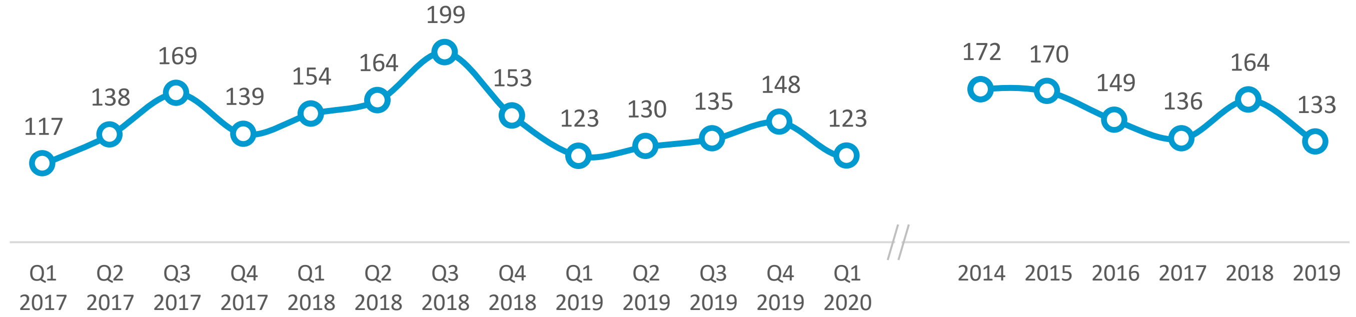
- **Diamond inventories as at the end of Q1 2020 dropped to 21.1 m ct** (down 6%, or 1.5 m ct, q-o-q). On a y-o-y basis, inventories increased by 6.8 m ct (up 48%) due to lower sales and higher output.

Total sales: $904 m
Diamond sales: $881 m

- **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. These divergent performance patterns were due to the increased share of small-size diamonds in the sales mix. 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** in value terms totalled $868 m (down 1% q-o-q) despite sales in carats adding 19% q-o-q. The performance was mostly due to a lower average realised price driven by growing sales of small-size diamonds. 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, 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 and lower sales of small-size diamonds.

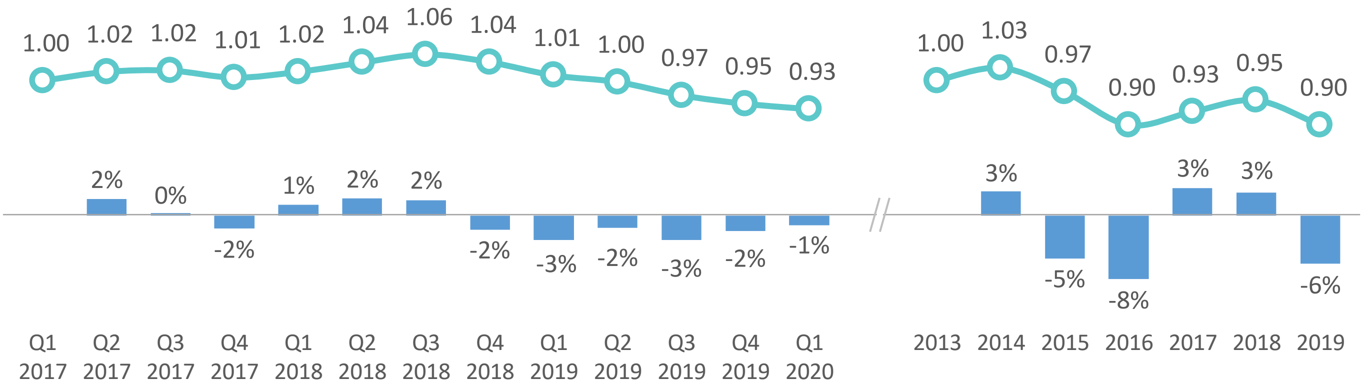
Average realised prices for gem-quality diamonds

$/ct



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

Gem-quality diamond price indices



KEY FINANCIAL HIGHLIGHTS

Revenue

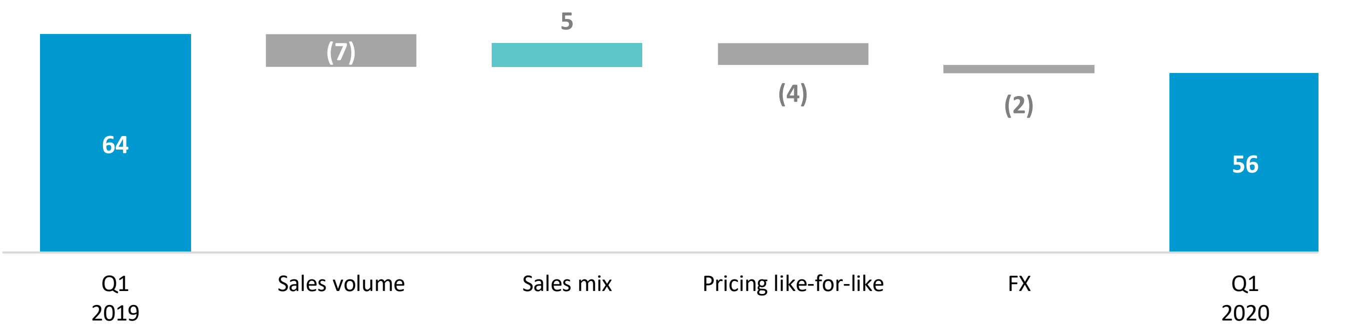
Revenue: RUB 62.7 bn

- **In Q1 2020, revenue dropped by 3% q-o-q to RUB 62.7 bn** mostly due to a 14% decline in average realised price (a larger share of small-size diamonds), and a decrease in other revenue and income from grants. On a y-o-y basis, revenue declined by 11% due to lower sales in carats (down 11%) against the backdrop of the COVID-19 spread starting mid-February and price index reduction.

Gem-quality rough diamond revenue – key drivers, q-o-q
RUB bn

- **Revenue from diamond sales** in Q1 2020 amounted to **RUB 58.2 bn** (flat q-o-q), including **revenue from gem-quality diamond sales at RUB 55.8 bn (down 0.3% q-o-q)** due to changes in the sales mix (a larger share of small-size diamonds) offset by a 19% q-o-q increase in sales.

Gem-quality rough diamond revenue – key drivers, y-o-y
RUB bn



- **On a y-o-y basis, revenue from diamond sales** decreased by 12% amid total sales declining by 11% y-o-y and a reduction in the rough diamond price index (like-for-like prices).
- In Q1 2020, **other revenue** fell by 20% q-o-q to **RUB 3.7 bn** predominantly as a result of a seasonal decline in transportation business revenue and reduction of revenue from associated mining of precious metals by Almazy Anabara. On a y-o-y basis, other revenue increased by 4%.

- In Q1 2020, **income from grants** amounted to **RUB 0.8 bn** (down 51% q-o-q and 15% y-o-y), with the decline primarily caused by lower electricity grants (down 66% q-o-q and 33% y-o-y) due to (a) an adjustment for the amount prepaid in 2019, and (b) changes in the grant accrual policy. Until 2020, grants were provided upon completion of payment. Starting from 2020, grants are accrued based on the volumes of electricity supplied and the difference in tariffs.
- In Q1 2020, **total sales costs (production and non-production)** were down by 7% q-o-q to **RUB 32.8 bn** due to the following:
  - Production costs (up 2%, or RUB 0.3 bn):

    (+) increase in the "Movement of diamond inventory" item (up RUB 3.7 bn: from minus RUB 2.7 bn in Q4 to plus RUB 1.1 bn in Q1) associated with the sale of diamonds from inventories that (sales) exceeded production levels;

    (-) decrease in the "Movement of ore and sand inventories" item (down RUB 1.1 bn: from minus RUB 3.2 bn in Q4 to minus RUB 4.3 bn in Q1) owing to a seasonal rise in ore and sand extraction;

    (-) decrease in fuel and energy expenses by 28% (down RUB 1.7 bn) as a result of reduced consumption of fuel by Group companies (down RUB 0.9 bn), and a high base effect from electricity expenses (following a Q4 adjustment resulting from the reallocation of electricity costs from Services to Fuel and energy);

    (-) reduction in materials costs by 36% (down RUB 1.4 bn) following the completion of repairs at the mining and processing divisions in Q4 2019;

    (+) increase in expenses on third-party services and transport by 91% (up RUB 1.0 bn) driven primarily by higher expenses on third-party services (up RUB 0.7 bn) attributable to the low base effect of Q4 2019 (adjustment of air transport repair services for 2019 due to the application of IFRS 16 Leases). In Q1 2020, expenses on third-party services normalised;
  - Non-production costs (down 15% q-o-q, or RUB 2.6 bn):

    (-) decrease in social expenses by 4.9x (down RUB 3.0 bn) due to the high base effect of Q4 2019 that included one-off expenses associated with the disposal of Novy Sovkhoz (down RUB 1.6 bn) and a contribution made to the dedicated Fund of Future Generations (down RUB 0.9 bn) provisioned for at year-end;

    (-) drop in SG&A expenses by 27% (down RUB 1.3 bn) due to lower utilisation of consultancy and IT services;

(-) decline in MET expenses by 20% (down RUB 1.2 bn) mostly attributable to lower volumes of preliminary valuation of diamonds caused by seasonal suspension of production at Almazy Anabara;

(+) rise in other expenses (up RUB 2.6 bn) as a result of (a) decline in other operating income owing to the high base effect from the previous period (Q4 saw the payment of dividends from Catoca Mining Ltd. recognised as assets held for sale (down RUB 0.9 bn)), and (b) increase in cost of diamonds for resale (down RUB 0.6 bn).

- **Decline by 16% y-o-y** (down RUB 6.4 bn) was driven mostly by the following:
    - Production costs (down 26%, or RUB 6.5 bn):

      (-) decrease in the "Movement of diamond inventory" item by RUB 5.3 bn (from plus RUB 6.4 bn in Q1 2019 to plus RUB 1.1 bn in Q1 2020) due to lower sales of inventories in Q1 2020 (1.4 m carats in Q1 2020 vs 2.8 m carats in Q1 2019);

      (-) changes in the "Movement of ore and sand inventories" item (down RUB 1.5 bn: RUB 2.8 bn in Q1 2019 vs RUB 4.3 bn in Q1 2020) as ore and sand extraction levels exceeded processing volumes to a lesser degree;

      (+) increase in fuel and energy expenses by 6% (up RUB 0.2 bn) due to a 4.4% rise in fuel prices;
    - Non-production costs (up 1%, or RUB 0.1 bn):

      (+) increase in other expenses (up RUB 0.8 bn) caused by the consolidation of Kristall group, and recognition of historical losses and other costs;

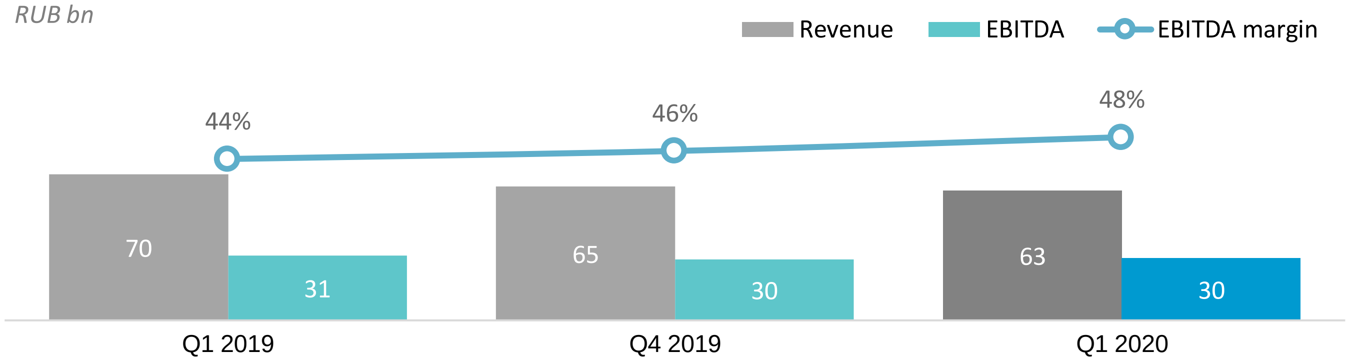
      (+) rise in SG&A by 11% (up RUB 0.3 bn) following a partial transfer of functions to service centres (redistribution of costs from production to non-production ones) and higher marketing investments;

      (+) growth in exploration costs by 18% (up RUB 0.4 bn) attributable to the start of exploration and appraisal operations associated with new projects;

      (-) decline in MET expenses by 22% (down RUB 1.3 bn) as a result of lower volumes of preliminary valuation, as well as price list adjustments.

Q1 production costs, net of inventory movement, stood at RUB 21.5 bn (down 10% q-o-q, up 2% y-o-y).

EBITDA
RUB bn



EBITDA: RUB 30 bn

- In Q1 2020, **EBITDA** amounted to **RUB 30.0 bn** adding 2% q-o-q due to a 27% decline in SG&A and a 4.9-fold drop in social expenses. On a y-o-y basis, EBITDA decreased by 4% as a result of lower sales volumes (down 11%), as well as higher SG&A (up 17%) and other operating expenses (up 16%).
- **FX rate impact** in Q1 2020 was negative for EBITDA q-o-q (RUB 0.1 bn) and y-o-y (RUB 1.5 bn).

EBITDA margin: 48%

- **EBITDA margin** in Q1 2020 increased to **48%** (+2 pp q-o-q) due to a 27% q-o-q reduction in SG&A and a 4.9-fold q-o-q decline in social expenses. On a y-o-y basis, it improved by 4 pp as per unit cost of sales dropped by 11% while the average realised price was flat.

EBITDA

RUB m	Q1 2020	Q4 2019	Q1 2019
Operating profit	25,992	14,340	24,477
Depreciation	6,295	6,518	6,575
Adjustments (see financial statements in Excel)	(2,303)	8,660	300
EBITDA	**29,984**	**29,518**	**31,352**

Net profit: RUB 3.1 bn

- **Net profit** in Q1 2020 amounted to **RUB 3.1 bn** (RUB 11.7 bn in Q4 2019 and RUB 24.1 bn in Q1 2019) having dropped by RUB 8.6 bn q-o-q due to foreign exchange loss of RUB 20.8 bn resulting from the revaluation of the foreign currency debt and deposits.

LIQUIDITY, WORKING CAPITAL AND CAPITAL EXPENDITURE

Cash flows

- **Cash and cash equivalents and 90+ days deposits** increased by RUB 48.2 bn to **RUB 85.9 bn** in Q1 2020 due to the need to stay in line with the corporate financial policy, which requires the Company to maintain a minimum liquidity pool of at least RUB 25 bn, ensure sufficient liquidity for the H2 2019 dividend payout and the redemption of maturing Eurobonds for $494 m in November this year.

Operating activity

- In Q1 2020, **operating cash flow** stood at RUB 24.5 bn, up 3% q-o-q. A 18% y-o-y decline came as a result of lower margins (down 4%, or RUB 1.4 bn y-o-y) and changes in the working capital (from RUB 3.6 bn release in Q1 2019 to RUB 0.9 bn build-up in Q1 2020; total impact on operating cash flow for Q1 2020: down RUB 4.5 bn y-o-y).

Working capital analysis

Working capital

RUB m	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Diamond inventories	71,883	73,905	63,447	44,247	42,472
Inventories of ores and sands mined	19,736	15,413	12,229	19,805	16,806
Mining and construction materials, consumable and other supplies	30,009	31,984	35,450	30,821	27,161
Trade and other receivables (excl. interest receivable)	14,750	12,873	16,756	20,751	17,894
Prepaid taxes, other than income tax	226	315	191	139	229
Accounts payable to employees	(11,844)	(11,917)	(11,376)	(11,961)	(12,198)
Trade and other payables (excl. interest payable)	(9,215)	(7,749)	(7,278)	(6,230)	(6,264)
Other taxes payable	(7,388)	(7,572)	(6,920)	(6,966)	(7,385)
Working capital	**108,157**	**107,252**	**102,499**	**90,606**	**78,715**

- **In Q1 2020, working capital grew by RUB 0.9 bn** (up 1% q-o-q) as a result of:

  (-) seasonal decline in rough diamond inventories of RUB 2.0 bn (down 3%) as sales volumes exceeded diamond production;

  (+) seasonal increase in the inventories of ores and sands mined by RUB 4.3 bn (up 28%), primarily at the alluvial deposits of Almazy Anabara;

  (-) seasonal decrease in mining and construction materials, consumable and other supplies by RUB 2.0 bn (down 6%) following the destocking of inventories accumulated during the navigation period;

  (+) rise in trade and other receivables by RUB 1.9 bn (up 15%) mainly attributable to an increase in accounts receivable owed by a number of buyers for supplied diamonds, higher advance payments to suppliers and contractors, and a stronger US dollar;

(-) rise in trade and other payables by RUB 1.5 bn (up 19%) primarily due to an uptick in advance payments from customers.

In Q1 2020, working capital grew by 37% y-o-y (up RUB 29.4 bn) as a result of:

(+) growth in rough diamond inventories of RUB 29.4 bn (up 69%), including in carats, as production exceeded sales on the back of weaker demand in the rough and polished diamond market;

(+) growth in the inventories of ores and sands mined by RUB 2.9 bn (up 17%), with inventories in carats adding 2%, mostly due to an increased share of deposits with higher per unit costs;

(+) rise in mining and construction materials, consumable and other supplies by RUB 2.8 bn (up 10%) due to more active operations and higher prices of fuel and other products;

(-) decrease in trade and other receivables by RUB 3.1 bn (down -18%) mostly as a result of Kristall consolidation in Q4 2019;

(-) rise in trade and other payables by RUB 3.0 bn (up 47%) primarily due to an increase in payables owed to suppliers and contractors.

- Q1 2020 saw inventories in carats slump by 6% q-o-q (1.5 m carats) to 21.1 m carats (as at Q1 end). On a y-o-y basis, inventories went up by 48% (up 6.8 m carats).

Free cash flow

RUB m	**Q1 2020**	**Q4 2019**	**Q1 2019**
EBITDA	**29,984**	**29,518**	**31,352**
Changes in working capital	(905)	(4,753)	3,628
Income tax paid	(6,023)	(3,727)	(5,064)
Other	1,432	2,711	(180)
Operating cash flow	**24,488**	**23,749**	**29,736**
Capex	(2,645)	(6,924)	(3,876)
Free cash flow	**21,843**	**16,825**	**25,860**

FCF: RUB 21.8 bn

- **Free cash flow (FCF)** in Q1 went up by 30% q-o-q to **RUB 21.8 bn** as a result of a stronger operating cash flow (up RUB 0.7 bn) and a seasonal reduction in capex (down RUB 4.3 bn).

  A 16% y-o-y decline in FCF was mostly driven by a RUB 5.2 bn decrease in the operating cash flow and a RUB 1.2 bn reduction in capex.

Investing activities

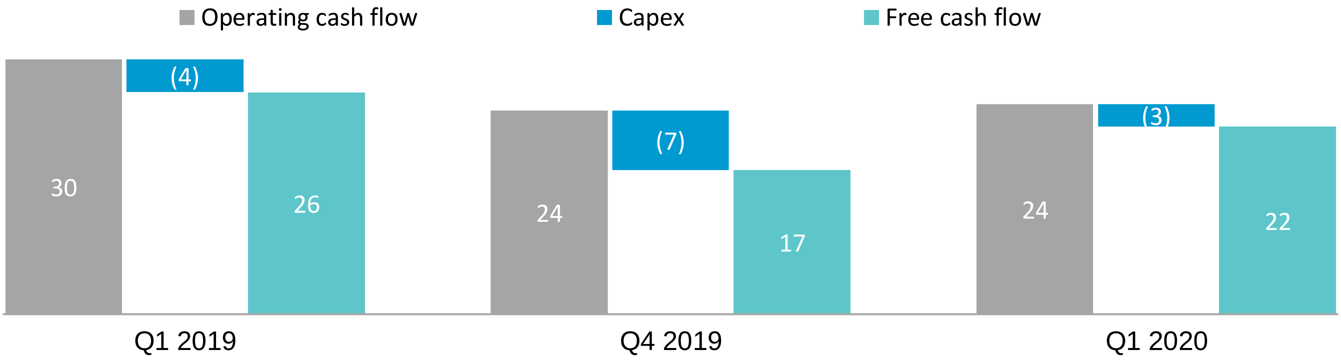
Investments: RUB 2.6 bn

- **Cash outflow from investing activities (excl. outflow of cash to bank deposits)** in Q1 2020 was represented by capex of RUB 2.6 bn (down 62% q-o-q and 32% y-o-y).
- **Cash inflow from investing activities (excl. cash received from bank deposits)** in Q1 2020 amounted to **RUB 2.0 bn**, the main part of it being the RUB 1.6 bn dividend received from Catoca Mining Ltd.

- **Net outflow from investing activities in Q1 2020**, including outflow of cash to bank deposits (RUB 29.5 bn), amounted to RUB 30.1 bn.

Capex and free cash flow

RUB bn



Financing activities

Total debt: $2.1 bn

- **Total debt** (including operating lease liabilities[6]) for Q1 2020 increased to **$2,100 m** (up 11% q-o-q), or RUB 163.2 bn in the rouble equivalent (up 39% q-o-q), mainly driven by the two-year $200 m bank loan raised in March to meet the liquidity position requirements.
- As at the end of Q1 2020, the debt portfolio consisted of two Eurobond issues (47% of total debt) amounting to $494 m and $500 m and USD-denominated bank loans for a total of $950 m (45% of total debt) maturing in 2021–2022.
- As at the end of Q1 2020, the debt portfolio (excl. lease liabilities) consisted of instruments denominated in foreign currency (96%) and roubles (4%). Cash and cash equivalents, as well as deposits for a total of $1,105 m were denominated in US dollars (75%) and roubles (25%).
- **Interest expenses** in Q1 2020 amounted to RUB 1.6 bn (up 30% q-o-q) mainly due to the FX rate fluctuation in March 2020 and borrowing costs.

Net debt

RUB m

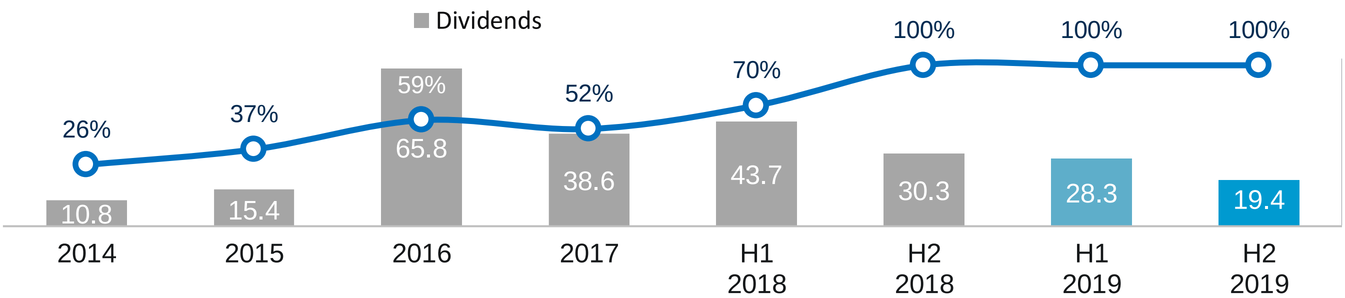
	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Long-term debt	104,439	84,171	102,015	87,282	63,784
Short-term debt	58,788	33,113	3,064	1,948	42,782
Cash and cash equivalents	25,786	13,315	20,666	5,706	16,230
Bank deposits	60,078	24,340	21,408	48,117	51,590
Net debt	**77,363**	**79,629**	**63,005**	**35,407**	**38,746**

Net debt went down to $1.0 bn

- **Net debt** in Q1 2020 went down to **RUB 77.4 bn** (down 3% q-o-q) primarily due to an increase in the positive FCF (down RUB 21.8 bn) and receipt of dividends from Catoca Mining Ltd. (down RUB 1.6 bn) partially offset by foreign exchange losses (up RUB 21.1 bn).
- **Net debt / LTM EBITDA** stood at **0.7x** as at the end of Q1 2020 (flat q-o-q).

Accrued dividends

RUB bn



- **H2 2019 dividends.** At its meeting on 6 May 2020, the Supervisory Board recommended that the General Meeting of Shareholders distribute as

[6] IFRS 16 Leases

dividends 100% of the Company's FCF for 2019, amounting to RUB 47.7 bn, or RUB 6.47 per share. Taking into account the dividend paid for 1H (RUB 28.3 bn, or RUB 3.84 per share), the Supervisory Board recommended paying RUB 19.4 bn, or RUB 2.63 per share for H2 2019 (please see the press release). The annual General Meeting of Shareholders is scheduled for 24 June 2020.

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

Macroeconomic environment

As ALROSA Group (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 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019
RUB/USD	77.7325	61.9057	64.4156	63.0756	64.7347
RUB/EUR	85.7389	69.3406	70.3161	71.8179	72.7230

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

	Q1 2020	Q4 2019	Q1 2019
Average RUB/USD exchange rate for the period	66.6263	63.7449	65.7430
Average RUB/EUR exchange rate for the period	73.4129	70.5360	74.6839

MAJOR DEVELOPMENTS IN Q1 2020 AND AFTER THE REPORTING DATE

March–May 2020: the Company raised bank loans for a total of $275 m in March and May and RUB 6 bn in April with a maturity period of 2 years to finance its current operations.

May 2020: the Company successfully issued 5-year RUB 25 bn exchange-traded bonds with a coupon rate of 5.75% per annum to finance its current operations (please see the press release).

APPENDICES

Appendix 1. Key financial metrics

RUB bn	Q1 2020	Q4 2019	q-o-q	Q1 2019	y-o-y
Revenue, incl.:	**62.7**	**64.6**	*(3%)*	**70.5**	*(11%)*
revenue from diamond sales	58.2	58.3	*(0%)*	66.0	*(12%)*
other revenue	3.7	4.7	*(20%)*	3.6	*4%*
income from grants	0.8	1.7	*(51%)*	1.0	*(15%)*
Costs, incl.:	**32.8**	**35.1**	***(7%)***	**39.1**	***(16%)***
production costs	21.5	23.8	*(10%)*	21.1	*2%*
non-production costs	14.5	17.1	*(15%)*	14.4	*1%*
movement of diamond inventory, ore and sands	(3.3)	(5.9)	–	3.6	–
EBITDA	**30.0**	**29.5**	***2%***	**31.4**	***(4%)***
EBITDA margin	48%	46%	*2%*	44%	*3%*
Depreciation and amortisation	(6.3)	(6.5)	*(3%)*	(6.6)	*(4%)*
Financial income/(expenses)	(22.2)	1.8	–	4.4	–
Other income/(expenses)	3.3	(8.2)	–	1.3	–
Income tax	(1.7)	(5.0)	*(66%)*	(6.5)	*(73%)*
Net profit	**3.1**	**11.7**	***(74%)***	**24.1**	***(87%)***
Net profit margin	5%	18%	*(13%)*	34%	*(29%)*
Free cash flow	**21.8**	**16.8**	***30%***	**25.9**	***(16%)***
Net debt	**77.4**	**79.6**	***(3%)***	**33.8**	***2.2x***
Net debt / LTM EBITDA	**0.7x**	**0.7x**	**–**	**0.2x**	**–**

Appendix 2. Revenue by customer geography

	Q1 2020	Q4 2019	Q1 2019
Belgium	45%	42%	44%
India	17%	19%	13%
Russia	13%	18%	17%
United Arab Emirates	14%	8%	12%
Israel	8%	8%	7%
China	1%	3%	5%
Other	2%	3%	2%

Appendix 3. Per unit costs

RUB '000 / cu m	Q1 2020	Q1 2019	*y-o-y*
Wages, salaries and other staff costs	0.76	0.75	*1%*
Fuel and energy	0.26	0.25	*6%*
Materials	0.16	0.16	*(1%)*
Services and transport	0.13	0.13	*2%*
Other	0.02	0.02	*13%*
Total	**1.32**	**1.30**	***2%***

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

The report is a review of the financial condition of the Group for Q1 2020 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 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.