ALROSA Group's Q3 and 9M 2020 IFRS results

Moscow, 12 November 2020 – ALROSA, a global leader in diamond mining, announces its IFRS results for Q3 and 9M 2020.

- In Q3, **revenue** increased 5x q-o-q to RUB **49.7 bn** (up 9% y-o-y) due to demand recovery following a significant drop in diamond supply in Q2 amid the pandemic.
- **EBITDA**[1] in Q3 reached **RUB 25.7 bn** (vs Q2'20: RUB 117 m) on the back of sales rebound and cost control initiatives, while also increasing by 22% compared to Q3 2019.
- **EBITDA margin** in Q3 expanded to **52%** (Q3'19: 46%).
- **Net profit** in Q3 grew to **RUB 7.6 bn** driven by a top line growth despite a negative impact from the FX rate (- RUB 10 bn).
- **Free cash flow (FCF)** in Q3 grew to **RUB 22.6 bn** compared to a negative FCF of RUB 30 bn in Q2 (up RUB 20.1 bn y-o-y) due to an increase in operating cash flow to RUB 28 bn. Capex was RUB 5.4 bn (up 19% q-o-q, up 16% y-o-y).
- **Net debt / LTM EBITDA** as at the end of Q3 remained flat at **1.25x**.
- **2020 outlook**:
  - Production – 30 m ct (vs early 2020 guidance of 34 m ct);
  - Capex – ca. 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	Q3 2020	Q2 2020	*q-o-q*	Q3 2019	*y-o-y*	9M 2020	9M 2019	*y-o-y*
Diamond sales, m ct, incl.	5.0	0.6	*8x*	6.4	*(21%)*	15.1	25.3	*(40%)*
gem-quality	4.1	0.4	*11x*	4.3	*(4%)*	11.5	18.2	*(37%)*
industrial	0.9	0.3	*3x*	2.1	*(57%)*	3.5	7.0	*(50%)*
Revenue	49.7	10.4	*5x*	45.7	*9%*	122.9	173.6	*(29%)*
EBITDA	25.7	0.1	*220x*	21.1	*22%*	55.8	77.5	*(28%)*
EBITDA margin	52%	1%	*51 pp*	46%	*6 pp*	45%	45%	–
Net profit	7.6	0.3	*25x*	13.5	*(44%)*	10.9	51.0	*(79%)*
Free cash flow[2]	22.6	(30.2)	-	2.5	*9x*	14.3	30.8	*(54%)*
Net debt[3]	107.0	100.6	*6%*	63.0	*70%*	107.0	63.0	*70%*
Net debt / LTM EBITDA	1.25x	1.25x	-	0.6x	-	1.25x	0.6x	-

Alexey Philippovskiy, ALROSA’s CFO:

“From mid-August we started to see the first signs of recovery in the diamond market followed by a stronger demand for our core products. This was due to two key factors. The first one is the maximum support for our long-term customers by allowing them to refrain from buying volumes under effective contracts, which helped them significantly reduce stocks at the midstream. The second one is recovery of end demand for jewelry as the key markets saw the restrictions lifted (in September demand in China and US grew 13% and 14% y-o-y, respectively) supported by fast-growing online sales.

However, it is definitely too early to speak of the full recovery. The markets still face uncertainty caused by the pandemic's impact on the global economy and subsequent developments. The key indicator for the diamond industry will be upcoming Christmas and Chinese New Year retail sales.

As part of the ongoing efforts to fend off COVID-19 and its impact, the Company continues to take all steps needed to ensure the safety of its people. These include maintaining remote work arrangements for the majority of the administrative staff, providing the personnel with PPE, mandatory two-week observation, three tests prior to the shift start, and many more.

From the operational viewpoint, we remain focused on boosting efficiency and reducing costs across the lines, while staying flexible when it comes to planning capacity utilisation rates. Given the accumulated stocks and sales expectations for certain diamond categories, the Company's Board was recommended to approve as the base case scenario 2021 production guidance of 28–30 m ct mainly underpinned by production cuts at Almazy Anabara and Severalmaz.

The demand recovery undoubtedly had a positive impact on ALROSA's Q3 financial results. Our revenue grew 5x q-o-q to RUB 49.7 bn, while EBITDA rose to RUB 26 bn and EBITDA margin reached 52%. Free cash flow increased to RUB 23 bn. With a Q3 positive cash flow supporting our strong liquidity position at $1.7 bn, on 3 November we fully repaid $494 m Eurobonds as planned. As a result, we reduced our total debt to $2.3 bn to date.”

[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.

Hereinafter, data on Q3 and 9M 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 until the end of 2020 (*Investor calendar*)

10 December November 2020 sales results

2021 investor calendar will be published shortly

PUBLICATIONS ARCHIVE

- **October 2020 sales results**
- **Q3 and 9M 2020 operating results** (key indicators – *Appendix 4*)
- **IFRS Consolidated Statements for Q2 and 6M 2020**
- **Investor Day**

MANAGEMENT DISCUSSION AND ANALYSIS OF ALROSA GROUP FINANCIAL RESULTS FOR Q3 AND 9M 2020

The structure and scope of the report and overview of ALROSA's business are shown in *Appendix 5*.

Q3 2020 ROUGH AND POLISHED DIAMOND MARKET OVERVIEW

- **Retail market**: loosening of the COVID-related restrictions and a shift in consumer behaviour towards online shopping resulted in the gradual recovery of demand for diamond jewelry in the key US and China markets, which saw y-o-y growth of jewelry sales over the past two to three months. As consumer sentiment improved, jewelry businesses placed orders ahead of the festive season.
- **Cutting and polishing sector**: most mid-stream companies were either closed or had underutilised capacity until August due to the COVID-19 pandemic. Following the partial lifting of lockdown measures utilisation rates increased to 70–90%. Their diamond stocks have declined, nearing shortage in some product categories, which led to partial recovery of polished diamond prices.
- **ALROSA's sales strategy**: in mid Q3, the market saw an increase in demand for rough diamonds, with jewelry businesses' stocking up before Christmas holidays. As the Company acts in a responsible way, it decided to slightly adjust prices in order to satisfy the real demand while maintaining the profitability level required by the cutting sector.
- **The diamond industry began to show signs of improvement**. It is, however, too early to talk about a full recovery before we see the year's key figures – the USA holiday season sales.

KEY FINANCIAL HIGHLIGHTS

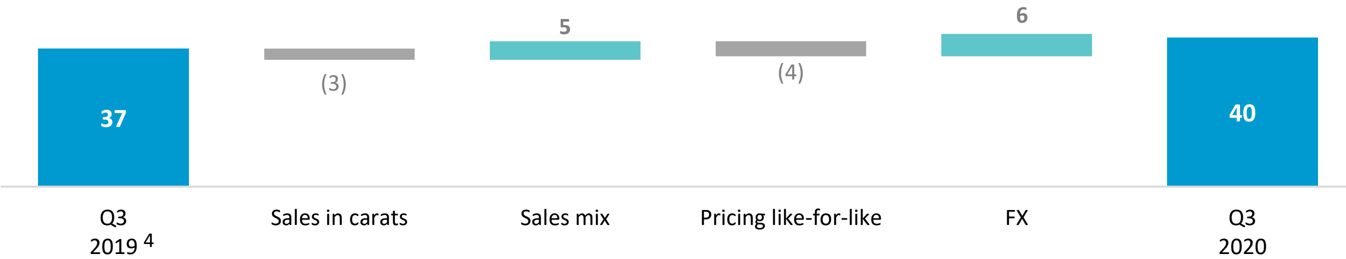
Revenue

Revenue: RUB 49.7 bn

- **In Q3, revenue increased 5x q-o-q to RUB 49.7 bn (up 9% y-o-y)** due to the recovery of demand for our core products, with sales in carats up 8x q-o-q (down 21% y-o-y) and the average realised price down 6% q-o-q and 1.5% y-o-y.

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

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



- **Revenue from diamond sales** in Q3 amounted to **RUB 44 bn**, up 7x q-o-q (up 12% y-o-y), including **revenue from gem-quality diamond sales at RUB 40.3 bn**, up 8x q-o-q, primarily on the back of higher sales in carats (up 8x q-o-q). Normalization of the product mix on higher sales volumes lowered Q3 revenue by RUB 13 bn q-o-q .
- **Other revenue** in Q3 increased by 69% q-o-q (down 9% y-o-y) to **RUB 4.6 bn** mainly due to higher transportation segment revenue reflecting a recovery in the passenger traffic at ALROSA Air Company due to the seasonal growth in flights as well asthe low base of Q2 associated with the introduction of a number of measures to prevent the spread of COVID-19.

[4] *Excluding the RUB 0.5 bn revenue from gem-quality diamond sales by Kristall in Q3'19.*

- **Income from grants** in Q3 stood at **RUB 1.2 bn.** The 17% decrease q-o-q was mainly due to the higher base of Q2 resulting from allowances for previous periods. The 8% decrease y-o-y is due to (a) delayed grants accrual, and (b) a lower subsidy to the airline because of the reduced passenger traffic.
- Q3 **total sales costs (production and non-production costs)** grew 2x q-o-q to **RUB 24 bn** mainly driven by:
  - **Production related cost of goods sold amounted to RUB 12.5 bn**

    (-) growth of the “Movement of ore and sands inventories” item (to RUB 7 bn from minus RUB 8.3 bn in Q2) driven by increased processing of stockpiled ore due to the relaunch of processing plants No. 12 of the Udachny Division, No. 3 of the Mirny Division and No. 1 of Severalmaz after the suspension of operations in Q2.

    (+) reduction of the costs items below was due to 2020 revised production plan:

    - wages, salaries and other staff costs by 15% (down RUB 1.7 bn);
    - fuel and energy costs by 8% (down RUB 0.2 bn);
    - materials costs by 20% (down RUB 0.7 bn) due to suspended maintenance and repairs of equipment.
  - **Non-production costs** amounted to **RUB 11.5 bn**, increasing 15% q-o-q (up RUB 1.5 bn):

    (-) 2x increase in the MET expenses q-o-q, up RUB 1.3 bn (down 62% y-o-y) as volumes of primary valuation increased after personnel furlough in Q2 caused by the pandemic;

    (-) 13% increase in exploration expenses (up RUB 0.2 bn) according to the 2020 plan;

    (+) planned reduction of social expenses by 29% (down RUB 0.3 bn);

    (-) growth of other expenses by 37% (up RUB 0.3 bn) due to the funding of COVID-19 response measures.
- **Total sales costs amounted to** RUB 24.0 bn. The 3% decrease y-o-y was mainly driven by:
  - **Production costs** (down 21% or RUB 2.2 bn):

    (+) increase in the “Movement of diamond inventory” item by RUB 7.8 bn (to minus 12 RUB bn from minus RUB 19.8 bn in Q3’19) due to a lower diamond inventory build-up rate (in Q3’19, the difference between the output and sales volumes was at 5.7 m cts, while in Q2’20 it was at 4.2 m cts);

(+) decline in the "Movement of ore and sands inventories" item by RUB 0.6 bn y-o-y, to RUB 7 bn, on the back of reduced processing of stockpiled ore and gravels;

(+) reduction of a number of costs due to 2020 output reduction plan:

- wages, salaries and other staff costs by 17% (down RUB 2.0 bn);
- fuel and energy costs by 27% (down RUB 1.0 bn);
- materials costs by 35% (down RUB 1.4 bn);
- third-party services and transportation expenses by 46% (down RUB 1.2 bn);

(-) 2x growth of other expenses (up RUB 0.6 bn) due to the COVID-19 response measures taken.

- **Non-production costs** (down 20% or RUB 2.8 bn y-o-y):

(+) reduction of MET expenses by 62% (down RUB 3.9 bn) as a result of lower volumes of production and primary valuation on the back of COVID-19 restrictions and price list revisions;

(-) increase in SG&A expenses by 37% (up RUB 1.1 bn) due to the revaluation of management option program;

(-) planned growth of exploration expenses by 24% (up RUB 0.4 bn);

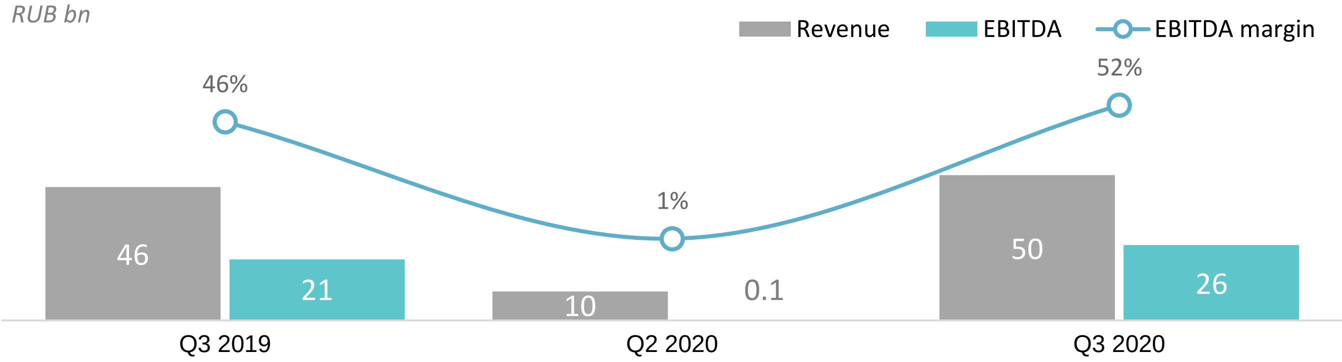
(+) decrease in social expenses by 45% (down RUB 0.5 bn) due to reallocation of allowances by quarters;

(-) 2.5 x increase in other expenses (up RUB 0.7 bn), mainly due to the funding of COVID-19 response measures and a higher contribution to the Natural Diamond Council (ex. Diamond Producers Association).

Q3 production costs, excluding inventory movement, amounted to RUB 17.5 bn. The 12% q-o-q and 22% y-o-y decline was driven by the measures taken to streamline production processes and cut costs.

EBITDA

RUB bn



EBITDA: RUB 25.7 bn

- **EBITDA** in Q3 amounted to **RUB 25.7 bn** on the back of a q-o-q increase in sales.

- **A positive FX rate impact** on EBITDA in Q3 stood at RUB 1.4 bn q-o-q and RUB 5.5 bn y-o-y, propped by the rouble depreciation against the US dollar, as ca. 90% of the Company revenue is FX-denominated while ca. 90% of its costs are denominated in roubles.

EBITDA margin: 52%

- **Q3 EBITDA margin** rose to **52%** (up 51 pp q-o-q).

EBITDA calculation

RUB m	**Q3 2020**	**Q2 2020**	**Q3 2019**	**9M 2020**	**9M 2019**
Operating profit	30,315	(8,350)	17,266	47,957	60,814
Depreciation	5,472	5,819	5,520	17,586	17,993
Adjustments (see financial statements in Excel)	(10,079)	2,648	(1,733)	(9,734)	(1,260)
EBITDA	**25,708**	**117**	**21,053**	**55,809**	**77,547**

Net profit: RUB 7.6 bn

Net profit in Q3 stood at **RUB 7.6 bn** (Q2'20: RUB 0.3 bn, Q3'19: RUB 13.6 bn); the growth was also supported by the higher sales volumes and, consequently, revenue. A negative impact on the net profit was made by the net FX effect of RUB 10 bn.

LIQUIDITY, WORKING CAPITAL, AND CAPITAL EXPENDITURE

Cash position

Cash and cash equivalents: $1.7 bn

- As at the end of Q3, **cash and cash equivalents and 90+ days deposits** rose by RUB 18.2 bn q-o-q to **RUB 133.8 bn ($1,679 m)**, driven by higher revenue and FX gains from foreign currency deposits (up RUB 6.1 bn).

  Breakdown by currency: 92% – US dollars, 8% – roubles.

Operating activity

- In Q3, **operating cash flow** stood at **RUB 28.0 bn**. The q-o-q increase of RUB 53.6 bn (up RUB 20.8 bn y-o-y) was due to stronger sales and the positive effect of changes in working capital (impact on operating cash flow: up RUB 29.2 bn q-o-q).

Working capital analysis

Working capital

RUB m	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Diamond inventories	95,895	83,871	71,883	73,905	63,447
Inventories of ores and sands mined	20,995	27,997	19,736	15,413	12,229
Mining and construction materials, consumable and other supplies	34,395	32,774	30,009	31,984	35,450
Trade and other receivables *(excl. interest receivable)*	9,273	11,898	14,750	12,873	16,756
Prepaid taxes, other than income tax	158	90	226	315	191
Accounts payable to employees	(10,980)	(11,286)	(11,844)	(11,917)	(11,376)
Trade and other payables *(excl. interest payable)*	(15,513)	(6,700)	(9,215)	(7,749)	(7,278)
Other taxes payable	(5,826)	(6,302)	(7,388)	(7,572)	(6,920)
Working capital	**128,397**	**132,342**	**108,157**	**107,252**	**102,499**

- **In Q3, working capital decreased by RUB 3.9 bn** (down 3% q-o-q) as a result of:

  (+) a decrease in inventories of ore and gravels by RUB 7.0 bn (down 25%) as processing plants No. 3 (Mirny Division), No. 12 (Udachny Division) and No. 1 (Severalmaz) resumed operations suspended in Q2 tocut output, and gravels inventories from Almazy Anabara saw a seasonal decline;

  (-) an increase in rough diamond inventories by RUB 12.0 bn (up 14%) as diamond production volumes exceeded sales by 4.2 m ct driven by 62% q-o-q growth of output;

  (-) an increase in mining and construction materials, consumable and other supplies of RUB 1.6 bn (up 5%) due to the seasonal deliveries of goods and materials during the navigation period on the Lena river;

  (+) a decrease in trade and other receivables by RUB 2.6 bn (down 22%) mainly due to lower VAT claimed for reimbursement and a decrease in receivables from customers;

(+) a rise in trade and other payables by RUB 8.8 bn (2.3x) primarily advances from customers for Q4 supplies increased.

As at the end of Q3, working capital grew by 25% y-o-y (up RUB 25.9 bn) as a result of:

(-) an increase in rough diamond inventories of RUB 32.4 bn (up 8.9 m ct), as production exceeded sales volumes;

(-) growth in inventories of ore and gravels mined by RUB 8.8 bn (up 72%) mainly due to accumulated inventories with higher per unit cost resulting from the decisions to suspend some processing plants in Q2;

(+) a decrease in mining and construction materials, consumable and other supplies of RUB 1.1 bn (down 3%) as a result of reduced output and repairs;

(+) a decrease in trade and other receivables by RUB 7.5 bn (down 45%) mostly due to the consolidation of Kristall Group in Q4'19, and reduced trade volume;

(+) a 2x rise in trade and other payables (down RUB 8.2 bn) associated with an increase in advances from customers for Q4 supplies.

Free Cash Flow

RUB m	Q3 2020	Q2 2020	Q3 2019	9M 2020	9M 2019
EBITDA	**25,708**	**117**	**21,053**	**55,809**	**77,547**
Changes in working capital	3,945	(24,187)	(11,892)	(21,145)	(20,155)
Income tax paid	(2,306)	(610)	(2,180)	(8,939)	(12,991)
Other	633	(943)	163	1,120	(579)
Operating cash flow	**27,980**	**(25,623)**	**7,144**	**26,845**	**43,822**
Capex	(5,401)	(4,538)	(4,640)	(12,585)	(13,050)
Free cash flow	**22,579**	**(30,161)**	**2,504**	**14,260**	**30,772**

FCF: RUB 22.6 bn

- **Free cash flow** in Q3 stood at **RUB 22.6 bn** (up RUB 52.7 bn q-o-q) as a result of operating cash flow going up to RUB 28.0 bn.

  The y-o-y growth of RUB 20.1 bn is mainly due to the positive effect of the working capital release on operating cash flow.

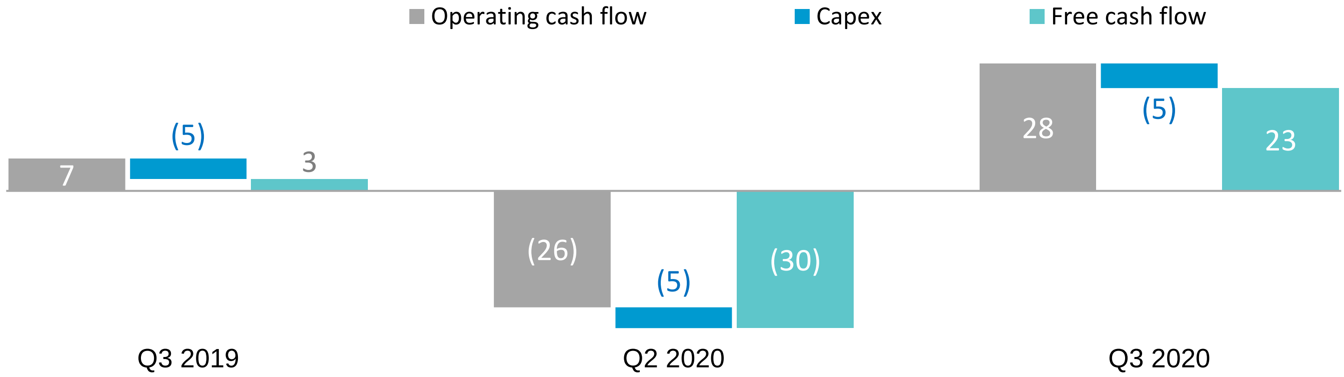
Investment activities

Capex: RUB 5.4 bn

- **Cash outflow from investing activities (excluding outflow of cash to bank deposits)** in Q3 was represented by capex of RUB 5.4 bn (up 19% q-o-q and up 16% y-o-y).
- **Cash inflow from investing activities (excluding cash received from bank deposits)** in Q3 amounted to **RUB 2.3 bn**, including payment under the sale of Non-State Pension Fund Almaznaya Osen and interest on bank deposits.
- **Net inflow from investing activities in Q3**, including cash received from bank

deposits (up RUB 5.7 bn), amounted to **RUB 2.5 bn**.

Capex and free cash flow
RUB bn



Financing activities

Total debt: $ 3.0 bn

- **Total debt** (including lease liabilities[5]) for Q3 decreased to **$3,021 m** (down 2% q-o-q) in dollar terms and increased to RUB 240.8 bn (up 11% q-o-q) in rouble terms mainly due to FX differences (up RUB 24.2 bn q-o-q).
- As at the end of Q3, the **debt portfolio** (excluding lease liabilities) consisted of three Eurobond issues, including one $494 m issue and two issues of $500 m each, and five exchange-traded bond series totalling RUB 25 bn (all the bonds represent 61% of the total debt excluding lease liabilities), as well as bank loans in the total amount of $1,140 m (39% of total debt excluding lease liabilities) maturing in 2021–2022.

  As at the end of Q3, the debt portfolio (excluding lease liabilities) consisted of instruments denominated in foreign currencies (85%) and roubles (15%).

  In Q4, the Company ramped up efforts to optimise its debt portfolio: (1) in October, ALROSA made an early repayment of a $200 m loan due in February 2021, (2) on 3 November, the Company redeemed the $494 m Eurobonds as planned. As a result, we reduced our outstanding loans and borrowings from $3 bn as at the end of Q3 to $2.3 bn.
- **Interest payments** (excluding pension liabilities) in Q3 amounted to **RUB 2.5 bn** (up 26% q-o-q) due to the rouble's depreciation and a high share of FX-denominated debt.
- The **average funding rate** as at the end of Q3 amounted to **4.3 % pa** (excluding one-off costs to issue bonds and raise loans). The increase was driven by growing interest payments in the wake of rouble's depreciation.
- **The weighted average maturity of debt** decreased from 2.9 to **2.7 years** mostly due to the nearing redemption of $494 m worth of 10Y Eurobond placed in November 2010. After the Eurobonds were redeemed on 3 November, the weighted average maturity of debt amounted to 3.3 years.

Net debt

RUB m	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Long-term debt	158,910	143,902	104,439	84,171	102,015
Short-term debt	81,850	72,334	58,788	33,113	3,064
Cash and cash equivalents	83,197	65,471	25,786	13,315	20,666
Bank deposits	50,590	50,159	60,078	24,340	21,408
Net debt	**106,973**	**100,606**	**77,363**	**79,629**	**63,005**

Net debt: $1.3 bn

- **Net debt** denominated in roubles grew in Q3 to **RUB 107.0 bn** (up 6% q-o-q) primarily due to the FX rate impact (up RUB 11 bn) and H2'19 dividend

[5] $76 m under IFRS 16 Leases

payments (up RUB 19 bn). The impact was partially offset by positive free cash flow (down RUB 22.6 bn).

- **Net debt / LTM EBITDA** as at the end of Q3 stood at **1.25x** (flat q-o-q).

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	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019
RUB/USD	79.6845	69.9513	77.7325	61.9057	64.4156
RUB/EUR	93.0237	78.6812	85.7389	69.3406	70.3161

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

RUB m	**Q3 2020**	**Q2 2020**	**Q1 2020**	**9M 2020**	**9M 2019**
Average RUB/USD exchange rate for the period	73.5688	72.0479	66.6263	70.9061	64.9321
Average RUB/EUR exchange rate for the period	85.9553	79.2421	73.4129	79.9164	72.9589

MAJOR DEVELOPMENTS AFTER THE REPORTING DATE

October 2020. On 7 October 2020, ALROSA made an early repayment of a $200 m loan coming due on 18 February 2021.

November 2020. On 3 November 2020, the Company repaid from its own funds $494 m worth of 10Y Eurobond placed in November 2010.

APPENDICES

Appendix 1. Key financial indicators

RUB bn	Q3 2020	Q2 2020	q-o-q	Q3 2019	y-o-y	9M 2020	9M 2019	y-o-y
Revenue, incl.:	**49.7**	**10.4**	*5x*	**45.7**	*9%*	**122.9**	**173.6**	*(29%)*
revenue from diamond sales	44.0	6.3	*7x*	39.4	*12%*	108.4	157.1	*(31%)*
other revenue	4.6	2.7	*69%*	5.1	*(10%)*	11.1	12.8	*(13%)*
income from grants	1.2	1.4	*(17%)*	1.3	*(11%)*	3.4	3.7	*(9%)*
Costs, incl.:	**24.0**	**10.2**	*2.4x*	**(24.7)**	-	**67.1**	**96.1**	*(30%)*
production costs	17.5	19.9	*(12%)*	22.6	*(22%)*	59.0	65.0	*(9%)*
non-production costs	11.5	10.0	*15%*	14.3	*(20%)*	36.1	43.7	*(17%)*
movement of diamond inventory, ore and sands	(5.0)	(19.7)	*(75%)*	(12.2)	*(59%)*	(28.0)	(12.6)	*2x*
EBITDA	**25.7**	**0.1**	*257x*	**21.1**	*22%*	**55.8**	**77.5**	*(28%)*
EBITDA margin	52%	1 %	*51 pp*	46%	*6 pp*	45%	45%	-
Depreciation and amortisation	(5.5)	(5.8)	*(6%)*	(5.5)	-	(17.6)	(18.0)	*(2%)*
Financial income/(expenses)	(20.7)	8.4	-	(2.1)	*9x*	(34.5)	0.9	-
Other income/(expenses)	5.1	(2.3)	-	2.9	*75%*	(5.6)	4.2	-
Income tax	(2.0)	(0.1)	*20x*	(2.8)	*(28%)*	(3.8)	(13.7)	*(72%)*
Net profit	**7.6**	**0.3**	*25x*	**13.5**	*(44%)*	**10.9**	**51.0**	*(79%)*
Net profit margin	15%	3%	*12 pp*	30%	*(15 pp)*	9%	29%	*(20 pp)*
Free cash flow	**22.6**	**(30.2)**	-	**2.5**	*9x*	**14.3**	**30.8**	*(54%)*
Net debt	**107.0**	**100.6**	*6%*	**63.0**	*70%*	**107.0**	**63.0**	*70%*
Net debt / LTM EBITDA	**1.25x**	**1.25x**	-	**0.6x**	-	**1.25x**	**0.6x**	-

Appendix 2. Revenue by customer geography

	Q3 2020	Q2 2020	Q1 2020	9M 2020	9M 2019
India	31%	20%	17%	23%	15%
Belgium	23%	11%	45%	34%	42%
UAE	19%	4%	14%	15%	10%
Russia	18%	45%	13%	18%	20%
Israel	6%	12%	8%	8%	7%
China	1%	2%	1%	1%	4%
Other countries	2%	5%	2%	2%	2%

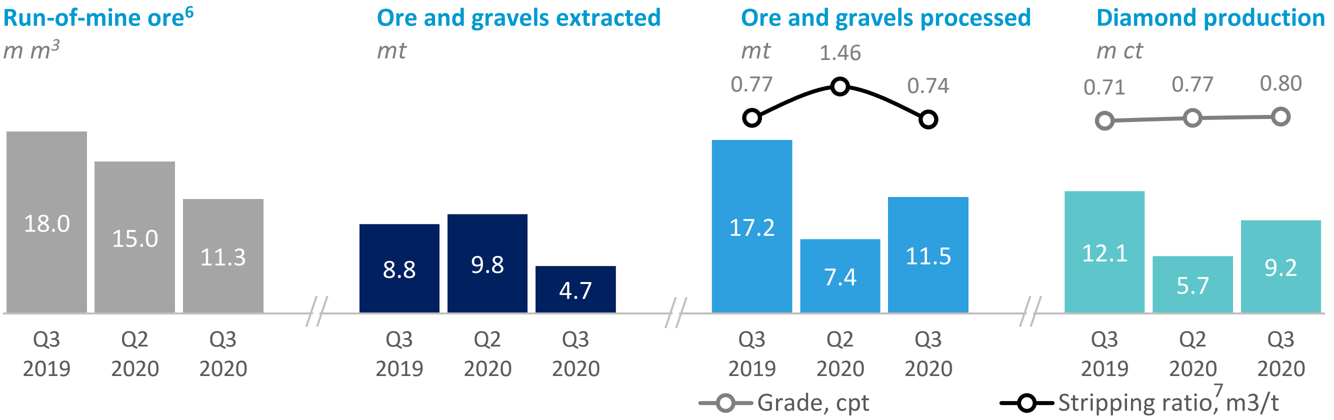
Appendix 3. Per unit costs

RUB '000 / cu m	Q3 2020	Q2 2020	q-o-q	Q3 2019	y-o-y	9M 2020	9M 2019	y-o-y
Wages, salaries and other staff costs	0.86	0.76	*14%*	0.65	*32%*	0.79	0.61	*29%*
Fuel and energy	0.25	0.20	*24%*	0.21	*17%*	0.24	0.20	*19%*
Materials	0.23	0.22	*4%*	0.22	*4%*	0.20	0.16	*24%*
Services and transport	0.13	0.07	*79%*	0.15	*(15%)*	0.11	0.11	*(2%)*
Other	0.09	0.07	*29%*	0.02	*4.5x*	0.05	0.01	*5x*
Total	**1.55**	**1.33**	***17%***	**1.25**	***24%***	**1.39**	**1.10**	***26%***

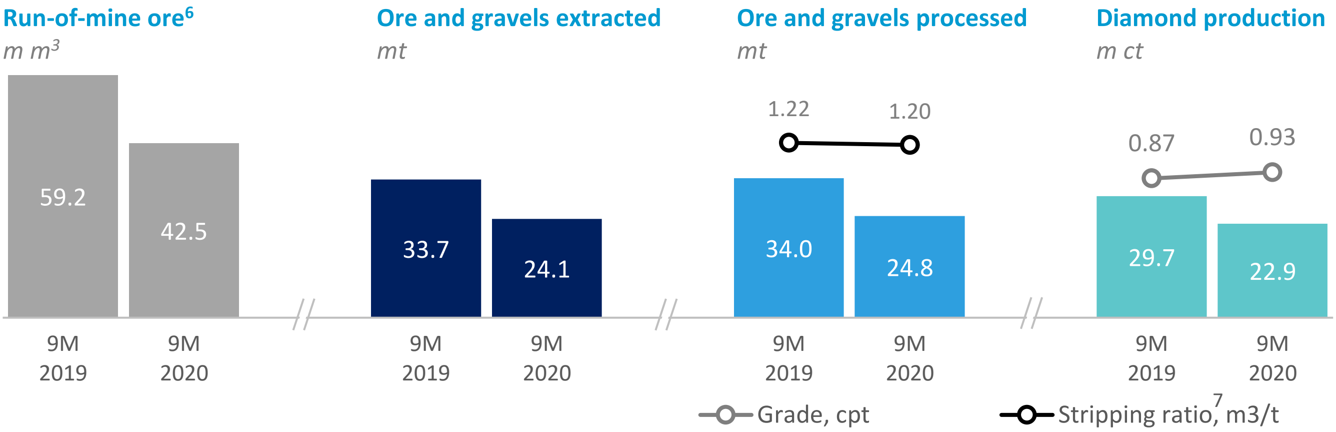
Appendix 4. ALROSA Q3 and 9M 2020 operating results

- **Q3 ore and gravels output** went down to 4.6 mt vs 9.8 mt in Q2 (Q3'19: 8.8 mt) following the COVID-19-related measures. As a result, ore and gravels inventories dropped by 21% q-o-q to 25.8 mt.
- **Q3 ore and gravels processing** rose 57% q-o-q (down 33% y-o-y) to **11.5 mt** due to the relaunch of a number of processing plants after the suspension of operations in Q2, as well as the seasonal production growth at alluvial deposits. The 24% y-o-y decline resulted from crisis response measures taken in 2020. **9M** volumes were at **24.8 mt** (down 27%).
- **Q3 diamond production** grew by 62% q-o-q to **9.2 m cts** on higher utilization rates at processing facilities. **9M** production was down by 23% to **22.9 m cts**.
- **Q3 diamond grade** improved by 4% q-o-q to **0.8 cpt**. **9M** diamond grade rose by 6% to **0.93 cpt** as a result of discontinued operations at less profitable assets.
- **Sales:** due to a decrease in inventory of end products at cutters and polishers, as well as at retailers as demand for diamond jewelry gradually recovered, the demand for rough diamonds has been improving since August. **Q3 diamond sales** saw an 8x increase q-o-q reaching **5 m cts**, including 4.1 m cts of gem-quality diamonds. **9M** sales declined 40% to **15.1 m cts**.
- **Diamond inventories as at the end of Q3** grew 16% q-o-q to **30.6 m cts**.
- **Proceeds from rough and polished diamond sales in Q3** came in at **$589 m** (a 6.8x increase q-o-q and down 4% y-o-y), including $553 m in revenue from rough diamond sales and $36 m in revenue from polished diamond sales. Sales for **9M** totalled **$1,580 m** (down 35%).

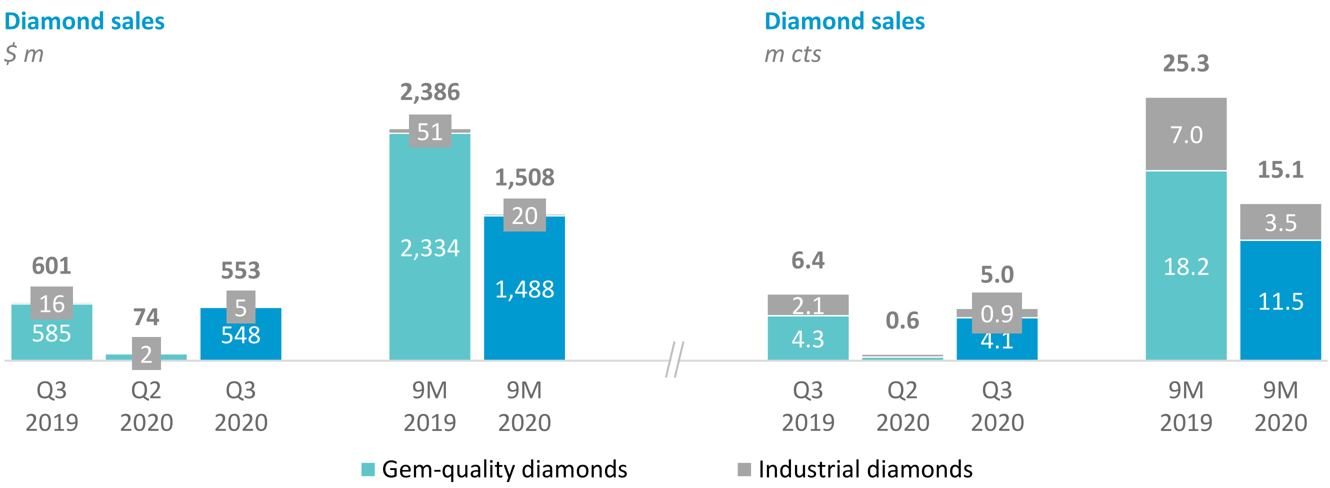
Key highlights for Q3



Key highlights for 9M



Q3 and 9M sales



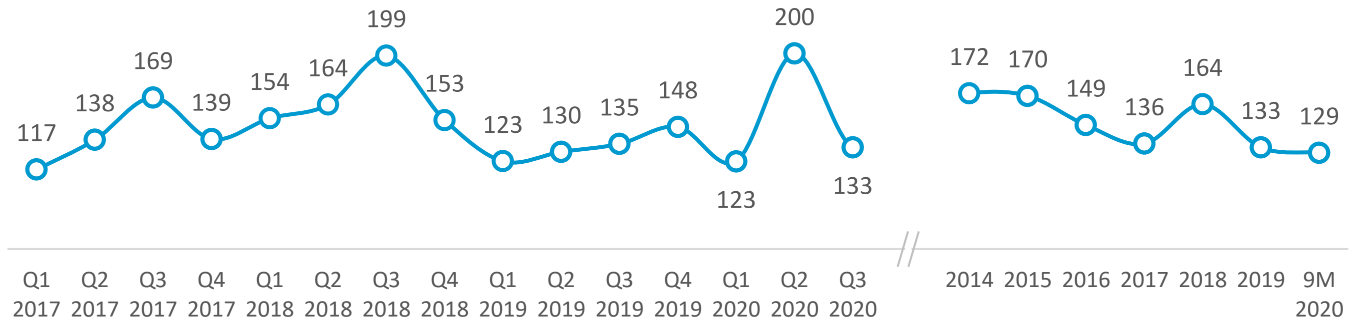
[6] *Less pre-stripping.*

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

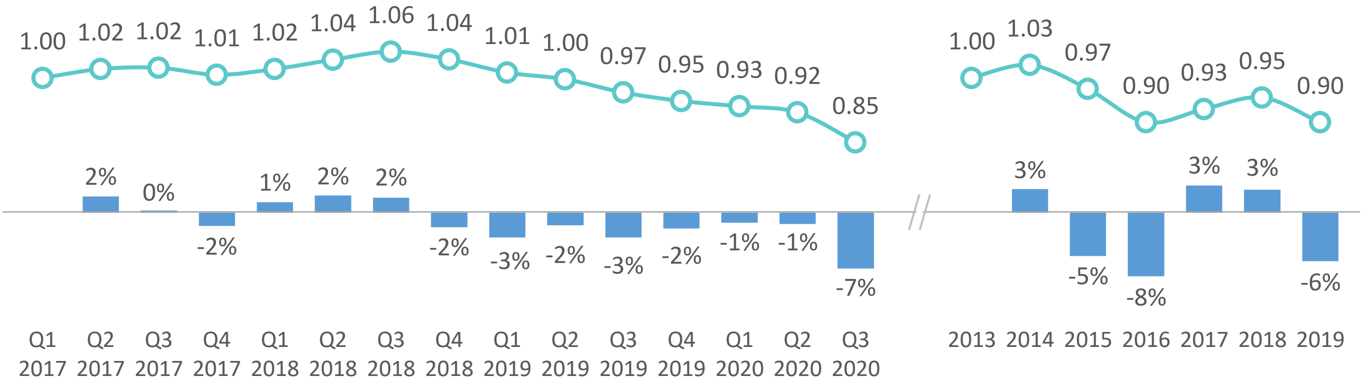
- **Q3 average realised price for gem-quality diamonds** totalled **$133/ct** (down 34% q-o-q and 2% y-o-y) due to normalised diamond sales mix on the back of the q-o-q growth of sales volumes. **9M** average realised prices increased marginally (up 1%) to **$129/ct**.
- **In Q3, the diamond price index** lost 7% q-o-q and 13% YTD.

Average realised prices for gem-quality diamonds

$/ct



Gem-quality diamond price indices



Appendix 5. Structure (perimeter) of the report and overview of ALROSA's business

The report is a review of the financial condition of the Group for Q3 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.