PJSC ALROSA

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2021

CONTENTS

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	31 March 2021	31 December 2020
ASSETS			
Non-current Assets			
Goodwill		1,439	1,439
Property, plant and equipment	7	223,077	225,653
Right-of-use assets	8	7,578	7,763
Investments in associates and joint ventures	4	10,468	7,848
Deferred tax assets	16	4,210	3,742
Financial assets at fair value through profit or loss	30	108	105
Long-term accounts receivable	10	1,125	1,064
Total Non-current Assets		**248,005**	**247,614**
Current Assets			
Inventories	9	95,947	118,224
Prepaid current income tax		1,682	1,731
Trade and other receivables	10	11,924	10,528
Bank deposits	5	134,230	49,742
Cash and cash equivalents	6	60,308	86,872
Non-current assets held for sale	4.1	4,175	4,175
Total Current Assets		**308,266**	**271,272**
Total Assets		**556,271**	**518,886**
EQUITY			
Share capital	11	12,473	12,473
Share premium	11	10,431	10,431
Treasury shares		(264)	(264)
Retained earnings and other reserves	11	265,730	241,583
Equity attributable to owners of PJSC ALROSA		**288,370**	**264,223**
Non-Controlling Interest		**917**	**851**
Total Equity		**289,287**	**265,074**
LIABILITIES			
Non-current Liabilities			
Long-term debt and other financial liabilities	12	112,156	125,180
Provision for pension obligations	17	4,961	5,074
Other provisions	14	18,377	17,943
Deferred tax liabilities	16	5,422	6,007
Government grants		2,727	2,808
Other liabilities	28	179	129
Total Non-current Liabilities		**143,822**	**157,141**
Current Liabilities			
Short-term loans and other financial liabilities	13	60,728	42,665
Trade and other payables	15	49,032	41,117
Income tax payable		1,737	1,617
Other taxes payable	16	6,714	7,427
Dividends payable		162	177
Other liabilities	28	4,789	3,668
Total Current Liabilities		**123,162**	**96,671**
Total Liabilities		**266,984**	**253,812**
Total Equity and Liabilities		**556,271**	**518,886**

Approved for issue and signed on 17 May 2021 by the following members of management:

Sergey S. Ivanov
Chief Executive Officer

Alexey N. Filippovsky
Deputy Chief Executive Officer

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

	Notes	**Three months ended 31 March 2021**	**Three months ended 31 March 2020**
Revenue	18	89,308	61,937
Income from government grants		1,513	809
Cost of sales	19	(52,996)	(29,861)
Royalty	16	(302)	(302)
Gross profit		**37,523**	**32,583**
General and administrative expenses	20	(4,499)	(2,883)
Selling and marketing expenses	21	(694)	(735)
Other operating income	22	3,053	10,398
Other operating expenses	23	(5,453)	(13,371)
Operating profit		**29,930**	**25,992**
Finance income	24	2,963	8,921
Finance costs	25	(5,351)	(31,132)
Share of net profit of associates and joint ventures	4	2,451	998
Profit before income tax		**29,993**	**4,778**
Income tax	16	(5,974)	(1,720)
Profit for the period		**24,019**	**3,058**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations, net of tax		117	(376)
Total items that will not be reclassified to profit or loss		**117**	**(376)**
Items that will be reclassified to profit or loss:			
Currency translation differences, net of tax		77	719
Total items that will be reclassified to profit or loss		**77**	**719**
Total comprehensive income / (loss) for the period		**194**	**343**
Total comprehensive income for the period		**24,213**	**3,401**
Profit attributable to:			
Owners of PJSC ALROSA		23,926	2,888
Non-controlling interest		93	170
Profit for the period		**24,019**	**3,058**
Total comprehensive income / (loss) attributable to:			
Owners of PJSC ALROSA		24,147	3,493
Non-controlling interest		66	(92)
Total comprehensive income for the period		**24,213**	**3,401**
Basic and diluted earnings per share for profit attributable to the owners of PJSC ALROSA (in Russian roubles)	11	3.32	0.40

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

		Three months ended	
	Notes	**31 March 2021**	**31 March 2020**
Net Cash Inflow from Operating Activities	**26**	**55,093**	**24,489**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(2,374)	(2,644)
Proceeds from sales of property, plant and equipment		93	25
Interest received		124	302
Sale of financial assets at fair value through profit or loss		-	105
Dividends received from associates and joint ventures	28	-	1,550
Cash transfer to deposit accounts		(113,056)	(44,432)
Cash received from deposit accounts		30,929	14,945
Net Cash Outflow used in Investing Activities		**(84,284)**	**(30,149)**
Cash Flows from Financing Activities			
Repayments of loans		(116)	(2)
Loans received		1,747	17,933
Lease payments		(287)	(392)
Interest paid		(904)	(398)
Dividends paid		(15)	-
Net Cash Inflow from Financing Activities		**425**	**17,141**
Net (Decrease) / Increase in Cash and Cash Equivalents		**(28,766)**	**11,481**
Cash and cash equivalents at the beginning of the period		86,872	13,315
Effect of exchange rate changes on cash and cash equivalents		2,202	990
Cash and Cash Equivalents at the End of the period	**6**	**60,308**	**25,786**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

		Attributable to owners of PJSC ALROSA							
	Number of shares outstanding (units)	**Share capital**	**Share premium**	**Treasury shares**	**Other reserves (note 11)**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2020	**7,208,905,830**	**12,473**	**10,431**	**(264)**	**(30,309)**	**261,046**	**253,377**	**589**	**253,966**
Comprehensive income/ (loss)									
Profit for the year	-	-	-	-	-	2,888	2,888	170	3,058
Other comprehensive income/ (loss)	-	-	-	-	605	-	605	(262)	343
Total comprehensive income/ (loss) for the year	**-**	**-**	**-**	**-**	**605**	**2,888**	**3,493**	**(92)**	**3,401**
Balance at 31 March 2020	**7,208,905,830**	**12,473**	**10,431**	**(264)**	**(29,704)**	**263,934**	**256,870**	**497**	**257,367**
Balance at 1 January 2021	**7,208,905,830**	**12,473**	**10,431**	**(264)**	**(32,286)**	**273,869**	**264,223**	**851**	**265,074**
Comprehensive income / (loss)	-	-	-	-					
Profit for the year	-	-	-	-	-	23,926	23,926	93	24,019
Other comprehensive income/ (loss)	-	-	-	-	221	-	221	(27)	194
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**221**	**23,926**	**24,147**	**66**	**24,213**
Balance at 31 March 2021	**7,208,905,830**	**12,473**	**10,431**	**(264)**	**(32,065)**	**297,795**	**288,370**	**917**	**289,287**

1. ACTIVITIES

The core activities of Public Joint Stock Company ALROSA ("the Company") and its subsidiaries ("the Group") are exploration and extraction of diamond reserves and marketing and distribution of rough and cut diamonds. The Company was registered on 13 August 1992 in the Republic of Sakha (Yakutia), which is located within the Russian Federation.

The Group operates mining facilities in Mirny, Udachny, Aikhal, Nyurba and Anabar of Republic of Sakha (Yakutia) (located in Eastern Siberia) and the Arkhangelsk Region. Licenses for the Group's major diamond deposits expire between 2022 and 2048. Management believes the Group will be able to extend the licenses' terms after they expire.

As at 31 March 2021 and 31 December 2020 the Company's principal shareholders were: the Russian Federation (33.0 per cent of shares) represented by the Federal Agency for State Property Management and the Republic of Sakha (Yakutia) (25.0 per cent of shares) represented by the Ministry of the property and land relations of Sakha (Yakutia). Therefore the total share of the state is above 50%.

The Company is registered and has its principal operating office at 6, Lenin Street, Mirny, Mirninsky ulus, 678175, Republic of Sakha (Yakutia), Russia.

2. BASIS OF PRESENTATION

The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). These condensed consolidated interim financial statements should be read together with the consolidated financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards ("IFRS").

Group companies incorporated in Russia maintain their statutory accounting records and prepare statutory financial reports in accordance with the Federal Law on Accounting and the Regulation on Accounting and the Reporting in the Russian Federation ("RAS"). Their functional currency is the Russian Rouble ("RR"). The Group companies incorporated in other countries maintain their statutory accounting records in accordance with relevant legislation and in the appropriate functional currency. The Group's condensed consolidated interim financial statements are based on the statutory accounting records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IAS 34.

The preparation of condensed consolidated interim financial statements in conformity with IAS 34 requires Group's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The most significant estimates relate to impairment of PPE, valuation of inventories, investments, expected credit losses, useful life of property, plant and equipment, reserve estimates used to calculate depreciation, asset retirement obligation, pension and other post-retirement benefit costs. Actual results could differ from these estimates.

Beginning with the financial statements for 2020 the Group has changed the presentation of financial income and costs in the Consolidated statement of profit or loss and other comprehensive income. The new presentation better reflects the structure of financial income and costs, in particular foreign exchange gains and losses.

The official US dollar to RR exchange rates as determined by the Central Bank of the Russian Federation were RR 75.7023 and RR 73.8757 per US$ 1 as at 31 March 2021 and 31 December 2020, respectively. The official Euro to RR exchange rates as determined by the Central bank of the Russian Federation were RR 88.8821 and RR 90.6824 per EUR 1 as at 31 March 2021 and 31 December 2020, respectively.

(a) Financial risk management

Currency risk. The Group exports production to European and other countries and attracts a substantial amount of foreign currency denominated borrowings and is, thus, exposed to foreign exchange risk arising from various contracts, primarily with respect to the US dollar and to a lesser extent the Euro.

2. BASIS OF PRESENTATION (CONTINUED)

The Group seeks to identify and manage foreign exchange rate risk in a comprehensive manner, considering an integrated analysis of natural economic hedges, to benefit from the correlation between income and expenses. The Group attracts a significant portion of borrowings for its investing activities in the same currency as the forecasted revenue stream to economically hedge the foreign currency risk exposure. The Group chooses the currency in which to hold cash, such as the Russian rouble, US dollar or other currency for a short-term risk management purposes. From 1 January 2021 to 31 March 2021 exchange rate of RR against US Dollar changed from RR 73.8757 per US$ 1 to RR 75.7023 per US$ 1. The weakening of the RR exchange rate as at 31 March 2021 led to an increase in the Group's debts (note 12, 13).

Liquidity risk. Liquidity risk management includes maintaining sufficient cash balances, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group management maintains flexibility in funding by ensuring availability under committed credit lines and expected cash flows from operating activities. Management monitors a rolling forecast of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and equivalents) on the basis of expected cash flow. This is carried out at Group level monthly and annually. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet any net cash outflows and maintaining debt financing plans.

3. CHANGES IN ACCOUNTING POLICIES

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020 with the exception of income tax expense, which is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

New or Revised Standards and Interpretations

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted.

The following new standards and interpretations are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

(in millions of Russian roubles, unless otherwise stated)

4. GROUP STRUCTURE AND INVESTMENTS

The Company's significant consolidated subsidiaries are as follows:

Name	Principal activity	Place of business	Percentage of ownership interest held	
			31 March 2021	31 December 2020
ALROSA Finance S.A.	Financial services	Luxembourg	100.0	100.0
JSC ALROSA-Gaz	Gas production	Russia	100.0	100.0
JSC Almazy Anabara	Diamonds production	Russia	100.0	100.0
JSC ALROSA Air Company	Air transportation	Russia	100.0	100.0
JSC Kristall	Polished diamonds production	Russia	100.0	100.0
PJSC Severalmaz	Diamonds production	Russia	99.9	99.9
JSC Viluyskaya GES-3	Electricity production	Russia	99.7	99.7
PJSC ALROSA-Nyurba (note 16)	Diamonds production	Russia	97.5	97.5
Hydroshikapa S.A.R.L	Electricity production	Angola	55.0	55.0

As at 31 March 2021 and 31 December 2020 the percentage of ownership interest of the Group in subsidiaries is equal to the percentage of voting interest.

4.1. Investments in Associates and Joint Ventures

		Percentage of ownership interest held at		Carrying value of investment at		Group's share of net profit for the	
Name	Country of incorporation	31 March 2021	31 December 2020	31 March 2021	31 December 2020	Three months ended 31 March 2021	Three months ended 31 March 2020
Catoca Mining Company Ltd. (associate)	Angola	41.0	41.0	10,244	7,630	2,444	996
Other (associates and joint ventures)	Russia	20-50	20-50	224	218	7	2
Total				**10,468**	**7,848**	**2,451**	**998**

As at 31 March 2021 and 31 December 2020 the percentage of ownership interest of the Group in its associates and joint ventures is equal to the percentage of voting interest.

Catoca Mining Company Ltd is a diamond-mining venture located in Angola.

Currency translation gain recognised in the condensed consolidated other comprehensive income for the three months ended 31 March 2021 in respect of investment in Catoca totalled RR'mln 135 net of tax.

Currency translation gain recognised in the condensed consolidated other comprehensive income for the three months ended 31 March 2020 in respect of investment in Catoca totalled RR'mln 1,299 net of tax.

In April 2019 the Group has finalized the acquisition of 16.4% share in Catoca Mining Company Ltd. having increased the effective interest in share capital of Catoca Mining Company Ltd. by 8.2% to 41% and recognized additional 8.2% in this company amounted to RR'mln 4,175 (equivalent to US dollars 70 mln), within assets held for sale.

In December 2020 the Group received payment in the amount of US dollars 70 mln, equivalent to RR'mln 5,132, from the National diamond company of Angola – Endiama A.P. (further- "Endiama") for 8.2% of Catoca (note 15). The deal is to be finalized in the second quarter of 2021 after completion of the State notarial registration and share transfer and amendments to the Charter of Catoca by the angolian state notary.

(in millions of Russian roubles, unless otherwise stated)

5. BANK DEPOSITS

	31 March 2021	31 December 2020
Deposits in PJSC VTB Bank	105,983	14,774
Deposits in PJSC Sovcombank	15,140	13,889
Deposits in PJSC Moscow Credit Bank	8,349	8,146
Deposits in Bank GPB (JSC)	2,909	2,432
Deposits in JSC Alfa-Bank	1,114	1,524
PJSC FK Otkritye Bank	720	703
PJSC Promsvyazbank	15	-
Deposits in PJSC Sberbank	-	8,274
Total bank deposits	**134,230**	**49,742**

As at 31 March 2021 the Group placed in banks deposits in roubles with maturity dates exceeding three months and interest rates ranging from 4.3% to 4.6% per annum, deposits in dollars – 0.45% to 1.20%.

As at 31 December 2020 the Group placed in banks deposits in roubles with maturity dates exceeding three months and interest rates ranging from 4.1% to 4.3% per annum, deposits in dollars – 0.97% to 0.45%.

6. CASH AND CASH EQUIVALENTS

	31 March 2021	31 December 2020
Cash in banks and on hand	37,111	84,649
Deposit accounts	23,197	2,223
Total cash and cash equivalents	**60,308**	**86,872**

Deposit accounts at 31 March 2021 and 31 December 2020 are mainly held to meet short-term cash needs and have various original maturities not exceeding three months but can be withdrawn on request without restrictions.

(in millions of Russian roubles, unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Assets under construction	TOTAL
As at 31 December 2019			
Cost	422,135	20,148	442,283
Accumulated depreciation and impairment losses	(215,966)	(56)	(216,022)
Net book value as at 31 December 2019	**206,169**	**20,092**	**226,261**
Three months ended 31 March 2020			
Net book value as at 31 December 2019	206,169	20,092	226,261
Foreign exchange differences – at cost	1,660	4	1,664
Foreign exchange differences – accumulated depreciation	(726)	-	(726)
Additions	1,780	678	2,458
Transfers	1,100	(1,100)	-
Other disposals – at cost	(916)	(40)	(956)
Other disposals – accumulated depreciation	891	-	891
Change in estimate of provision for land recultivation	(89)	-	(89)
Reversal of impairment of property, plant and equipment	5	-	5
Depreciation charge for the period	(6,082)	-	(6,082)
As at 31 March 2020	**203,792**	**19,634**	**223,426**
Cost	425,670	19,690	445,360
Accumulated depreciation and impairment losses	(221,878)	(56)	(221,934)
Net book value as at 31 March 2020	**203,792**	**19,634**	**223,426**
As at 31 December 2020			
Cost	443,237	17,088	460,325
Accumulated depreciation and impairment losses	(234,616)	(56)	(234,672)
Net book value as at 31 December 2020	**208,621**	**17,032**	**225,653**
Three months ended 31 March 2021			
Net book value as at 31 December 2020	208,621	17,032	225,653
Foreign exchange differences – at cost	187	8	195
Foreign exchange differences – accumulated depreciation	(85)	-	(85)
Additions*	2,343	538	2,881
Transfers	322	(322)	-
Other disposals – at cost	(771)	(2)	(773)
Other disposals – accumulated depreciation	668	-	668
Change in estimate of provision for land recultivation	289	-	289
Reversal of impairment of property, plant and equipment	5	-	5
Depreciation charge for the period	(5,756)	-	(5,756)
As at 31 March 2021	**205,823**	**17,254**	**223,077**
Cost	445,607	17,310	462,917
Accumulated depreciation and impairment losses	(239,784)	(56)	(239,840)
Net book value as at 31 March 2021	**205,823**	**17,254**	**223,077**

*Additions for three months ended 31 March 2021 in the amount of RR'mln 2,343 mainly include plant and equipment totalling RR'mln 2,088.

Capitalised borrowing costs

During three months ended 31 March 2021 Group has capitalised borrowing costs amounting to RR'mln 9 (three months ended 31 March 2020: RR'mln 6) in construction of qualifying asset totalling RR'mln 927 (31 March 2020: RR'mln 541). In the condensed consolidated interim statement of cash flow the capitalized borrowing costs were included into financing activity as part of interest paid. For three months ended 31 March 2021 borrowing costs were capitalized at the weighted average rate of its general borrowing of 3.73 per cent per annum (three months ended 31 March 2020: 4.82 per cent per annum).

(in millions of Russian roubles, unless otherwise stated)

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The group rents various buildings, vehicles and machinery and equipment. The group has recognized the following right-of-use assets:

	Buildings	Equipment	Transport	Total
At 31 December 2020	**875**	**21**	**6,867**	**7,763**
Additions	174	10	-	184
Changes in estimation	-	(5)	63	58
Depreciation (note 19)	(91)	(7)	(329)	(427)
Net book value at 31 March 2021	**958**	**19**	**6,601**	**7,578**

Lease liabilities recognized by the Group are stated below (note 12, 13):

	31 March 2021	31 December 2020
Long-term lease liabilities	3,702	3,617
Short-term lease liabilities	1,369	1,299
Total lease liabilities	**5,071**	**4,916**

Right-of-use assets were mainly represented by six aircrafts leased by the Group’s airline. Interest expense on lease liabilities included in finance costs comprised RR’mln 95 for year three months ended 31 March 2021 (three months ended 31 March 2020: RR’mln 106).

9. INVENTORIES

	31 March 2021	31 December 2020
Rough and polished diamonds	46,669	66,708
Ores and sands mined	20,063	20,331
Mining and repair materials	27,810	29,763
Consumable and other supplies	1,405	1,422
Total inventories	**95,947**	**118,224**

At 31 March 2021 and 31 December 2020 diamonds include diamonds purchased from third parties (including Catoca Mining Company Ltd) in the amount of RR’mln 677 and RR’mln 770 respectively.

10. TRADE AND OTHER RECEIVABLES

Long-term accounts receivable	31 March 2021	31 December 2020
Financial accounts receivable	***1,122***	***1,061***
Financial asset on heavy repairs and maintenance provision	699	609
Loans issued	238	266
Other long-term receivables	185	186
Non-financial accounts receivable	***3***	***3***
Advances to suppliers	3	3
Total long-term accounts receivable	**1,125**	**1,064**

(in millions of Russian roubles, unless otherwise stated)

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Short-term accounts receivable	31 March 2021	31 December 2020
Financial accounts receivable	***8,710***	***7,474***
Trade receivables for supplied diamonds	5,385	6,094
Other short-term receivables	2,605	860
Interest on deposits	322	123
Loans issued	284	293
Receivables from associates (note 28)	114	104
Non-financial accounts receivable	***3,214***	***3,054***
VAT recoverable	1,904	1,857
Advances to suppliers	1,192	1,052
Prepaid taxes, other than income tax	118	145
Total short-term accounts receivable	**11,924**	**10,528**

The loans issued of RR’mln 200 nominal value as at 31 March 2021 and 31 December 2020 to be repaid in December 2021 are collateralised by shares of JSC Pur-Navolok Otel and real estate.

The fair value of long-term accounts receivable is estimated by discounting the future contractual cash inflows at the market interest rates available to the debtors at the end of the reporting period.

The fair value of each class of long-term and short-term trade and other financial accounts receivable at 31 March 2021 and 31 December 2020 approximates their carrying value.

The credit loss allowance for trade and other financial receivables is presented in the amount of RR’mln 2,915 as at 31 March 2021 (31 December 2020: RR’mln 2,811).

11. SHAREHOLDERS’ EQUITY

Share capital

Share capital authorised, issued and paid in totals RR’mln 12,473 as at 31 March 2021 and 31 December 2020 and consists of 7,364,965,630 ordinary shares, at RR 0.5 par value share. In addition, as at 31 March 2021 and 31 December 2020 share capital includes hyperinflation adjustment totalling RR’mln 8,790, which was calculated in accordance with requirements of IAS 29 “Financial Reporting in Hyperinflationary Economies” and relates to the reporting periods prior to 1 January 2003.

Distributable profits

In accordance with Russian legislation, distribution may be subject to the net profit of the current year and retained earnings of previous years, determined on the basis of financial statements prepared in accordance with Russian accounting standards. In accordance with the dividend policy which was approved by the Supervisory Board on 10 March 2021, at least 50% of the net profit as reported in the IFRS consolidated financial statements of the Group is distributed for dividend payment, in case that current and forecasted ratio of “Net debt to EBITDA” is below 1.5x. The basis for calculating dividend payment is free cash flow determined based on IFRS consolidated financial statements. The debt ratio is taken into account when calculating the amount of dividend payment.

Treasury shares

As at 31 March 2021 and 31 December 2020 subsidiaries of the Group held 156,059,800 ordinary shares of the Company.

Earnings per share

Earnings per share have been calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of shares outstanding during the reporting period, i.e. excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares. There were 7,208,905,830 weighted average shares outstanding for the three months ended 31 March 2021 and 31 March 2020. There are no dilutive financial instruments outstanding.

(in millions of Russian roubles, unless otherwise stated)

11. SHAREHOLDERS' EQUITY (CONTINUED)

Other reserves

	Currency translation reserve	Reserve on purchase of non-controlling interest	Accumulated actuarial loss	Total other reserves
Balance as at 1 January 2021	**911**	**(11,220)**	**(21,977)**	**(32,286)**
Remeasurement on post-employment benefit obligation (note 17)	-	-	117	117
Currency translation differences	104	-	-	104
Balance as at 31 March 2021	**1,015**	**(11,220)**	**(21,860)**	**(32,065)**

	Currency translation reserve	Reserve on purchase of non-controlling interest	Accumulated actuarial loss	Total other reserves
Balance as at 1 January 2020	**65**	**(11,220)**	**(19,154)**	**(30,309)**
Remeasurement on post-employment benefit obligation (note 17)	-	-	(376)	(376)
Currency translation differences	981	-	-	981
Balance as at 31 March 2020	**1,046**	**(11,220)**	**(19,530)**	**(29,704)**

12. LONG-TERM DEBT AND LOANS AND OTHER FINANCIAL LIABILITIES

	31 March 2021	31 December 2020
Debt to banks:		
US$ denominated fixed rate	56,777	55,407
EUR denominated fixed rate	4	5
RR denominated fixed rate	8,591	8,706
	65,372	**64,118**
Eurobonds US$ denominated	75,365	73,483
Bonds RR denominated	25,000	25,000
	165,737	**162,601**
Less: current portion of long-term debt (note 13)	(57,283)	(41,038)
Total long-term debt	**108,454**	**121,563**
Lease liabilities	5,071	4,916
Less: current portion of long-term lease liabilities (note 8, 13)	(1,369)	(1,299)
Total long-term lease liabilities	**3,702**	**3,617**
Total long-term debt and other financial liabilities	**112,156**	**125,180**

The market interest rates for each class of long-term debt at the end of the reporting period were as follows:

	31 March 2021	31 December 2020
Debt to banks:		
US$ denominated fixed rate	1.8%	1.9%
RR denominated fixed rate	7.5%	7.0%
Eurobonds US$ denominated	2.6%	2.3%
Bonds RR denominated	6.6%	6.0%

As at 31 March 2021 and 31 December 2020 the fair value of long-term debt, excluding Eurobonds and other financial liabilities was not materially different from their carrying value.

As at 31 March 2021 the fair value of Bonds RR denominated comprised RR'mln 24,696 (31 December 2020: RR'mln 24,978).

(in millions of Russian roubles, unless otherwise stated)

12. LONG-TERM DEBT AND LOANS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

Eurobonds

Movements of issued Eurobonds during nine months ended 31 March 2021 and 31 March 2020 were as follows:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Balance at the beginning of the reporting period	**73,483**	**61,387**
Amortisation of discount	15	8
Foreign exchange loss	1,867	15,695
Balance at the end of the reporting period	**75,365**	**77,090**

As at 31 March 2021 the fair value of Eurobonds comprised RR'mln 78,789 (31 December 2020: RR'mln 78,098).

13. SHORT-TERM DEBT AND LOANS AND OTHER FINANCIAL LIABILITIES

	31 March 2021	31 December 2020
Debt to banks:		
RR denominated floating rate	2,076	328
	2,076	**328**
Add: current portion of long-term debt (note 12)	57,283	41,038
Total short-term debt and loans and current portion of long-term debt	**59,359**	**41,366**
Add: current portion of lease liabilities (note 8, 12)	1,369	1,299
Total short-term loans and other financial liabilities	**60,728**	**42,665**

As at 31 March 2021 and 31 December 2020 the fair value of short-term loans is approximately equal to the carrying value.

14. OTHER PROVISIONS

	31 March 2021	31 December 2020
Provision for land recultivation	14,475	14,060
Provision for reimbursable repair and maintenance	3,858	3,862
Provision for social obligations	44	21
Total other provisions	**18,377**	**17,943**

15. TRADE AND OTHER PAYABLES

	31 March 2021	31 December 2020
Advances from customers	21,550	16,388
Accrual for employee holidays and cost of travel	7,545	6,863
Trade payables	7,227	6,128
Advances for assets available for sale (note 4.1)	5,132	5,132
Wages and salaries	4,974	4,978
Interest payable	1,433	726
Current portion of provision for land recultivation and reimbursable repair and maintenance	131	106
Payables to associates	8	8
Current portion of provision for social obligation	-	64
Other payables	1,032	724
Total trade and other payables	**49,032**	**41,117**

In accordance with Russian legislation, the Group entities are required to pay for the holiday entitlement, the Group also reimburses the cost of travel for employees and their family members to an agreed-upon destination and back.

The fair value of short-term financial payables at 31 March 2021 and 31 December 2020 approximates their carrying value.

(in millions of Russian roubles, unless otherwise stated)

16. INCOME TAX AND OTHER TAX ASSETS AND LIABILITIES

Social fund payments and taxes payable, other than income tax, comprise the following:

	31 March 2021	31 December 2020
Payments to social funds	2,551	2,711
Extraction tax	1,343	1,762
Property tax	1,212	1,064
Value added tax	1,072	1,173
Personal income tax (employees)	401	557
Other taxes and accruals	135	160
Total taxes payable, other than income tax	**6,714**	**7,427**

Taxes other than income tax, extraction tax and payments to social funds included into other operating expenses comprise the following:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Property tax	1,131	1,099
Other taxes and accruals	110	86
Total taxes other than income tax expense	**1,241**	**1,185**

In accordance with the amendment to the license agreement registered in May 2007, PJSC ALROSA-Nyurba, a subsidiary of the Group, is obliged to make annual royalty payments to the Republic of Sakha (Yakutia) starting from 1 January 2012 in the amount of RR'mln 1,209 per annum.

In June 2020, as part of the upcoming liquidation of PJSC ALROSA-Nyurba, the transfer of licenses for diamond mining from PJSC ALROSA-Nyurba to PJSC ALROSA was completed, and starting from June 2020, annual payments royalties to the budget of the Republic of Sakha (Yakutia) are carried out by PJSC ALROSA.

Income tax comprise the following:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Current tax expense	7,392	2,395
Deferred tax benefits	(1,101)	(480)
Adjustments recognized in the period for current tax of prior periods	(317)	(195)
Total income tax expense	**5,974**	**1,720**

The increase in the estimated average annual tax rate used for the three months ended 31 March 2020 is connected with the greater effect on it of non-tax income and expenses as a result of the reduction in profit before tax.

17. PROVISION FOR PENSION OBLIGATION

The amounts recognised in the condensed consolidated interim statement of financial position in respect of pension obligations associated with the defined benefit plan operated by the Group are as follows:

	31 March 2021	31 December 2020
Present value of obligations	4,005	4,006
Fair value of pension plan assets	(171)	(173)
Pension obligations for the funded plan	3,834	3,833
Present value of unfunded obligation	1,127	1,241
Net liability value	**4,961**	**5,074**

(in millions of Russian roubles, unless otherwise stated)

18. REVENUE

	Three months ended 31 March 2021	Three months ended 31 March 2020
Revenue from rough and polished diamond sales:		
Export	79,187	52,708
Domestic	5,814	4,039
Revenue from diamonds for resale	645	1,457
Total revenue from rough and polished diamond sales	**85,646**	**58,204**
Other revenue:		
Sale of energy	1,301	1,120
Transport	1,109	1,363
Social infrastructure	578	577
Other	674	673
Total revenue	**89,308**	**61,937**

19. COST OF SALES

	Three months ended 31 March 2021	Three months ended 31 March 2020
Wages, salaries and other staff costs	11,218	12,302
Extraction tax	5,943	4,493
Depreciation	5,890	6,177
Fuel and energy	4,146	4,237
Materials	2,720	2,595
Services	1,719	1,481
Cost of diamonds for resale	608	959
Transport	258	592
Other	282	280
Movement in inventory of diamonds, ores and sands	20,212	(3,255)
Total cost of sales	**52,996**	**29,861**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 2,196 for the three months ended 31 March 2021 (for the three months ended 31 March 2020: RR'mln 2,691).

Depreciation includes depreciation of the right-of-use assets amounting to RR'mln 362 for the three months ended 31 March 2021 (for the three months ended 31 March 2020: RR'mln 334).

Depreciation totalling RR'mln 73 for the three months ended 31 March 2021 (for the three months ended 31 March 2020: RR'mln 74) and staff costs totalling RR'mln 508 (for the three months ended 31 March 2020: RR'mln 497) were incurred by the Group's construction divisions and were capitalised into property, plant and equipment in the respective periods.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March 2021	Three months ended 31 March 2020
Wages, salaries and other staff costs	3,383	1,846
Services and other administrative expenses	1,029	940
Allowance for expected credit losses	87	97
Total general and administrative expenses	**4,499**	**2,883**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 358 for the three months ended 31 March 2021 (for the three months ended 31 March 2020: RR'mln 430).

(in millions of Russian roubles, unless otherwise stated)

21. SELLING AND MARKETING EXPENSES

	Three months ended 31 March 2021	Three months ended 31 March 2020
Wages, salaries and other staff costs	407	465
Services and other selling and marketing expenses	287	270
Total selling and marketing expenses	**694**	**735**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 80 for the three months ended 31 March 2021 (for the three months ended 31 March 2020: RR'mln 104).

22. OTHER OPERATING INCOME

	Three months ended 31 March 2021	Three months ended 31 March 2020
Foreign exchange gain	2,718	10,074
Reversal of loss on impairment of property, plant and equipment	5	5
Other	330	319
Total other operating income	**3,053**	**10,398**

23. OTHER OPERATING EXPENSES

	Three months ended 31 March 2021	Three months ended 31 March 2020
Exploration expenses	2,183	2,549
Taxes other than income tax, extraction tax and payments to social funds (note 16)	1,241	1,185
Social costs	950	767
Foreign exchange loss	236	7,771
Loss on disposal of property, plant and equipment	17	5
Other	826	1,094
Total other operating expenses	**5,453**	**13,371**

Social costs consist of:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Charity	437	287
Maintenance of local infrastructure	363	371
Hospital expenses	47	20
Education	15	16
Other	88	73
Total social costs	**950**	**767**

24. FINANCE INCOME

	Three months ended 31 March 2021	Three months ended 31 March 2020
Foreign exchange gain*	2,543	8,450
Interest income	420	471
Total finance income	**2,963**	**8,921**

(in millions of Russian roubles, unless otherwise stated)

25. FINANCE COSTS

	Three months ended 31 March 2021	Three months ended 31 March 2020
Interest expense:		
Eurobonds	(732)	(1,070)
Bank loans	(465)	(391)
Bonds RR denominated	(352)	-
Other financial liabilities	(88)	(150)
Unwinding of discount of provisions	(253)	(139)
Unwinding of discount of leases	(118)	(126)
Foreign exchange loss*	(3,343)	(29,256)
Total finance costs	**(5,351)**	**(31,132)**

Other finance expenses for the three months ended 31 March 2021 include interest expense on pension obligation in the amount of RR'mln 80 (for the three months ended 31 March 2020: RR'mln 122).

*Foreign exchange gain and loss (notes 24, 25) for the three months ended 31 March 2021 and the three months ended 31 March 2020 are related to revaluation of foreign currency deposits, debt, lease liability and bonds.

26. CASH GENERATED FROM OPERATING ACTIVITIES

Reconciliation of profit before tax to cash generated from operating activities:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Profit before income tax	**29,993**	**4,778**
Adjustments for:		
Share of net profit of associates and joint ventures (note 4)	(2,451)	(998)
Interest income (note 24)	(420)	(471)
Interest expense (note 25)	2,008	1,876
Loss on disposal of property, plant and equipment (note 23)	17	5
Change in provision for impairment of receivables and obsolete inventories, net	(6)	44
Depreciation and amortisation (notes 7, 8, 19)	6,029	6,295
Reversal of loss on impairment of property, plant and equipment (note 7, 22)	(5)	(5)
Adjustments for non-cash financing activity	1,059	(47)
Unrealised foreign exchange effect on non-operating items	(1,682)	18,504
Net operating cash flows before changes in working capital	**34,542**	**29,981**
Net (increase) / decrease in inventories	22,500	(179)
Net increase in trade and other receivables, excluding dividends receivable	(1,146)	(203)
Net increase in provisions, trade and other payables, excluding interest payable and payables for acquired property, plant and equipment	6,718	739
Net increase / (decrease) in taxes payable other than income tax	(616)	174
Cash inflows from operating activities	**61,998**	**30,512**
Income tax paid	(6,905)	(6,023)
Net Cash Inflows from Operating Activities	**55,093**	**24,489**

27. CONTINGENCIES AND COMMITMENTS

(a) Operating environment of the Russian Federation

COVID-19

On 12 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Russian and global economy for an unknown period of time.

27. CONTINGENCIES AND COMMITMENTS (CONTINUED)

The restrictions imposed worldwide to combat the new COVID-19 coronavirus infection led to a drop in demand for rough diamonds and diamond jewellery and minimized the trade in rough and cut diamonds on all global markets in April, May and June, their influence continued in July with partial market recovery in August, and renewal of regular demand starting September and till the end of 2020. Regular sales continued in the first quarter of 2021, which allowed the Group to repay part of the loans raised during the lockdown period (note 31).

Management takes all necessary measures to ensure the sustainability of the Group's operations, to support its customers and employees, to implement ongoing sales and production processes, and to maintain liquidity and solvency.

This operating environment has a significant impact on the Group’s operations and financial position. The Group continues to monitor the situation and implement a set of actions to minimise the impact of potential risks on the Group’s operations and financial position. Future economic downturns or continuing uncertainty of future market conditions could adversely affect diamond demand and prices, and any sustained decline in the market price or consumer demand for rough diamonds would have a material adverse effect on the Group’s business, financial condition, results of operations and perspectives. Management is taking the necessary actions to ensure the sustainability of the Group. However, the future impact of the current economic environment is difficult to predict and management’s current expectations and estimates may differ from actual results.

As at 31 March 2021, the Group's management does not see any indicators or reasons for updating the impairment testing conducted as at 31 December 2020. Based on the assessment done for compliance with terms of credit facilities in foreseeable future, the Group does not expect default or breach under any of its credit facilities.

(b) Taxes

Russian tax legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover earlier periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm’s length.

Management of the Group believes that its pricing policy is arm’s length and it has implemented internal controls to be in compliance with the transfer pricing legislation.

Tax liabilities arising from transactions between Group’s companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The profit of the CFC, with exemption under the Law, is taxed at a rate of 20%.

27. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(c) Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operations or financial position of the Group as at 31 March 2021.

(d) Capital commitments

As at 31 March 2021 the Group had contractual commitments for capital expenditures of approximately RR'mln 3,104 (31 December 2020: RR'mln 2,804).

(f) Restoration, rehabilitation and environmental costs

Under its license agreements, the Group is not responsible for any significant restoration, rehabilitation and environmental expenditures that may be incurred subsequent to the cessation of production at each mine, apart from the obligation to perform recultivation of certain disturbed lands and tailing pits in the areas of its operating activity. At 31 March 2021 the Group recognised a provision for these future expenses in the amount of RR'mln 14,475 (31 December 2020: RR'mln 14,060), see note 14.

(g) Compliance with covenant

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants at 31 March 2021 and 31 December 2020.

28. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if parties are under common control, or one party has the ability to control the other party, or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Russian Federation and the Republic of Sakha (Yakutia)

Federal Agency for State Property Management on behalf of the Russian Federation and the Ministry of the property and land relations of the Republic of Sakha (Yakutia) on behalf of the Republic of Sakha (Yakutia) are the major shareholders of the Company. As at 31 March 2021 58.0 per cent of the Company's issued shares were directly owned by the Governments of the Russian Federation and the Republic of Sakha (Yakutia).

Also as at 31 March 2021 eight per cent of the Company's shares were owned by administrations of 8 districts (ulus) of the Republic of Sakha (Yakutia).

In accordance with the Company Charter, the Supervisory Board is elected in the amount of 15 people. Following the General Meeting of Shareholders on 24 June 2020, the 15 seats on the Supervisory Board include 6 representatives of the Russian Federation (including 1 – the Chair of the Management Board), 4 representatives of the Republic of Sakha (Yakutia), 1 representative of the districts of the Republic of Sakha (Yakutia), 1 representative of minority shareholders and 3 independent Directors (1 of them was nominated by the Federal Agency for state property management, exercising the rights of the Russian Federation as a shareholder of the Company, 1 was nominated by the Ministry of property and land relations of the Republic of Sakha (Yakutia), 1 was nominated by foreign minority shareholders).

Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

(in millions of Russian roubles, unless otherwise stated)

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Group's tax balances are disclosed in the consolidated statement of financial position and in notes 10 and 16. Tax transactions are disclosed in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and in notes 16, 19, 20, 21, 23 and 25.

Parties under control or significant influence of the Government

In the normal course of business the Group enters into transactions with other entities under Governmental control or significant influence. The principal forms of such transactions are diamond sales, fuel and electricity purchases and borrowings. Prices of diamonds sales are set by reference to price lists approved by the Ministry of Finance of the Russian Federation; electricity tariffs in Russia are partially regulated by the Federal Tariffs Service.

The amounts of balances and transactions with related parties under Governmental control or significant influence are detailed below:

Consolidated Statement of Financial Position	**31 March 2021**	**31 December 2020**
Long-term accounts receivable	18	16
Short-term accounts receivable	1,900	1,833
Short-term accounts payable	1,418	1,478
Loans received by the Group*	3,682	1,913
Cash and cash equivalents	35,943	83,938
Bank deposits	109,612	26,183

* The line includes the loans received from banks under the Government control with various due dates and interest rates (note 12, 13).

Consolidated Statement of Profit or Loss and Other Comprehensive Income	**Three months ended 31 March 2021**	**Three months ended 31 March 2020**
Sales of diamonds	112	78
Other sales	421	1,437
Income from grants	1,513	809
Electricity and heating expenses	(992)	(1,291)
Other purchases	(1,079)	(1,001)
Interest income	279	88
Interest expense	(47)	(43)

Key management compensation

The Supervisory Council of the Company consists of 15 members, including state representatives of Governments of the Russian Federation and the Republic of Sakha (Yakutia) and the minority shareholders. Compensation for serving as members of the Supervisory Council is not paid to the Chairman and members of the Supervisory Council who have the status of government or municipal public employee - according to Russian legislation, as well as to the members of the Supervisory Council who are also the individual executive body or a member of the collegial executive body.

As at 31 March 2021 and 31 December 2020 the Management Board consisted of 6 members. As at 31 March 2021 and 31 December 2020 one of the Management Board member was also a member of the Supervisory Council. Management Board members are entitled to salary, bonuses, voluntary medical insurance and other short-term employee benefits. Salary and bonus compensation paid to members of the Management Board (excluding the CEO - Chairman of the Management Board) is determined by the terms of "Remuneration Policy for the members of the Management Board of PJSC ALROSA" approved by the Company's Supervisory Council on 27 December 2019. Salary and bonus compensation paid to the CEO - Chairman of the Management Board is determined by the terms of "Remuneration Policy for the the CEO - Chairman of the Management Board of PJSC ALROSA" approved by the Company's Supervisory Council on 27 December 2019.

According to Russian legislation, the Group makes contributions to the Pension Fund of Russian Federation for all of its employees including key management personnel. Key management personnel also could be eligible for non-state pension after retirement according to the Policy on "Non-state pension provisions of the employees of PJSC ALROSA".

Key management received short-term benefits for the three months ended 31 March 2021 totalling RR'mln 127 (three months ended 31 March 2020: RR'mln 54).

(in millions of Russian roubles, unless otherwise stated)

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Share-based payments

As at 31 March 2021 within the framework of the approved Long-Term Motivation Program for the Company's management the Group recognized a liability for remuneration of employees with share-based payments in the amount of RR'mln 179 in other long-term liabilities (31 December 2020: RR'mln 129), and also in other short-term liabilities in the amount RR'mln 4,789 (31 December 2020: RR'mln 3,668) for the participants with the Program' due date in 2021. The program is set for a period of 3 years and is tied to the indicators of shareholders profitability and applies to members of the Management Board, heads of subsidiaries, units and other employees whose professional activities have key impact on the operating and financial results of the Group. The liability is remeasured at fair value at each reporting date and all changes are recognized immediately in profit or loss statement.

Fair value of shares and share options was valued by Black-Scholes model.

Associates and Joint Ventures

Significant balances and transactions with associates and joint ventures are summarised as follows:

Current accounts receivable	**31 March 2021**	**31 December 2020**
Catoca Mining Company Ltd, dividends and other receivables	114	104
Total current accounts receivable	**114**	**104**

Significant balances and operations with associates are disclosed in note 4.

Other operations with associates

Transactions with the Group's pension plan are disclosed in note 17, accounts payable to associates are disclosed in note 15. Social costs incurred by the Group in relation to the parties under control of the Government are presented by charity costs and make up the largest part of them. These expenses are disclosed in note 23.

29. SEGMENT INFORMATION

The Management Board of the Company has been determined as the Group's Chief Operating Decision-Maker (CODM).

The Group's primary activity is the production and sales of diamonds. The internal management reporting system is mainly focused on the analysis of information relating to production and sales of Diamond segment, however information relating to other activities (represented by several subdivisions of the Company and separate legal entities of the Group`s all other business) is also regularly reviewed by the CODM.

The Management Board evaluates performance and makes investment and strategic decisions based upon review of operating activity results (i.e. meeting production targets and monitoring of actual expenditures against budget allocated by production and sales of diamonds and other activities) as it believes that such information is the most relevant in evaluating the results. No specific measure of profit or loss is analysed by the CODM on entity by entity basis.

The following items are analysed on the Group level and are not allocated between segments for the purposes of the analysis:

- finance income;
- finance cost;
- share of net profit of associates;
- income tax expense or benefit;
- non-cash items other than depreciation;
- total assets and liabilities and
- capital expenditure.

29. SEGMENT INFORMATION (CONTINUED)

The following reportable segments were identified by the Management Board:

- Diamonds segment – extraction and sales of diamonds, production and sale of microgrits and diamonds;
- Transportation – airline business, transportation services and services at transportation terminals, ports and airports;
- Social infrastructure – include residential housing units, sports complexes and cultural facilities, such as cinemas and theatres and other social infrastructure;
- Other activities.

Information regarding the results of the reportable segments is presented below. In 2020, following change of reporting regularly provided to CODM, the Group has changed the format for presentation of segment information. The new format presents data for segment information based on IFRS principles in line with the Group's consolidated financial statements and the data for CODM is also presented for administrative, selling and marketing expenses, other operating income and other operating expenses. For the comparability, prior period segment information was restated according to new principles. Main reclassifications and adjustments that were necessary for Group's financial statements to be presented in accordance with IFRS are connected with cost of sales and include classification of exploration expenses, accrual for pension and other obligations and different treatment of extraction tax.

(in millions of Russian roubles, unless otherwise stated)

29. SEGMENT INFORMATION (CONTINUED)

Three months ended 31 March 2021	**Diamonds segment**	**Transport**	**Social infra-structure**	**Other activities**	**Total**
Revenue	**85,646**	**1,262**	**1,290**	**5,083**	**93,281**
Intersegment revenue	-	(153)	(712)	(3,108)	(3,973)
Sub-total: Reportable revenue	**85,646**	**1,109**	**578**	**1,975**	**89,308**
Cost of sales	**(48,416)**	**(730)**	**(1,399)**	**(6,043)**	**(56,588)**
including depreciation in cost of sales	*(4,601)*	*(593)*	*(165)*	*(531)*	*(5,890)*
Intersegment cost of sales	2,530	190	528	344	3,592
Sub-total: Reportable cost of sales	**(45,886)**	**(540)**	**(871)**	**(5,699)**	**(52,996)**
Royalty	**(302)**	**-**	**-**	**-**	**(302)**
Income from grants	**-**	**48**	**917**	**548**	**1,513**
Gross profit/ (loss)	**36,928**	**580**	**808**	**(412)**	**37,904**
intersegment	**2,530**	**37**	**(184)**	**(2,764)**	**(381)**
General and administrative expenses	(3,993)	(68)	(216)	(393)	(4,670)
Intersegment general and administrative expenses	28	82	22	39	171
Selling and marketing expenses	(623)	(31)	(2)	(56)	(712)
Intersegment selling and marketing expenses	18	-	-	-	18
Other operating income / (expenses), net	(969)	74	(442)	(1,217)	(2,554)
Intersegment operating income / (expenses)	-	13	15	126	154
Operating profit/ (loss)	**31,343**	**555**	**148**	**(2,078)**	**29,968**
intersegment	**2,576**	**132**	**(147)**	**(2,599)**	**(38)**

Three months ended 31 March 2020	**Diamonds segment**	**Transport**	**Social infra-structure**	**Other activities**	**Total**
Revenue	**58,204**	**2,043**	**1,162**	**4,170**	**65,579**
Intersegment revenue	-	(680)	(585)	(2,377)	(3,642)
Sub-total: Reportable revenue	**58,204**	**1,363**	**577**	**1,793**	**61,937**
Cost of sales	**(25,093)**	**(1,629)**	**(1,451)**	**(4,697)**	**(32,870)**
including depreciation in cost of sales	*(4,893)*	*(487)*	*(249)*	*(548)*	*(6,177)*
Intersegment cost of sales	2,279	31	348	351	3,009
Sub-total: Reportable cost of sales	**(22,814)**	**(1,598)**	**(1,103)**	**(4,346)**	**(29,861)**
Royalty	**(302)**	**-**	**-**	**-**	**(302)**
Income from grants	**-**	**44**	**433**	**332**	**809**
Gross profit/ (loss)	**32,809**	**458**	**144**	**(195)**	**33,216**
intersegment	**2,279**	**(649)**	**(237)**	**(2,026)**	**(633)**
General and administrative expenses	(2,920)	(198)	(127)	(295)	(3,540)
Intersegment general and administrative expenses	522	96	16	23	657
Selling and marketing expenses	(667)	(16)	(1)	(60)	(744)
Intersegment selling and marketing expenses	7	-	-	2	9
Other operating income / (expenses), net	445	(45)	(439)	(3,180)	(3,219)
Intersegment operating income / (expenses)	94	10	18	124	246
Operating profit/ (loss)	**29,667**	**199**	**(423)**	**(3,730)**	**25,713**
intersegment	**2,902**	**(543)**	**(203)**	**(1,877)**	**279**

(in millions of Russian roubles, unless otherwise stated)

29. SEGMENT INFORMATION (CONTINUED)

Revenue from sales and income from grants by geographical location of the customer is as follows:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Belgium	30,544	28,494
United Arab Emirates	21,712	8,488
India	18,223	10,605
Russian Federation	10,623	8,320
Israel	7,060	5,009
China	965	728
Switzerland	722	271
Angola	278	261
Republic of Botswana	248	213
USA	160	165
United Kingdom	109	65
Belarus	108	99
SAR	29	-
Indonesia	26	-
Germany	5	-
Japan	4	-
Armenia	-	3
Other countries	5	25
Total	**90,821**	**62,746**

Non-current assets (other than financial instruments, deferred tax), including financial assets at fair value through profit or loss and investments in associates and joint ventures, by their geographical location are as follows:

	31 March 2021	31 December 2020
Russian Federation	227,377	230,377
Angola	14,744	11,867
Other countries	552	567
Total non-current assets	**242,673**	**242,811**

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The estimated fair values of financial instruments are determined with reference to various market information and other valuation techniques as considered appropriate.

The different levels of fair value hierarchy have been defined as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to assess at the measurement date. For the Group, Level 1 inputs include debt instruments that are actively traded on the European and Russian domestic markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For the Group, Level 2 inputs include observable market value measures applied to loans and borrowings.
- Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

(in millions of Russian roubles, unless otherwise stated)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Recurring fair value measurements

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 March 2021				31 December 2020			
	Level				Level			
	1	**2**	**3**	**Total**	**1**	**2**	**3**	**Total**
Financial assets at fair value through profit or loss	103	-	5	**108**	100	-	5	**105**
Total	**103**	**-**	**5**	**108**	**100**	**-**	**5**	**105**

Assets and liabilities not measured at fair value but for which fair value is disclosed

As at 31 March 2021 the Group had the following assets and liabilities not measured at fair value but for which fair value is disclosed, classified by the levels of the fair value hierarchy:

	Quoted price in an active market (Level 1)	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**	**Total**
Current and non-current financial assets				
Bank deposits	-	134,230	-	134,230
Current and non-current financial receivable	-	9,310		9,310
Loans issued	-	-	522	522
Cash and cash equivalents	-	60,308	-	60,308
Total financial assets	**-**	**203,848**	**522**	**204,370**
Loans from banks	-	8,089	-	8,089
Eurobonds	75,365	-	-	75,365
Bonds RR denominated	25,000	-	-	25,000
Total non-current financial liabilities	**100,365**	**8,089**	**-**	**108,454**
Current financial liabilities				
Loans from banks	-	59,359	-	59,359
Financial accounts payable	-	9,700	-	9,700
Dividends payable	-	162	-	162
Total current financial liabilities	**-**	**69,221**	**-**	**69,221**
Total financial liabilities	**100,365**	**77,310**	**-**	**177,675**

(in millions of Russian roubles, unless otherwise stated)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2020 the Group had the following assets and liabilities not measured at fair value but for which fair value is disclosed, classified by the levels of the fair value hierarchy:

	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Current and non-current financial assets				
Bank deposits	-	49,742	-	49,742
Current and non-current financial receivable	-	7,976	-	7,976
Loans issued	-	-	559	559
Cash and cash equivalents	-	86,872	-	86,872
Total financial assets	**-**	**144,590**	**559**	**145,149**
Loans from banks	-	23,080	-	23,080
Eurobonds	73,483	-	-	73,483
Bonds RR denominated	25,000	-	-	25,000
Total non-current financial liabilities	**98,483**	**23,080**	**-**	**121,563**
Current financial liabilities				
Loans from banks	-	41,366	-	41,366
Financial accounts payable	-	7,586	-	7,586
Dividends payable	-	177	-	177
Total current financial liabilities	**-**	**49,129**	**-**	**49,129**
Total financial liabilities	**98,483**	**72,209**	**-**	**170,692**

There were no transfers between Levels 1, 2 and 3 during the period. There were no reclassifications of available-for-sale investments' losses from other comprehensive income into the profit or loss.

31. SUBSEQUENT EVENTS

Loans

On 16 April 2021 the Group has early repaid the bank loan in the amount of RR'mln 6,000 with the initial due date of 18 April 2022.

On 23 April 2021 the Group has early repaid the bank loan in the amount of US$ mln 150 with the initial due date of 22 October 2021.

Dividends

On 27 April 2021, the Supervisory Board recommended the General Meeting of Shareholders to distribute as dividends for 2020 the amount of RR'bn 70.3 or RR 9.54 per share. This recommendation is subject for approval by the Annual General Meeting of Shareholders to be held on 16 June 2021.