



ALROSA Q2 and 6M 2021 IFRS results

Moscow, 13 August 2021 – ALROSA, a global leader in diamond mining, announces its IFRS results for Q2 and 6M 2021.

- **Revenue in Q2** increased by 3% qoq to **RUB 94 bn** driven by a recovery in like-for-like rough diamond prices (+7%) and a better sales mix, as well as by robust sales of polished diamonds, including [the unique Spectacle diamond](#). A 9x growth on yoy basis was due to the low base of Q2 2020 (0.6 m ct vs 11.4 m ct in Q2 2021). **6M** revenue increased 2.5x to **RUB 184 bn**, mainly due to a 2.7x growth in sales volumes.
- **EBITDA** gained 36% qoq reaching **RUB 46 bn**, driven by higher average realised prices. **6M** EBITDA went up 2.6x to **RUB 79 bn**.
- **Q2 EBITDA margin** expanded by 12 pp qoq to **49%** (Q2'20: 1%).
- **Net profit** climbed 26% qoq to **RUB 30.2 bn** on stronger return on sales. An increase in sales was behind 6M net profit reaching **RUB 54.2 bn during 6M** (6M'20: RUB 3.3 bn).
- **Free cash flow (FCF) in Q2** stood at **RUB 12 bn**, down RUB 41 bn qoq (but up by RUB 42 bn yoy) due to higher working capital on the back of normalisation of advances from customers (see page 9). **6M** FCF expanded to **RUB 64.7 bn** (+RUB 73 bn yoy).
- **Capex** sequentially grew to **RUB 4.5 bn** due to seasonality (-1% yoy).
- **Net debt / LTM EBITDA** as at the end of Q2 remained negative at **minus 0.2x**.
- **2021 outlook:**
 - **Production** – 31.5 m ct, with a 5% growth potential;
 - **Capex** – ca. RUB 21 bn (vs the previous guidance of RUB 25 bn), reduction due to the postponed payments.

RUB bn	Q2 2021	Q1 2021	qoq	Q2 2020	yoy	6M 2021	6M 2020	yoy
Diamond sales, m ct, incl.	11.4	15.5	(26%)	0.6	18x	27.0	10.1	2.7x
gem-quality	7.5	9.7	(23%)	0.4	20.7x	17.2	7.4	2.3x
industrial	4.0	5.8	(31%)	0.3	14.6x	9.8	2.6	3.7x
Revenue	93.5	90.8	3%	10.4	9x	184.4	73.1	2.5x
EBITDA	45.5	33.5	36%	0.1	389.3x	79.0	30.1	2.6x
EBITDA margin	49%	37%	12 pp	1%	48 pp	43%	41%	2 pp
Net profit	30.2	24.0	26%	0.3	114.7x	54.2	3.3	16.3x
Free cash flow ¹	12.0	52.7	(77%)	(30.2)	-	64.7	(8.3)	-
Net debt ²	(29.9)	(21.7)	38%	100.6	-	(29.9)	100.6	-
Net debt / LTM EBITDA	(0.2x)	(0.2x)	-	1.2x	-	(0.2x)	1.2x	-

Alexey Philippovskiy, ALROSA's CFO:

"Q2 saw a continued increase in demand for diamond jewelry, with the US and China (including Hong Kong) growing at an average of 35% and 15% respectively compared to 2019. Heading into the second half of the year, retailers note continued optimism among consumers and their increased interest in diamond jewelry.

Buttressed by the stronger demand, there were an increase in diamond sales and a progressive recovery in prices. ALROSA sold 11.4 m ct in Q2 – 38% more than in 2019, and the price index climbed 16% within 6M 2021. Strong operating results translated into further growth of our top line reaching RUB 94 bn and profitability expansion to 49%. EBITDA grew by 36% qoq to RUB 45.5 bn. The impressive sales growth vs Q2 2020 allowed us to achieve a free cash flow of RUB 12 bn for the quarter and almost RUB 65 bn for the first half of 2021.

On the back of the strong free cash flow for 6M, the Company's net debt as at the end of Q2 stood at minus RUB 30 bn, while ALROSA's leverage (Net Debt / EBITDA) remained at minus 0.2x. The Company's strong credit quality, unique business model, and leading position on the diamond market were acknowledged by rating agencies, with Fitch upgrading ALROSA's long-term credit rating to BBB (outlook stable) in June, and S&P in July raising the stand-alone credit profile (SACP) of the Company to above the sovereign (BBB), making us one of the only three companies in Russia with such a rating.

The Company's stable cash flow generation and material leverage improvement resulted in historically high interim dividends for H2 2020 of RUB 70.3 bn, or RUB 9.54 per share. Dividend payout for H1 2021 to be recommended by the Supervisory Board at the end of August and to be approved by shareholders by the end of September.

Our outlook for the end consumer market remains positive. The market is recovering faster than we predicted. Meanwhile, diamond supply is still 20% below the pre-COVID-19 levels, and the global production is unlikely to bounce back in the midterm."

¹FCF (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).

²Net debt is the amount of debt less cash and cash equivalents and bank deposits at each reporting date in accordance with the IFRS.

Hereinafter, data on Q2 and 6M 2021 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](#))

10 September	August 2021 sales results
September (TBC)	Extraordinary General Meeting of Shareholders – H1'21 dividend approval
11 October	September 2021 sales results
15 October	Q3 and 9M 2021 operating results
10 November	October 2021 sales results
11 November	Q3 and 9M 2021 financial results – conference call with management

PUBLICATIONS ARCHIVE

- [Q2 and 6M 2021 IFRS results](#)
- [July 2021 sales results](#)
- [Q2 and 6M 2021 trading update](#) (key indicators – [Appendix 5](#))
- [Capital Markets Day](#)

MANAGEMENT DISCUSSION AND ANALYSIS OF ALROSA GROUP FINANCIAL RESULTS FOR Q2 AND 6M 2021

The structure and scope of the report and overview of ALROSA's business are shown in [Appendix 6](#).

Q2 AND 6M 2021 DIAMOND MARKET OVERVIEW

- **End demand:** the demand for diamond jewelry in the key markets (USA and China) stayed strong in Q2'21. Furthermore, certain EU countries gradually relaxed some of the restrictions introduced earlier, which provided support to the rebound in consumer activity.
- **Midstream:** the continuing strong demand for polished diamonds from retailers and end consumers coupled with a gradual decline in the supply of rough diamonds keeps inventories in the polishing sector at low levels.
- **Demand for rough diamonds** outstripped supply amid the recovery in production in Indian midstream and continuous demand for diamond jewelry in the key markets – the USA and China. Diamond shortages boost demand and create upward pressure on rough diamond prices.

KEY FINANCIAL HIGHLIGHTS

Revenue

Revenue:

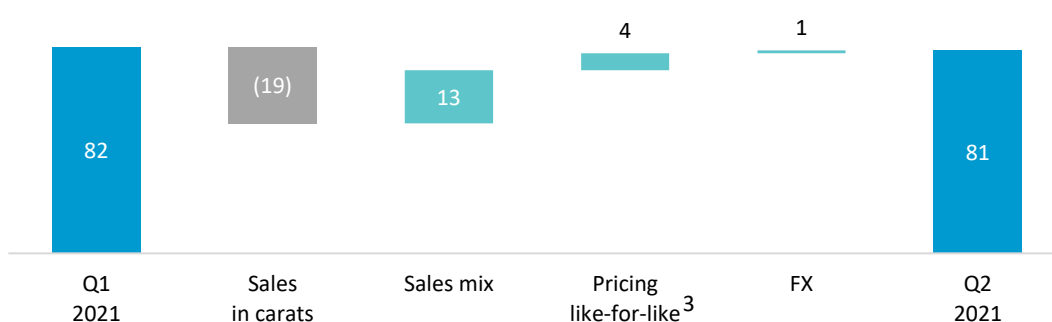
Q2 – RUB 93.5 bn

6M – RUB 184.4 bn

- In Q2, **revenue** increased by 3% qoq to **RUB 93.5 bn** driven by a better sales mix and higher price index, which fully offset lower sales volumes. Additional tailwinds came from sales of polished diamonds, including the [unique Spectacle diamond](#), and a seasonal increase in other revenue. A 9x yoy growth was attributable to the recovery in rough diamond sales. In **6M**, revenue increased by 2.5x yoy to **RUB 184.4 bn** on the back of a 2.7x increase in rough diamond sales and the rouble depreciation.

Gem-quality diamond revenue – key drivers, qoq

RUB bn



Gem-quality diamond revenue – key drivers, yoy

RUB bn



- Revenue from diamond sales** in Q2 amounted to **RUB 87.7 bn**, down 2% qoq (+14x yoy), including **revenue from gem-quality diamond sales** of **RUB 80.7 bn**. This was attributed to a 26% drop in diamond sales volumes offset by improved sales mix and higher prices. Sales exceeded production by 64% due to the sale of the previously accumulated stocks. In **6M**, revenue from diamond sales amounted to **RUB 173.4 bn**, up 2.7x yoy, including **revenue from gem-quality diamond sales** of **RUB 162.4 bn**. This growth was driven by higher sales volumes and the rouble depreciation.
- Other revenue in Q2** was seasonally up 29% qoq to **RUB 4.7 bn** due to higher transportation segment revenue reflecting an increase in passenger traffic at

³ Changes in like-for-like prices may be influenced by a delayed recognition of sales proceeds.

ALROSA Air Company. A 72% yoy growth in other revenue for Q2 and 37% yoy growth in other revenue **for 6M (to RUB 8.4 bn)** was attributable to a rise in the transportation and social infrastructure revenue against the low base of 2020 due to the COVID-19 restrictions.

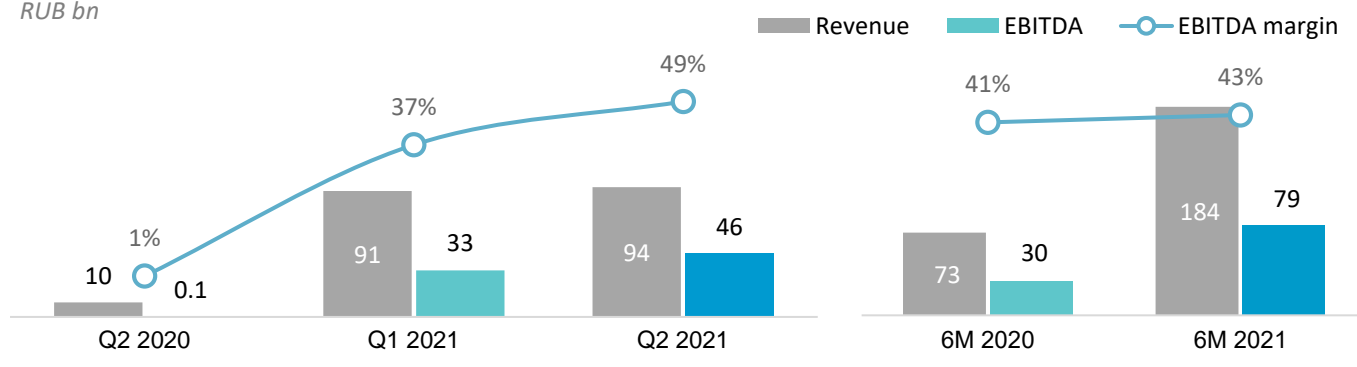
- **In Q2, income from grants** was down 28% qoq to **RUB 1.1 bn** relative to the high base of Q1 (the grant for housing and utilities maintenance was carried over from Q4'20 to Q1'21 due to late signing of the agreement for grants financing (February 2021)). A 22% yoy decrease in income from grants was attributable to lower grants for housing and utilities maintenance relative to the high base of Q2'20 (the Q1'20 grant had been accrued in Q2'20 due to a delay in signing orders for grants). **In 6M**, income from grants was up 18% to **RUB 2.6 bn** owing to a higher grant for housing and utilities maintenance (carry-over from Q4'20 to Q1'21, see above) and higher electricity grants associated with a rise in tariffs and the number of consumers, as well as higher generation volumes.
- **Q2 total sales costs (production and non-production)** went down by 16% qoq to **RUB 48.0 bn**:
 - **Production related cost of goods sold amounted to RUB 30.5 bn** (-25% qoq, or -RUB 10.1 bn):
 - (+) RUB 5.4 bn decrease in the “Movement of diamond inventories” item due to lower volumes of sales from stocks in Q2 (4.4 m ct vs 7.9 m ct in Q1);
 - (+) RUB 5.5 bn decline in the “Movement of ore and sands inventories” item (to minus RUB 5.2 bn from RUB 0.3 bn in Q1) due to an increase in the unit cost of ore inventories driven by changes in the mix of ore and sands inventories;
 - (-) 47% seasonal rise in materials costs (+RUB 1.3 bn) to RUB 4.0 bn due to increased mining and processing operations and higher costs associated with vehicle and equipment repairs;
 - (+) 50% reduction in fuel and energy costs (-RUB 0.4 bn) driven by a seasonal decline in energy costs (-RUB 0.5 bn).
 - **Non-production costs** increased by 4% qoq to **RUB 17.5 bn** (+RUB 0.7 bn):
 - (-) 68% increase in social expenses (+RUB 0.6 bn) attributable to higher social and economic spending on interactions with the regions of the Republic of Sakha (Yakutia) in line with the approved plan for 2021;
 - (-) 8% increase in SG&A expenses (+RUB 0.4 bn) associated with the payment of annual bonuses for 2020 as well as higher marketing investments;
 - (-) 5% decline in MET expenses (-RUB 0.3 bn) on the back of lower volumes of primary valuation driven by the production reduction of 8% qoq;
 - (-) 18% increase in other expenses (+RUB 0.2 bn).

- **Total sales costs rose by 4.7x yoy:**
 - **Production costs** amounted to **RUB 30.5 bn** (+RUB 30.2 bn vs RUB 0.3 bn in Q2'20):
 - (-) RUB 25.9 bn increase in the “Movement of diamond inventories” item (to RUB 14.5 bn from minus RUB 11.5 bn in Q2'20) due to higher sales, including sales of stocks;
 - (-) RUB 3.1 bn rise in the “Movement of ore and sands inventories” item (to minus RUB 5.2 bn from minus RUB 8.3 bn in Q2'20) driven by lower additions of inventories;
 - (-) cost increases across the following items caused by the low base effect of last year associated with the 2020 production target cuts and COVID-19 restrictions:
 - services and transportation costs rose by 91% (+RUB 1.0 bn);
 - fuel and energy costs rose by 24% (+RUB 0.7 bn);
 - materials costs rose by 20% (+RUB 0.7 bn);
 - (-) 73% decrease in other production costs (-RUB 0.8 bn) relative to the high base of last year driven by the pandemic-related downtime costs;
 - **Non-production costs** amounted to **RUB 17.5 bn** (+75% yoy, or +RUB 7.5 bn):
 - (-) 5.3x growth of MET expenses (+RUB 4.8 bn) as volumes of primary valuation of diamonds increased from the low base of 2020 associated with the pandemic-related personnel furlough;
 - (-) RUB 1.3 bn increase in SG&A expenses caused by a change in accruals for the management option programme due to positive changes in ALROSA share prices as well as higher marketing costs;
 - (+) 81% increase in social expenses (+RUB 0.7 bn) attributable to higher social and economic spending on interactions with the regions of the Republic of Sakha (Yakutia) in line with the approved plan for 2021;
 - (+) 44% increase in other non-production expenses (+RUB 0.4 bn) mainly due to a rise in the cost of diamonds for resale (+RUB 0.4 bn).

Q2 production costs, excluding inventory movement, amounted to RUB 21.2 bn (+4% qoq and +6% yoy).

EBITDA

RUB bn

**EBITDA:**

Q2 – RUB 45.5 bn

6M – RUB 79.0 bn

- **Q2 EBITDA** increased by 36% qoq to **RUB 45.5 bn** mainly driven by higher average realised prices on the back of the normalisation of the sales mix and a higher price index. A 4.7x yoy rise was attributable to sales growth. **6M EBITDA** was up 2.6x to **RUB 79 bn** thanks to higher sales and the rouble depreciation.
- **A positive FX rate impact on EBITDA in Q2 and 6M'21** stood at **RUB 0.7 bn** qoq and **RUB 19.5 bn** yoy, propped by the rouble depreciation, as more than 90% of the Company's revenue is FX-denominated, while more than 80% of its costs are denominated in roubles.

EBITDA margin:

Q2 – 49%

6M – 43%

- **EBITDA margin in Q2** increased to **49%** (+12 pp qoq) thanks to sales mix improvements and a higher price index.

EBITDA calculation

RUB m	Q2 2021	Q1 2021	Q2 2020	6M 2021	6M 2020
Operating profit	36,987	29,930	(8,350)	66,917	17,642
Depreciation and amortisation	5,958	6,029	5,819	11,987	12,114
Adjustments (see financial statements in Excel)	2,596	(2,470)	2,648	126	345
EBITDA	45,541	33,489	117	79,030	30,101

Net profit:

Q2 – RUB 30.2 bn

6M – RUB 54.2 bn

- **Net profit in Q2** totalled **RUB 30.2 bn**, up 26% qoq (+RUB 29.9 bn yoy), driven by stronger return on sales on the back of higher average selling prices (see page 18). A RUB 29.9 bn yoy increase in net profit for Q2 and a 50.9 bn increase for **6M** to **RUB 54.2 bn** were attributable to sales recovery and the resulting revenue growth.

LIQUIDITY, WORKING CAPITAL, AND CAPITAL EXPENDITURE

Cash position

Cash and cash equivalents:
\$2.1 bn

- **As at the end of Q2, cash and cash equivalents and 90+ days deposits** dropped by RUB 39.9 bn qoq to **RUB 154.7 bn (\$2,137 m)** as the Company repaid bank loans worth RUB 42.7 bn.

Breakdown by currency: 89% – US dollars, 11% – roubles.

Operating activity

- **In Q2, operating cash flow** stood at **RUB 16.4 bn**. The qoq decline of RUB 38.7 bn was due to a working capital increase that came mainly due to decrease of advances from buyers of core products to their historical levels (impact on the operating cash flow: -RUB 45 bn qoq). Growth by RUB 42.1 bn yoy and RUB 72.7 bn for **6M 2021** is attributable to sales recovery.

Working capital analysis

- **Drivers of working capital growth in Q2:**
 - (+) a decrease in diamond inventories by RUB 14.6 bn (-31%) as sales exceeded production by 4.5 m ct amid consistently strong sales;
 - (-) an increase in inventories of ores and sands mined by RUB 5.2 bn (+26%) driven by a larger share of inventories comprised of ores and sands from the higher cost International and Udachny underground mines (Q2 ore and sand inventories added 0.7 mt). The increase was due to the closure of the processing plant for scheduled maintenance;
 - (-) a 71% fall in trade and other payables (+RUB 19.9 bn) associated with the decrease of advances from customers to all-time low levels;
 - (-) a seasonal increase in mining and construction materials, consumable and other supplies by RUB 3.3 bn (+11%) triggered by the start of the navigation period;
 - (-) a rise in trade and other receivables by RUB 2.4 bn (+21%) due to higher VAT claimed for reimbursement (+RUB 2.5 bn) and a seasonal growth of advances to suppliers (+RUB 1.6 bn) set against a reduction in receivables from customers (-RUB 1.3 bn);
 - (-) other factors (+RUB 6.7 bn), including a decrease in wage arrears, payment obligations related to employee holidays and cost of travel, other taxes payable and other short-term liabilities.

As at the end of Q2, working capital shrank by 41% yoy (-RUB 53.9 bn) as a result of:

- (+) a decrease in rough diamond inventories by RUB 51.8 bn (-62%), or 17.9 m ct in physical terms, as sales exceeded production;
- (+) a decrease in inventories of ores and sands mined by RUB 2.7 bn (-10%), or 1.8 m ct in physical terms, as processing volumes exceeded production;
- (+) an increase in trade and other payables by RUB 1.3 bn (+19%) driven by higher advances from customers and other payables (+RUB 0.4 bn and +RUB 0.8 bn, respectively);

(-) a 16% rise in trade and other receivables (+RUB 1.9 bn) mainly due to higher advances to suppliers and receivables from customers (+RUB 1.3 bn and +RUB 0.9 bn, respectively).

Free Cash Flow

RUB m	Q2 2021	Q1 2021	Q2 2020	6M 2021	6M 2020
EBITDA	45,541	33,489	117	79,030	30,101
Changes in working capital and other factors	(22,982)	26,894	(24,187)	5,082	(25,090)
Income tax paid	(5,939)	(6,905)	(610)	(12,844)	(6,633)
Other	(192)	1,615	(944)	253	487
Operating cash flow	16,428	55,093	(25,624)	71,521	(1,135)
Capex	(4,470)	(2,374)	(4,539)	(6,844)	(7,184)
Free cash flow	11,958	52,719	(30,163)	64,677	(8,319)

FCF:

Q2 – RUB 12.0 bn
6M – RUB 64.7 bn

- **Free cash flow (FCF) in Q2** stood at **RUB 12.0 bn**, declining by 77% qoq as a result of increased working capital (-RUB 18.1 bn). The **Q2** growth of RUB 42.1 bn yoy and RUB 73.0 bn for **6M** was driven by stronger operating cash flow on the back of sales recovery and the resulting increase in revenue. **In 6M**, the FCF demonstrated a strong rebound to **RUB 64.7 bn**.

Investment activities

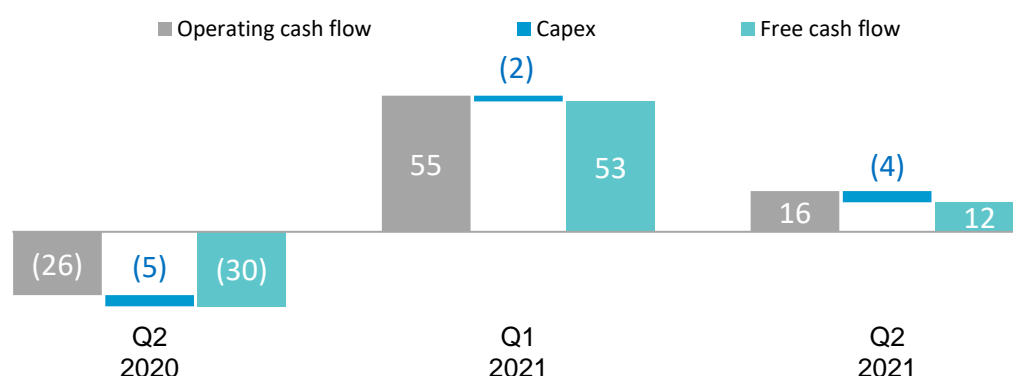
Capex:

Q2 – RUB 2.4 bn
6M – RUB 6.8 bn

- **Cash outflow from investing activities (excl. outflow of cash to bank deposits) in Q2** was represented by capex of **RUB 4.5 bn** (+88% qoq and -2% yoy). The **6M** outflow amounted to **RUB 6.8 bn**, or 32% of the updated 2021 capex target set at RUB 21 bn.
- **Cash inflow from investing activities (excl. inflow of cash from bank deposits) in Q2** amounted to **RUB 0.4 bn**.
- **Net inflow from investing activities in Q2**, incl. net inflow from bank deposits (+RUB 38.3 bn), stood at **RUB 34.2 bn**.

Capex and free cash flow

RUB bn



Financing activities

Total debt: \$1.7 bn

As at the end of Q2, total debt (including lease liabilities⁴) decreased to **\$1,723 m** (-25% qoq) in dollar terms or to **RUB 124.7 bn** (-28% qoq) in rouble terms thanks to the active debt portfolio optimisation efforts: (1) in April, ALROSA made an early repayment of \$150 m and RUB 6 bn loans due in October 2021 and April 2022, respectively, (2) in May, the Company made an early repayment of a \$50 m loan due in November 2021, (3) in June, ALROSA repaid a \$300 m bank loan as planned.

- As at the end of Q2, the **debt portfolio** (excl. lease liabilities) consisted of two Eurobond issues of \$500 m each and five exchange-traded bond series totalling RUB 25 bn (all the bonds represent 81% of total debt excl. lease liabilities), as well as bank loans for a total of \$319 m (19% of total debt excl. lease liabilities), mostly (95%) maturing in 2021–2022.

As at the end of Q2, the debt portfolio (excl. lease liabilities) consisted of instruments denominated in foreign currencies (75%) and roubles (25%).

- **Interest payments** (excl. pension liabilities) in Q2 amounted to **RUB 1.4 bn**, down 10% qoq due to lower total debt.
- The **average funding rate** for borrowings as at the end of Q2 was at **3.9% pa** (excl. one-off costs to issue bonds and raise loans).
- The **weighted average maturity of debt** stood at **3.6 years**.

Net debt

RUB m, as at the end of the period	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Long-term debt	101,727	112,156	125,180	158,910	143,902
Short-term debt	22,992	60,728	42,665	81,850	72,334
Cash and cash equivalents	64,082	60,308	86,872	83,197	65,471
Bank deposits	90,570	134,230	49,742	50,590	50,159
Net debt	(29,933)	(21,654)	31,231	106,973	100,606

Net debt: -\$0.4 bn

- **Net debt** (denominated in roubles) as at the end of Q2 remained negative at **minus RUB 29.9 bn** (Q1: minus RUB 21.7 bn) on the back of free cash flow at RUB 12 bn.
- **Net debt / LTM EBITDA** as at the end of Q2 remained at **minus 0.2x**.

Dividends

- At the Annual General Meeting of Shareholders held on 16 June 2021, ALROSA shareholders [approved](#) the second half of 2020 dividends at RUB 70.3 bn, or RUB 9.54 per share, the highest interim dividend payout in the Company's history (+47% from the amount distributed for the 12 months of 2019).

⁴ \$63 m under IFRS 16 Leases

- The Company's Supervisory Board will consider 1H 2021 dividends before the end of August 2021. The decision is subject to approval by the Extraordinary General Meeting of Shareholders no later than 30 September 2021.

ALROSA's credit ratings

- In April 2021, [Expert RA](#) confirmed ALROSA's credit rating at the highest ruAAA level, with a stable outlook – the highest level of creditworthiness, financial reliability, and financial strength on the national scale.
- In June 2021, [Fitch Ratings](#) upgraded ALROSA's Long-Term Issuer Default Rating (IDR) to BBB from BBB-. The outlook is stable.
- In July 2021, [S&P Global Ratings](#) raised ALROSA's stand-alone credit profile (SACP) to BBB and affirmed its long-term credit rating at BBB-, on par with Russia's sovereign rating, with a stable outlook.

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:

<i>RUB m</i>	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
RUB/USD	72.3723	75.7023	73.8757	79.6845	69.9513
RUB/EUR	86.2026	88.8821	90.6824	93.0237	78.6812

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

<i>RUB m</i>	Q2 2021	Q1 2021	<i>qoq</i>	Q2 2020	<i>yoy</i>
Average RUB/USD exchange rate for the period	74.1997	74.3378	(0.2%)	72.3080	3%
Average RUB/EUR exchange rate for the period	89.3696	89.7048	(0.4%)	79.6273	12%

APPENDICES

Appendix 1. Key financial indicators

<i>RUB bn</i>	Q2 2021	Q1 2021	qoq	Q2 2020	yoy
Revenue, incl.:	93.5	90.8	3%	10.4	9x
revenue from diamond sales	87.7	85.6	2%	6.3	14x
other revenue	4.7	3.7	29%	2.7	72%
income from grants	1.1	1.5	(28%)	1.4	(22%)
Costs, incl.:	48.0	66.6	(28%)	7.0	6.8x
production costs	21.2	20.3	4%	20.0	6%
non-production costs	17.5	16.8	4%	10.0	75%
movement in diamond, ore and gravel inventories	9.3	29.5	(69%)	(23.0)	-
EBITDA	45.5	33.5	36%	0.1	389.3x
EBITDA margin	49%	37%	12 pp	1%	48 pp
Depreciation and amortisation	6.0	6.0	(1%)	5.8	2%
Financial income/(expenses)	(1.6)	(2.4)	(32%)	8.4	(119%)
Other income/(expenses)	(8.3)	(2.4)	3.5x	(7.7)	9%
Income tax	(8.5)	(6.0)	42%	(0.1)	106.2x
Net profit	30.2	24.0	26%	0.3	114.7x
Net profit margin	32%	26%	6 pp	3%	29 pp
Free cash flow	12.0	52.7	(77%)	(30.2)	-
Net debt	(29.9)	(21.7)	38%	100.6	-
Net debt / LTM EBITDA	(0.2x)	(0.2x)	-	1.2x	-

Appendix 2. Working capital

Working capital

<i>RUB m, as at the end of the period</i>	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Diamond inventories	32,099	46,669	66,708	95,895	83,871
Inventories of ores and sands mined	25,267	20,063	20,331	20,995	27,997
Mining and construction materials, consumable and other supplies	32,527	29,215	31,185	34,395	32,774
Trade and other receivables (excl. interest receivable)	13,780	11,370	10,156	9,273	11,898
Prepaid taxes, other than income tax	103	118	145	158	90
Accounts payable to employees	(11,066)	(12,519)	(11,841)	(10,980)	(11,286)
Trade and other payables (excl. interest payable)	(7,967)	(27,877)	(22,038)	(15,513)	(6,700)
Other taxes payable	(6,274)	(6,714)	(7,427)	(5,826)	(6,302)
Working capital	78,469	60,325	87,219	128,397	132,342

Appendix 3. Revenue by customer geography

	Q2 2021	Q1 2021	Q2 2020
Belgium	37%	34%	11%

ALROSA Q2 and 6M 2021 IFRS results

UAE	20%	24%	4%
India	21%	20%	20%
Russia	8%	12%	45%
Israel	9%	8%	12%
China	1%	1%	2%
Other countries	3%	2%	5%

Appendix 4. Per unit costs

<i>RUB '000 / cu m</i>	Q2 2021	Q1 2021	<i>qoq</i>	Q2 2020	<i>yoy</i>
Wages, salaries and other staff costs	0.61	0.76	(19%)	0.76	(20%)
Fuel and energy	0.21	0.28	(25%)	0.20	4%
Materials	0.22	0.18	21%	0.22	0%
Services and transport	0.12	0.13	(13%)	0.07	59%
Other	0.02	0.02	(15%)	0.07	(77%)
Total	1.18	1.38	(14%)	1.33	(12%)

Appendix 5. ALROSA Q2 and 6M 2021 operating results

	<i>Unit</i>	Q2 2021	Q1 2021	<i>qoq</i>	Q2 2020	<i>yoy</i>
Ore and gravels output	<i>mt</i>	8.0	8.7	(8%)	9.8	(19%)
Ore and gravels processing	<i>mt</i>	7.3	5.8	26%	7.4	(1%)
Grade	<i>cpt</i>	0.96	1.31	(27%)	0.77	24%
Diamond production	<i>m ct</i>	7.0	7.5	(8%)	5.7	22%
Ore and gravels inventories*	<i>mt</i>	14.4	13.8	5%	16.2	(11%)
Diamond inventories	<i>m ct</i>	8.4	12.8	(36%)	26.3	(69%)
Average realised price (total)	<i>\$/ct</i>	96.5	72.5	33%	116.9	(17%)
Average realised price for gem-quality diamonds	<i>\$/ct</i>	145.3	113.5	28%	200.3	(27%)
Price index**		0.95	0.89	7%	0.92	3%
Diamond sales, incl.	<i>m ct</i>	11.4	15.5	(26%)	0.6	18x
<i>gem-quality diamonds</i>	<i>m ct</i>	7.5	9.7	(23%)	0.4	20.7x
Revenue from sales, incl.	<i>\$ m</i>	1,176	1,159	1%	87	13.5x
<i>rough diamonds</i>	<i>\$ m</i>	1,103	1,126	(2%)	74	14.9x
<i>polished diamonds</i>	<i>\$ m</i>	73	33	2.2x	13	5.7x

* Balance inventories of ore and gravels (excl. off-balance inventories). For details, see [Q2&6M 2021 ALROSA Trading Update EXCEL](#)

** For gem-quality diamonds. For quarterly indicators Q1 2017 = 1.00.

- **Q2 ore and gravels output** declined by 8% qoq to 8.0 mt following (1) a decrease in mining activities at the Arkhangelskaya pipe caused by a reallocation of mining fleet operations at Severalmaz deposits (in Q1, ore was mined only at the Arkhangelskaya pipe, while in Q2, mining was reallocated to the Karpinskogo-1 pipe with a view to improving the fleet efficiency, which resulted in the redistribution of ore output over the course of the year), and (2) a drop in the ore output at the Jubilee pipe due to the shift of the mining focus to stripping in line with the mining plan.

The drop by 19% yoy (**6M**: 16.6 mt, -14%) was due to (1) the decision taken in May 2020 to temporarily suspend mining at the Zarya and Zarnitsa deposits, (2) decreased mining operations at Almazy Anabara, (3) reduced ore output at the Jubilee pipe due to the mining focus shift to stripping, and (4) lower gravels output at the alluvial deposits of the Nyurba Division (the completion of mining at the Botuobinskaya placer and the transfer of mining operations to expand the open pit at the Nyurbinskaya pipe).

- **In Q2, ore and gravels processing** increased by 26% qoq (-1% yoy) to 7.3 mt, predominantly as a result of seasonal growth in the processing of gravels from Almazy Anabara alluvial deposits coupled with increased ore processing at Severalmaz following the reopening of the processing plant on 1 March 2021.

6M ore and gravels output amounted to 13.0 mt (-2%).

- **Q2 diamond production** decreased by 8% qoq to **7.0 m ct** mainly due to:
 - (1) scheduled preventive maintenance at processing plant No. 12 of the Udachny Division and processing plant No. 14 of the Aikhal Division

leading to lower processing volumes of ore coming from the Jubilee pipe, V.Munskoye deposit and Udachny underground mine;

(2) scheduled seasonal suspension of processing plant No. 3 of the Mirny Division starting 1 April 2021 and as a result, no processing of ore from the International pipe and gravels from the Vodorazdelnye Galechniki and Irelyakh alluvial deposits;

(3) seasonal drop in average diamond grade, attributable to higher production from alluvial deposits.

The 22% yoy growth in diamond production was driven by increased production at the V.Munskoye deposit, the Udachny underground mine, and Severalmaz deposits due to [the suspension of processing plants in 2020](#) as part of anti-crisis measures, as well as higher production at the Nyurbinskaya and Botuobinskaya pipes thanks to the processing plants being predominantly fed with ore following a decrease in gravel processing.

In **6M**, production added 6% to reach **14.5 m ct** due to the low base effect from 2020 (as a result of [the 2020 production outlook revision in May last year](#)).

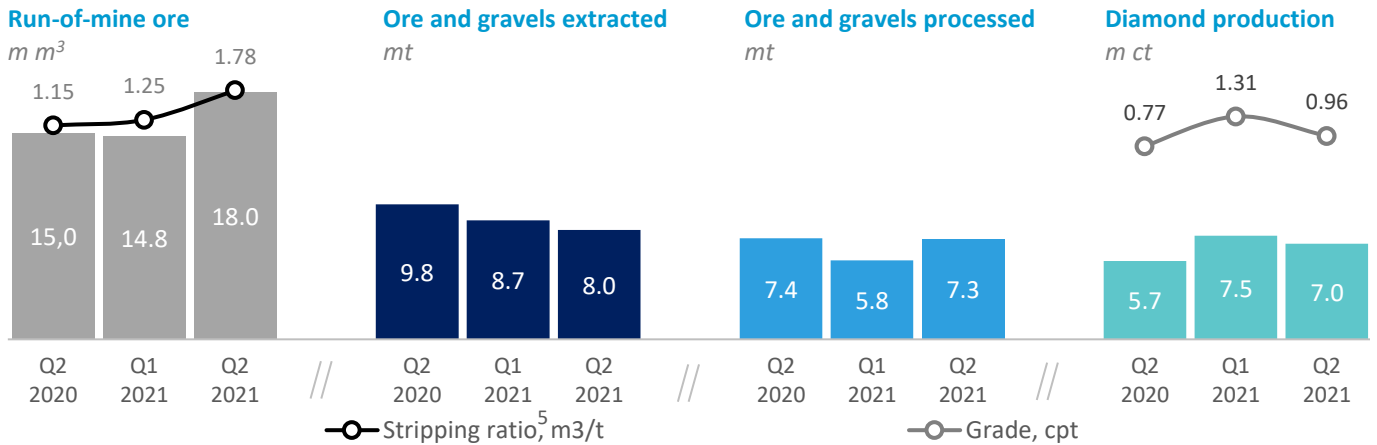
- **Q2 average diamond grade** seasonally decreased by 27% qoq to **0.96 cpt** (Q1'21: 1.31 cpt) mainly due to an increase in the share of lower-grade Almazy Anabara gravels in processing. The 24% yoy grade increase was driven by a drop in the share of Almazy Anabara gravels in processing following the decision to suspend operations at Ebelyakh in 2020 as part of anti-crisis measures ([press release](#)), which also caused the **6M** average grade to rise by 8% to **1.11 cpt**.
- **Diamond sales in Q2** declined by 26% qoq and grew 18x yoy to reach **11.4 m ct** (incl. 4.5 m ct from inventories) on the back of the high base effect of Q1 (with 8 m ct sold from inventories in Q1). The sales of gem-quality and industrial diamonds amounted to 7.5 m ct and 4.0 m ct, respectively.

6M sales were up 2.7x yoy to 27 m ct, incl. 12.5 m ct from inventories. The sales of gem-quality and industrial diamonds amounted to 17.2 m ct and 9.8 m ct, respectively.

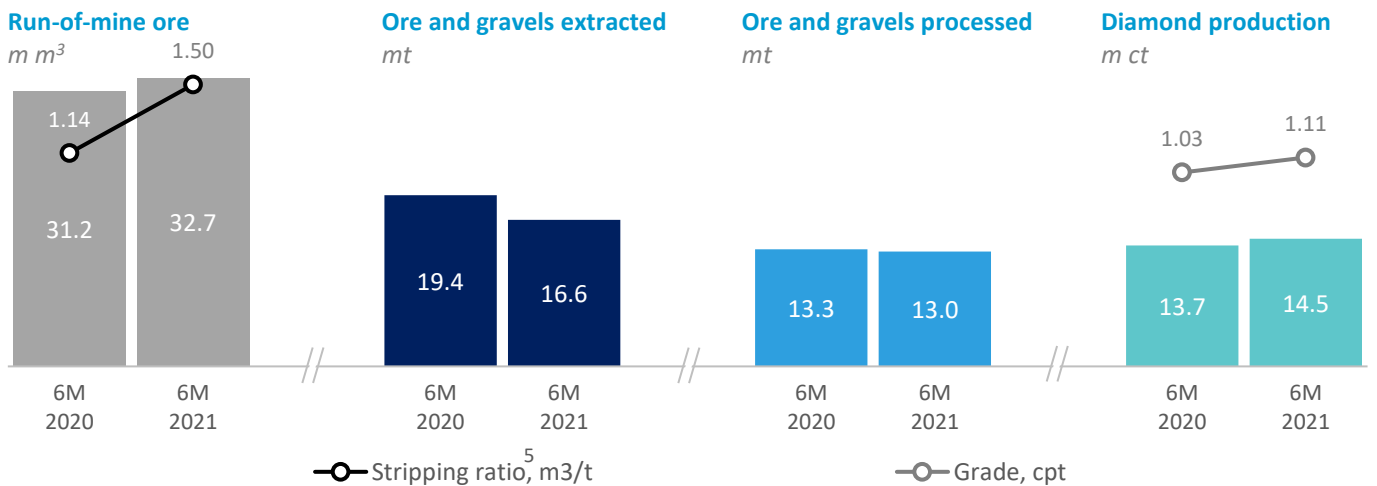
- **Diamond inventories as at the end of Q2** decreased to 8.4 m ct (-34% or -4.4 m ct qoq) as sales considerably exceeded production. The YTD decline in inventories amounted to 12.3 m ct.
- **Q2 rough and polished diamond sales** in value terms amounted to \$1,176 m (+1% qoq and +13.5x yoy), incl. \$1,103 m in rough diamond sales (excl. polished) (-2% qoq and +14.9x yoy).

Total sales **for 6M** reached \$2,335 m (+2.4x yoy or +29% vs 6M 2019), incl. \$2,229 m in rough diamond sales (excl. polished) (+2.3x or +25% vs 6M 2019).

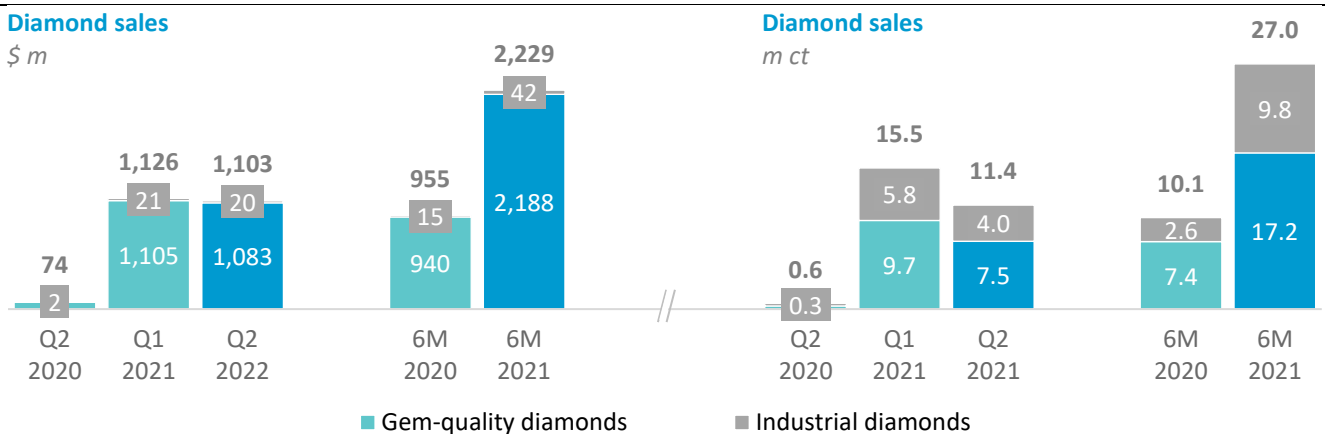
Key highlights for Q2 2021



Key highlights for 6M 2021



Q2 and 6M sales

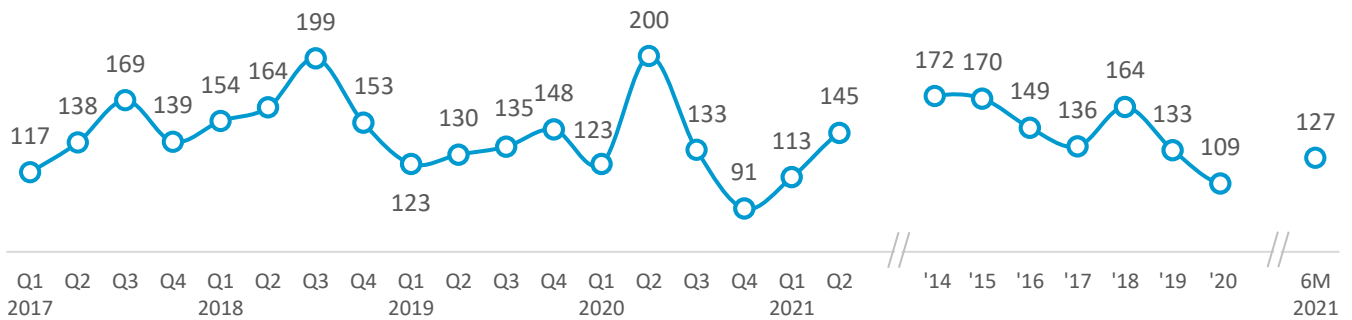


⁵ The stripping ratio is calculated as rock moved in cubic metres (incl. pre-mining and pre-stripping) divided by ore and gravels output (in tonnes).

- **Average realised price for gem-quality diamonds in Q2** grew by 28% qoq to \$145/ct on the back of a 7% higher price index and normalisation of the sales mix (no impact of sales of lower-quality inventories accumulated over the previous periods as seen in Q1). The 27% yoy decline was due to the considerable share of large-size diamonds in the Q2 2020 sales mix, with total sales standing at 0.6 m ct.
- **Q2 average price index** gained 7% qoq (+3% yoy). The price index grew by 16% YTD and exceeded the pre-pandemic price level of early 2020 by 4%.

Average realised prices for gem-quality diamonds

\$/ct

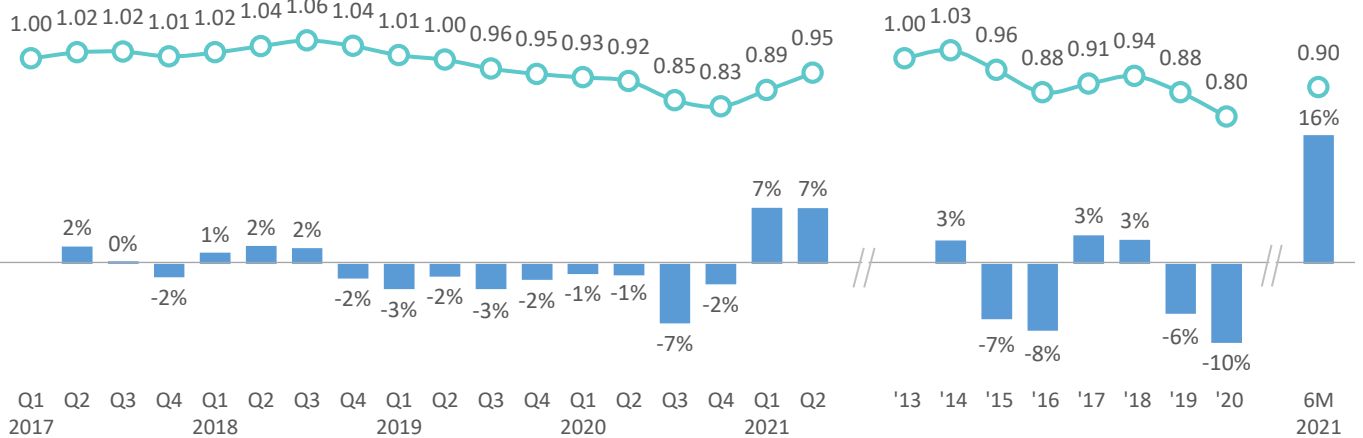


Average gem-quality diamond price indices

qoq

yoy

YTD*



* December 2013 = 1.00.

Appendix 6. Structure (perimeter) of the report and overview of ALROSA's business

The report is a review of the financial condition of the Group for Q2 2021 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.