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Q4&12M 2020 IFRS RESULTS

MOSCOW, 02 MARCH 2021

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ALROSA: COVID-19 RESPONSE

Team

- Preventive measures: temperature checks 2x a day, provision of PPE, sanitization, etc.
- Shift approach for unique specialists, ensuring physical distancing
- WFH mode from March where applicable
- Internal communication program to raise awareness, trainings
- Testing for COVID-19: up to 100% of the personnel screened at the sites where virus was identified

Communities

- Support to the healthcare system:

  RUB 1+ bn allocated to safety measures and medical equipment, incl. PPE, testing systems and ventilators
- Screening: 110K+ COVID-19 tests were made in the regions of operations
- Development of telemedicine networks for the remote areas

Customers

- Commitment to support clients
- Contracts with flexibility added:
  - Option to defer 100% of purchases from April
  - Volumes to be purchased by year end cut by ½ from Aug.
- Communication with clients on a daily basis (incl. with Head of sales)
- Sales channels flexibility (digital, auctions)

Operations

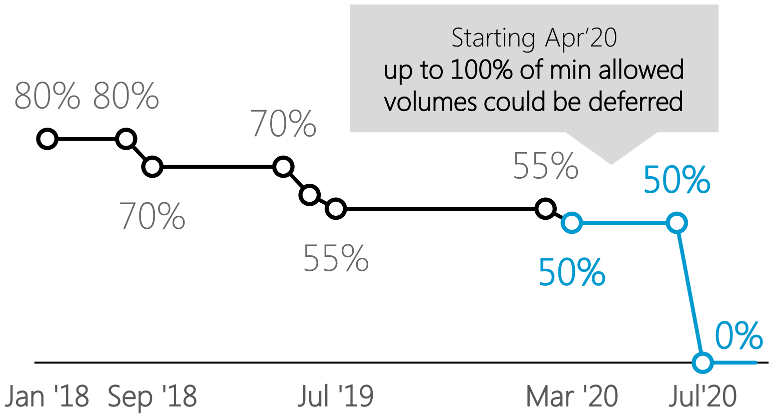
- Crisis management committee
- 2020 output cut by 22%
- Capex revised downwards
- Cost cutting measures
- Active supply management
- Balance sheet strengthening and building up liquidity position

Source: Company data.
Note: (1) PPE – Personal Protective Equipment; (2) WFH – Working From Home.

MANAGING THROUGH THE DOWNTURN

Increased flexibility for customers

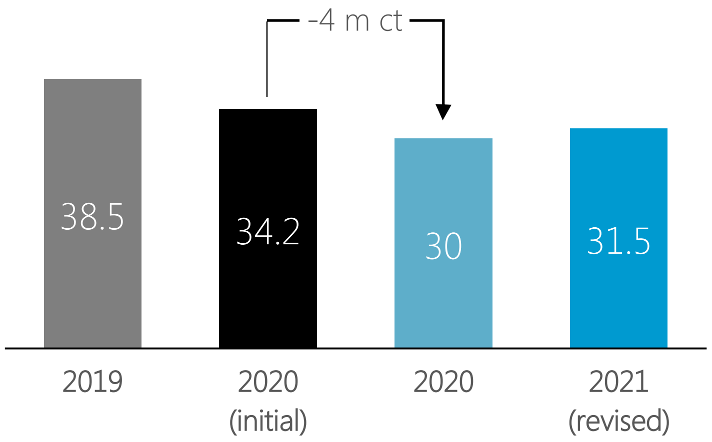
Min. allowed contract allocation level



- Mining majors helped industry destock by the end of 2019 and continued to support in 2020
- E.g. ALROSA: from Mar'20 – minimum contracted volumes cut to 50%
- ...starting Apr'20 up to 100% of purchases could be deferred to buy later in 2020
- From Jul'20 – obligations to buy are cut to 0%

Output reduced

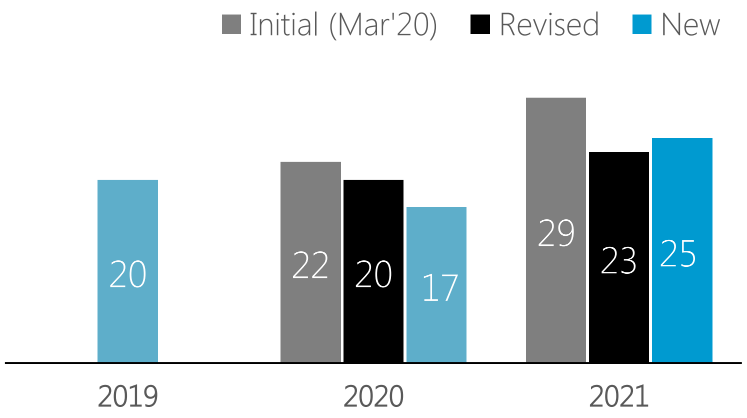
m ct



- Output cuts at the assets with higher variable costs, and with lower vs average profitability
- ...thus helping reduce cash outlays / working capital buildup, and speed up W/C release once demand recovered

Capex downscaled

RUB bn



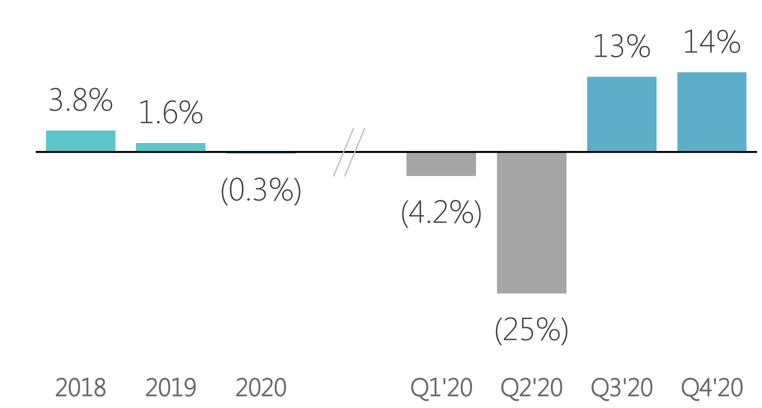
- A number of small projects were rescheduled or put on hold
- No impact on operational performance
- 2021 capex outlook was revised upward to RUB 25 bn since its last update in June

Source: Company data and analysis.

DIAMOND MARKET OVERVIEW

Jewelry demand

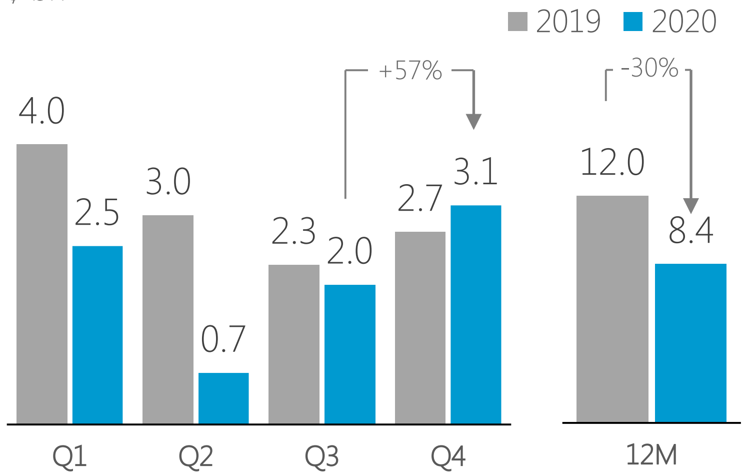
yoy change, U.S. PCE on jewelry



- After a strong start in Jan'20 pandemic led to stores closures in Feb-May, retailer relied on their existing stocks
- Since Q3 retail sales started to increase showing robust yoy gain

Miners[1] adjusted supply

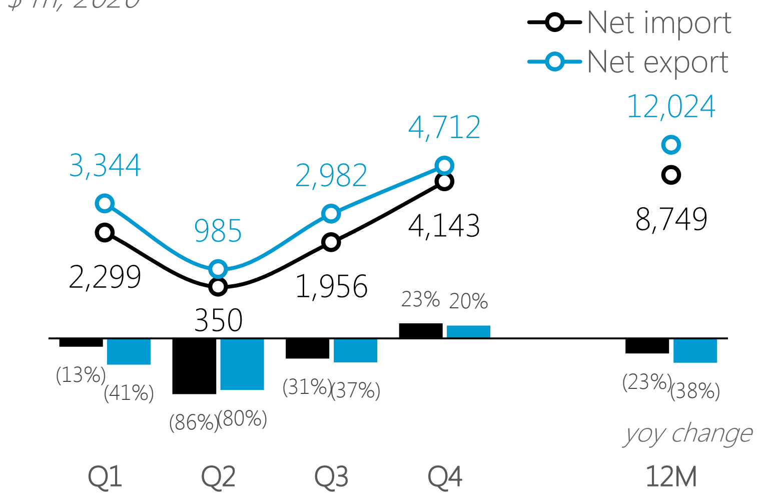
$ bn



- Major diamond producers adjusted supply in Apr-Jul to prevent stock-building at mid-stream and stabilize price
- Demand for rough diamonds resumed in August as jewelers started to place orders for the holiday seasons and saw end-demand recovery

Polishers structurally reduced stocks

$ m, 2020



- Sharp decrease in imports in Q2'20 brought stocks to minimal levels (following significant destocking in 2019)
- Rough allocation for manufacturing discipline in H2'20 allowed to maintain supply and demand balance by the year-end

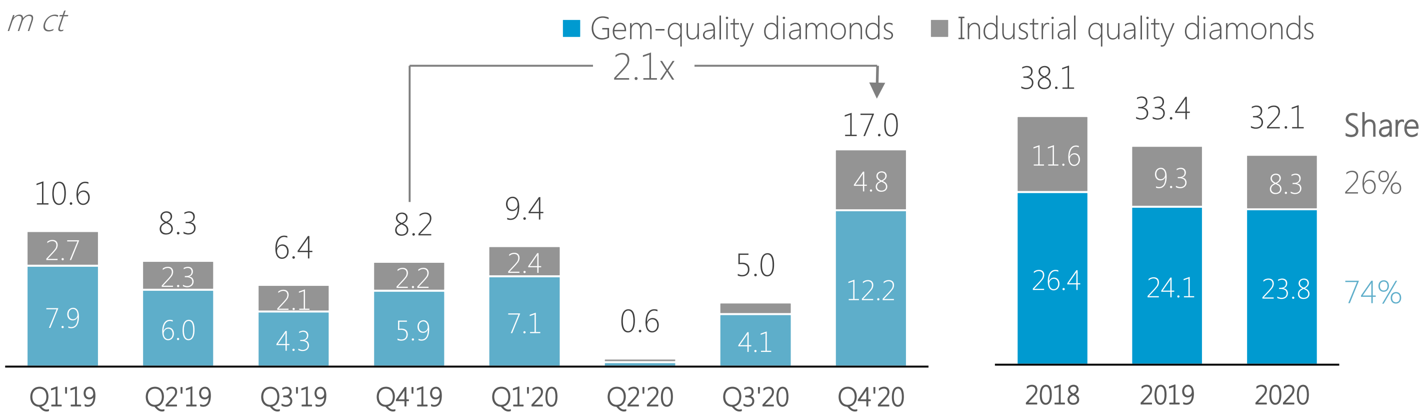
Source: Company data and analysis, GJEPC, Bureau of Economic Analysis.

1. *Data based on results of ALROSA and other diamond producers with a market share totaling c. 75% in 12M 2019.*

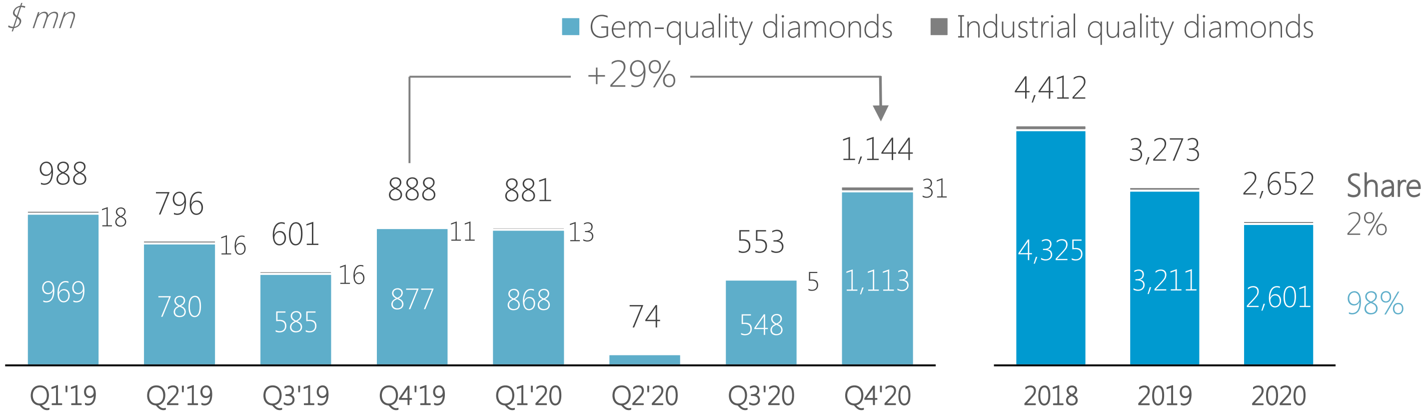
ALROSA ROUGH DIAMOND SALES

- **Q4’20 diamond sales** were up 3.4x qoq to **17 m ct**, on continued recovery of end-demand in US and China after lockdowns, supported by seasonality
- **Proceeds from rough diamond sales were $1,144 m** (+2.1x qoq and +29% yoy) on stronger volumes, though mix effect impacted average selling prices (see page 8)
- **12M sales were 4% down yoy** impacted by lower volumes in Q2 and Q3

Q4’20 diamond sales grew by 3.4x qoq



Q4’20 diamond sales in USD grew by 2.1x qoq



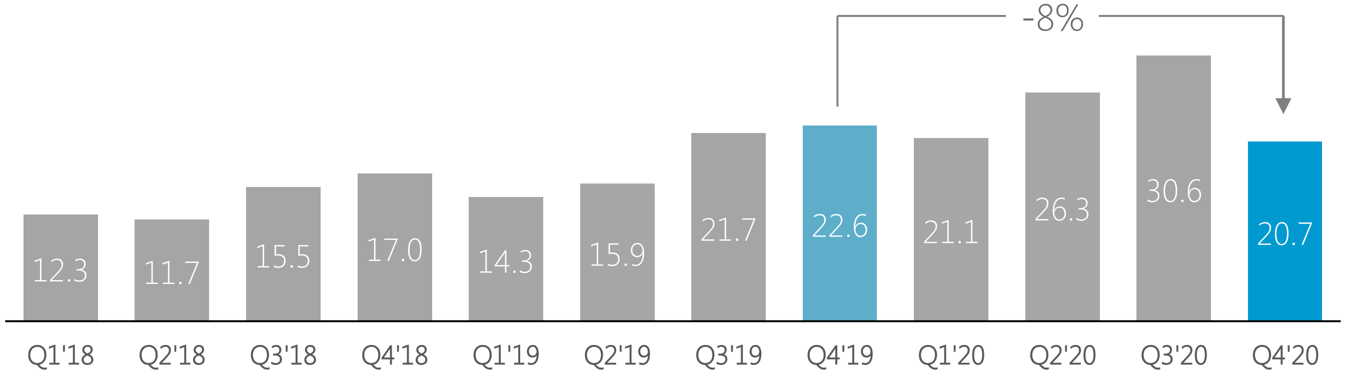
Source: Company data and analysis.

ALROSA INVENTORIES

- **Q4'20 diamond inventories were down by 32% qoq (-9.9 m ct) to 20.7 m ct** as sales volumes (17.0 m ct) exceeded production (7.1 m ct) due to stronger demand and lower output
- **8% yoy decline in inventories (-1.9 m ct)** due to production cuts in order to reduce costs in response to the deteriorating market environment caused by COVID-19
- **Q4'20 ores & sands stocks were up 4% qoq** to 26.9 m t as mining activities exceeded processing

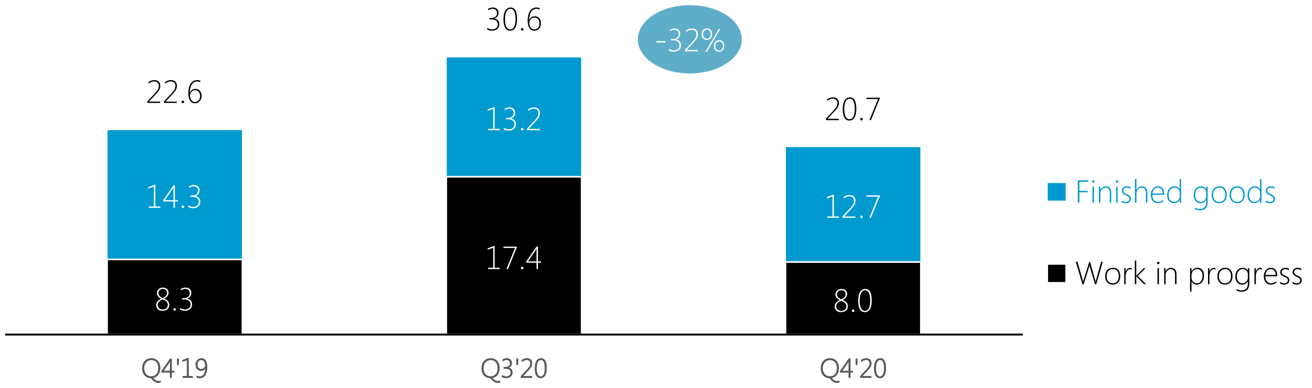
Q4 ALROSA's diamond inventories decreased by 32% qoq

m ct, end of the period



ALROSA's diamond inventories structure

m ct, end of the period



Source: Company data and analysis.

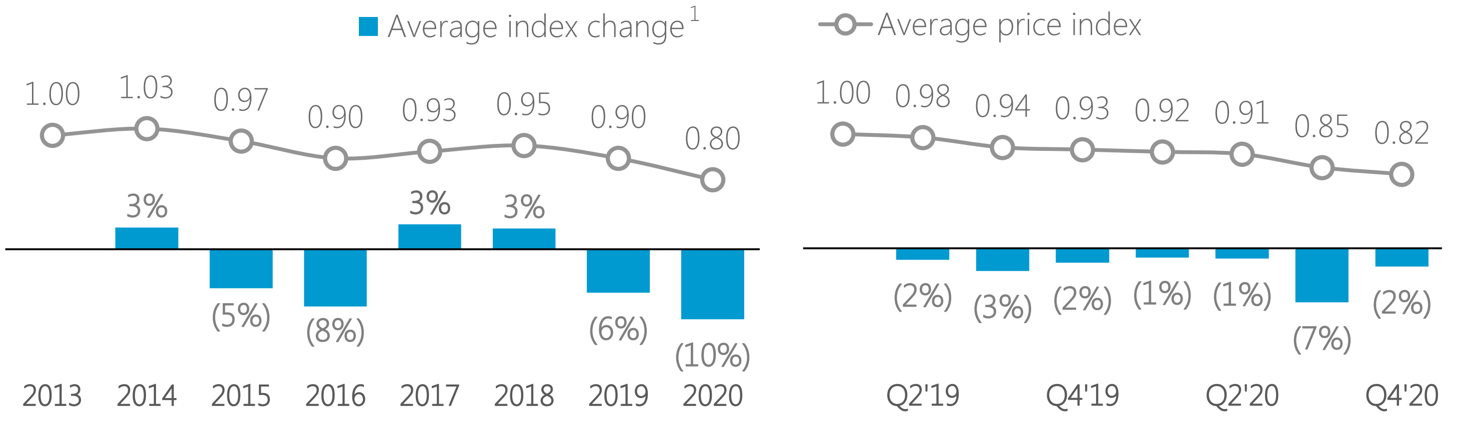
DIAMOND PRICES

Highlights

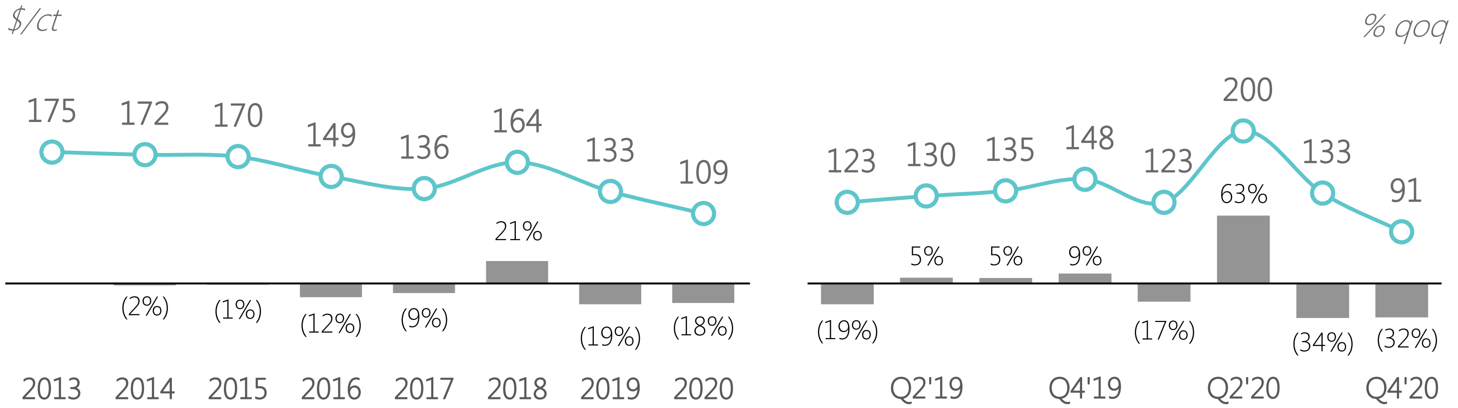
- Q4’20 like-for-like prices[1] were 2% up qoq (though Q4 index was down 2% qoq on high base effect at the beginning of Q3 before one-off price correction in Aug’20)
- 12M like-for-like prices were 10% down

- Average realized prices for gem diamonds[2] in Q4’20 were $91/ct (-32% qoq and -38% yoy) on strong sales volumes of small diamonds
- 12M ARP went down by 18% to **$109/ct** due to
  - increased demand for smaller diamonds
  - decrease in like-for-like index in 2020

ALROSA price index for like-for-like gem-quality diamonds mix



ALROSA average realized price (ARP)[2] for gem-quality diamonds



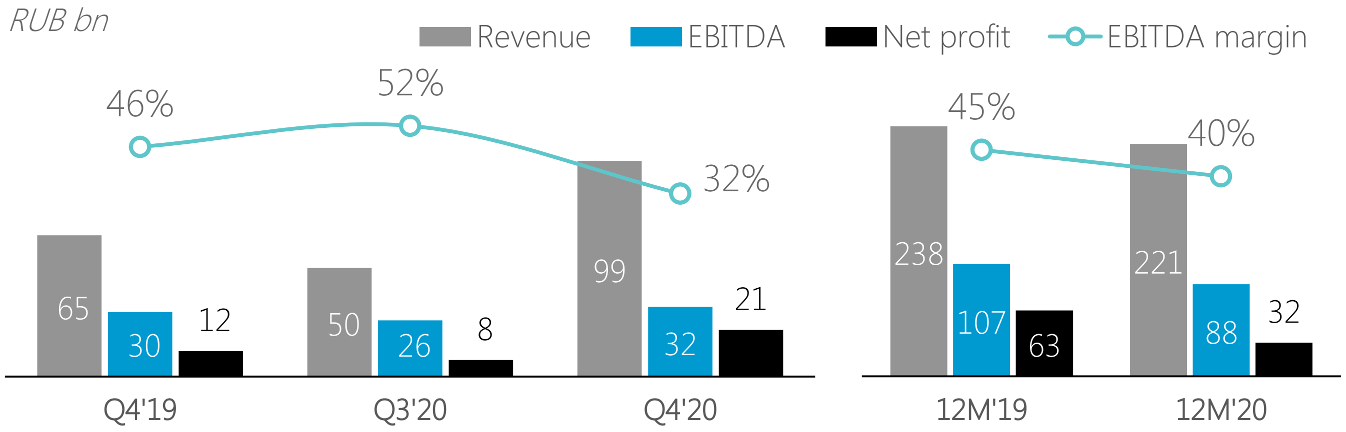
Source: Company data and analysis.

1. *Average index change of like-for-like diamonds prices (excl. +10.8 carats).*
2. *ARP (Average Realized Prices) are also impacted by changes in the product mix throughout the reported period, resulting from total sales revenue divided by total sales volumes in carats.*

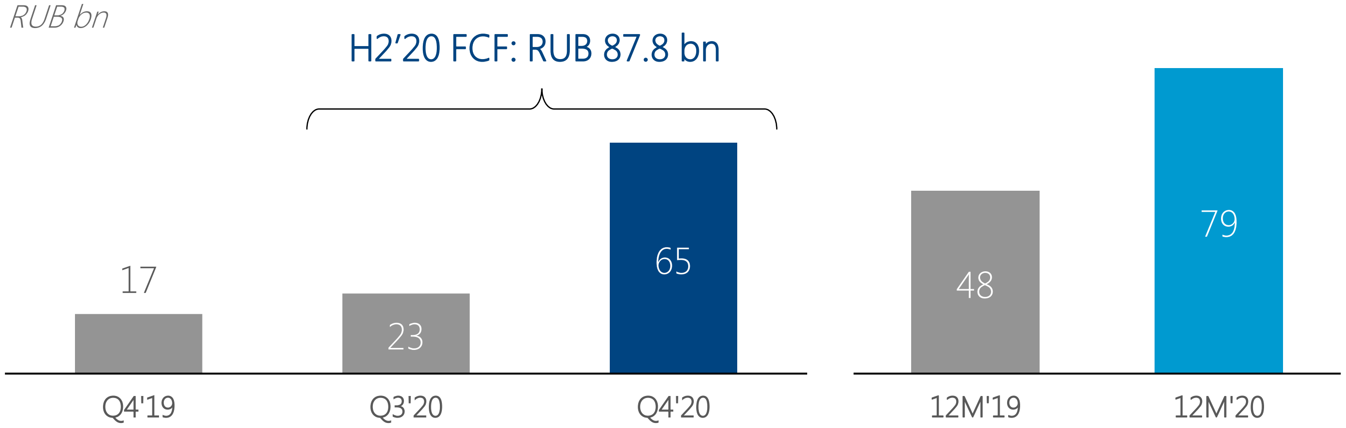
FINANCIAL HIGHLIGHTS

- Q4'20:
  - Revenue: RUB 98.6 bn, up by 2x qoq on the back of strong demand recovery toward year-end
  - EBITDA: RUB 31.8 bn (+24% qoq, +8% yoy)
  - Profitability amounted to 32% (-20 p.p.)
  - Net income RUB 21.3 bn (+2.8x qoq, +83% yoy)
  - FCF grew to RUB 65.2 bn (+2.9x qoq, +3.9x yoy)
  - Net debt / 12M EBITDA was at 0.4x
- 12M'20:
  - Revenue: RUB 221.5 bn (-7%)
  - EBITDA: RUB 87.6 bn (-18%)
  - Profitability: 40% (-5 p.p.)
  - Net income: RUB 32.2 bn (-49%)
  - FCF: RUB 79.5 bn (+67%)

Strong financials on the back of sales recovery



Free Cash Flow grew 3x qoq on W/C release



Source: Company data and analysis.

GEM-QUALITY DIAMOND REVENUE DRIVERS

- Q4'20 gem-quality diamond revenue increased by 2.1x qoq to **RUB 85 bn** driven by:
  - (+) rebounded sales volumes: +RUB 84 bn
  - (-) change in product mix with effect of -RUB 43 bn
  - (+) RUB 2 bn on higher LFL prices (+2% qoq)
  - (+) weaker RUB added RUB 2 bn
- 2020 gem-quality diamond revenue decreased by 6% to **RUB 187 bn** on the back of:
  - (-) marginally lower sales volumes: -RUB 3 bn
  - (-) change in sales mix with effect of -RUB 11 bn
  - (-) decreased pricing affected by -RUB 18 bn
  - (+) FX impact gave additional RUB 19 bn

Q3'20 to Q4'20 gem-quality rough diamond revenue bridge

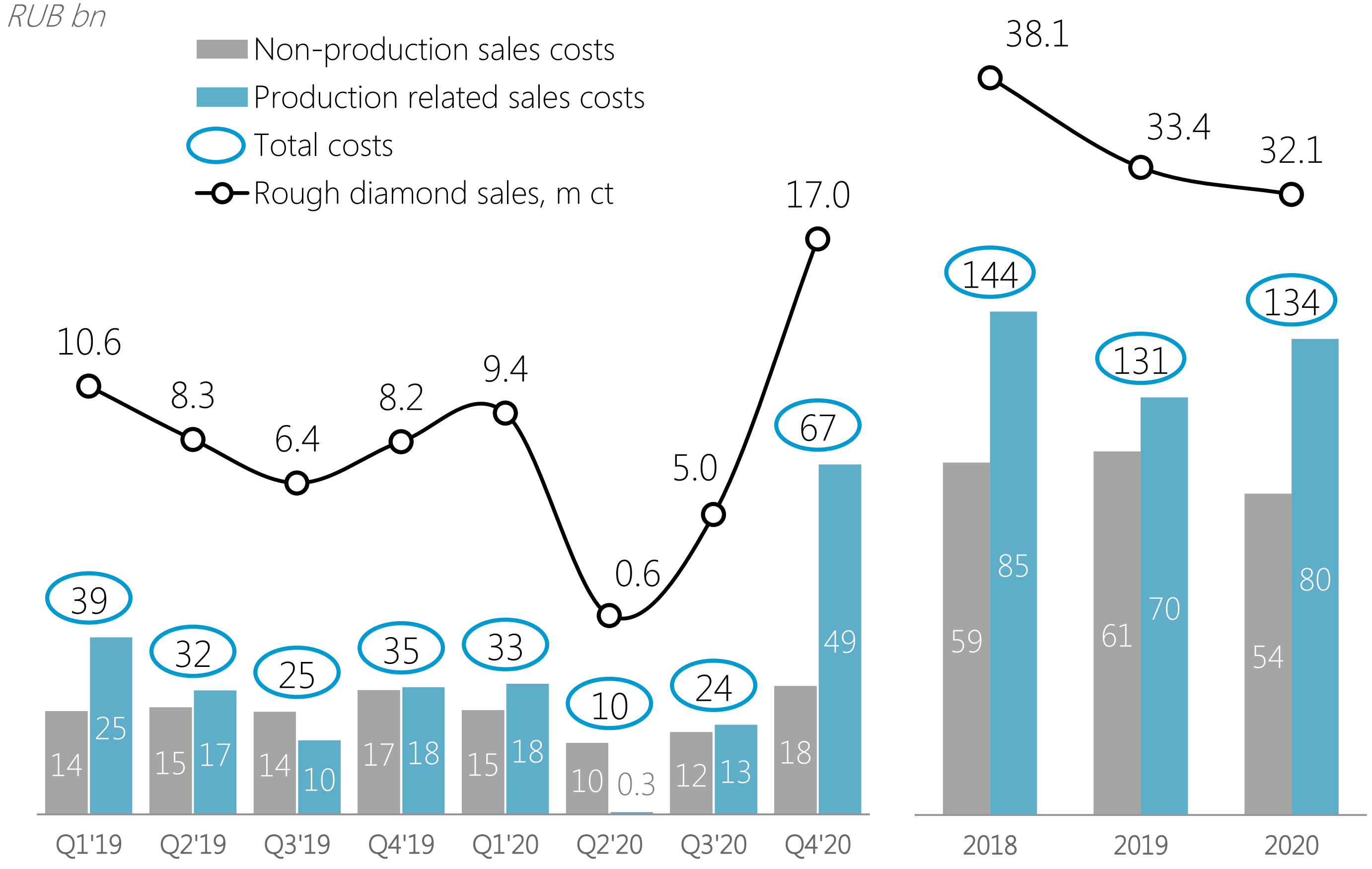
2019 to 2020 gem-quality rough diamond revenue bridge

Source: Company data and analysis.
1. Excl. RUB 7 bn of revenue from sales of gem-quality rough diamond to Kristall group in 2019.

COSTS DYNAMICS

- Q4'20 total costs of products sold were up by 2.8x qoq (+90% yoy) to RUB 67 bn due to:
  - Production-related sales costs: RUB 49 bn as sales volumes grew by 3.4x to 17.0 m ct (detailed breakdown is at p. 19)
  - Non-production sales costs: RUB 18 bn up by 56% qoq mostly driven by higher MET on lower Q3 base as sorting operations utilization rates were down due to COVID-19 (see p. 20)
- 12M'20 total costs of products sold were up by 2% to RUB 134 bn due to:
  - Production-related sales costs: RUB 80 bn (+14%) as unit cost per carat sold grew due to production cut in 2020 (detailed breakdown is at p. 19)
  - Non-production sales costs: RUB 54 bn (-11%) mostly driven by (1) lower MET as sorting activity was down due to COVID-19 and (2) revision of the price-list (see p. 20)

Q4 total cost of sales grew 2.8x qoq as sales volumes were 3.4x up



Source: Company data and analysis.

PROFITABILITY ANALYSIS

- Q4'20 EBITDA: RUB 32 bn, up by 24% qoq driven by:

  (+) increase in revenue: +RUB 49 bn due as volumes recovered, though partially offset by mix effect (see p. 10)

  (-) increase in cost of goods sold: -RUB 41 bn driven by 3.4x sales volumes growth

  (-) SG&A impact of –RUB3 bn on higher sales, management option program revaluation on higher prices for shares, and full-working hours schedule

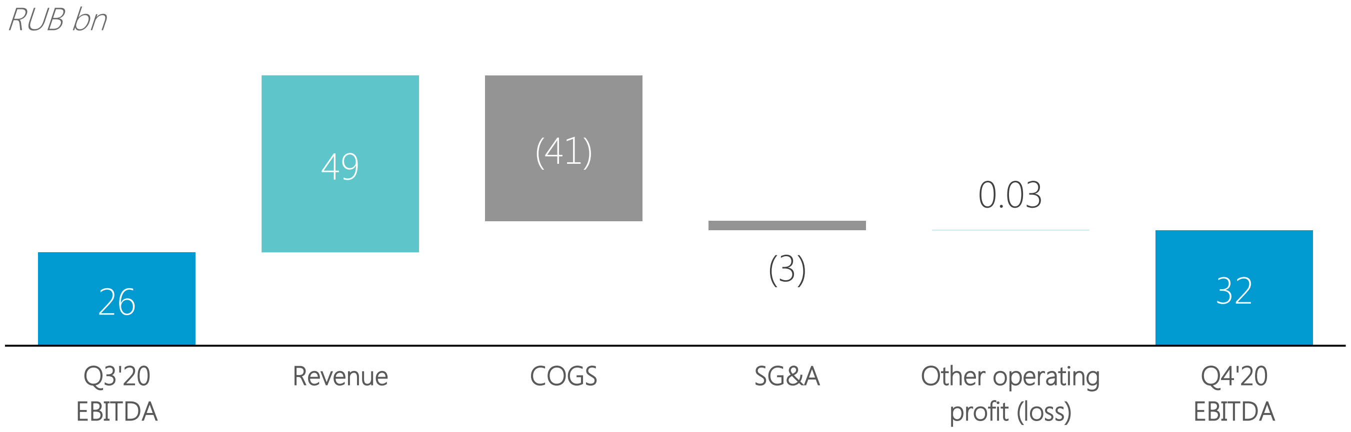
- 12M'20 EBITDA: RUB 88 bn, down by 18% mainly due to:

  (-) revenue decline: -RUB 17 bn due to lower LFL prices (-10%) and changes in sales mix (see p. 10)

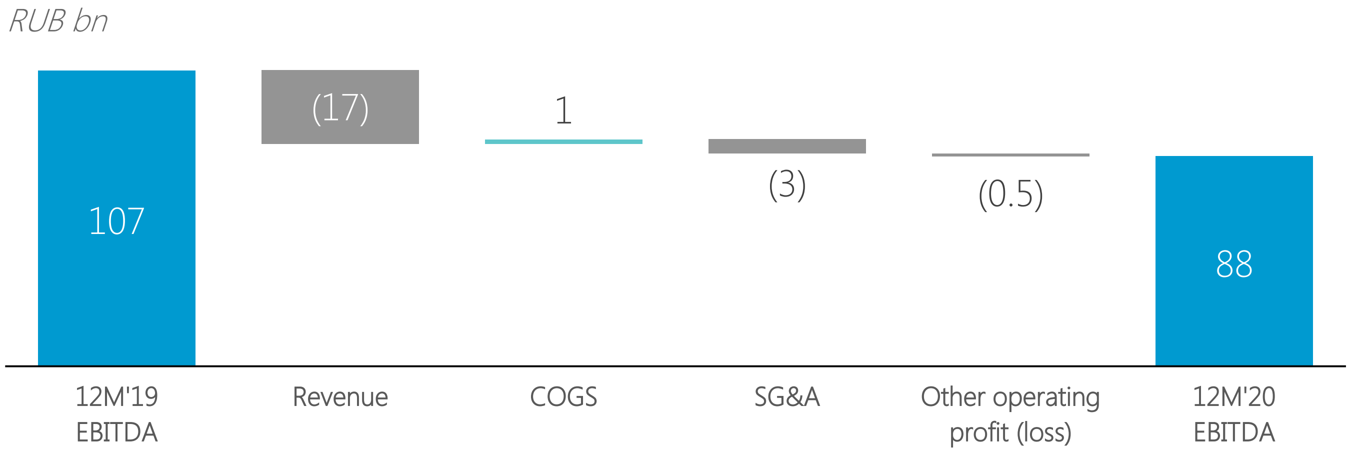
  (+) decrease of cost of goods sold: +RUB 1 bn due to a 4% decrease in sales volumes

  (-) increase of SG&A expenses: -RUB 3 bn

Q3'20 to Q4'20 EBITDA bridge



2019 to 2020 EBITDA bridge

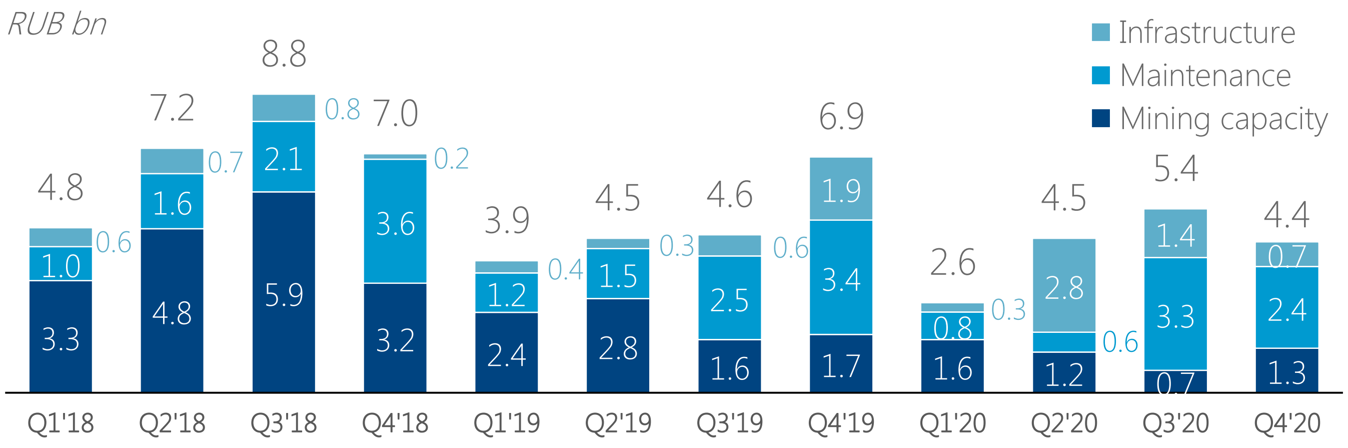


Source: Company data and analysis.

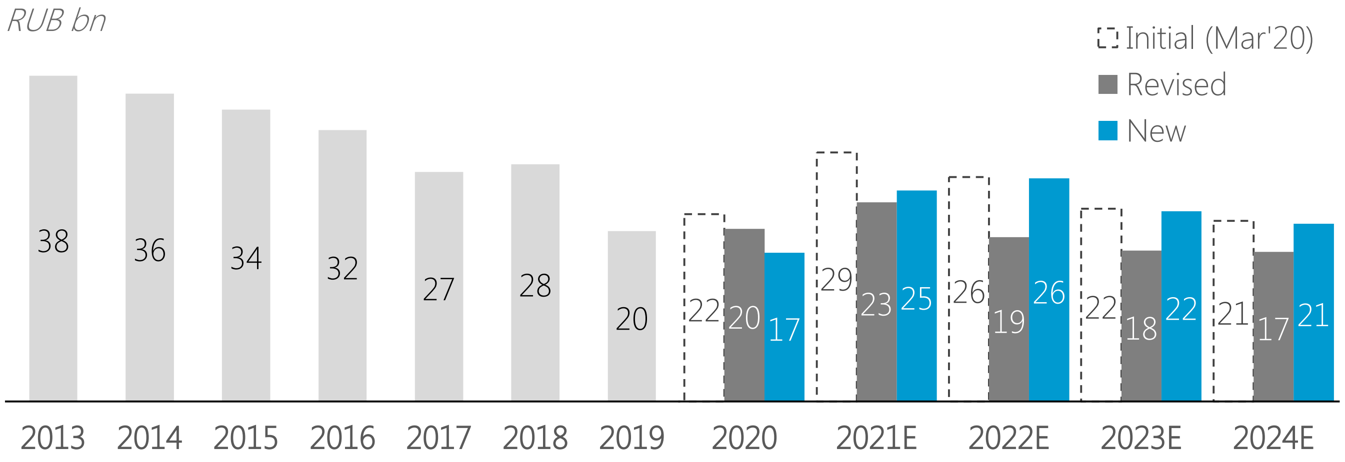
CAPEX

- **Q4'20 capex** down by 18% qoq to **RUB 4.4 bn** mainly due to decrease in maintenance (-28% qoq) and delayed infrastructure investments
- **Mining capacity capex up by RUB 0.7 bn** (up 2.1x qoq) (International UM capex +RUB 0.5 bn)
- **Total capex was down by 36% yoy** due to decrease of maintenance (-RUB 1.0 bn) and infrastructure (-RUB 1.1 bn) investments
- **2021-2024E capex outlook was revised upward** since its last update in June with increased investments in maintenance (+ RUB 7.5 bn) and infrastructure (+RUB 7.6 bn) due to revision of projects schedule

Q4 capex went down by 18% qoq



Annual capex dynamics

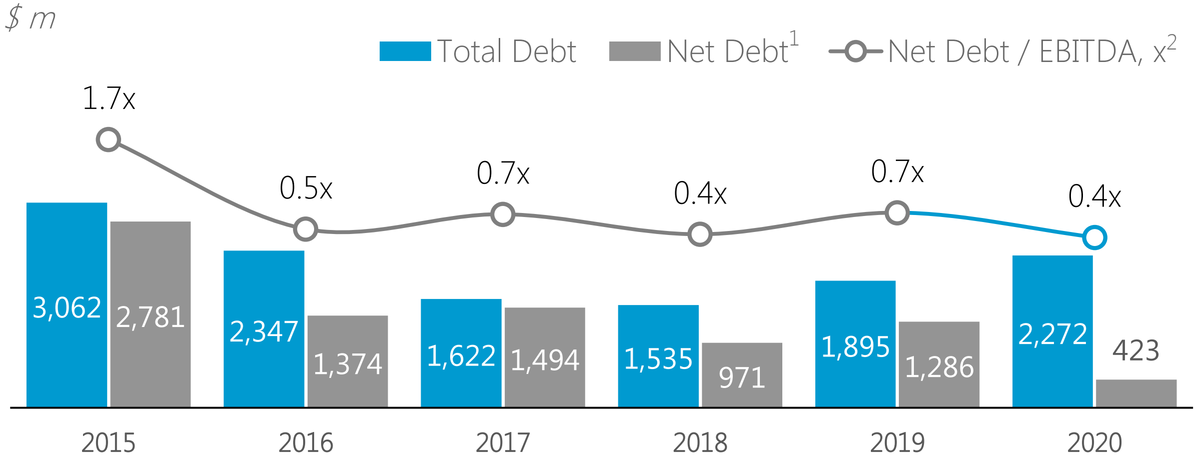


Source: Company data and analysis.

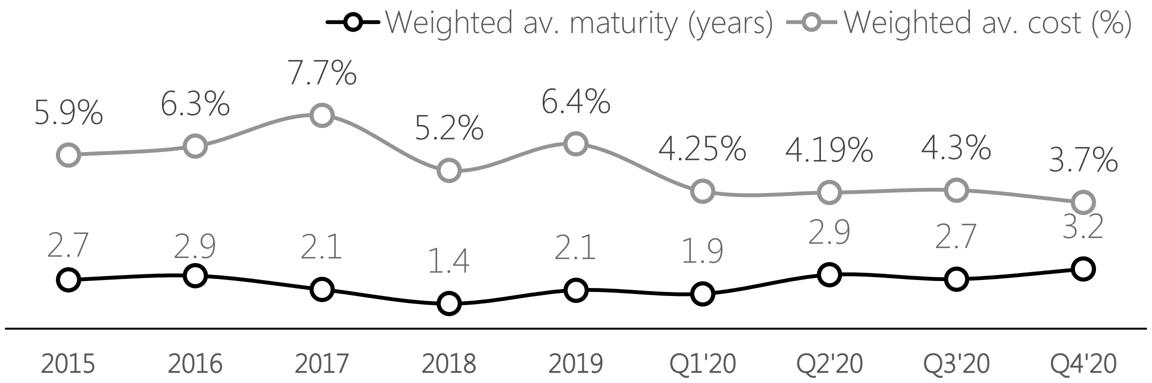
DEBT POSITION

- **Q4'20 Net debt** was **$0.4 bn** down by 67% yoy
- **Net debt/12M EBITDA** amounted to **0.4x**
- **Liquidity position** stable at **$1.8 bn**
- **Proactive steps to decrease leverage:**
  - $200 m and $75 m bank loans – early payment in Q4'20
  - $494 m Eurobond 10Y maturing in Nov'20
- **IG status confirmed by Moody's, Fitch in June, S&P in July, RAEX assigned AAA in May**

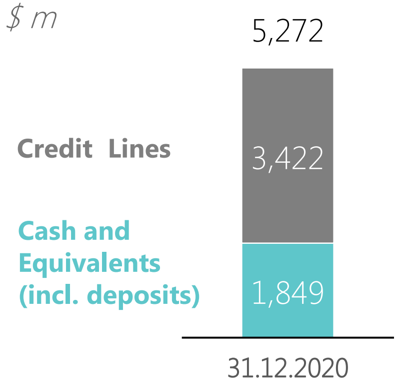
Sound financial profile



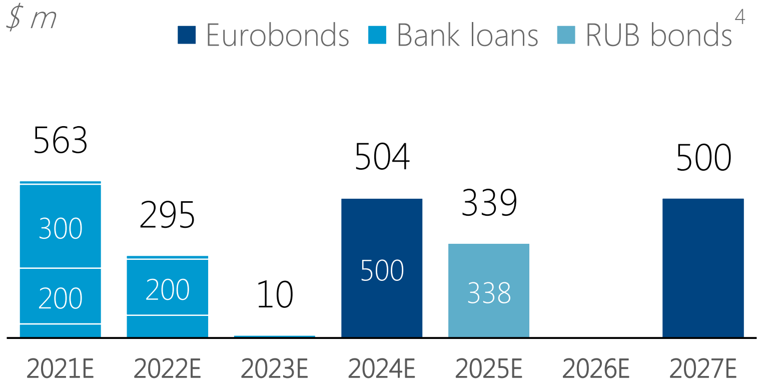
Extended maturity and lowered cost of debt



Liquidity position



Debt[3] repayment schedule



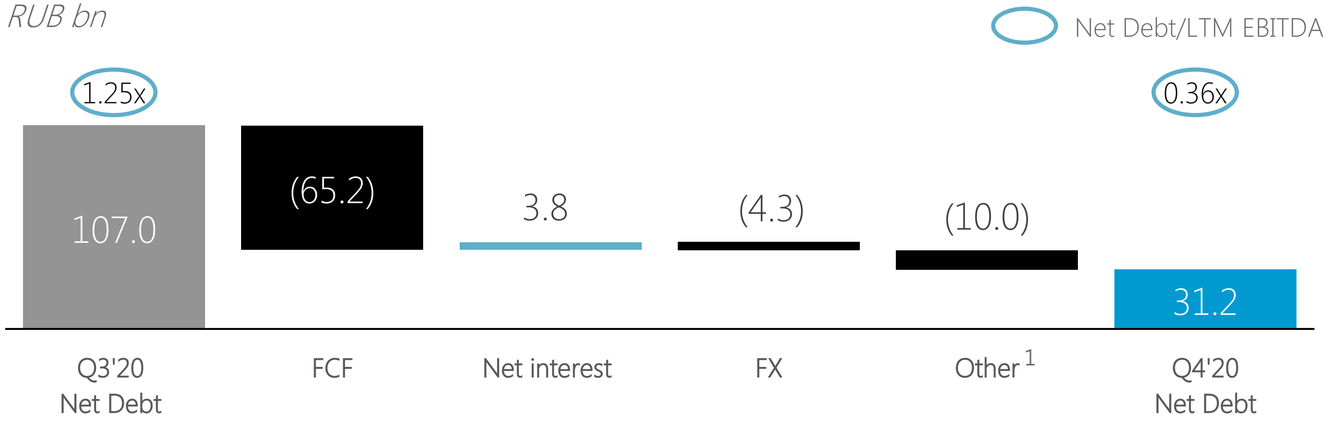
Source: Company data and analysis.

1. *Including lease obligation (the equivalent of USD 67 m).*
2. *Based on EBITDA and Net Debt denominated in rubles.*
3. *Excluding lease obligation (the equivalent of USD 67 m) and amortization of discount.*
4. *For RUB-denominated debt based on FX rate as of 31 December 2020.*

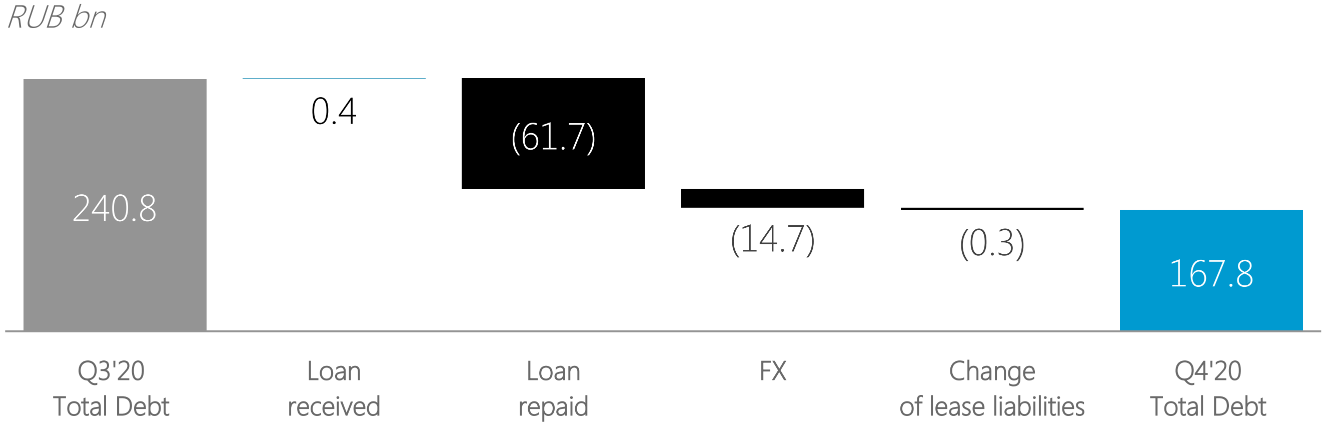
DEBT ANALYSIS

- Q4'20 net debt declined by 71% qoq to RUB 31 bn mostly driven by:
  - (-) positive FCF (-RUB 65.2 bn)
  - (+) net interest (+RUB 3.8 bn)
  - (-) FX rate impact on strengthening RUB (-RUB 4.3 bn) as 79% of debt is USD denominated
  - (-) other (-RUB 10.0 bn)
- Q4'20 total debt decreased by 30% qoq to RUB 168 bn mostly due to:
  - (-) loans repaid (-RUB 61.7 bn)
  - (-) FX rate impact (-RUB 14.7 bn)

Q3'20 to Q4'20 Net Debt bridge



Q3'20 to Q4'20 Total Debt bridge

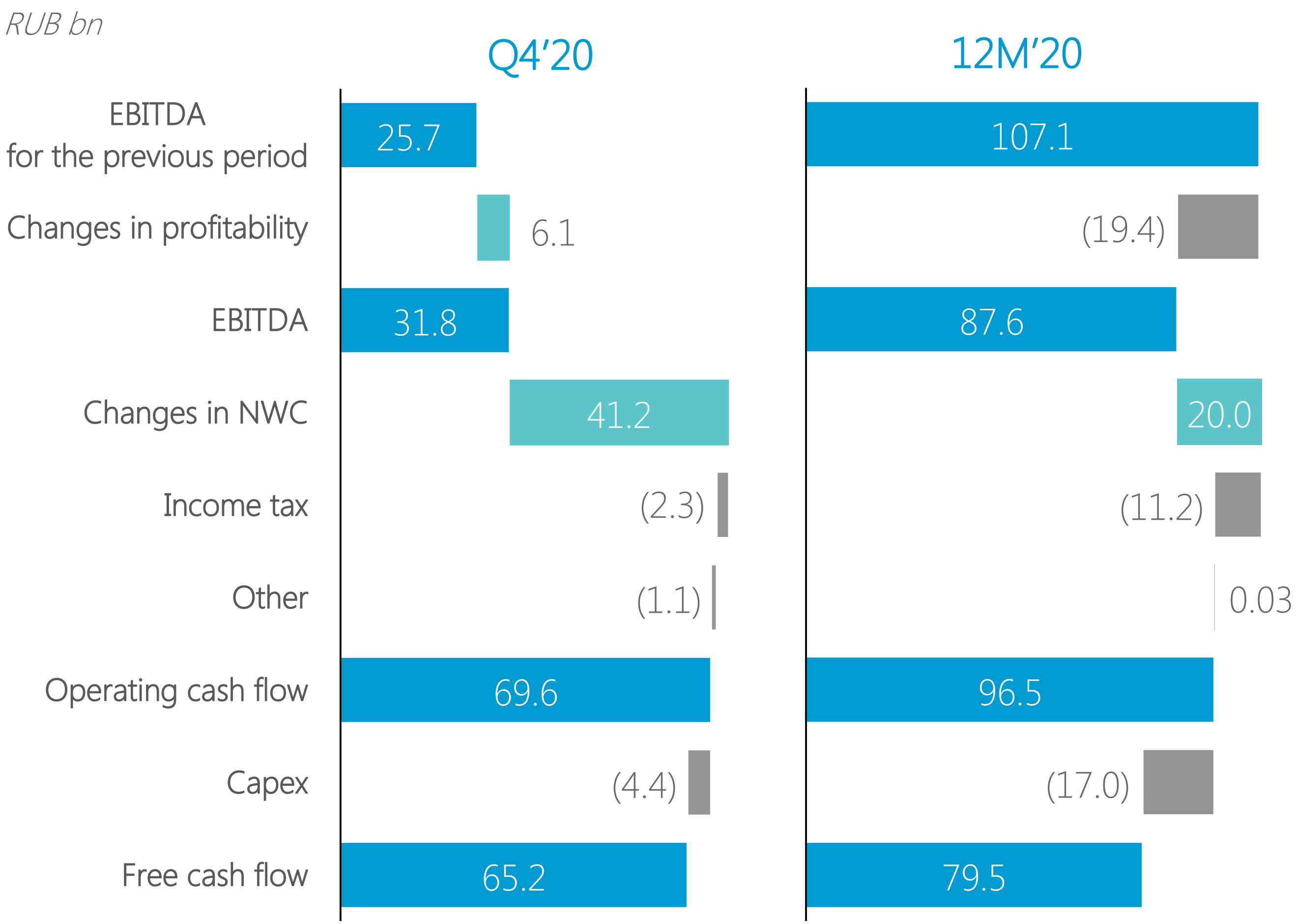


Source: Company data and analysis.
1. Mainly includes dividends received from associates (RUB 4.5 bn) and proceeds from sale of assets available for sale (8.2% of Catoca) (RUB 5.1 bn)

FREE CASH FLOW

- **Q4'20 FCF increased to RUB 65.2 bn** from RUB 22.6 bn in Q3'20 due to:
  - (+) Profitability growth by RUB 6.1 bn QoQ on recovered sales
  - (+) W/C release of RUB 41.2 bn with the key drivers:
    - +RUB 29.2 bn – decrease of diamond inventories
    - +RUB 3.2 bn – seasonal decrease of materials
    - +RUB 6.5 bn – AP up due to increase of advances from customers as part of 2020 contracted volumes to be dispatched in 2021
  - (-) Income tax payment (-RUB 2.3 bn)
  - (-) Other (-RUB 1.1 bn)
  - (-) Capex (-RUB 4.4 bn)
- **12M'20 FCF increased by 67% to RUB 79 bn** (RUB 48 bn in 12M'19) due to:
  - (+) W/C release of RUB 20.0 bn with key drivers:
    - +RUB 7.2 bn – decrease of diamond inventories
    - +RUB 14.3 bn – AP up due to increase of advances from customers as part of 2020 contracted volumes will be shipped in 2021
  - (-) Capex (-RUB 17.0 bn)
  - (-) Profitability decrease by RUB 19.4 bn on mix changes and price index
  - (-) Income tax payment (-RUB 11.2 bn)

EBITDA to Free cash flow bridge



Source: Company data and analysis.

OUTLOOK

Market outlook

- **Resilient consumer demand** – diamond jewelry remains the product of choice for "special moments in life", and is being culturally accepted in new geographies.
- **Consumer profile is getting younger** with Millennials and GenZ driving incremental demand
- **Recovery growth in end-demand for diamonds** as key economies are back to "normal" life
- **Mid-stream inventories are set to remain range-bound** as in 2019-2020 cutters and polishers de-stocked and de-levered
- **Structural decrease in diamonds supply** with depletions outpacing new capacity launches

ALROSA performance

- 2021 outlook:
  - **Production** is expected to recover up to ~31.5 m ct
  - **Sales volumes** will depend on real market demand, and availability of the diamonds inventory
  - **Pricing environment** looks positive on resilient demand and limited inventory in the diamond pipeline
  - **Capex is estimated at RUB 25 bn**, a catch up from downscaled RUB 17 bn in 2020
- Active cost cutting program being consistently pursued:
  - Active production management
  - Ongoing savings from operational efficiency programs and optimization initiatives

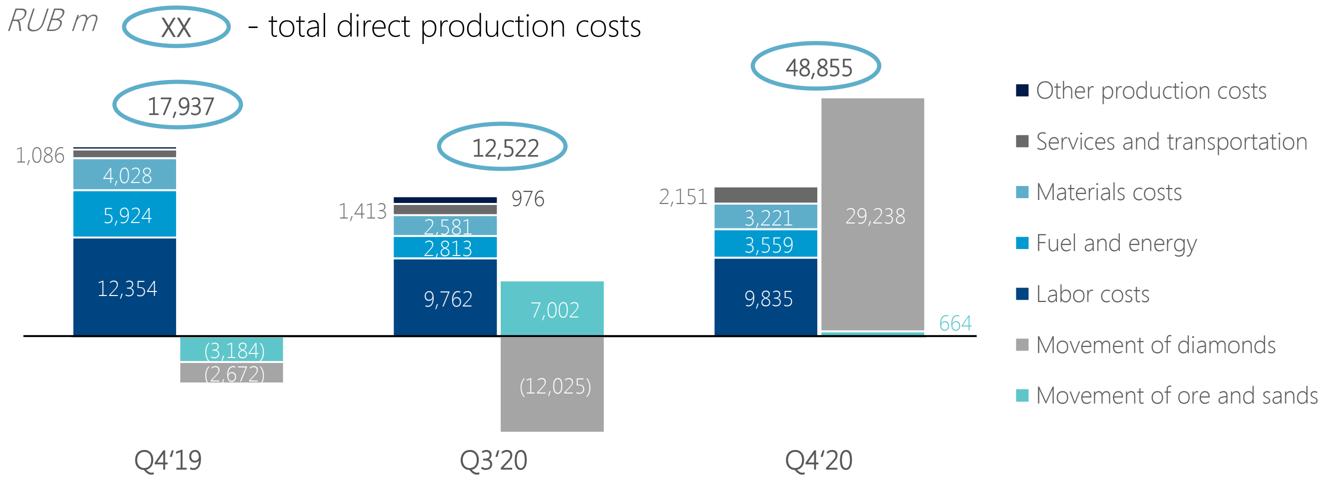
Source: Company data.

APPENDIX

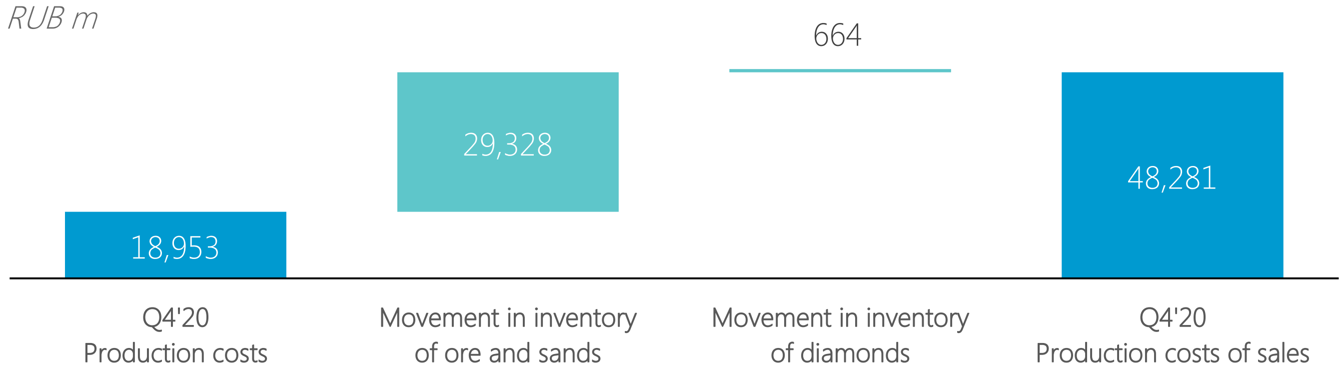
PRODUCTION COSTS DYNAMICS AND BREAKDOWN

- Q4’20 production related cost of sales went up to RUB 48.9 bn driven by:
  - (-) movement in inventory – rerelease of diamonds stock due to output being below sales (-RUB 41.3 bn)
  - (+) movement of inventory of ore & sands stock (-RUB 6.3 bn)
  - (-) payroll +1% (+RUB 0.1 bn)
  - (-) fuel & energy +27% on volumes increase (+RUB 0.7 bn)
  - (-) materials +25% due to resumption of production on assets suspended due to optimization measures (+RUB 0.6 bn)
  - (-) services & transportation costs +52% (+RUB 0.7 bn) due to increase of service expenses on the back of energy consumption increase
- Q4’20 production related costs of sales were up by 2.7x yoy driven by:
  - (-) release of diamonds stock (+RUB 31.9 bn)
  - (-) movement in ore & sands stock (+RUB 3.8 bn)
  - (+) optimization measures (including production cuts / employees on furlough)

Direct production costs up 3.9x qoq on sales growth



Cost of goods sold



Source: Company data and analysis.

NON-PRODUCTION COSTS DYNAMICS AND BREAKDOWN

- Q4'20 non-production costs were up 56% qoq to RUB 17.9 bn mostly due to:

  (-) MET increase by 2.6x (+RUB 3.8 bn) mostly driven by compensation of lower volumes in Q3 due to COVID related measures

  (-) SG&A expenses +64% (+RUB 2.6 bn) due to change of re-valuation of management option program

  (-) social expenses +3.2x (+RUB 1.4 bn) due to seasonality

  (+) other non-production costs down by RUB 1.7 bn mostly due to increase of other operating income as a result of RUB 1.1 bn received in dividends for the 8.2% interest in Catoca Ltd. recognized on the balance sheet as assets held for sale

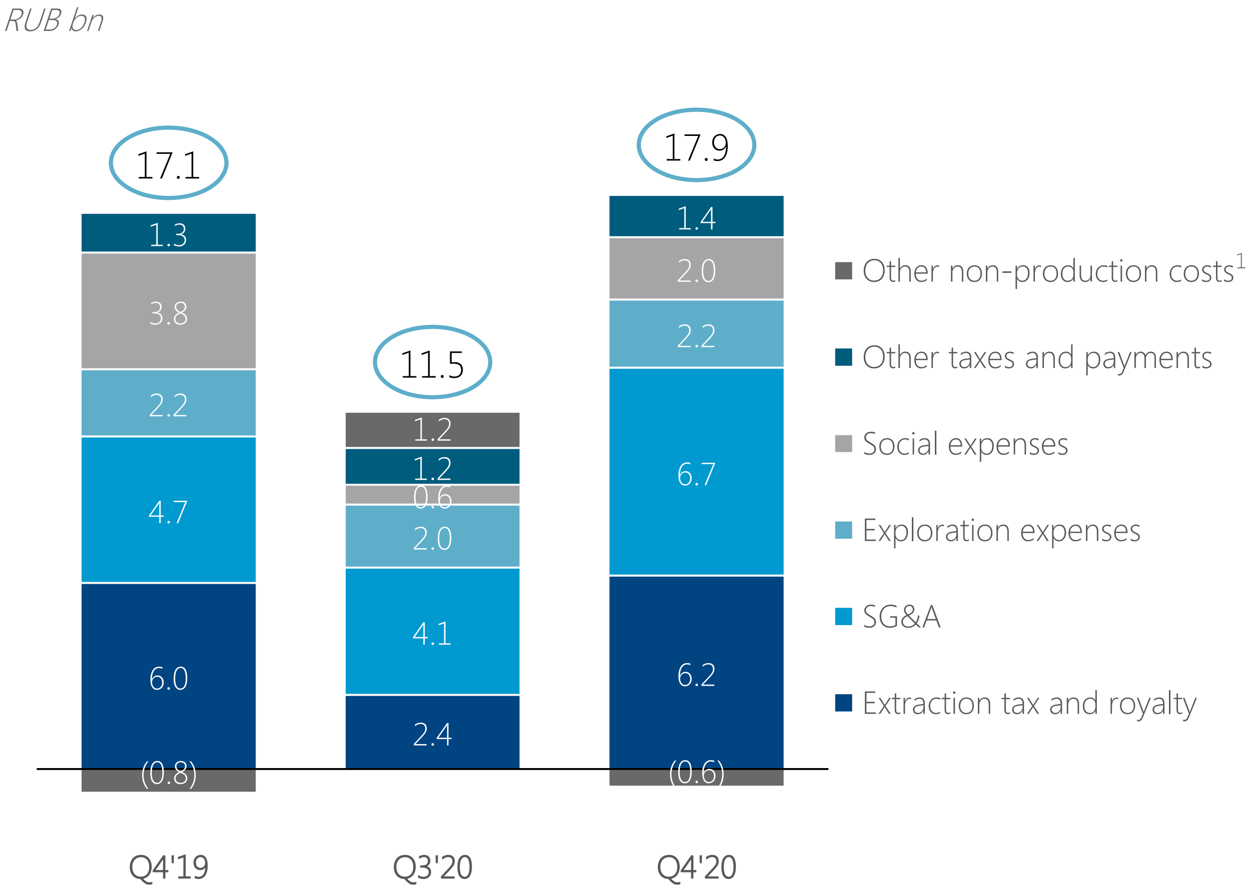
- Increase by 5% yoy mostly due to:

  (+) social expenses went down 46% (-RUB 1.8 bn) according to the 2020 timeline

  (-) SG&A expenses increased by 42% (+RUB 2.0 bn) due to change of re-valuation of management option program

  (-) other non-production costs up by RUB 0.5 bn mostly due to COVID-related expenses and growth of NDC contribution

Non-production costs were up by 56% qoq



Source: Company data and analysis.

1. *Mainly includes cost of diamonds for resale, NDC/DPA contribution, COVID-related expenses, and other non-production costs.*

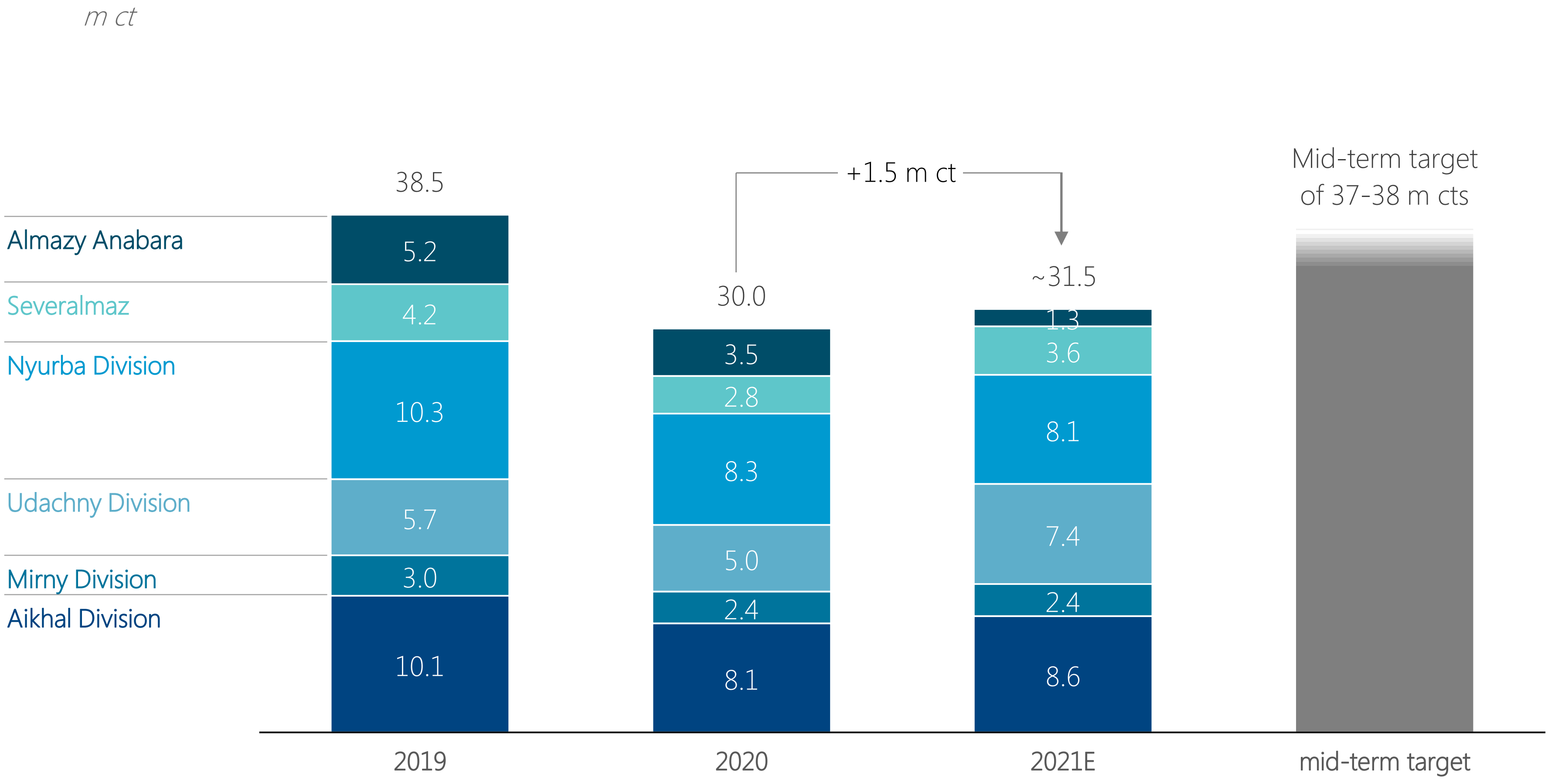
KEY INVESTMENTS PROJECTS

	1 Udachny UG mine	2 VM[1] deposit	3 Maiskaya pipe	4 VG[2] deposit
Type of mining	Underground	Open-pit	Open-pit	Alluvials
Production start	2015	2018	2025	2026
Ramp-up	2021	2019	2027	2028
Target ore output pa, m t	4.0	3.0	0.3	1.4
Target production pa, m ct	4.8	1.8	1.0	0.5
Total CAPEX, RUB bn	63.9	20.0	5.6	4.6
Invested share	*88%*	*93%*	*8%*	*0%*
Resource base[3], m ct	207.6	40.4	12.7	4.7

Source: Company data
1. *Verkhne-Munskoye deposit*
2. *Vodorazdelnye Galechniki deposit*
3. *Diamond mineral resources in accordance with the JORC Code as at 1 July 2018*

PRODUCTION OUTLOOK 2021

Production outlook was revised



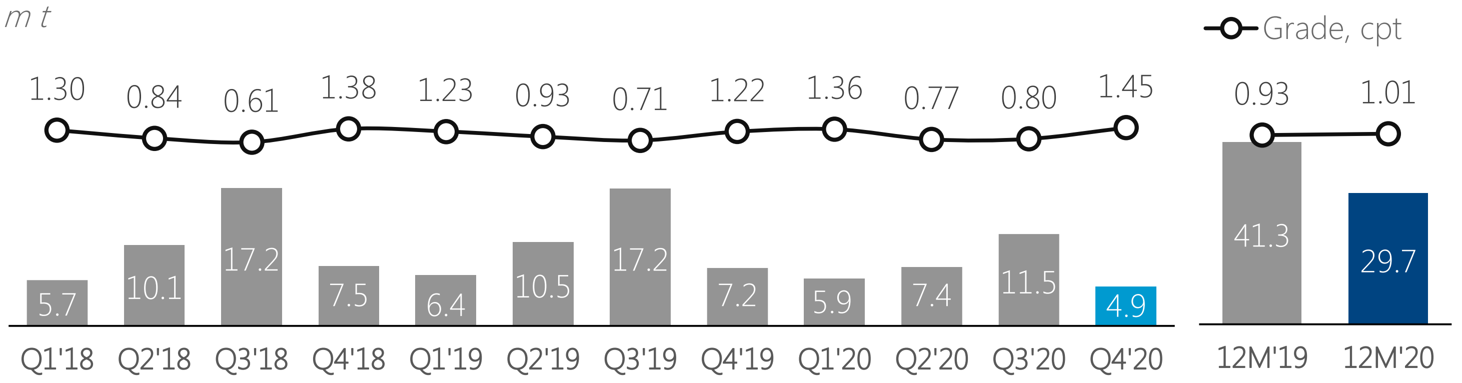
Source: Company data and analysis.

ALROSA PRODUCTION

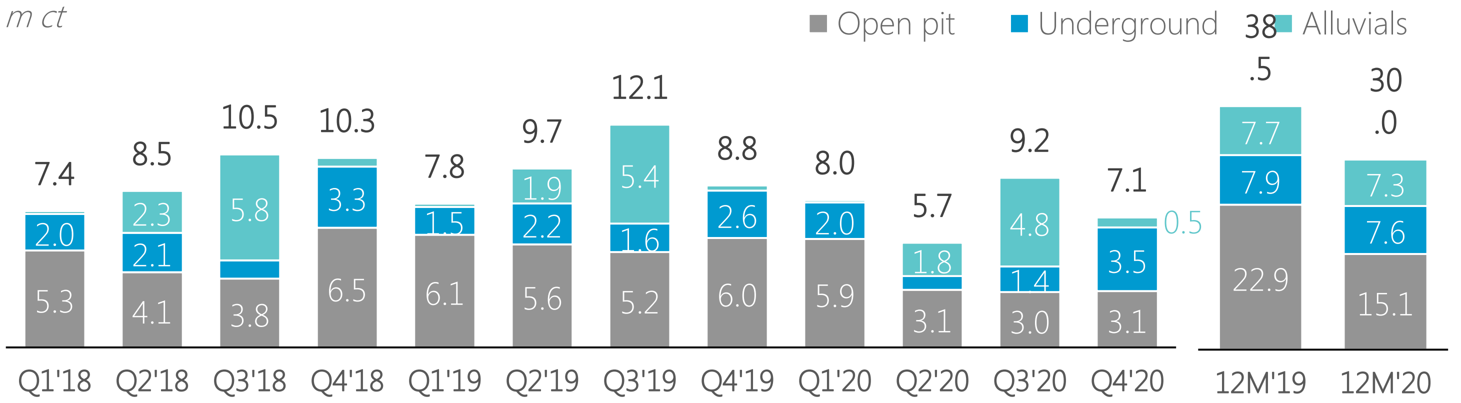
Highlights

- **Q4'20 production** was down 23% qoq (down 20% yoy) to **7.1 m ct** due to seasonal suspension of production at the alluvial deposits, lower output at the Jubilee pipe and reduced production at Severalmaz caused by suspension of processing plant as part of the crisis response to the COVID-19 pandemic. **12M output** declined by 22% to **30.0 m cts** as part of measures to optimize the 2020 production due to the crisis caused by the spread of COVID-19
- **Ore and gravels processing** went down 58% qoq (down 32% yoy) to **4.9 m t. 12M ore and gravels processing** amounted to **29.7 mt** (down 28%)
- **Q4 av. grade** went up by 80% qoq (up 19% yoy) to **1.45 cpt** due to seasonal halt of production at the alluvial deposits of Almazy Anabara. **12M av. grade** added 8% and amounted to 1.01 cpt as a result of discontinued operations at less profitable assets in 2020

Ore and sands processing



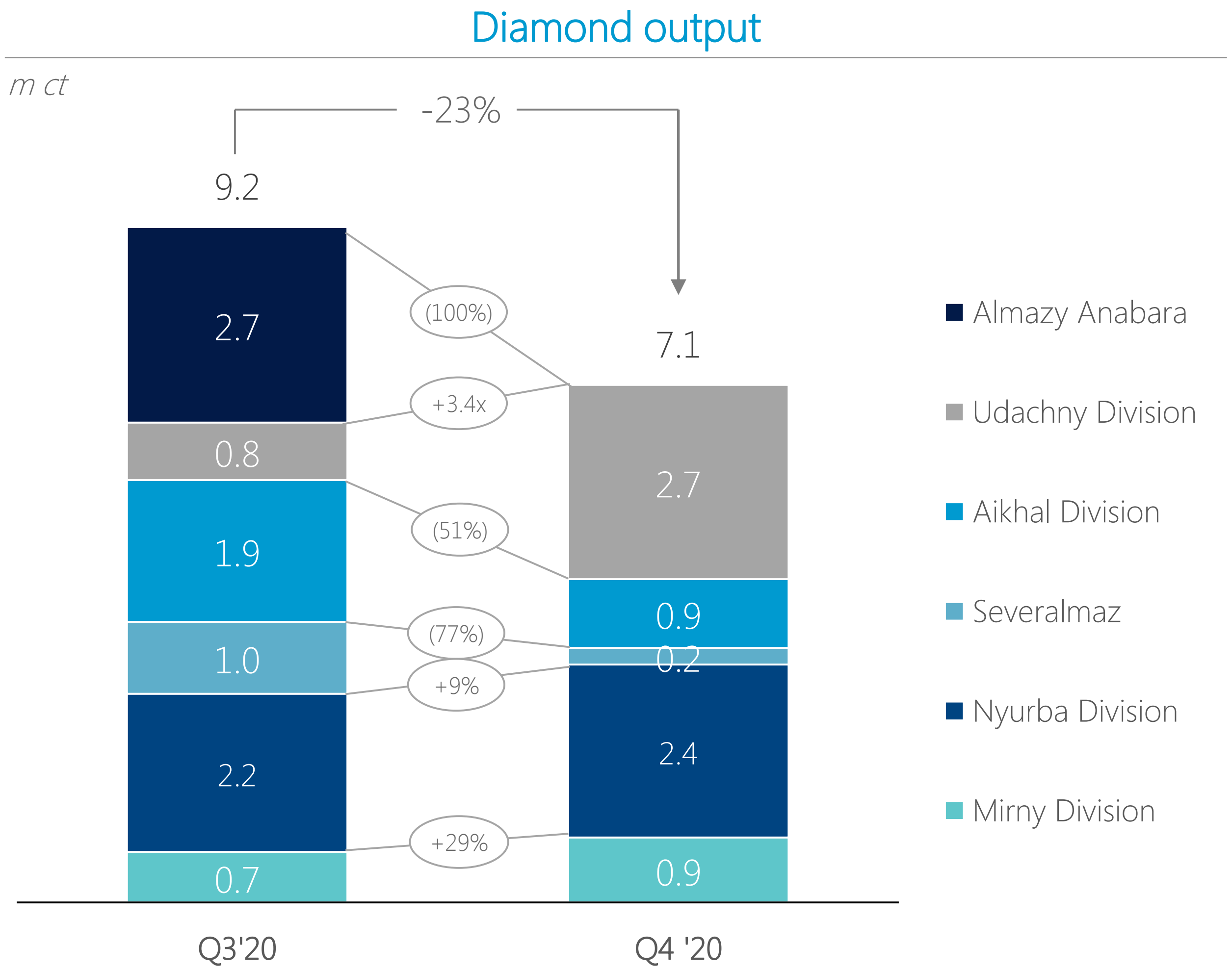
Diamond production



Source: Company data and analysis.

DIAMOND PRODUCTION BY ASSETS

- Q4'20 diamond production soared up by 62% qoq mainly due to revised production plan:
  - Almazy Anabara – seasonal discontinuation of production at the alluvial deposits
  - Aikhal Division – down 51% due to lower output at the Jubilee pipe by reason of long-term scheduled maintenance works at processing plant No. 14 in Q4 (1.5 months).
  - Severalmaz Division – down by 77% as a result of the measures to reduce the 2020 output (the processing plant operations have been suspended since 13 October
  - Udachny Division – up by 3.4x due to relaunch of processing plant No. 12 following the suspension of operations from 1 May to 1 Sep as part of 2020 output optimisation
- For more details please see Q4&12M'20 Trading update

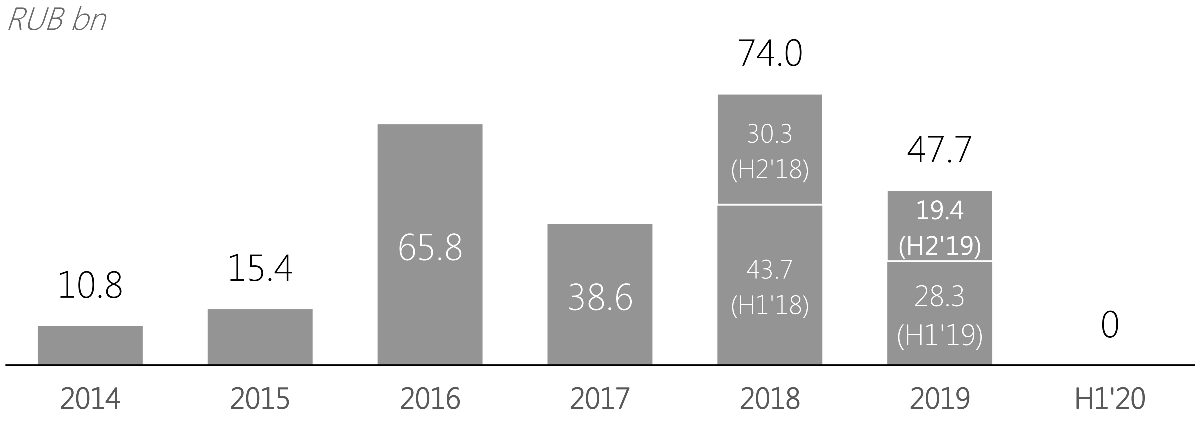


Source: Company data and analysis.

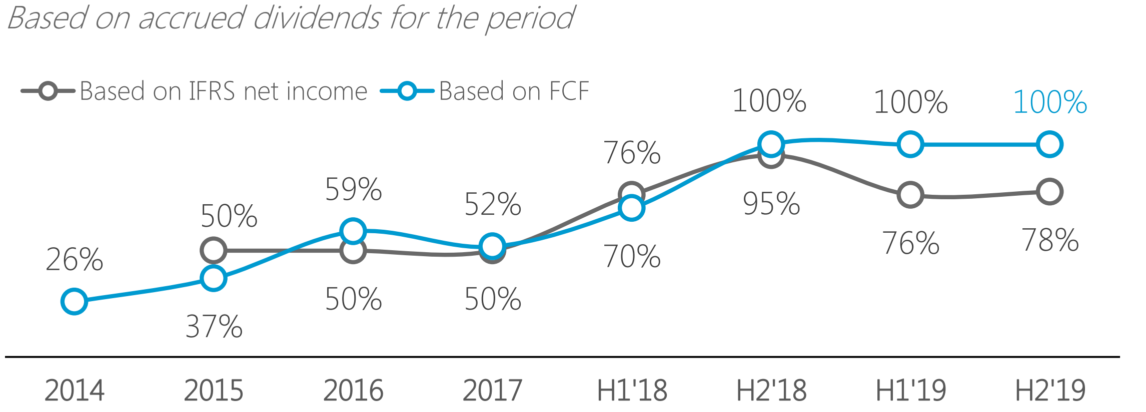
DIVIDENDS

- Dividend policy
  - Semi-annual payments and FCF-linked
  - Payout ratio depends the Net debt/LTM EBITDA ratio
  - Minimum payment: 50% of IFRS annual net profit
- **H1'20 dividends:** taking into account H1'20 FCF loss of RUB 8.3 bn, there were no conditions for interim dividend payment according to the dividend policy
- **H2'20 dividends** to be recommended by the Board in April 2021 and approved by AGM in June 2021

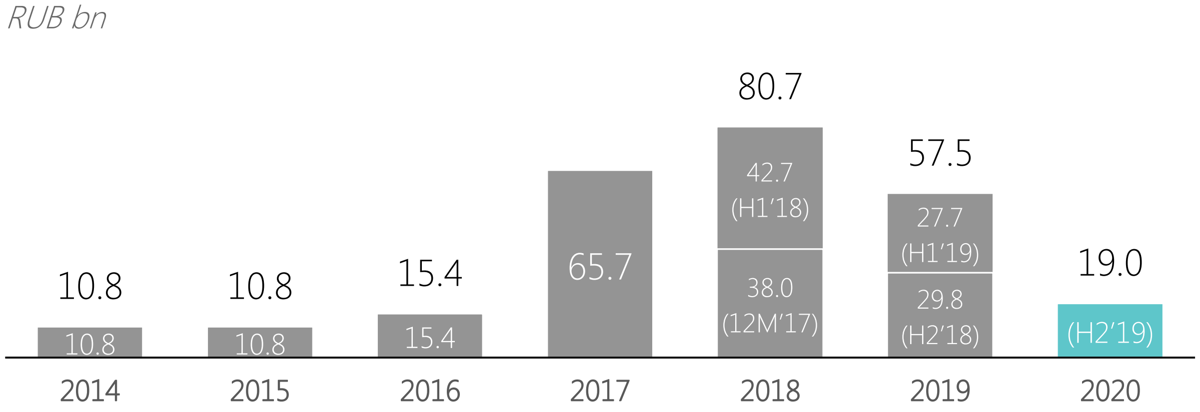
Dividend accruals



Dividend payout ratios



Dividend payments[1]



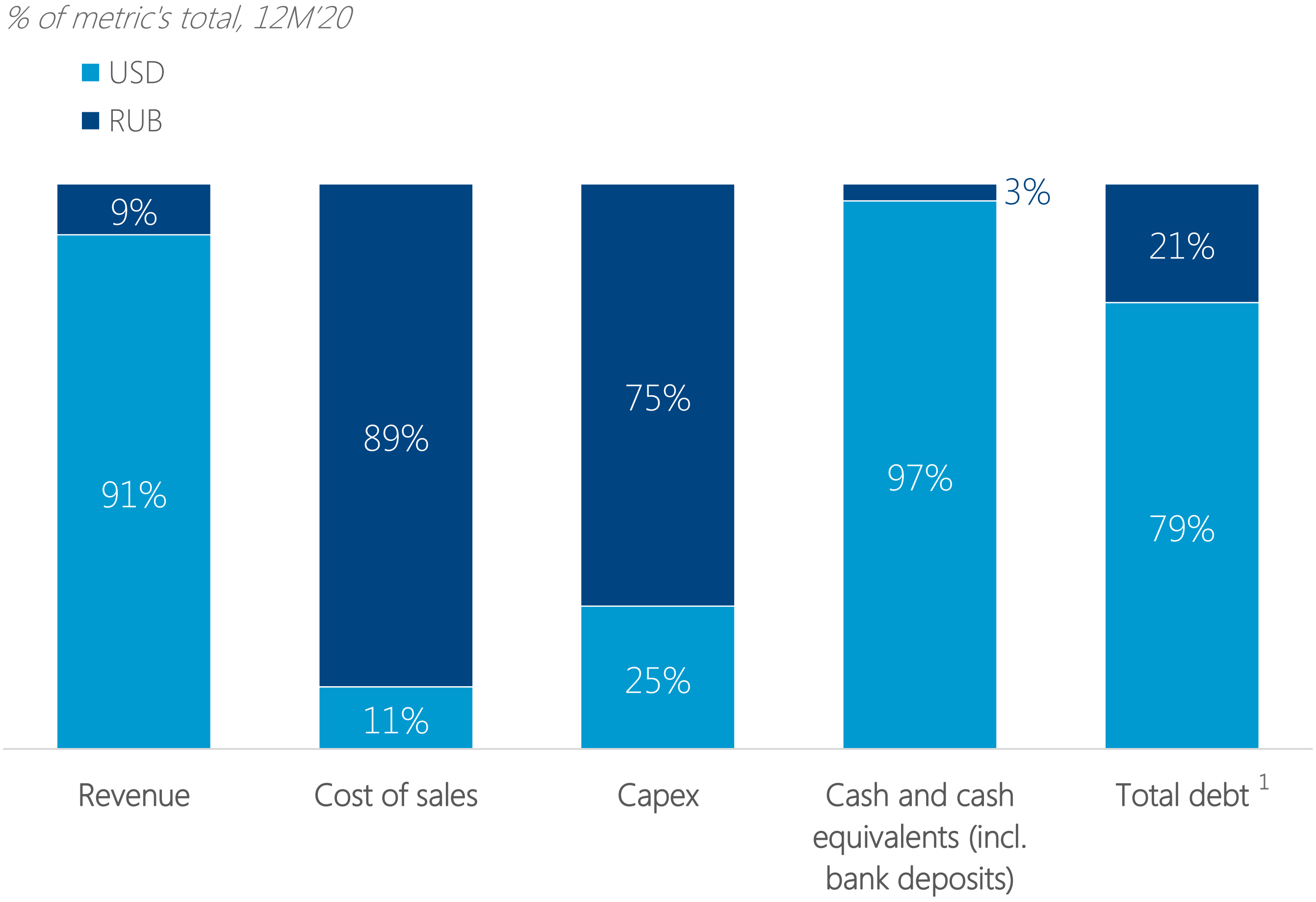
Source: Company data and analysis.

1. Dividends paid less than dividends accrued due to exclusion of dividends for treasury shares.

FX RATE

- ALROSA is an exporter with ca. 90% of revenue denominated in USD
- Major portion of costs and capex is denominated in RUB, 79% of the Company's debt portfolio[1] is denominated in USD to create a natural hedge against FX risks
- ALROSA's financial sensitivity analysis shows that a change in the USD exchange rate by +/- 1 RUB/USD leads to the following change in metrics:
  - revenue – +/-1.26%
  - cost of sales – +/-0.15%
  - EBITDA – +/-2.98%
  - capex – +/-0.35%

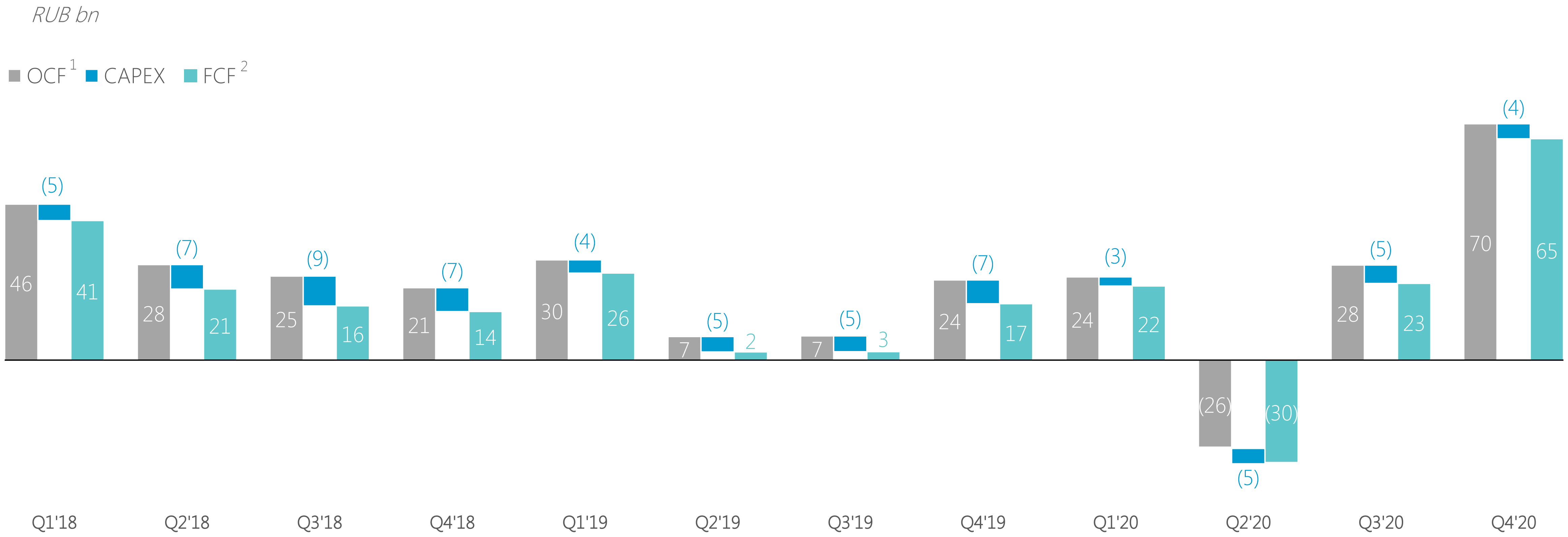
Financial metrics breakdown by currency



Source: Company data and analysis.
1. Excluding lease obligation (the equivalent of USD 67 m)

OPERATING CASH FLOW AND CAPEX

Operating cash flow and capex dynamics



Source: Company data and analysis.

1. *OCF – operating cash flow*
2. *FCF – free cash flow is defined as OCF net of capex in the core business*

THANK YOU!

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