



## ALROSA Q4 and 12M 2020 IFRS results

Moscow, 02 March 2021 – ALROSA, a global leader in diamond mining, announces its IFRS results for Q4 and 12M 2020.

- **In Q4**, revenue doubled q-o-q to **RUB 98.6 bn** (up 53% y-o-y) on the back of strong demand recovery toward year-end. **For 12M**, revenue came in at **RUB 221.5 bn** (down 7%).
- **EBITDA<sup>1</sup> in Q4** grew to **RUB 31.8 bn** (up 24% q-o-q) thanks to higher diamond sales on the back of recovering demand from both the cutting and polishing industry and end consumers. **12M EBITDA** stood at **RUB 87.6 bn** (down 18%).
- **EBITDA margin** in Q4 amounted to **32%** (Q4'19: 46%) on higher sales of small diamonds. For **12M**, the margin was 40% (45% in 2019).
- **Net profit in Q4** increased to **RUB 21.3 bn** (up 2.8x q-o-q), driven by top line growth. **For 12M**, net profit stood at **RUB 32.2 bn** (down 49%) amid lower revenue coupled with the negative impact of the FX rate in the wake of rouble depreciation.
- **Free cash flow (FCF) in Q4** grew 2.9x to **RUB 65.2 bn** as a result of operating cash flow going up to RUB 69.6 bn. **In H2'20**, FCF was at **RUB 87.8 bn**, and **in 12M** it expanded to **RUB 79.5 bn** (up RUB 31.9 bn).
- **In Q4, capex** decreased to **RUB 4.4 bn** (down 18% q-o-q and 36% y-o-y). **12M Capex** totalled RUB 17 bn.
- **Net debt / LTM EBITDA** as at the end of Q4'20 went down to **0.4x** (Q3'20: 1.25x).
- **2021 outlook:**
  - Production – 31.5 m cts;
  - Capex – ca. RUB 25 bn (vs the previous guidance of RUB 29 bn).

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

RUB bn	Q4 2020	Q3 2020	q-o-q	Q4 2019	y-o-y	12M 2020	12M 2019	y-o-y
Diamond sales, m ct, incl.	17.0	5.0	3.4x	8.2	2.1x	32.1	33.4	(4%)
gem-quality	12.2	4.1	3.0x	5.9	2.1x	23.8	24.2	(2%)
industrial	4.8	0.9	5.4x	2.2	2.1x	8.3	9.3	(11%)
Revenue	98.6	49.7	98%	64.6	53%	221.5	238.2	(7%)
EBITDA	31.8	25.7	24%	29.5	8%	87.6	107.1	(18%)
EBITDA margin	32%	52%	(20 pp)	46%	(14 pp)	40%	45%	(5 pp)
Net profit	21.3	7.6	2.8x	11.7	83%	32.2	62.7	(49%)
Free cash flow <sup>2</sup>	65.2	22.6	2.9x	16.8	3.9x	79.5	47.6	67%
Net debt <sup>3</sup>	31.2	107.0	(71%)	79.6	(61%)	31.2	79.6	(61%)
Net debt / LTM EBITDA	0.4x	1.25x	-	0.74x	-	0.36x	0.74x	-

Alexey Philippovskiy, ALROSA's CFO:

"In Q4, we saw a continued recovery in demand for diamonds primarily driven by steady demand for diamond jewelry from end consumers. At the end of 2020 and during the Christmas holiday season, sales in the key US and China markets were growing at double-digit rates y-o-y.

ALROSA's Q4 sales in totalled 17 m cts, 3.4x up q-o-q and 2.1x up y-o-y. This boosted the Company's financials: our revenue nearly doubled to RUB 99 bn, with EBITDA reaching RUB 32 bn. Given the increase in operating cash flow, reduction in capex, as well as diamond inventories going down from 30.6 m cts at the end of Q3 to 20.7 m cts at the year-end, our FCF amounted to RUB 65 bn and RUB 88 bn for Q4 and H2'20 respectively.

The recovery of sales allowed the Company to begin intensive deleveraging efforts in Q4, which included an early repayment of two bank loans in the total amount of \$275 m and a scheduled redemption of the remaining \$494 m Eurobond placed in 2010 with a coupon rate of 7.75% per annum. ALROSA's leverage (Net Debt / EBITDA) as at the end of the year decreased to 0.4 (Q3: 1.25)."

Hereinafter, data on Q4 and 12M 2020 production, sales, prices, and inventories is preliminary and may be updated. Data on the diamond market is the Company's estimate.

#### Contacts for investors:

Sergey Takhiev  
[st@alrosa.ru](mailto:st@alrosa.ru)  
 +7 (985) 760 55 74

#### Media:

[smi@alrosa.ru](mailto:smi@alrosa.ru)  
 +7 (495) 620 92 50, ext.  
 1426

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

<b>2 March, 3:00 pm</b> Moscow time	Capital Markets Day ( <a href="#">registration link</a> )
<b>10 March</b>	February 2021 sales results
<b>9 April</b>	March 2021 sales results
<b>16 April</b>	Q1 2021 trading update
<b>12 May</b>	April 2021 sales results
<b>18 May</b>	Q1 2021 IFRS results

<sup>2</sup>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).

<sup>3</sup>Net debt is the amount of debt less cash and cash equivalents and bank deposits at each reporting date in accordance with the IFRS.

## PUBLICATIONS ARCHIVE

- [January 2020 sales results](#)
- [Q4 and 12M 2020 trading update](#) (key indicators – [Appendix 4](#))
- [IFRS Consolidated Statements for Q4 and 12M 2020](#)

## MANAGEMENT DISCUSSION AND ANALYSIS OF ALROSA GROUP FINANCIAL RESULTS FOR Q4 AND 12M 2020

The structure and scope of the report and overview of ALROSA's business are shown in [Appendix 5](#).

### Q4 2020 ROUGH AND POLISHED DIAMOND MARKET OVERVIEW

- First seen in the second half of the year, **the recovery of end demand** in the key US and Chinese sales markets continued into late 2020 and the relatively successful Christmas period.
- In early 2021, **India's cutting industry** increased diamond production to 100% capacity utilisation to process orders ahead of the Chinese New Year and restock following holiday sales.
- **Demand for rough diamonds** was high and stable in December and January, including as a result of a balanced sales policy of major diamond producers seeking to meet real demand.

## KEY FINANCIAL HIGHLIGHTS

### Revenue

Revenue: RUB 98.6 bn

- **In Q4, revenue doubled q-o-q to RUB 98.6 bn (up 53% y-o-y)** thanks to the return to high demand for diamonds towards the end of the year, with the growth of sales in carats to 17 m cts (up 3.4x q-o-q and 2.1x y-o-y) and the drop in the average realised price to \$72/ct (down 39% q-o-q and 36% y-o-y).

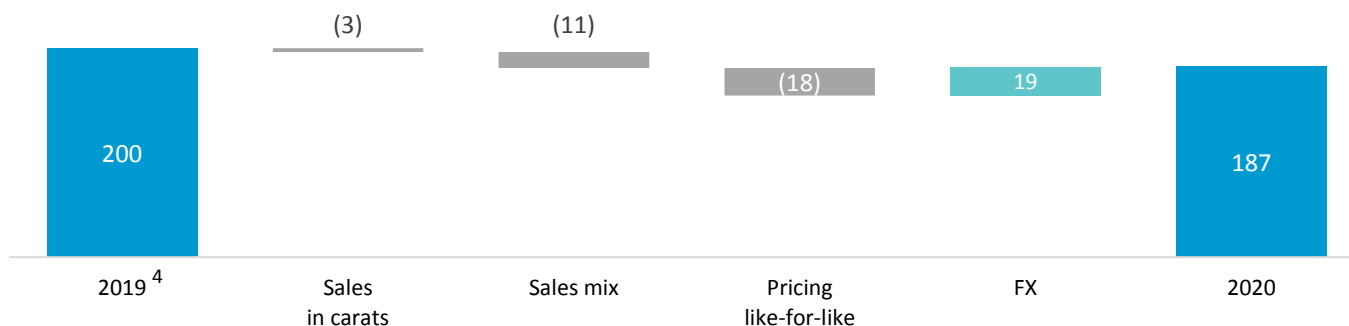
### Gem-quality rough diamond revenue – key drivers, q-o-q

RUB bn



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

RUB bn



- **Revenue from diamond sales in Q4** amounted to **RUB 93.3 bn**, up 2.1x q-o-q (up 60% y-o-y), including **revenue from gem-quality diamond sales at RUB 82.7 bn**. The q-o-q growth came primarily on the back of higher sales in carats (up 3x q-o-q). Sales exceeded production by 2.4x due to the sale of the previously accumulated stock (mainly small-size diamonds), which affected average realised prices. This factor is responsible for a negative impact of RUB 43 bn q-o-q.
- **For 12M, revenue from diamond sales stood at RUB 201.7 bn** (down 6%), including **revenue from gem-quality diamond sales at RUB 187.2 bn** (down 6%).
- **Other revenue** in Q4 decreased 7% q-o-q (down 8% y-o-y) to RUB 4.3 bn; the drop in transportation segment revenue was associated with the reintroduction of a number of measures to prevent the spread of COVID-19.

<sup>4</sup> Excluding the RUB 7 bn revenue from gem-quality diamond sales by Kristall in 2019.

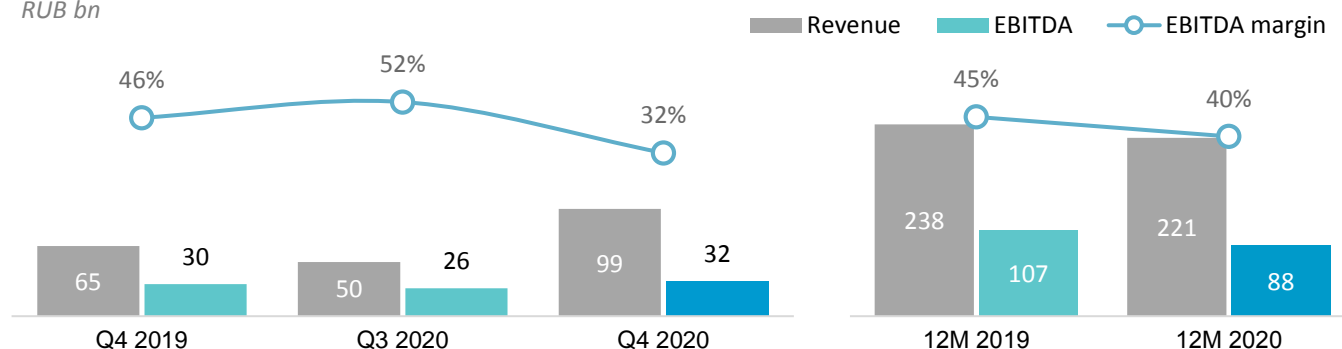
- **Income from grants** in Q4 shed 14% q-o-q and amounted to **RUB 1.0 bn** due to deferral of accrual of the grant for housing and utilities maintenance to later periods due to late signing of the agreement for grants financing. The 40% y-o-y decrease is due to (a) lower electricity grants on the back of the high base of Q4'19 and (b) deferral of the accrual of the Q4 grant for housing and utilities maintenance to later periods.
- **Q4 total sales costs (production and non-production)** grew 2.8x q-o-q to **RUB 66.8 bn**, which was mainly driven by:
  - **Production related cost of goods sold amounted to RUB 48.9 bn:**
    - (-) growth of the “Movement of diamond inventories” item (to RUB 29.2 bn from minus RUB 12.0 bn in Q3) as sales exceeded production by 2.4x;
    - (+) decrease in the “Movement of ore and sands inventories” item (to RUB 0.7 bn from RUB 7.0 bn in Q3) driven by seasonal suspension of production at alluvial deposits coupled with planned maintenance at processing plant No. 14;
    - (-) 27% growth of fuel and energy costs (up RUB 0.7 bn) mainly due to an increase in consumption and higher diesel fuel tariffs;
    - (-) 25% increase in materials costs (up RUB 0.6 bn) due to resumed operations at some of the assets after their suspension as part of anti-crisis measures;
    - (-) 42% growth in service costs (up RUB 0.6 bn) due to a seasonal increase in electricity transmission costs.
  - **Non-production costs** amounted to **RUB 17.9 bn**, increasing 56% q-o-q (up RUB 6.4 bn):
    - (-) 2.6x, or RUB 3.8 bn, q-o-q increase in MET expenses (up 4% y-o-y) as volumes of primary valuation of diamonds produced in previous periods increased after personnel furlough caused by the pandemic;
    - (-) increase in SG&A expenses to RUB 6.7 bn due to (1) 3.4x sales growth; (2) change in accruals for the option programme as share prices of the Company increased; (3) employees were back to full-time work schedule;
    - (-) growth of social expenses by 3.2x (up RUB 1.4 bn) in connection with a contribution made to the dedicated Fund of Future Generations provisioned for at year-end;
    - (+) increase in other income (up RUB 1.8 bn) 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.

- **For 12M, total sales costs** amounted to **RUB 133.8 bn** (up 2%):
  - **Production costs: RUB 79.9 bn** (up 14%, or RUB 9.6 bn):
    - (-) increase in the “Movement of diamond inventory” item by RUB 23.9 bn (to RUB 6.8 bn from minus RUB 17.1 bn in 2019) as 2020 sales exceeded production by 2.0 m cts;
    - (+) decline in the “Movement of ore and sands inventories” item by RUB 3.5 bn (to minus RUB 4.9 bn from minus RUB 1.4 bn in 2019) due to accumulated inventories with higher per unit costs resulting from the decisions to suspend some processing plants in Q2’20;
    - (+) reduction of a number of costs due to 2020 output reduction plan:
      - wages, salaries and other staff costs by 11% (down RUB 5.1 bn);
      - fuel and energy costs by 22% (down RUB 3.9 bn);
      - materials costs by 14% (down RUB 2.0 bn);
      - third-party services and transportation expenses by 13% (down RUB 1.0 bn);
    - (-) 2x growth of other expenses (up RUB 1.2 bn) due to the COVID-19 response measures taken.
  - **Non-production costs** amounted to **RUB 53.9 bn** (down 11% y-o-y, or RUB 6.9 bn):
    - (+) reduction of MET expenses by 39% (down RUB 8.9 bn) as a result of lower volumes of primary valuation after personnel furlough caused by the pandemic and revision of the Ministry of Finance price list;
    - (-) increase in SG&A expenses caused by a change in accruals for the management option programme due to positive changes in share prices of the Company;
    - (+) reduction of social expenses to RUB 4.3 bn due to the high base of 2019 that included the accrual of a reserve in the amount of RUB 1 bn for the disposal of Novy Sovkhoz, cancellation of cultural and sports events due to coronavirus restrictions and deferral of payments under a number of charitable programs to later periods;
    - (-) 33% increase in other non-production expenses (up RUB 0.9 bn), mainly due to the funding of COVID-19 response measures and a higher contribution to the Natural Diamond Council (ex. Diamond Producers Association).

**Q4 production costs, excluding inventory movement**, amounted to RUB 19.0 bn (up 8% q-o-q). **For 12M**, the costs, excluding inventory movement, went down 12% to RUB 131.9 bn, driven by the measures taken to cut costs and 22% y-o-y production cuts.

**EBITDA**

RUB bn

**EBITDA:**

Q4 – RUB 31.8 bn

12M – RUB 87.6 bn

- **EBITDA** in Q4 grew by 24% to **RUB 31.8 bn** supported by higher diamond sales.
- **For 12M, EBITDA** totalled **RUB 87.6 bn** (down 18%) due to the drop in sales and realised prices, which was partly offset by cost-cutting measures and an FX rate impact.
- **A positive FX rate impact** on EBITDA in Q4 stood at RUB 1.4 bn q-o-q and RUB 18 bn y-o-y, propped by the rouble depreciation against the US dollar, as ca. 90% of the Company revenue is FX-denominated while ca. 90% of its costs are denominated in roubles.

**EBITDA margin:**

Q4 – 32%

12M – 40%

- **EBITDA margin** in Q4 amounted to **32%** (down 20 pp q-o-q and 14 pp y-o-y). **For 12M**, the margin came in at **40%** (down 5 pp) amid lower average realised prices.

**EBITDA calculation**

RUB m

	Q4 2020	Q3 2020	Q4 2019	12M 2020	12M 2019
Operating profit	21,506	30,315	14,340	69,463	75,143
Depreciation	5,921	5,472	6,518	23,507	24,511
Adjustments (see financial statements in Excel)	4,408	(10,079)	8,660	(5,326)	7,400
<b>EBITDA</b>	<b>31,835</b>	<b>25,708</b>	<b>29,518</b>	<b>87,644</b>	<b>107,054</b>

**Net profit:**

Q4 – RUB 21.3 bn

12M – RUB 32.2 bn

- **Net profit** in Q4 grew to **RUB 21.3 bn**, up 2.8x q-o-q and 1.8x y-o-y, mainly due to the higher sales volumes and, consequently, revenue. The net FX effect of RUB 2.3 bn also had a positive impact on the net profit.
- **For 12M**, net profit came in at **RUB 32.2 bn** (down 49%). It was negatively affected by lower revenue coupled with the net FX effect of RUB 17.3 bn amid rouble depreciation.



## LIQUIDITY, WORKING CAPITAL, AND CAPITAL EXPENDITURE

### Cash position

Cash and cash equivalents:  
\$1.8 bn

- As at the end of Q4 2020, **cash and cash equivalents and 90+ days deposits** rose by RUB 2.8 bn q-o-q to **RUB 136.6 bn (\$1,849 m)** driven by growing revenue and free cash flow.

Breakdown by currency: 97% – US dollars, 3% – roubles.

### Operating activity

- In Q4, **operating cash flow** stood at **RUB 69.6 bn**. The q-o-q increase of RUB 41.6 bn (up RUB 45.9 bn y-o-y) was due to stronger sales and the positive effect of changes in the working capital (impact on the operating cash flow: up RUB 34.1 bn q-o-q).

### Working capital analysis

#### Working capital

RUB m	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Diamond inventories	66,708	95,895	83,871	71,883	73,905
Inventories of ores and sands mined	20,331	20,995	27,997	19,736	15,413
Mining and construction materials, consumable and other supplies	31,185	34,395	32,774	30,009	31,984
Trade and other receivables (excl. interest receivable)	10,156	9,273	11,898	14,750	12,873
Prepaid taxes, other than income tax	145	158	90	226	315
Accounts payable to employees	(11,841)	(10,980)	(11,286)	(11,844)	(11,917)
Trade and other payables (excl. interest payable)	(22,038)	(15,513)	(6,700)	(9,215)	(7,749)
Other taxes payable	(7,427)	(5,826)	(6,302)	(7,388)	(7,572)
<b>Working capital</b>	<b>87,219</b>	<b>128,397</b>	<b>132,342</b>	<b>108,157</b>	<b>107,252</b>

- In Q4, working capital decreased by RUB 41.2 bn** (down 32% q-o-q) as a result of:

(+) a decrease in diamond inventories by RUB 29.2 bn (down 30%) as sales exceeded production by 9.9 m cts amid heightened year-end buying (up 3.4x) and a seasonal decline in diamond output (down 23%);

(+) a seasonal decrease in mining and construction materials, consumable and other supplies by RUB 3.2 bn (down 9%) due to the end of the navigation period on the Lena river in October;

(+) a 42% rise in trade and other payables (up RUB 6.5 bn) associated with an increase in advances from customers for 2021 supplies;

(+) an increase in accounts payable to employees by RUB 0.9 bn (up 8%) due to a rise in wage arrears following the cancellation in Q4 of the shorter working week introduced in Q2 to save costs amid the pandemic;

(+) a rise in other taxes payable by RUB 1.6 bn (up 27%) attributable to an increase in MET (up RUB 0.5 bn) and VAT (up RUB 0.4 bn) payable;

(-) growth in trade and other receivables by RUB 0.9 bn (up 10%) due to a rise in receivables from diamond sales.

**As at the end of Q4, working capital shrank** by 19% y-o-y (down RUB 20.0 bn) as a result of:

(+) a decrease in rough diamond inventories by RUB 7.2 bn, or 1.9 m cts in physical terms, as sales exceeded production;

(-) growth in inventories o

(+) a decrease in trade and other receivables by RUB 2.7 bn (down 21%) mainly due to lower VAT claimed for reimbursement and a decrease in receivables from customers;

(+) a 2.8x rise in trade and other payables (up RUB 14.3 bn) associated with an increase in advances from customers for 2021 supplies.

### Free Cash Flow

RUB m	Q4 2020	Q3 2020	Q4 2019	12M 2020	12M 2019
<b>EBITDA</b>	31,835	<b>25,708</b>	29,518	87,644	107,054
Changes in working capital	41,148	3,945	(4,753)	20,033	(24,908)
Income tax paid	(2,305)	(2,306)	(3,727)	(11,244)	(16,718)
Other	(1,087)	633	2,711	33	2,132
<b>Operating cash flow</b>	<b>69,621</b>	<b>27,980</b>	<b>23,749</b>	<b>96,466</b>	<b>67,560</b>
Capex	(4,421)	(5,401)	(6,924)	(17,006)	(19,974)
<b>Free cash flow</b>	<b>65,200</b>	<b>22,579</b>	<b>16,825</b>	<b>79,460</b>	<b>47,586</b>

#### FCF:

Q4 – RUB 65.2 bn

12M – RUB 79.5 bn

- **Free cash flow (FCF)** in Q4 stood at **RUB 65.2 bn** (up RUB 42.6 bn q-o-q and up RUB 48.4 bn y-o-y) as a result of operating cash flow going up to RUB 69.6 bn due to the positive effect of the working capital release.

For 12M, FCF expanded to **RUB 79.5 bn** (up RUB 31.9 bn) driven by working capital release and lower capex.

### Investment activities

#### Capex:

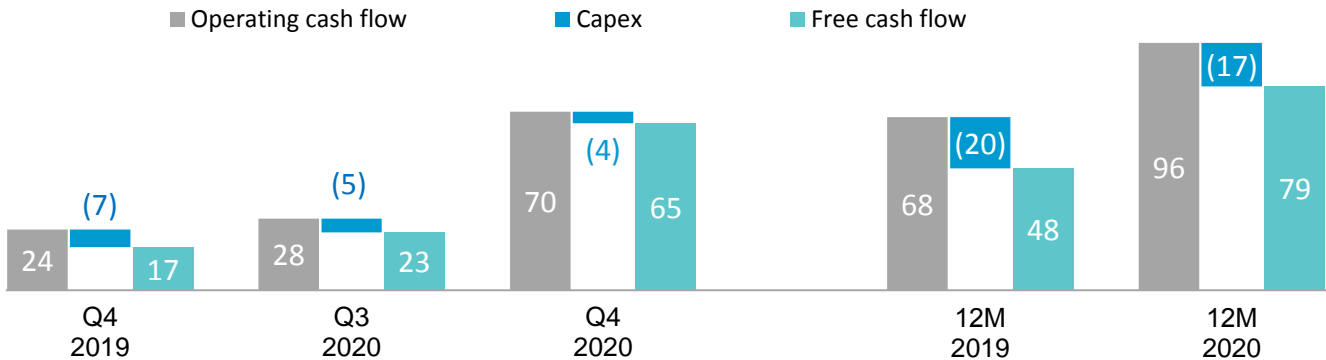
Q4 – RUB 4.4 bn

12M – RUB 17.0 bn

- **Cash outflow from investing activities (excluding outflow of cash to bank deposits)** in Q4 was represented by capex of RUB 4.4 bn (down 18% q-o-q and down 36% y-o-y).
- **Cash inflow from investing activities (excluding inflow of cash from bank deposits)** in Q4 amounted to **RUB 9.8 bn**, including RUB 4.5 bn received in 2019 dividends for the 41% interest in Catoca, as ALROSA's associate, and RUB 5.1 bn received as an advance payment for the sale of the 8.2% interest in Catoca Mining Ltd. recognised as assets held for sale.
- **Net inflow of cash from investing activities** in Q4, including net outflow to bank deposits (down RUB 2.9 bn), amounted to **RUB 2.5 bn**.

## Capex and free cash flow

RUB bn



## Financing activities

Total debt: \$2.3 bn

- **Total debt** (including lease liabilities<sup>5</sup>) for Q4 decreased to **\$2,272 m** (down 25% q-o-q) in dollar terms and to **RUB 167.8 bn** (down 30% q-o-q) in rouble terms thanks to the active debt portfolio optimisation efforts: (1) in October, ALROSA made an early repayment of a \$200 m loan due in February 2021, (2) on 3 November, the Company redeemed the \$494 m Eurobond as planned, (3) in December, ALROSA made an early repayment of a \$75 m loan due in May 2022. As a result, we reduced our outstanding loans and borrowings from \$3 bn to \$2.3 bn as at the end of Q4.
- As at the end of Q4, 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 \$872 m (40% of total debt excluding lease liabilities) with the largest portion (98%) maturing in 2021–2022.  
As at the end of Q4, the debt portfolio (excluding lease liabilities) consisted of instruments denominated in foreign currencies (79%) and roubles (21%).
- **Interest payments** (excluding pension liabilities) in Q4 amounted to **RUB 2.0 bn**, down 19% q-o-q due to lower total debt.
- The **average funding rate** as at the end of Q4 was at **3.7% pa** (excluding one-off costs to issue bonds and raise loans). The decrease was driven by the redemption of Eurobonds with a coupon rate of 7.75% pa.
- **The weighted average maturity of debt** increased from 2.7 as at the end of 2019 to **3.2 years** mostly due to early payment of bank loans and planned redemption of Eurobonds placed in 2010.

<sup>5</sup> \$67 m under IFRS 16 Leases

**Net debt**

<i>RUB m</i>	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Q1 2020</b>	<b>Q4 2019</b>
Long-term debt	125,180	158,910	143,902	104,439	84,171
Short-term debt	42,665	81,850	72,334	58,788	33,113
Cash and cash equivalents	86,872	83,197	65,471	25,786	13,315
Bank deposits	49,742	50,590	50,159	60,078	24,340
<b>Net debt</b>	<b>31,231</b>	<b>106,973</b>	<b>100,606</b>	<b>77,363</b>	<b>79,629</b>

*Net debt: \$0.4 bn*

- **Net debt** denominated in roubles decreased in Q4 to **RUB 31.2 bn** (down 3.4x q-o-q, or RUB 75.7 bn) primarily due to lower total debt (down RUB 72.9 bn).
- **Net debt / LTM EBITDA** as at the end of Q4 stood at **0.36x** (1.25x as at the end of Q3).

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

### Macroeconomic environment

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

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

<i>RUB m</i>	<b>31 Dec 2020</b>	<b>30 Sep 2020</b>	<b>30 Jun 2020</b>	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>
RUB/USD	73.8757	79.6845	69.9513	77.7325	61.9057
RUB/EUR	90.6824	93.0237	78.6812	85.7389	69.3406

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

<b>RUB m</b>	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Q4 2019</b>	<b>12M 2020</b>	<b>12M 2019</b>
Average RUB/USD exchange rate for the period	76.2081	73.5551	63.7154	71.9422	64.7276
Average RUB/EUR exchange rate for the period	90.8108	85.9262	70.5392	82.0392	72.4850

## MAJOR DEVELOPMENTS AFTER THE REPORTING DATE

There have been no major developments post the reporting date.

## APPENDICES

### Appendix 1. Key financial indicators

RUB bn	Q4 2020	Q3 2020	q-o-q	Q4 2019	y-o-y	12M 2020	12M 2019	y-o-y
<b>Revenue, incl.:</b>	<b>98.6</b>	<b>49.7</b>	<b>98%</b>	<b>64.6</b>	<b>53%</b>	<b>221.5</b>	<b>238.2</b>	<b>(7%)</b>
revenue from diamond sales	93.3	44.0	2.1x	58.3	60%	201.7	215.4	(6%)
other revenue	4.3	4.6	(7%)	4.7	(8%)	15.4	17.4	(12%)
income from grants	1.0	1.2	(14%)	1.7	(40%)	4.4	5.3	(18%)
<b>Costs, incl.:</b>	<b>66.8</b>	<b>24.0</b>	<b>2.8x</b>	<b>35.1</b>	<b>90%</b>	<b>133.8</b>	<b>131.1</b>	<b>2%</b>
production costs	19.0	17.5	8%	23.8	(20%)	78.0	88.8	(12%)
non-production costs	17.9	11.5	56%	17.1	5%	53.9	60.9	(11%)
movement of diamond inventory, ore and sands	29.9	(5.0)	-	(5.9)	-	1.9	(18.5)	-
<b>EBITDA</b>	<b>31.8</b>	<b>25.7</b>	<b>24%</b>	<b>29.5</b>	<b>8%</b>	<b>87.6</b>	<b>107.1</b>	<b>(18%)</b>
EBITDA margin	32%	52%	(20 pp)	46%	(14 pp)	40%	45%	(5 pp)
Depreciation and amortisation	5.9	5.5	8%	6.5	(9%)	23.5	24.5	(4%)
Financial income/(expenses)	5.4	(20.7)	-	1.8	-	(29.1)	2.8	-
Other income/(expenses)	(9.4)	5.1	-	(14.6)	-	(15.0)	(27.1)	-
Income tax	(8.0)	(2.0)	4.0x	(5.0)	60%	(11.8)	(18.7)	(37%)
<b>Net profit</b>	<b>21.3</b>	<b>7.6</b>	<b>2.8x</b>	<b>11.7</b>	<b>83%</b>	<b>32.2</b>	<b>62.7</b>	<b>(49%)</b>
Net profit margin	22%	15%	(7 pp)	18%	(4 pp)	15%	26%	(11 pp)
<b>Free cash flow</b>	<b>65.2</b>	<b>22.6</b>	<b>2.9x</b>	<b>16.8</b>	<b>3.9x</b>	<b>79.5</b>	<b>47.6</b>	<b>67%</b>
<b>Net debt</b>	<b>31.2</b>	<b>107.0</b>	<b>(71%)</b>	<b>79.6</b>	<b>(61%)</b>	<b>31.2</b>	<b>79.6</b>	<b>(61%)</b>
<b>Net debt / LTM EBITDA</b>	<b>0.36x</b>	<b>1.25x</b>	<b>-</b>	<b>0.74x</b>	<b>-</b>	<b>0.36x</b>	<b>0.74x</b>	<b>-</b>

### Appendix 2. Revenue by customer geography

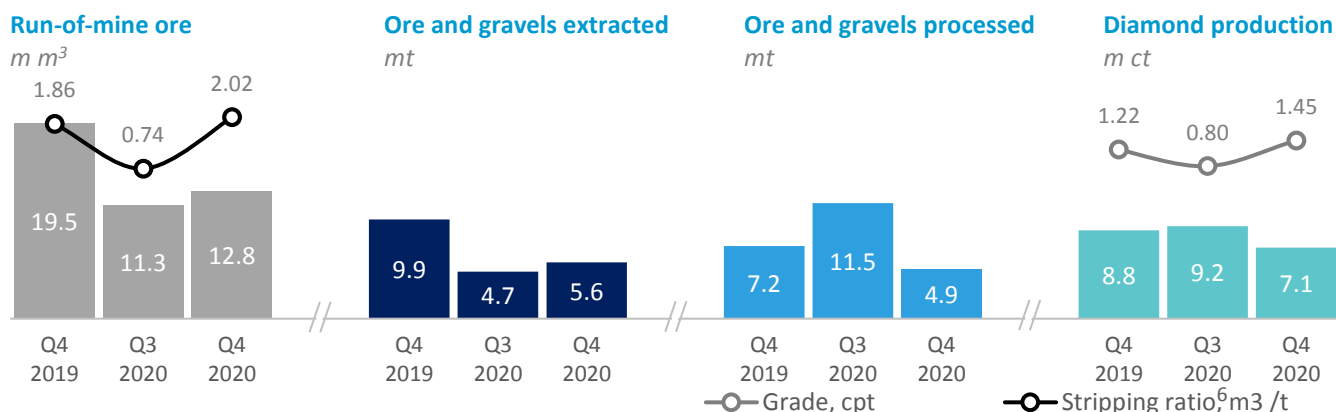
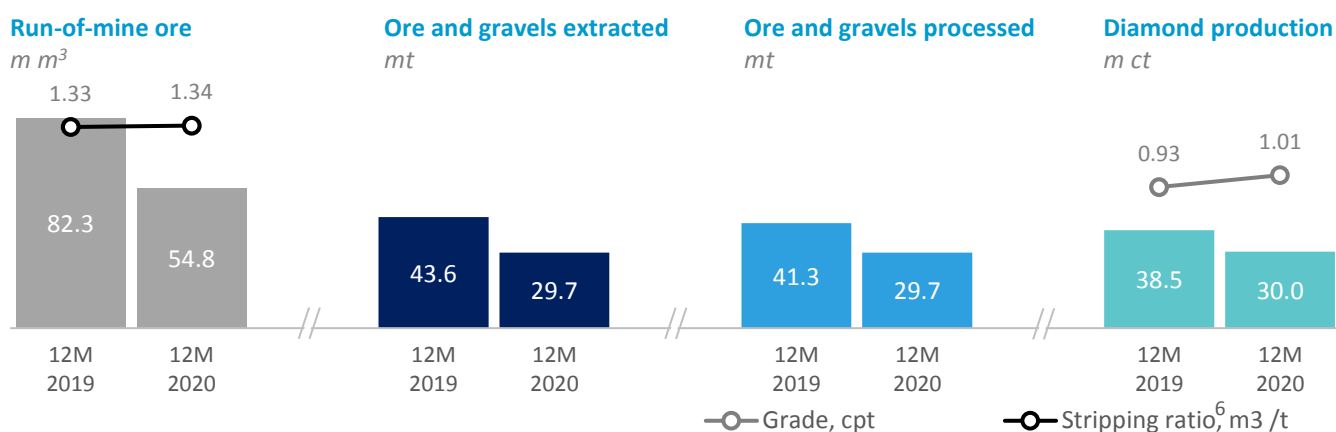
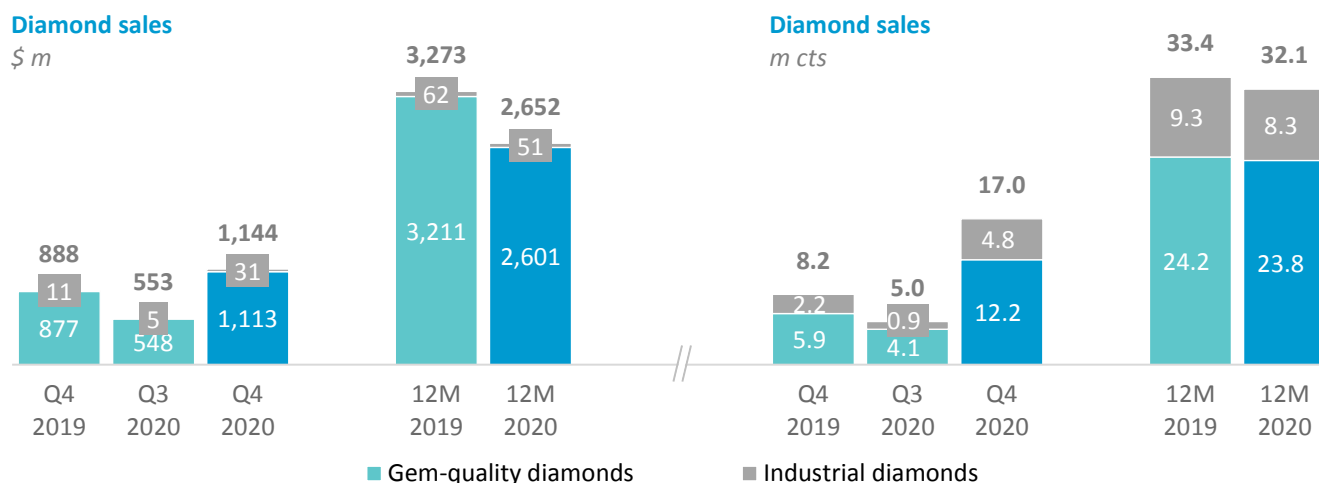
	Q4 2020	Q3 2020	Q4 2019	12M 2020	12M 2019
Belgium	35%	23%	42%	34%	42%
UAE	27%	19%	8%	20%	9%
India	17%	31%	19%	20%	16%
Russia	12%	18%	18%	15%	19%
Israel	5%	6%	8%	6%	7%
China	1%	1%	3%	1%	4%
Other countries	3%	2%	3%	3%	2%

## Appendix 3. Per unit costs

RUB '000 / cu m	Q4 2020	Q3 2020	q-o-q	Q4 2019	y-o-y	12M 2020	12M 2019	y-o-y
Wages, salaries and other staff costs	0.77	0.86	(11%)	0.63	21%	0.79	0.59	34%
Fuel and energy	0.28	0.25	12%	0.30	(8%)	0.25	0.21	16%
Materials	0.25	0.23	10%	0.21	22%	0.21	0.17	29%
Services and transport	0.17	0.13	35%	0.06	3.0x	0.12	0.09	30%
Other	0.01	0.09	(83%)	0.02	(29%)	0.05	0.02	3.0x
<b>Total</b>	<b>1.48</b>	<b>1.55</b>	<b>(4%)</b>	<b>1.22</b>	<b>21%</b>	<b>1.42</b>	<b>1.08</b>	<b>32%</b>

## Appendix 4. ALROSA Q4 and 12M 2020 operating results

- **Q4 ore and gravels output** grew 20% q-o-q to **5.6 mt** due to resumed operations at some of the assets after their suspension. **12M** ore and gravels output amounted to **29.7 mt** (down 32%).
- **Q4 ore and gravels processing** declined 58% q-o-q (down 32% y-o-y) to **4.9 mt** driven by seasonal suspension of production at alluvial deposits coupled with long planned maintenance at processing plant No. 14 of the Aikhal Division. The 32% y-o-y decline resulted primarily from crisis response measures taken in 2020. **12M** volumes were at **29.7 mt** (down 28%).
- **Q4 diamond production** decreased by 23% q-o-q to **7.1 m cts** due to seasonality as well as planned maintenance at processing plant No. 14. **12M** production amounted to **30 m cts** (down 22%).
- **Q4 diamond grade** seasonally improved by 80% q-o-q to **1.45 cpt**. For **12M**, diamond grade came in at **1.01 cpt**, with the 8% growth driven by the suspension of operations at less profitable assets.
- **Q4 diamond sales** grew 3.4x q-o-q and 2.1x y-o-y to **17 m cts**, including 12.2 m cts of gem-quality diamonds on the back of recovering demand from both midstream and end consumers. **12M** sales declined 4% to **32.1 m cts**.
- **Diamond inventories as at the end of Q4** dropped to **20.7 m cts** (Q3: 30.6 m cts). **Q4 ore and gravels inventories** amounted to **26.9 mt**, an increase of 4% q-o-q and of 1% y-o-y.
- **Proceeds from rough and polished diamond sales in Q4** came in at **\$1,222 m** (an increase of 2.1x q-o-q and of 33% y-o-y), including \$1,144 m in revenue from rough diamond sales and \$78 m in revenue from polished diamond sales. **12M** total sales amounted to **\$2,802 m** (down 16%), including \$2,652 m in diamond sales.

**Key highlights, quarterly**

**Key highlights for 12M**

**Q4 and 12M sales**


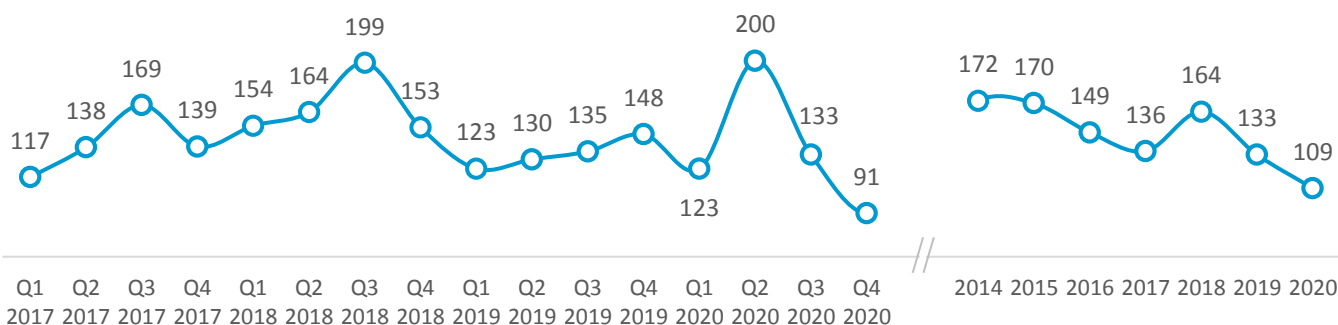
<sup>6</sup>The stripping ratio is calculated as rock moved in cubic metres (less pre-stripping) divided by ore and sands processed (in tonnes).



- Q4 average realised price for gem-quality diamonds** totalled **\$91/ct** (down 31% q-o-q and 38% y-o-y) amid a larger share of small-size diamonds in the sales mix driven by deferred demand for this category. For **12M**, the price stood at **\$109/ct** (down 18%) due to changes in the sales mix as well as the lower average price index (down 10%).
- Average price index gained 2% during Q4** (though the Q4 index was down by 2% q-o-q on the high base effect at the beginning of Q3 before a one-off price correction in August). For **12M**, the average price index declined by **10% y-o-y**.

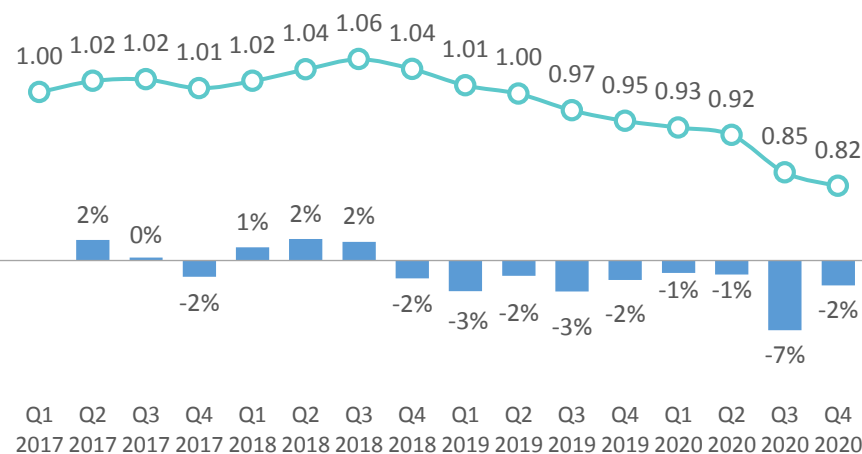
**Average realised prices for gem-quality diamonds**

\$/ct

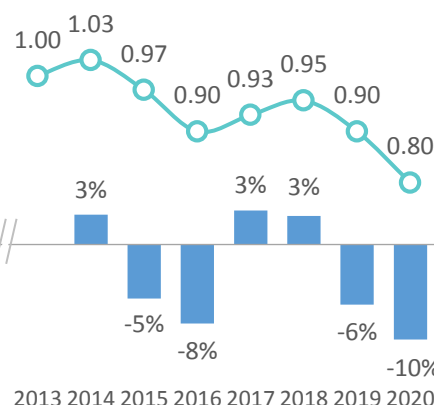


**Gem-quality diamond price indices**

q-o-q



y-o-y



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## 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 Q4 2020 compared to previous periods, and also of material factors that may influence the Group's future operations.

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

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

### About the Company

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

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

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

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