ALROSA Q1 2021 IFRS results

Moscow, 18 May 2021 – ALROSA, a global leader in diamond mining, announces its IFRS results for Q1 2021.

- **Revenue** decreased by 8% q-o-q to **RUB 90.8 bn**, on the back of weaker diamond sales, which was partially offset by a better sales mix and growth of average realised prices. A 45% y-o-y revenue increase was driven by higher sales volumes (up 65% y-o-y) and the rouble depreciation.
- **EBITDA** added 5% q-o-q and amounted to **RUB 33.5 bn**, mainly due to lower SG&A expenses and higher average realised prices. A 12% y-o-y rise was attributable to sales growth and the rouble depreciation.
- **EBITDA margin** was up 5 pp q-o-q to **37%** (down 11 pp y-o-y).
- **Net profit** increased by 13% q-o-q to **RUB 24 bn**, on stronger return on sales. 7.9x y-o-y growth was related to increasing sales volumes and less pronounced negative FX effect.
- **Free cash flow (FCF)** in Q1 stood at **RUB 52.7 bn** (down RUB 12.5 bn q-o-q, up RUB 30.9 bn y-o-y) supported by lower working capital on the back of consistently high stock sales, recovery in prices and a seasonal reduction in investments.
- **Capex** seasonally went down by 46% q-o-q to **RUB 2.4 bn** (down 10% y-o-y).
- **Net debt / LTM EBITDA** as at the end of Q1 dropped to **minus 0.2x** (Q4’20: 0.4x).
- The 2021 outlook remains unchanged:
  - Production – 31.5 m cts;
  - Capex – ca. RUB 25 bn

RUB bn	Q1 2021	Q4 2020	q-o-q	Q1 2020	y-o-y
Diamond sales, m ct, incl.	15.5	17.0	*(9%)*	9.4	*65%*
gem-quality	9.7	12.2	*(20%)*	7.1	*38%*
industrial	5.8	4.8	*22%*	2.4	*2.5x*
Revenue	90.8	98.6	*(8%)*	62.7	*45%*
EBITDA	33.5	31.8	*5%*	30.0	*12%*
EBITDA margin	37%	32%	*5 pp*	48%	*(11 pp)*
Net profit	24.0	21.3	*13%*	3.1	*7.9x*
Free cash flow[1]	52.7	65.2	*(19%)*	21.8	*2.4x*
Net debt[2]	(21.7)	31.2	*(169%)*	77.4	*(128%)*
Net debt / LTM EBITDA	(0.2x)	0.4x	-	0.7x	-

Alexey Philippovskiy, ALROSA's CFO:

"Q1 saw a continued increase in demand for diamond jewelry from end consumers across all key markets, mainly in the US and China. In particular, the US market demonstrated a double-digits growth even against the 2019 results.

Thanks to strong demand and relatively low stocks in the cutting sector, diamond producers managed to significantly improve sales, while prices recovered to the early 2020 levels by the end of Q1'21.

ALROSA's Q1 sales totalled 15.5 m cts, up 65% y-o-y and 47% more than in Q1'19, delivering robust financial results for the quarter, with RUB 91 bn in revenue and a 5% y-o-y growth in EBITDA which came at RUB 33.5 bn. Impressive sales volumes, which were more than twice as high as production, and a seasonal decrease in capex translated into a 2.4x growth in Free Cash Flow toRUB 52.7 bn, record-high for this period.

On the back of the strong free cash flow, the Company's net debt turned negative to minus RUB 22 bn. As a result, ALROSA's leverage (Net Debt / EBITDA) as at the end of Q1 totalled -0.2x (Q4'20: 0.4x).

The Company's stable cash flow generation and material leverage improvement resulted in historically high half-year dividends – the recommended amount for H2'20 is RUB 70.3 bn, or RUB 9.54 per share. The dividend payment is to be discussed at the Annual General Meeting of Shareholders on 16 June 2021.

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

Hereinafter, data on Q1 2021 production, sales, prices, and inventories is preliminary and may be updated. Data on the diamond market is the Company's estimate.

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

18 May, 5 pm Moscow time	Q1 2021 IFRS results – conference call with management (conference call details)
16 June	AGM of Shareholders – H2'20 dividend approval

[1] 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).

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

4 July	Record date – to be approved by the AGM of Shareholders
16 July	Q2 and 6M 2021 trading update
13 August	Q2 and 6M 2021 IFRS results – conference call with management

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PUBLICATIONS ARCHIVE

- **Q1 2021 IFRS results**
- **April 2021 sales results**
- **Q1 2021 trading update**(key indicators – *Appendix 4*)
- **Capital Markets Day**

MANAGEMENT DISCUSSION AND ANALYSIS OF ALROSA GROUP FINANCIAL RESULTS FOR Q1 2021

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

Q1 2021 DIAMOND MARKET OVERVIEW

- Sustained steady demand for diamond jewelry in the key US and China markets encourages new orders and prompts demand from polishers.

- Midstream' inventories are moderate.

- Rough diamond supply by leading producers is declining as the previously accumulated stocks are being sold out. This supports the demand and supply balance in the diamond market.

KEY FINANCIAL HIGHLIGHTS

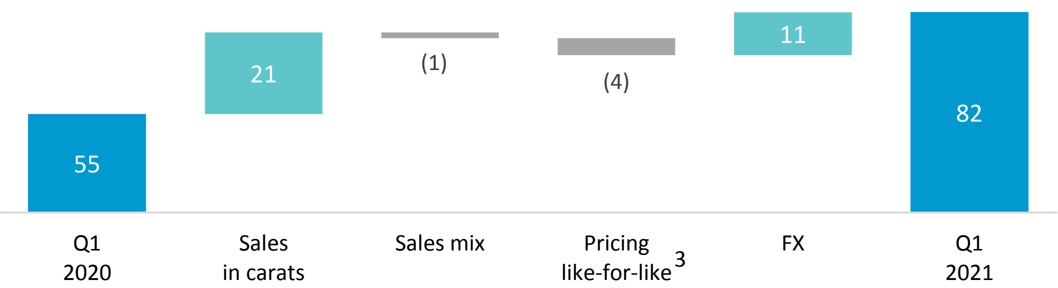
Revenue

Revenue: RUB 90.8 bn

- In Q1, **revenue** decreased by 8% q-o-q to **RUB 90.8 bn** driven by weaker diamond sales partially offset by a better sales mix and rising prices.[3] Revenue added 45% y-o-y against the backdrop of higher sales volumes (up 65% y-o-y) and the rouble depreciation.

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

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



- **Revenue from diamond sales** in Q1 amounted to **RUB 85.6 bn**, down 8% q-o-q (up 47% y-o-y), including **gem-quality diamond sales** at **RUB 81.6 bn**. This was attributed to a 20% drop in the volumes of gem-quality diamond sales partially offset by improved sales mix. Sales exceeded production by 2.1x due to the sale of the previously accumulated stocks.
- **Other revenue** in Q1 was down 15% q-o-q (down 2% y-o-y) to RUB 3.7 bn due to lower transportation segment revenue reflecting a seasonal reduction in passenger traffic at ALROSA Air Company. A 2% y-o-y decline was related to decreased revenue in the transportation segment amid the COVID-19 restrictions.
- **Income from grants** rose by 52% q-o-q to **RUB 1.5 bn** as the grant for housing and utilities maintenance was carried over from Q4’20 to Q1’21 due to late signing of the agreement for grants financing (February 2021). The 87% y-o-y

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

increase was attributable to (a) deferral of accrual of the grant for housing and utilities maintenance from Q4’20 to Q1’21 and (b) higher electricity grants associated with a rise in tariffs and the number of consumers, as well as higher generation volumes.

- **Q1 total sales costs (production and non-production)** went down 14% q-o-q to **RUB 57.3 bn**, which was mainly driven by:
  - **Production related cost of goods sold amounted to RUB 40.6 bn** (down 17% q-o-q, or RUB 8.3 bn):

    (+) RUB 9.3 bn decrease in the “Movement of diamond inventories” item due to lower volumes of sales from stocks in Q1’21 vs Q4’20 (7.9 m cts vs 9.9 m cts);

    (+) RUB 0.4 bn decline in the “Movement of ore and sands inventories” item (to RUB 0.3 bn from RUB 0.7 bn in Q4) due to a seasonal decrease in unit cost of ore inventories amid the rising share of inventories comprised of ores and sands from the deposits of Severalmaz and Almazy Anabara with lower per unit costs;

    (-) 14% growth of wages, salaries and other staff costs (up RUB 1.4 bn) mainly driven by an increase in provisions for vacations and travel expenses for employees;

    (-) 16% growth of fuel and energy costs (up RUB 0.6 bn) mainly due to an increase in ore and gravels output;

    (+) seasonal reduction in materials costs by 16% (down RUB 0.5 bn) due to the timing of repairs.
  - **Non-production costs** declined by 6% q-o-q to **RUB 16.8 bn** (down RUB 1.1 bn):

    (+) 25% reduction of SG&A expenses (down RUB 1.6 bn) attributable to a decrease in accruals for the management option programme;

    (+) seasonal decline in social expenses by 53% (up RUB 1.1 bn) due to the high base of Q4’2020 – at the end of the year a RUB 0.9 bn provision was made for contributions to the dedicated Special Fund for Future Generations;

    (-) RUB 1.7 bn increase in other non-production expenses (income) due to (a) reduction of other income against the high Q4’20 base as a result of RUB 1.1 bn received in dividends for the 8.2% interest in Catoca recognised on the balance sheet as assets held for sale and (b) RUB 0.6 bn growth in the volumes of diamonds for resale.

- **Total sales costs rose by 75% y-o-y:**
  - **Production costs**: **RUB 40.6 bn** (up 2.2x, or RUB 22.3 bn)**:**

    (-) RUB 18.9 bn increase in the “Movement of diamond inventories” item (to RUB 19.9 bn from RUB 1.1 bn in Q1’20) due to higher sales of stocks;

(-) RUB 4.6 bn rise in the "Movement of ore and sands inventories" item (to RUB 0.3 bn from minus RUB 4.3 bn in Q1'20) driven by a decrease in per unit costs of ores and sands in Q1'21;

(+) 9% decline in wages, salaries and other staff costs (down RUB 1.1 bn) due to lower output (down RUB 0.6 bn) and optimisation measures (down RUB 0.5 bn).

- **Non-production costs** amounted to **RUB 16.8 bn** (up 15% y-o-y, or RUB 2.2 bn):

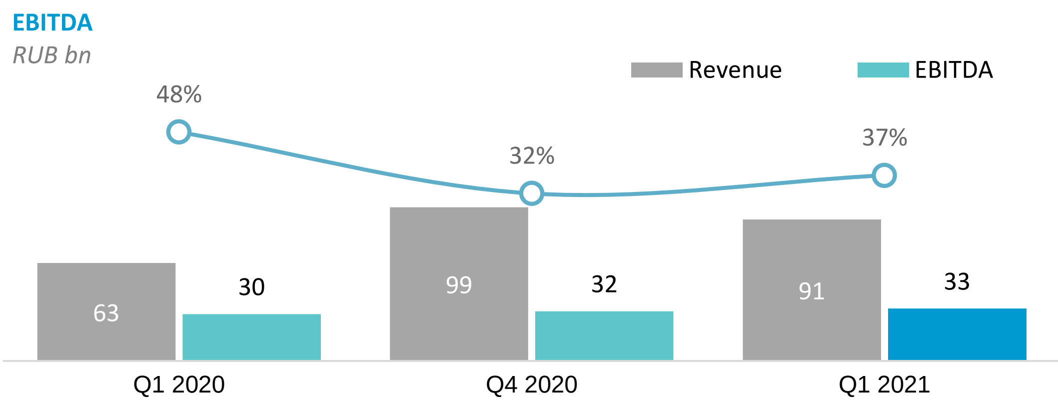
  (+) 32% growth of MET expenses (up RUB 1.5 bn) as volumes of primary valuation of diamonds produced in previous periods increased in Q1 after personnel furlough in 2020 caused by the pandemic and the rouble depreciation;

  (-) RUB 1.6 bn increase in SG&A expenses caused by a change in accruals for the management option programme due to positive changes in ALROSA share prices;

  (+) reduction of exploration costs by 14% (down RUB 0.4 bn) as per the geological assignment;

  (+) 36% drop in other non-production expenses (down RUB 0.6 bn) mainly due to a decrease in the cost of diamonds for resale (down RUB 0.4 bn).

Q1 production costs, excluding inventory movement, amounted to RUB 20.3 bn (up 7% q-o-q, down 5% y-o-y).



EBITDA: RUB 33.5 bn

- **EBITDA** in Q1 grew by 5% q-o-q to **RUB 33.5 bn**, mainly driven by lower SG&A expenses and higher average realised prices. A 12% y-o-y rise was attributable to sales growth amid the reduction of average realised prices.
- **FX rate impact** on EBITDA in Q1 stood at minus RUB 2.4 bn q-o-q, propped by the rouble appreciation against the US dollar by 2% q-o-q, as ca. 90% of the Company revenue is FX-denominated while more than 80% of its costs are denominated in roubles.

EBITDA margin: 37%

- **EBITDA margin** in Q1 amounted to **37%** (up 5 pp q-o-q and down 11 pp y-o-y).

EBITDA calculation *RUB m*	Q1 2021	Q4 2020	Q1 2020
Operating profit	29,930	21,506	25,992
Depreciation	6,029	5,921	6,295
Adjustments (see financial statements in Excel)	(2,470)	4,408	(2,303)
EBITDA	**33,489**	**31,835**	**29,984**

Net profit:
RUB 24.0 bn

- **Net profit** in Q1 totalled **RUB 24.0 bn**, up 13% q-o-q and 7.9x y-o-y, driven by stronger return on sales amid declining per unit costs and increasing average realised prices, as well as lowering SG&A expenses (see page 7) and a seasonal reduction in social expenses. The net FX effect of RUB 1.7 bn also had a positive impact on the net profit. 7.9x y-o-y growth was related to an increase in sales volumes, and hence revenue, and less pronounced negative FX effect.

LIQUIDITY, WORKING CAPITAL, AND CAPITAL EXPENDITURE

Cash position

Cash and cash equivalents: $2.6 bn

- As at the end of Q1, **cash and cash equivalents and 90+ days deposits** rose by RUB 57.9 bn q-o-q, to **RUB 194.5 bn ($2,570 m)** driven by a positive free cash flow, including as a result of diamond sales from inventories.

  Breakdown by currency: 93% – US dollars, 7% – roubles.

Operating activity

- In Q1, **operating cash flow** stood at **RUB 55.1 bn**. The q-o-q decline of RUB 14.5 bn (up RUB 30.6 bn y-o-y) was due to reduced working capital release (impact on the operating cash flow: down RUB 14.3 bn q-o-q).

Working capital analysis

Working capital

RUB m, as at the end of the period	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Diamond inventories	46,669	66,708	95,895	83,871	71,883
Inventories of ores and sands mined	20,063	20,331	20,995	27,997	19,736
Mining and construction materials, consumable and other supplies	29,215	31,185	34,395	32,774	30,009
Trade and other receivables *(excl. interest receivable)*	11,370	10,156	9,273	11,898	14,750
Prepaid taxes, other than income tax	118	145	158	90	226
Accounts payable to employees	(12,519)	(11,841)	(10,980)	(11,286)	(11,844)
Trade and other payables *(excl. interest payable)*	(27,877)	(22,038)	(15,513)	(6,700)	(9,215)
Other taxes payable	(6,714)	(7,427)	(5,826)	(6,302)	(7,388)
Working capital	**60,325**	**87,219**	**128,397**	**132,342**	**108,157**

- **In Q1 2021, working capital declined by RUB 26.9 bn** (down 31% q-o-q) as a result of:

  (+) a decrease in diamond inventories by RUB 20.0 bn (down 30%) as sales exceeded production by 8.0 m cts amid consistently strong sales and a seasonal decline in diamond output;

  (+) a decrease in inventories of ores and sands mined in value terms by RUB 0.3 bn (down 1%) and inventories adding 2.9 mt due to a lower per unit cost of ore inventories, including as a result of a larger share of inventories comprised of ores and sands from the deposits of Severalmaz and Almazy Anabara with lower per unit costs;

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

  (+) a 26% rise in trade and other payables (up RUB 5.8 bn) associated with an increase in advances from customers for Q2 2021 supplies;

  (-) an increase in trade and other receivables by RUB 1.2 bn (up 12%) as other receivables grew due to outstanding FX sales transactions using an account with the National Clearing Centre as at 31 March 2021.

As at the end of Q1, working capital shrank by 44% y-o-y (down RUB 47.8 bn) as a result of:

(+) a decrease in rough diamond inventories by RUB 25.2 bn, or 8.3 m cts in physical terms, as sales exceeded production;

(-) growth in inventories of ores and sands mined by RUB 0.3 bn (up 2%) driven by higher per unit costs of ores and sands, including as a result of a lower share of sands from Almazy Anabara deposits;

(+) a decrease in trade and other receivables by RUB 3.4 bn (down 23%) mainly due to lower VAT claimed for reimbursement and a decrease in receivables from customers;

(+) a 3x rise in trade and other payables (up RUB 18.7 bn) associated with an increase in advances from customers for Q2 2021 supplies.

Free Cash Flow

RUB m	**Q1 2021**	**Q4 2020**	**Q1 2020**
EBITDA	33,489	31,835	29,984
Changes in working capital	26,894	41,178	(903)
Income tax paid	(6,905)	(2,305)	(6,023)
Other	1,615	(1,087)	1,431
Operating cash flow	**55,093**	**69,621**	**24,489**
Capex	(2,374)	(4,421)	(2,645)
Free cash flow	**52,719**	**65,200**	**21,844**

FCF: RUB 52.7 bn

- **Free cash flow (FCF)** in Q1 stood at **RUB 52.7 bn**, declining by 19% q-o-q (down RUB 12.5 bn q-o-q and up RUB 30.9 bn y-o-y) as a result of the reduced working capital release in Q1 2021 vs Q4 2020.

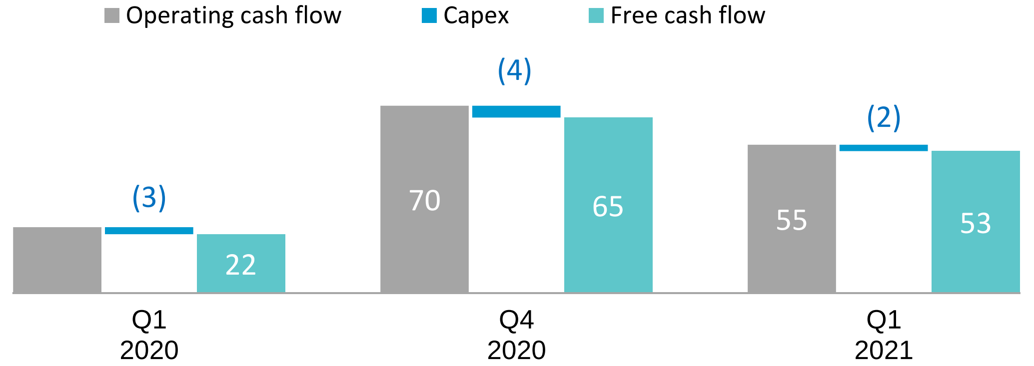
Investment activities

Capex: RUB 2.4 bn

- **Cash outflow from investing activities (excluding outflow of cash to bank deposits)** in Q1 was represented by capex of RUB 2.4 bn (down 46% q-o-q and 10% y-o-y).
- **Cash inflow from investing activities (excluding inflow of cash from bank deposits)** in Q1 amounted to **RUB 0.2 bn**.
- **Net outflow of cash from investing activities** in Q1, including net outflow to bank deposits (down RUB 82.1 bn), amounted to **RUB 84.3 bn**.

Capex and free cash flow

RUB bn



Financing activities

Total debt: $2.3 bn

- **Total debt** (including lease liabilities[4]) for Q1 stood at **$2,284 m** (up 1% q-o-q) in dollar terms and at **RUB 172.9 bn** (up 3% q-o-q) in rouble terms.
- As at the end of Q1, the **debt portfolio** (excluding lease liabilities) consisted of two Eurobond issues of $500 m each, and five exchange-traded bond series totalling RUB 25 bn (all the bonds represent 60% of total debt excluding lease liabilities), as well as bank loans for a total of $891 m (40% of total debt excluding lease liabilities), mostly (98%) maturing in 2021–2022.

  As at the end of Q1, the debt portfolio (excluding lease liabilities) consisted of instruments denominated in foreign currencies (79%) and roubles (21%).

  As part of active efforts to optimise its debt portfolio, in April ALROSA made an early repayment of $150 m and RUB 6 bn bank loans due in October 2021 and April 2022, respectively, taking its total outstanding loans and borrowings down from $2.3 bn as at the end of Q1 to $2.05 bn as at the end of April 2021.
- **Interest payments** (excluding pension liabilities) in Q1 amounted to **RUB 1.6 bn**, down 19% q-o-q due to lower total debt.
- The **average funding rate** for borrowings as at the end of Q1 was at **3.8% pa** (excluding one-off costs to issue bonds and raise loans).
- **The weighted average maturity of debt** stood at **3.0 years**.

Net debt

RUB m, as at the end of the period	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Long-term debt	112,156	125,180	158,910	143,902	104,439
Short-term debt	60,728	42,665	81,850	72,334	58,788
Cash and cash equivalents	60,308	86,872	83,197	65,471	25,786
Bank deposits	134,230	49,742	50,590	50,159	60,078
Net debt	**(21,654)**	**31,231**	**106,973**	**100,606**	**77,363**

[4] $67 m under IFRS 16 Leases

Net debt: -$0.3 bn

- **Net debt** (denominated in roubles) decreased in Q1 to a negative value of **-RUB 21.7 bn** (down RUB 52.9 bn), mostly as a result of an increase in cash and cash equivalents and 90+ days deposits (up RUB 57.9 bn).
- **Net debt / LTM EBITDA** as at the end of Q1 stood at **minus 0.2x** (0.4x as at the end of Q4).

Dividends

- At the meeting held on 27 April 2021, ALROSA Supervisory Board recommended allocating all-time high half-year dividends for H2 2020 amounting to RUB 70.3 bn, or RUB 9.54 per share, which is 47% above the dividends accrued for FY 2019 (see the press release).

  The General Meeting of Shareholders will be convened on 16 June 2021.

  The recommended record date for dividends is 4 July 2021.

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

Macroeconomic environment

As ALROSA Group (the "Group") exports its products to Europe and elsewhere and raises a substantial amount of foreign currency borrowings, while the bulk of its expenses is denominated in roubles, it is exposed to a foreign exchange risk arising chiefly from the fluctuations in the RUB/USD rate and, to a lesser degree, in the RUB/EUR rate.

The table below shows rouble to euro and US dollar exchange rates as determined by the Central Bank of the Russian Federation as at specific dates:

RUB m	**31 Mar 2021**	**31 Dec 2020**	**30 Sep 2020**	**30 Jun 2020**	**31 Mar 2020**
RUB/USD	75.7023	73.8757	79.6845	69.9513	77.7325
RUB/EUR	88.8821	90.6824	93.0237	78.6812	85.7389

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

RUB m	**Q1 2021**	**Q4 2020**	***q-o-q***	**Q1 2020**	***y-o-y***
Average RUB/USD exchange rate for the period	74.3378	76.2081	*(2%)*	66.0898	*12%*
Average RUB/EUR exchange rate for the period	89.7048	90.8108	*(1%)*	72.9055	*23%*

APPENDICES

Appendix 1. Key financial indicators

RUB bn	Q1 2021	Q4 2020	*q-o-q*	Q1 2020	*y-o-y*
Revenue, incl.:	**90.8**	**98.6**	*(8%)*	**62.7**	*45%*
revenue from diamond sales	85.6	93.3	*(8%)*	58.2	*47%*
other revenue	3.7	4.3	*(15%)*	3.7	*(2%)*
income from grants	1.5	1.0	*52%*	0.8	*87%*
Costs, incl.:	**57.3**	**66.8**	*(14%)*	**32.8**	*75%*
production costs	20.3	19.0	*7%*	21.5	*(5%)*
non-production costs	16.8	17.9	*(6%)*	14.5	*15%*
movement of diamond inventory, ore and sands	20.2	29.9	-	(3.3)	-
EBITDA	**33.5**	**31.8**	*5%*	**30.0**	*12%*
EBITDA margin	37%	32%	*5 pp*	48%	*(11 pp)*
Depreciation and amortisation	6.0	5.9	*2%*	6.3	*(4%)*
Financial income/(expenses)	(2.4)	5.4	-	(22.2)	-
Other income/(expenses)	(2.4)	(9.4)	-	(3.0)	-
Income tax	(6.0)	(8.0)	*(26%)*	(1.7)	*3.5x*
Net profit	**24.0**	**21.3**	*13%*	**3.1**	*7.9x*
Net profit margin	26%	22%	*4 pp*	5%	*21 pp*
Free cash flow	**52.7**	**65.2**	*(19%)*	**21.8**	*2.4x*
Net debt	**(21.7)**	**31.2**	*(169%)*	**77.4**	*(128%)*
Net debt / LTM EBITDA	**(0.2x)**	**0.4x**	-	**0.7x**	-

Appendix 2. Revenue by customer geography

	Q1 2021	Q4 2020	Q1 2020
Belgium	*34%*	*35%*	*45%*
UAE	*24%*	*27%*	*14%*
India	*20%*	*17%*	*17%*
Russia	*12%*	*12%*	*13%*
Israel	*8%*	*5%*	*8%*
China	*1%*	*1%*	*1%*
Other countries	*2%*	*3%*	*2%*

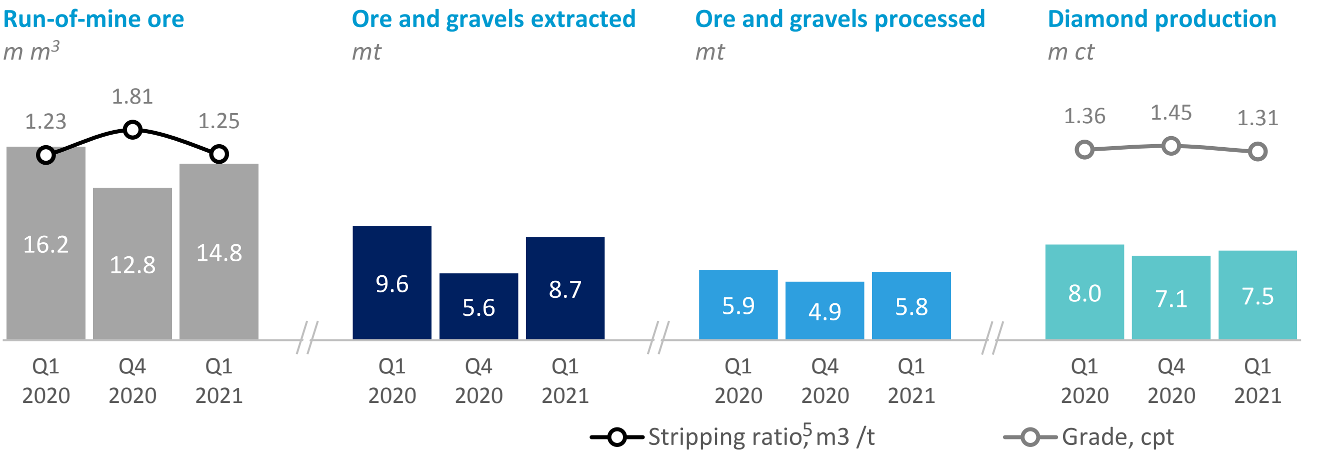
Appendix 3. Per unit costs

RUB '000 / cu m	Q1 2021	Q4 2020	q-o-q	Q1 2020	y-o-y
Wages, salaries and other staff costs	0.76	0.77	*(1%)*	0.76	*(0.2%)*
Fuel and energy	0.28	0.28	*1%*	0.26	*8%*
Materials	0.18	0.25	*(27%)*	0.16	*15%*
Services and transport	0.13	0.17	*(20%)*	0.13	*5%*
Other	0.02	0.01	*31%*	0.02	*11%*
Total	**1.37**	**1.48**	*(7%)*	**1.32**	*4%*

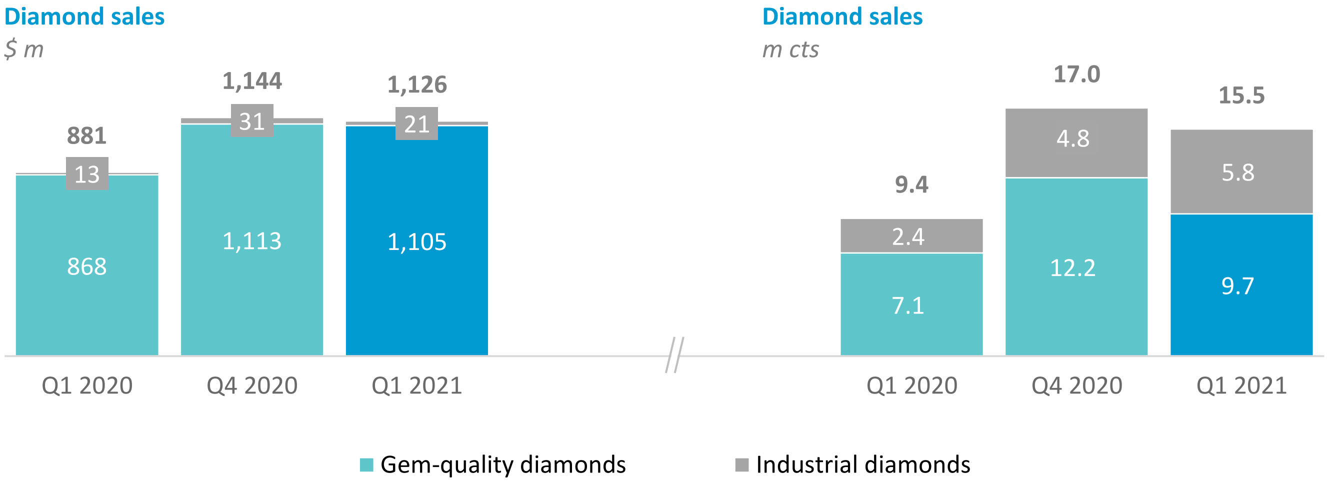
Appendix 4. ALROSA Q1 2021 operating results

- **Ore and gravels output** grew 54% q-o-q to **8.7 mt** due to resumed mining operations at the Arkhangelskaya pipe on 21 October 2020 following suspension in May 2020, increased mining at the Jubilee pipe on the back of reduced downtime, and higher ore output at the Nyurbinskaya pipe as a result of processing of the remaining inventories before the start of the open pit reconstruction scheduled for 2021–2024. The 10% y-o-y reduction was caused by the May 2020 decision to suspend mining at the Zarya and Zarnitsa pipes.
- **Ore and gravels processing** increased 17% q-o-q (down 3% y-o-y) to **5.8 mt**, predominantly as a result of higher processing of ore from the Jubilee pipe after the launch of processing plant No. 14 and increased ore processing at Severalmaz following the reopening of the processing plant on 1 March 2021.
- **Diamond production** increased 6% q-o-q to **7.5 m cts**, mainly as a result of higher output at the Jubilee pipe due to the Q4 low base effect attributable to planned maintenance at processing plant No. 14 of the Aikhal Division. The 6% y-o-y reduction was caused by the lower grade of ore from the Jubilee pipe in line with the mining direction and suspension of the processing plant at Severalmaz between 14 October 2020 and 28 February 2021.
- **Average diamond grade** decreased 9% q-o-q (down 3% y-o-y) to **1.31 cpt** primarily due to a larger share of lower-grade ore processed from the Jubilee pipe and V.Munskoye deposit (Q4 2020 average diamond grade: 1.45 cpt).
- **Q1 diamond sales** totalled **15.5 m cts** (down 9% q-o-q and up 65% y-o-y), including 9.7 m cts of gem-quality diamonds. Industrial diamond sales amounted to 5.8 m cts.
- **Diamond inventories as at the end of Q1** decreased to **12.8 m cts** (down 38% or 7.9 m cts q-o-q) as sales considerably exceeded production.
- **Proceeds from rough and polished diamond sales in Q1** came in at **$1,159 m** (down 5% q-o-q and up 28% y-o-y), including $1,126 m in revenue from rough diamond sales and $33 m in revenue from polished diamond sales.

Key highlights for Q1



Q1 sales

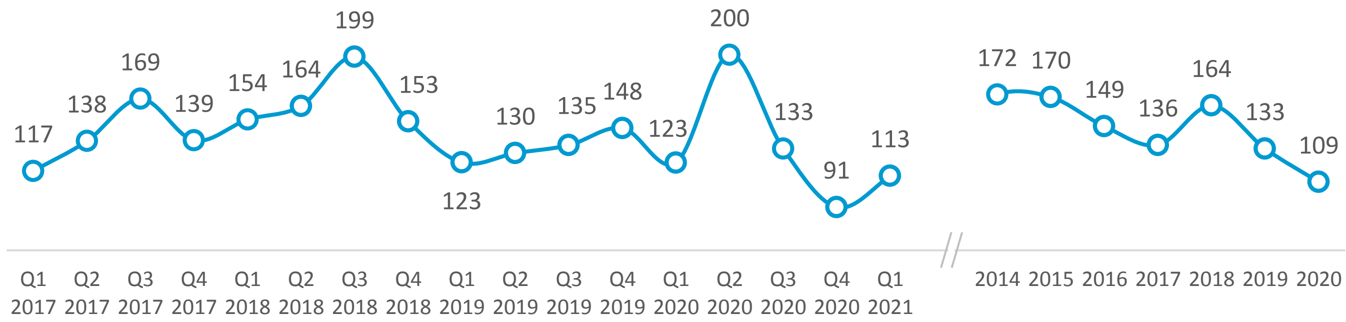


- **Q1 average realised price for gem-quality diamonds** totalled **$113/ct**, up 25% q-o-q (down 8% y-o-y) on the back of the diamond price index gaining 7% q-o-q and also due to a better sales mix.
- **Average price index gained 7% q-o-q during Q1,** rising 9% YTD and coming closer to the pre-COVID-19 levels of early 2020.

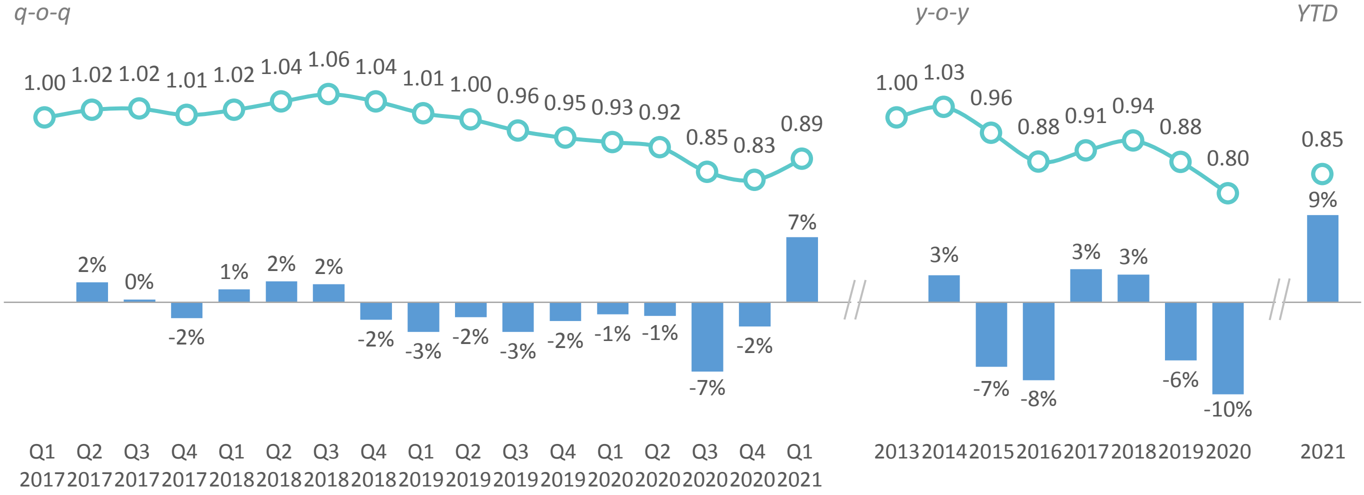
[5] The stripping ratio is calculated as rock moved in cubic metres (less pre-stripping) divided by ore and sands processed (in tonnes).

Average realised prices for gem-quality diamonds

$/ct



Gem-quality diamond price indices*



** For quarterly indicators Q1 2017 = 1.00. For details, see Q1 2021 ALROSA Trading Update_EXCEL*

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 Q1 2021 compared to previous periods, and also of material factors that may influence the Group's future operations.

The Group's financial and operating details include PJSC ALROSA and its subsidiaries, associates and JVs. The report is published quarterly based on a schedule required for the Group's consolidated financial statements.

The report contains forward-looking statements subject to risks and uncertainties. As a result of a variety of factors, the Group's actual results may differ materially from future results projected by the forward-looking statements.

About the Company

The key strategic business of the Group is diamond mining and sales, prospecting and appraisal of diamond deposits, and production and sales of polished diamonds and diamond powders. As the industry's leader, the Group accounts for one third of all reserves worldwide and over 25% of global diamond mining.

The Group operates in two Russian regions – the Republic of Sakha (Yakutia) and Arkhangelsk Region, and in Africa through its associates and joint ventures.

The Group maintains and expands its resources and reserves by engaging in targeted exploration activities in line with a long-term development programme until 2024. The Group invests in geological exploration and prospecting of new potential diamond deposits while also carrying out follow-up exploration at existing assets. The Group conducts prospecting and appraisal in Russia and Africa.

While maintaining a focus on diamond mining, the Group is committed to a social policy based on social responsibility of businesses and relations with government agencies and local authorities that benefit all stakeholders in the regions of operations. The Group undertakes initiatives to mitigate its environmental footprint and ensure sustainable use of resources, all compliant with international environmental protection and safety standards.