
ALROSA

Q4&12M 2021 IFRS RESULTS

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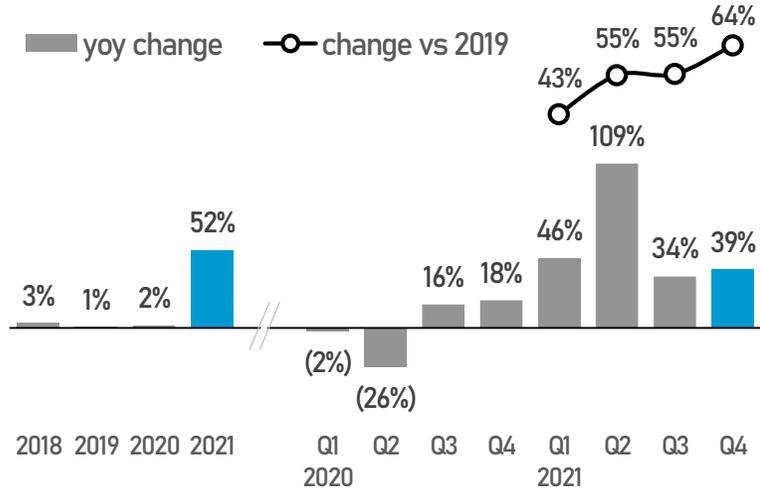
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Diamond Market Overview

Jewelry demand growth

U.S. PCE on jewelry

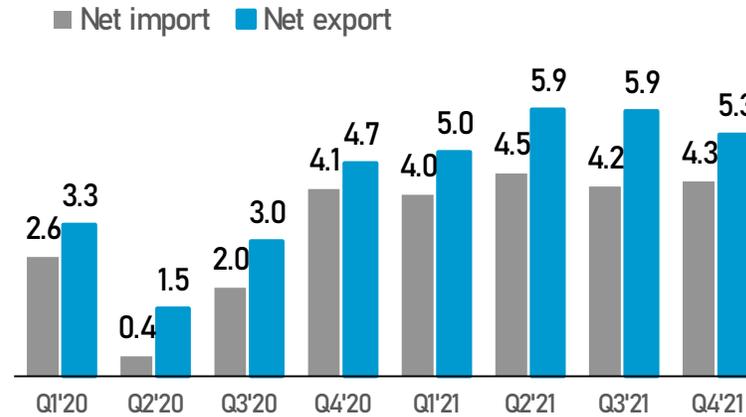


- From Q3'20 retail sales demonstrate strong growth vs record high levels of 2018/2019
- Jewelry demand in the key markets (e.g. China, USA) fully recovered in 2020 and continued to grow in 2021 driven by:
 - Lifted Covid restriction
 - Pent-up demand
 - Increased savings
 - Economic recovery
- 2021 finished with record-high holiday jewelry sales

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

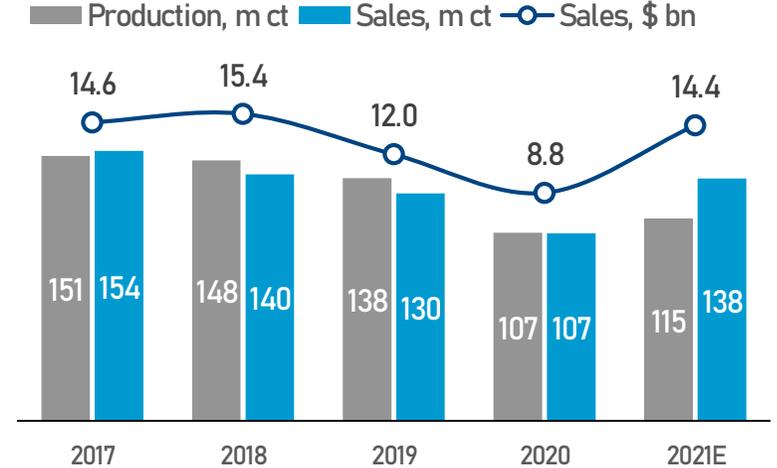
Polishers: catching up with demand

\$ bn, Indian Trade statistics



- Strong order book for polished diamonds driven by end-user demand growth
- Exhausted stocks at miners led to lower net imports in carats
- Mid-stream continues to demonstrate positive trade balance leading to (1) limited stocks and (2) healthier profitability

Global diamonds' supply strong recovery*



- Sales in USD driven by higher sales volumes (in ct) and a 13% yoy price index growth
- From mid-2021 diamond stocks at miners almost fully exhausted
- 2022-25 diamonds production expected to remain at 110-120 m ct, ~20% below pre-COVID levels
- Due to structurally lower supply globally S/D misbalance is being fixed by prices

Rough Diamond Sales

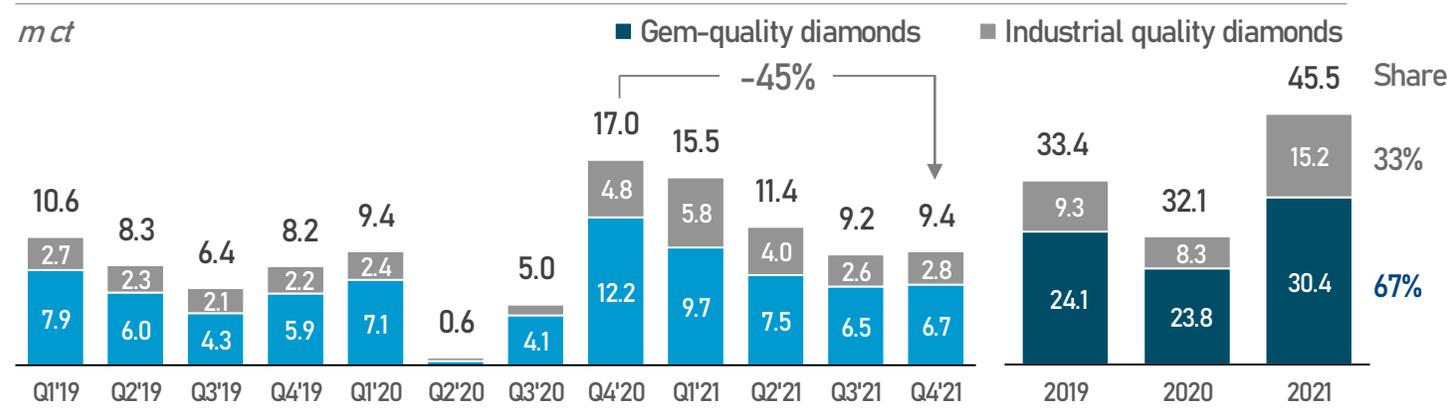
Q4'21

- Rough diamond sales: 9.4 m ct, +3%, incl. 0.5 m ct of diamonds purchased at Gokhran auctions in Q3 2021. -45% YoY - due to high base effect (Q4 2020 sales: 17.0 m ct, incl. 9.9 m ct from stocks) and minimum diamond stocks for sale from mid-2021
- Revenue from rough diamonds: \$844 m
 - 7% qoq - due to mix effect and delayed sales recognition as December trading session was held in late Dec. with sales partly moving to Jan.2022
 - 26% yoy decrease was due to a high base effect of the previous year, when >50% sales were made from stocks

12M'21

- 45.5 m ct, +1.4x, incl. 1.4 m ct purchased at Gokhran auctions in 2021 and 11.7 m ct from accumulated stocks. Gem-quality diamonds - 67% of total sales
- \$3,977 m, +50%, on higher sales volumes and price index growth

Q4'21 diamond sales totaled 9.4 m ct (+3% QoQ, -45% YoY)



Q4'21 rough diamond sales - \$0.8 bn (-7% QoQ, -26% YoY)



Source: Company data and analysis.

ALROSA - Diamond Stocks at All-time Lows

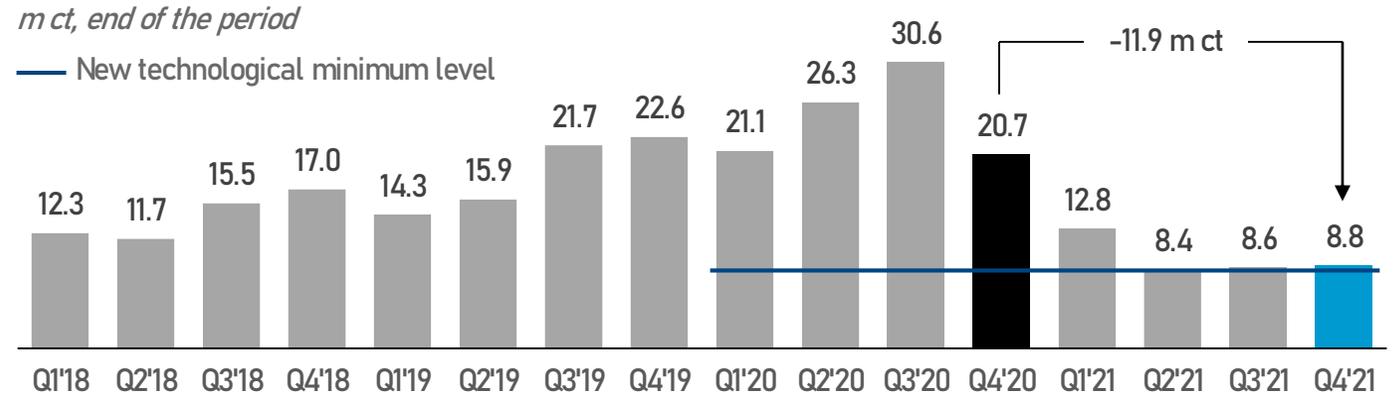
Q4'21

- Diamond stocks amounted to 8.8 m ct (+0.2 m ct qoq). Sales growth ahead of production was driven by the sales of diamonds purchased as part of Gokhran auctions in Q3'21

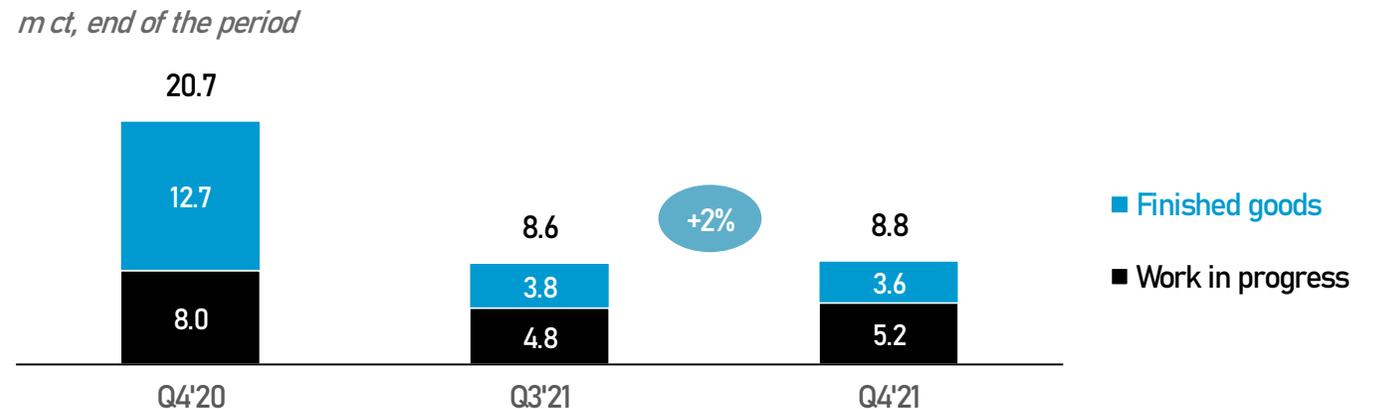
Inventories declined by 12 m ct during 12M'21 down to technological minimum level following their sales in H1'21

- Ores & gravels stocks gained 7% qoq (+15% yoy) and reached 11.8 mt (Q3'21: 11.0 mt) as production exceeded processing mostly as a result of the seasonal nature of operations at the Almazy Anabara deposits

ALROSA's diamond inventories



ALROSA's diamond inventories structure

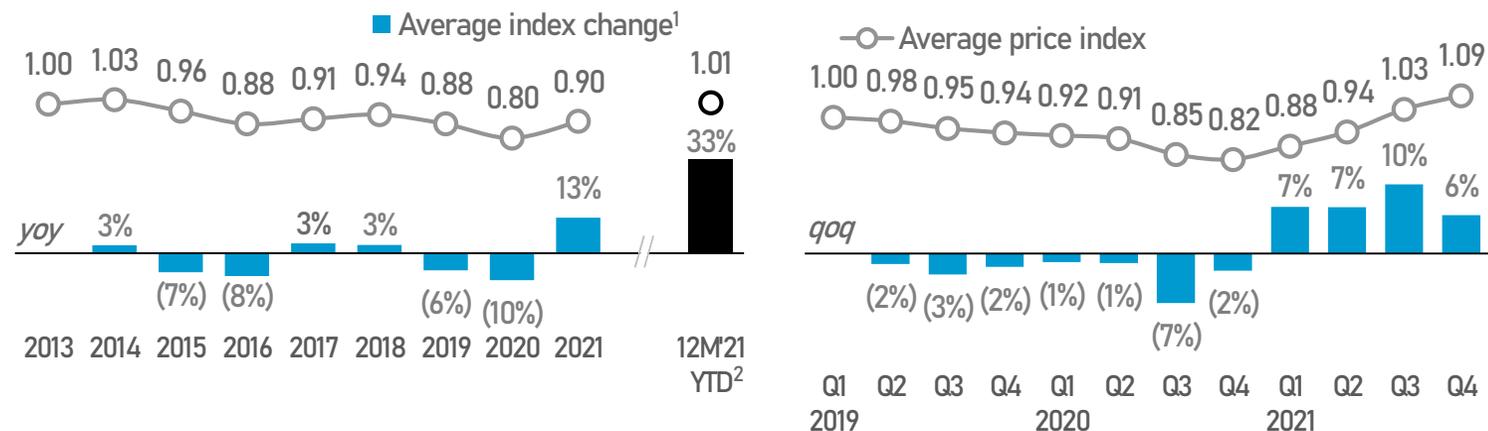


Diamond Prices

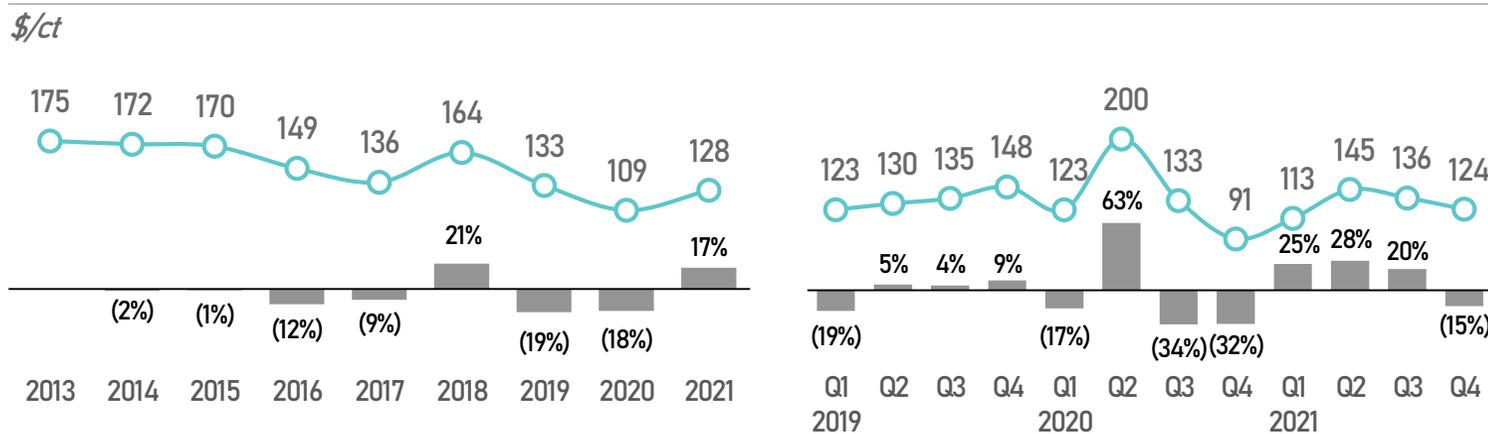
Q4'21

- Like-for-like price index¹: +6% qoq and +32% yoy
- Revenue per carat for gem-quality diamonds: \$124/ct, -9% qoq due to mix effect incl. effect of re-sale of lower-size diamonds purchased at Gokhran auctions, partially offset by index growth
- ... excl. "Gokhran effect" Q4'21 revenue per carat was \$131/ct (-4% qoq)
- The 36% yoy growth was primarily driven by a 32% yoy increase in the price index

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



ALROSA revenue per carat of gem-quality diamonds



Source: Company data and analysis.

1. Average index change of like-for-like diamonds prices (excl. +10.8 carats).

2. December 2013 = 1.00.

Financial Highlights

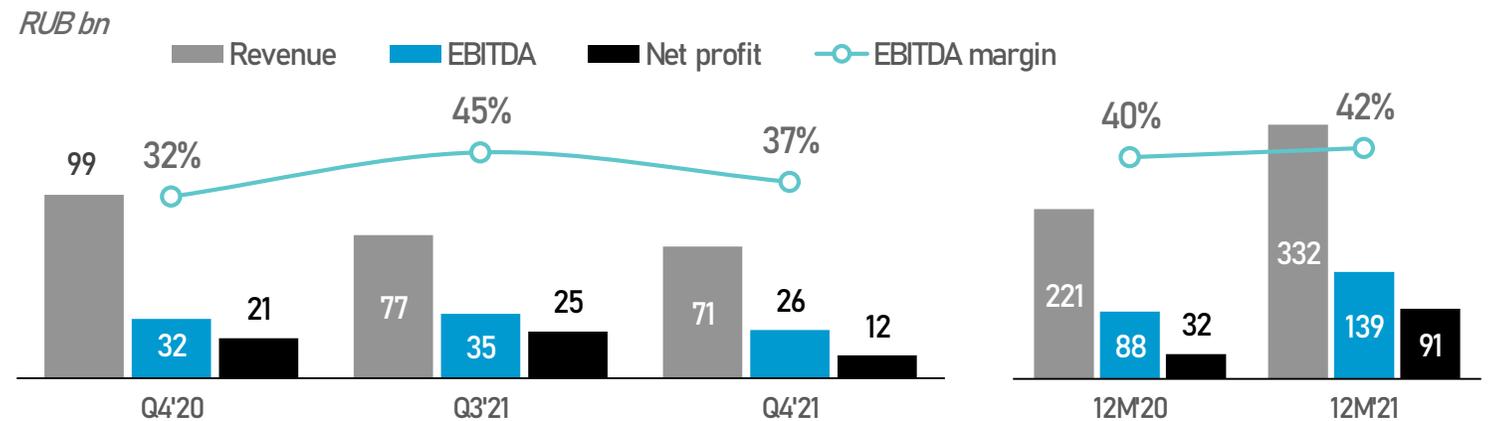
Q4'21:

- Revenue: RUB 70.7 bn (-8% qoq, -28% yoy)
- EBITDA: RUB 25.8 bn (-25% qoq, -19% yoy)
- Profitability amounted to 37% (-8 p.p. qoq)
- Net income RUB 12.1 bn (-51% qoq, -43% yoy)
- FCF totalled RUB 16.7 bn (-32% qoq, -74% yoy)
- Net debt / LTM EBITDA: 0.4x

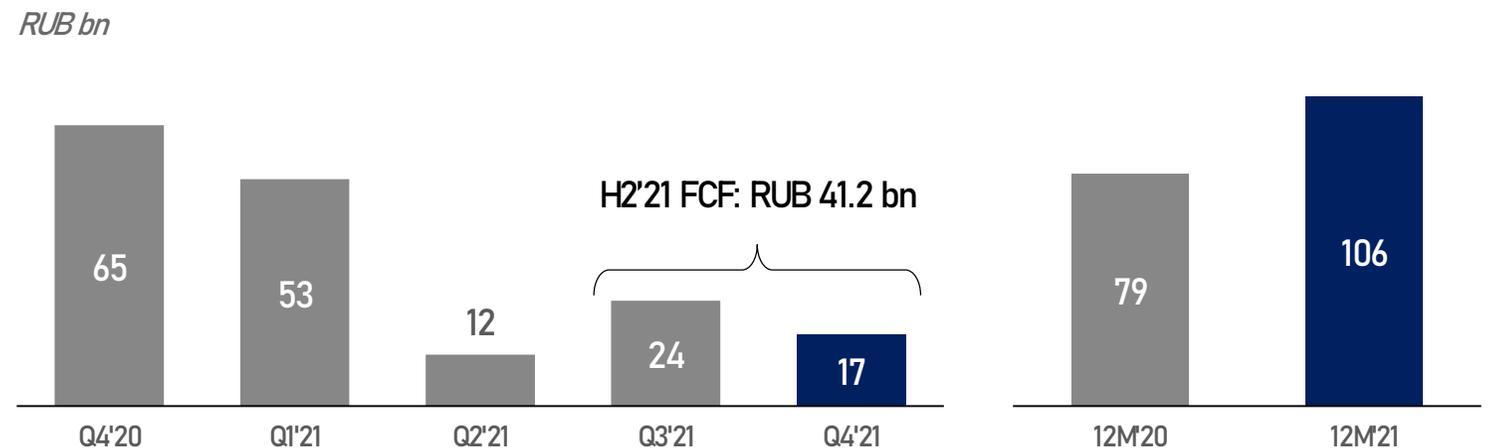
12M'21:

- Revenue: RUB 332.0 bn (+50%)
- EBITDA: RUB 139.5 bn (+59%)
- Profitability: 42% (+2 p.p.)
- Net income: RUB 91.3 bn (+2.8x)
- FCF: RUB 105.9 bn (+33%)

Strong financials on the back of sales recovery



Free Cash Flow recovered yoy on strong sales



Diamond Revenue Drivers

- Q4'21 gem-diamond revenue¹ RUB 59 bn (-9% qoq) driven by:

(+) higher sales volumes: +RUB 1 bn

(-) sales mix change: -RUB 9 bn

(+) RUB 3 bn on higher LFL prices (price index +6% qoq)

(-) FX rate impact on stronger RUB: -RUB 1 bn

Q4 revenue from Gokhran sales of 0.5 m ct was RUB 1.6 bn

- 12M'21 gem-diamond revenue up 53% to RUB 287 bn driven by:

(+) growth in sales volumes by 28%: +RUB 53 bn

(+) improved sales mix: +RUB 16 bn

(+) increased pricing with effect of +RUB 24 bn (price index +13%)

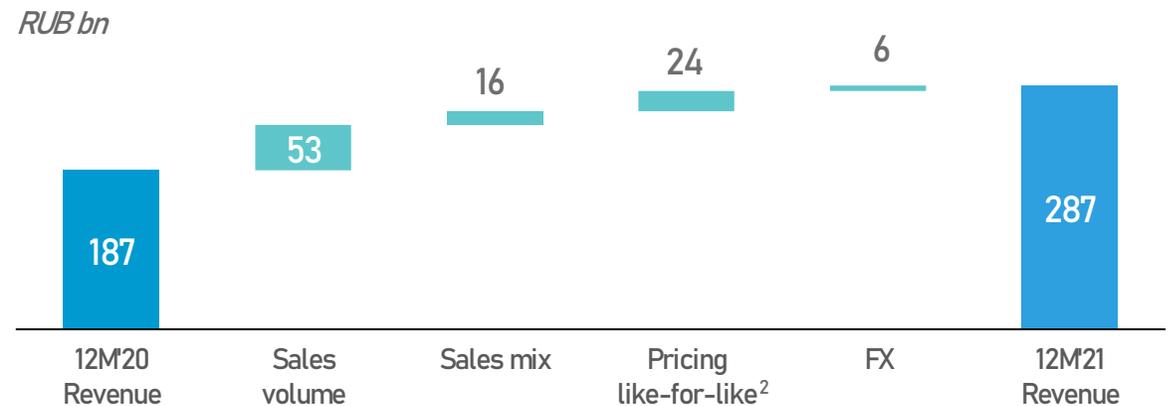
(+) FX impact gave additional RUB 6 bn

12M revenue from Gokhran sales of 1.4 m ct (purchased at auctions in 2021) was RUB 10.6 bn

Q3'21 to Q4'21 gem-diamond revenue drivers



12M'20 to 12M'21 gem-diamond revenue drivers



Source: Company data and analysis.

1. Revenue related to revenue generated from gem-quality diamonds sales

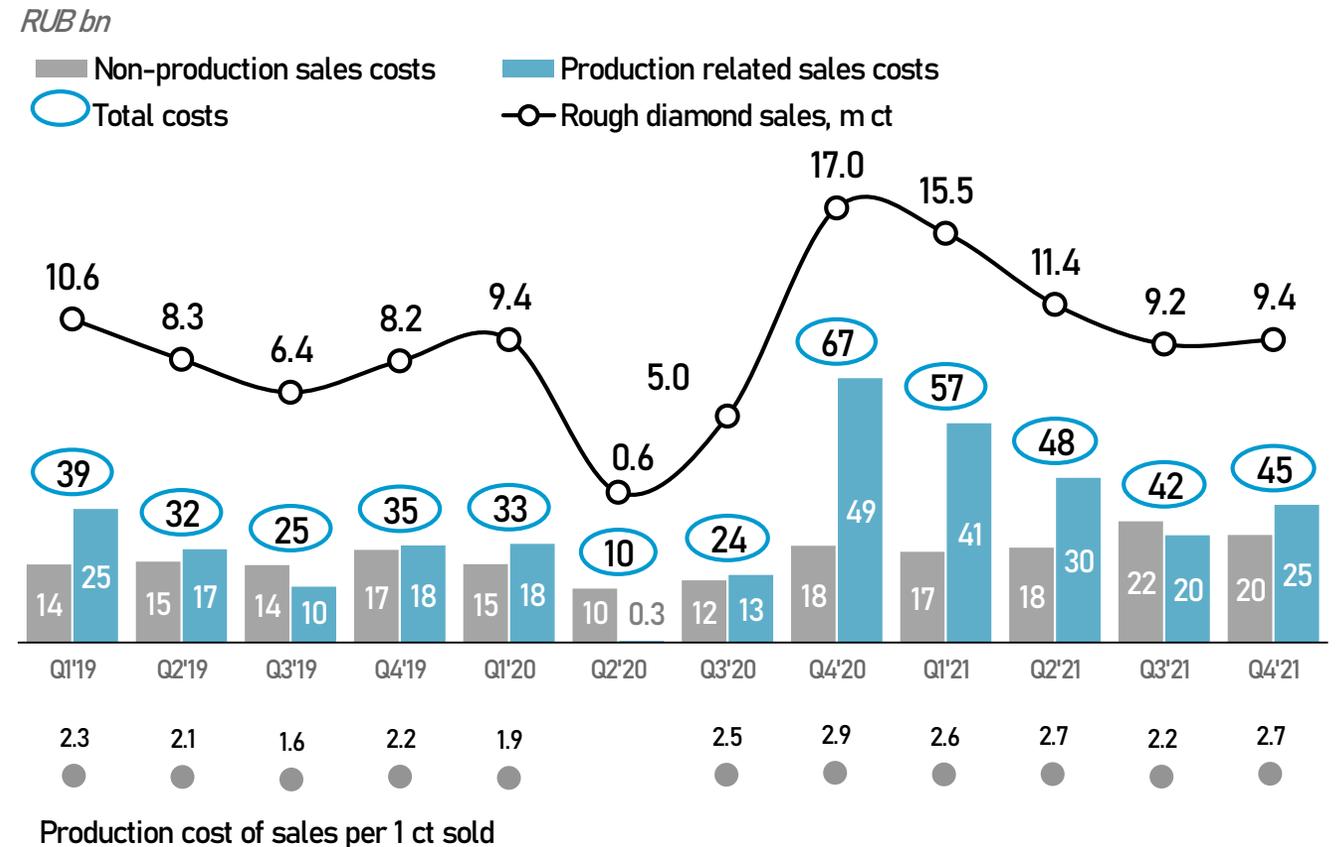
2. Note that index price change factor could be impacted by a delayed recognition of sales.

Cost of Sales

Q4'21

- Total costs of products sold: +7% qoq to RUB 45 bn
 - Production-related sales costs: +27% qoq to RUB 25 bn on higher labor and material costs (see p. 19)
 - Non-production costs: -11% qoq to RUB 20 bn on lower cost of diamonds for resale purchased at Gokhran auctions (see p. 20)
- 32% yoy decrease driven by:
 - Production-related sales costs: -48% qoq on lower sales volumes -45% (see p. 19)
 - Non-production costs: +11% yoy driven by
 - (+) expenses for diamonds purchased at Gokhran auctions,
 - (-) lower other non-production income and
 - (-) lower SG&A expenses (see p. 20)

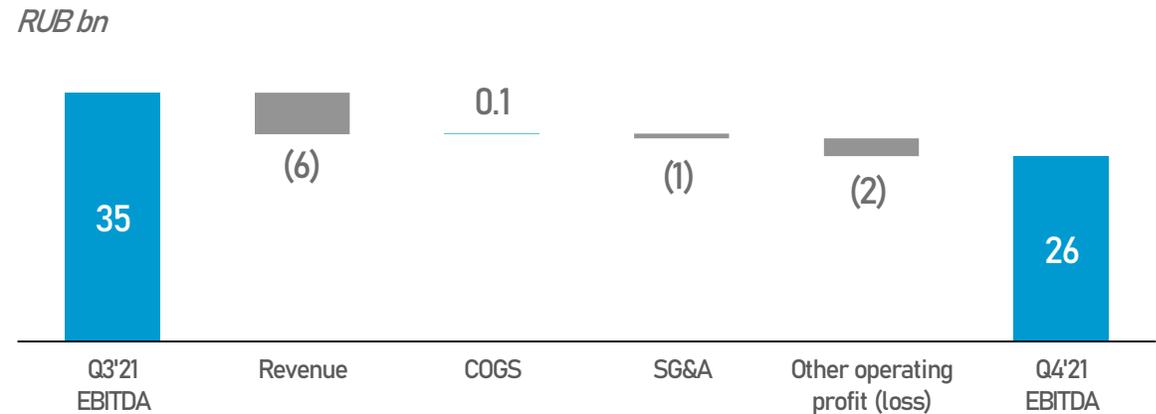
Q4 total cost of sales up by 7% qoq



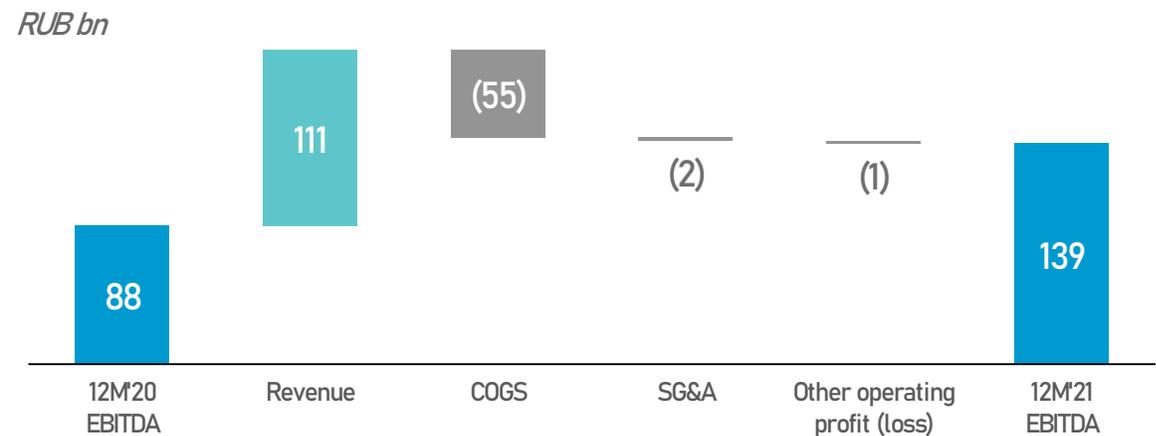
Profitability Analysis

- Q4'21 EBITDA: RUB 26 bn, down by 25% qoq due to:
 - (-) decrease in revenue: -RUB 6 bn due to change of sales mix and low single digits resale margin from “Gokhran” volumes (see p. 8)
 - (+) decrease in COGS: +RUB 0.1 bn
 - (-) increase in SG&A of -RUB 1 bn
 - (-) increase in other operating loss of -RUB 2 bn
- 12M'21 EBITDA: RUB 139 bn, up by 59% driven by:
 - (+) revenue increase: +RUB 111 bn due to higher sales volumes (+42%), and increased pricing (see p. 8)
 - (-) increase of COGS: -RUB 55 bn due to a 42% increase in sales volumes
 - (-) SG&A expenses up: -RUB 2 bn
 - (-) decrease in other operating profit of -RUB 1 bn

Q3'21 to Q4'21 EBITDA bridge



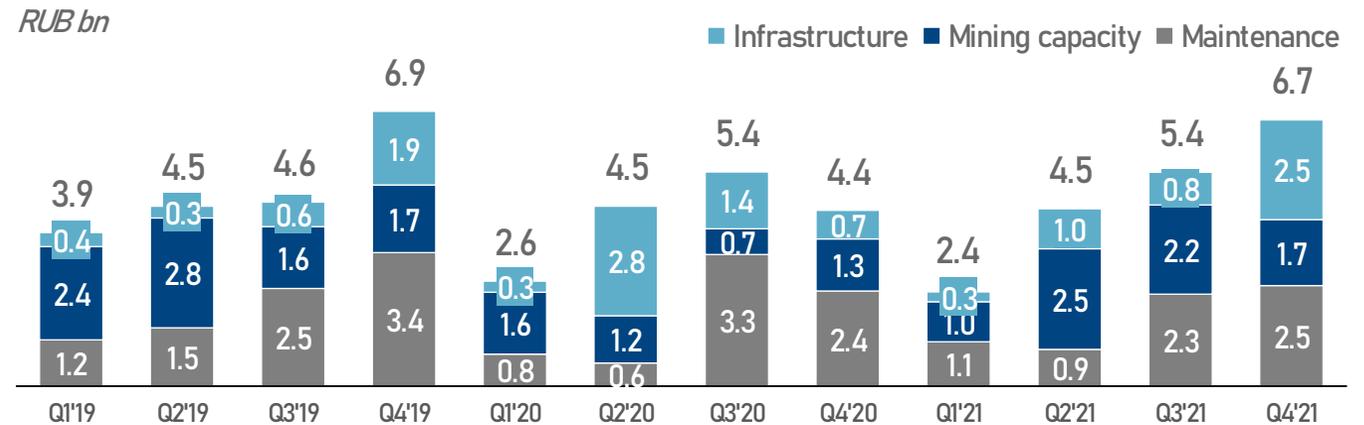
12M'20 to 12M'21 EBITDA bridge



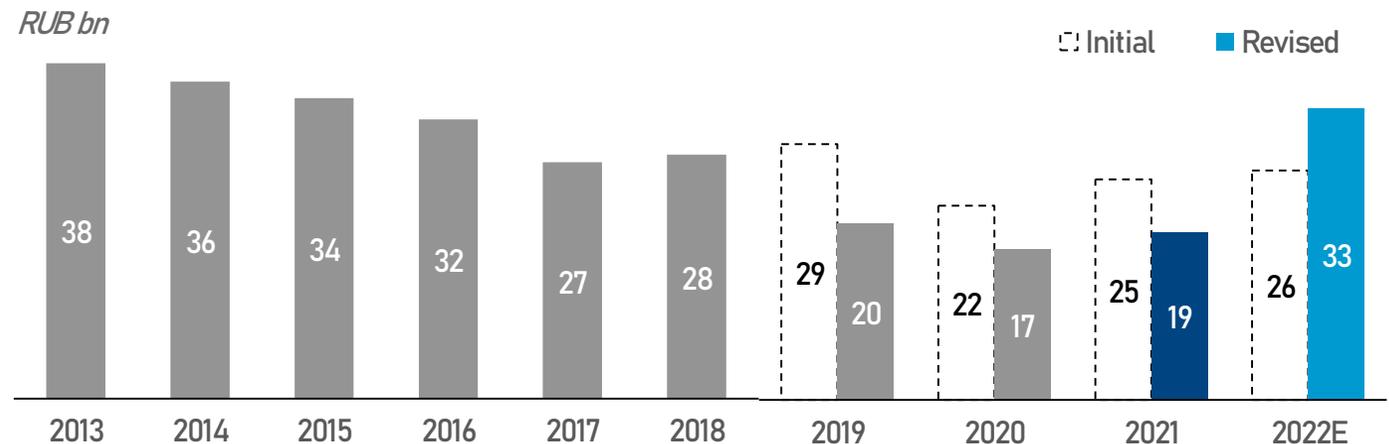
Capex

- Q4'21 capex up by 24% qoq to RUB 6.7 bn mainly driven by:
 - infrastructure capex up by RUB 1.7 bn (+3x qoq) due to increase of investments in construction of the Mirny airport (+RUB 1.0 bn)
 - mining capacity capex down by RUB 0.6 bn (-26% qoq) due to decrease of stripping costs capitalization of the Nyurbinskaya pipe (-RUB 0.6 bn)
- Q4'21 capex up by 52% yoy due to:
 - infrastructure capex grew by +RUB 1.8 bn due to increase of investments in construction of the Mirny airport (+RUB 1.2 bn)
- 2022 capex: growth to RUB 33 bn (previous guidance of RUB 26 bn) on catch up in delayed projects / input materials & services inflation

Q4 capex up by 24% qoq and 52% yoy



Annual capex outlook

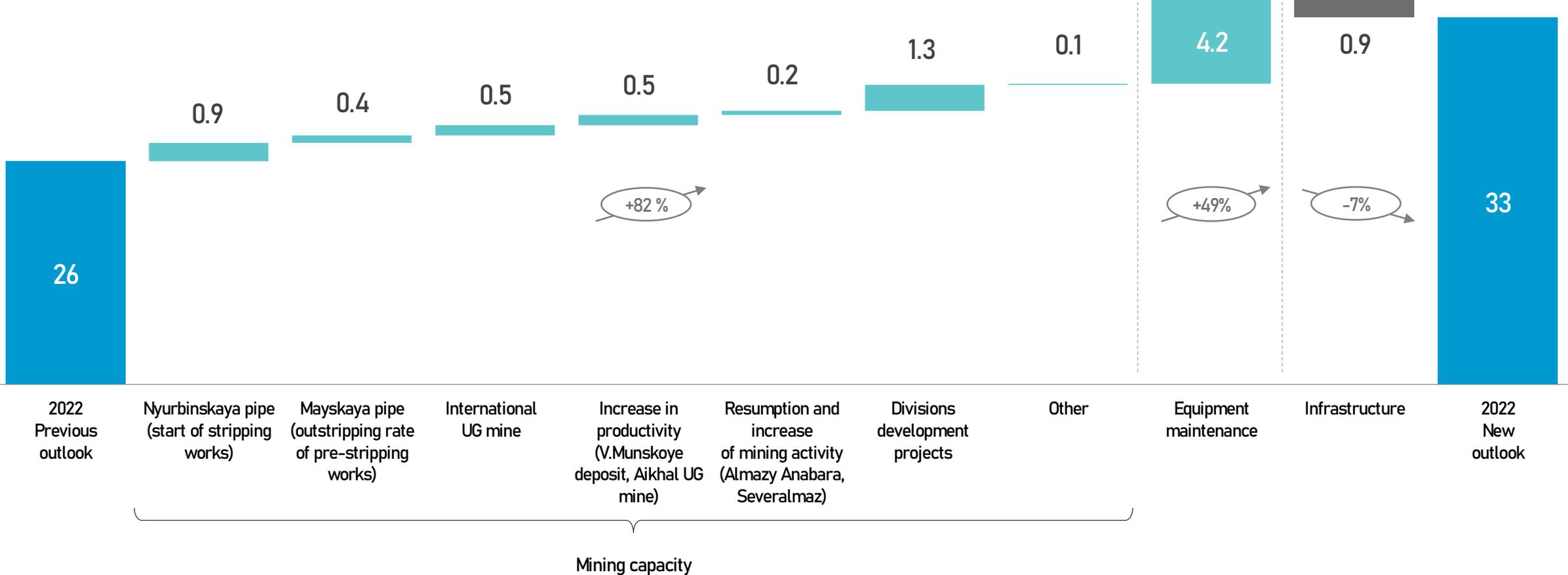


Source: Company data and estimates based on 2021 prices and FX rates.

2022 Capex Guidance

Initial-to-new 2022 Capex outlook bridge

RUB bn

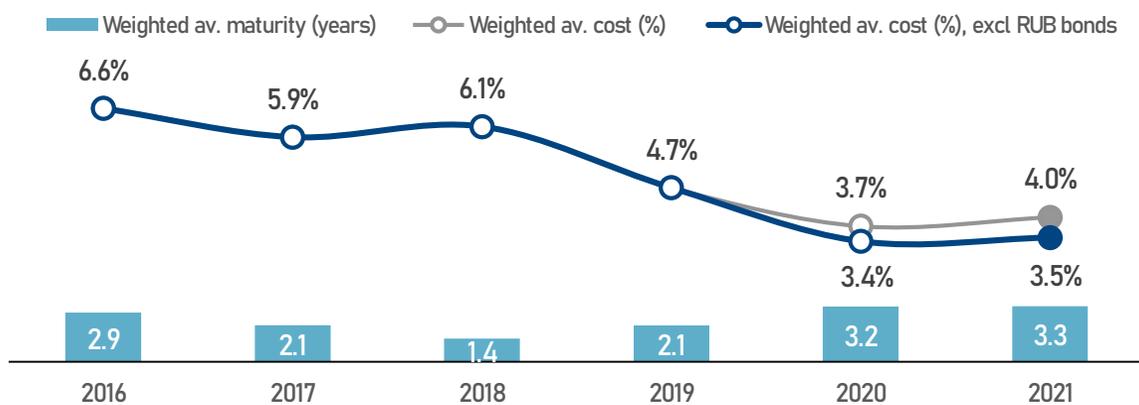


Source: Company estimates based on 2021 prices and FX rates.

Debt Position

- Total debt as at Dec.'21 stood at \$ 1.6 bn, -27% yoy
- Q4'21 Net debt amounted to \$0.8 bn on strong FCF generation
- Net debt/LTM EBITDA was at 0.4x (Q3'21: 0.1x)
- Liquidity position was \$0.8 bn, -49% qoq due to H1'21 dividends payment
- Investment grade credit ratings confirmed (as at end of Q4'21)
 - Fitch: BBB (Stable), the only mining company in Russia
 - S&P: BBB-, standalone rating (SACP) – BBB (above Russia's sovereign)
 - Moody's: Baa2
 - RAEX: ruAAA

Extended maturity and lowered cost of debt

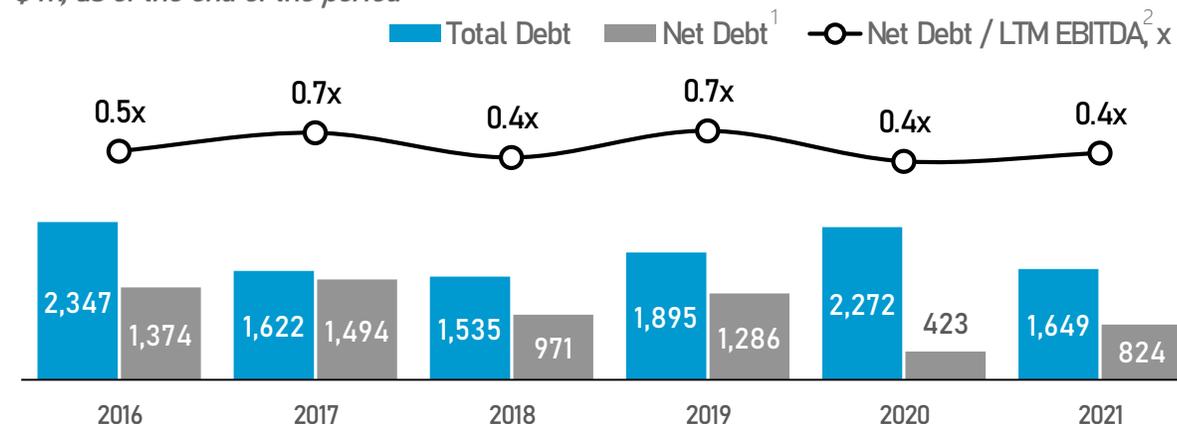


Source: Company data and analysis.

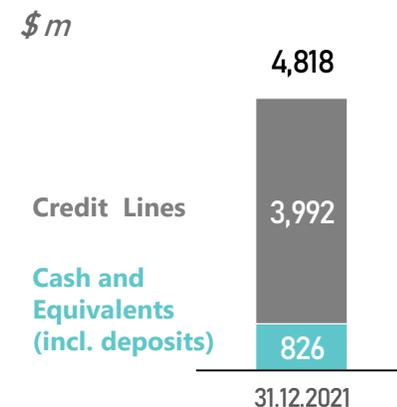
1. Including lease obligation (the equivalent of USD 78 m).
2. Based on EBITDA and Net Debt denominated in rubles.
3. Excluding lease obligation and amortization of discount.
4. RUB 25 bn based on FX rate as of 31 December 2021

Sound financial profile

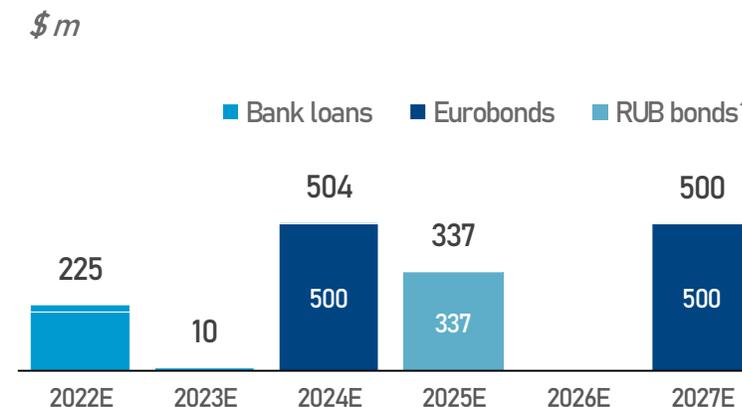
\$ m, as of the end of the period



Liquidity position



Debt³ repayment schedule



Debt Analysis

- Q4'21 net debt grew to RUB 61 bn driven by:
 - (-) H1'21 dividends¹ paid (+RUB 63.4 bn)
 - (+) positive FCF (-RUB 16.7 bn)
 - (-) change of lease liabilities (+RUB 1.7 bn)
 - (-) net interest (+RUB 1.4 bn)
 - (-) FX rate impact (+RUB 1.1 bn)
 - (-) other (+RUB 1.4 bn)
- Q4'21 total debt decreased by 4% qoq to RUB 123 bn due to:
 - (+) bank loans and overdraft repaid (-RUB 7.8 bn)
 - (-) FX rate impact (+RUB 1.8 bn) as 76% of debt is in USD
 - (-) increase of lease liabilities (+RUB 1.4 bn)
- FX split total debt³:
 - In USD: 76%
 - In RUB: 24%

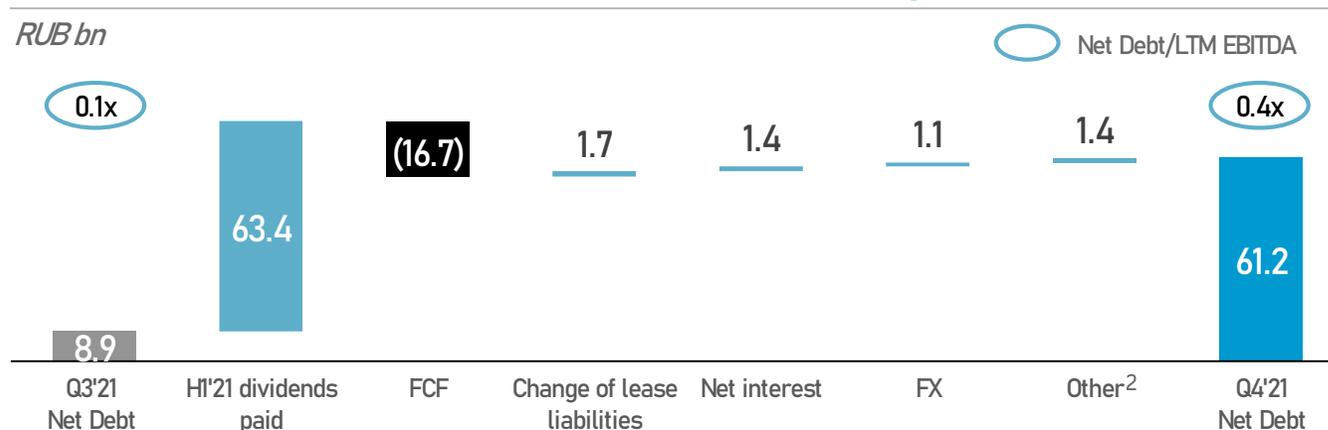
Source: Company data and analysis.

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

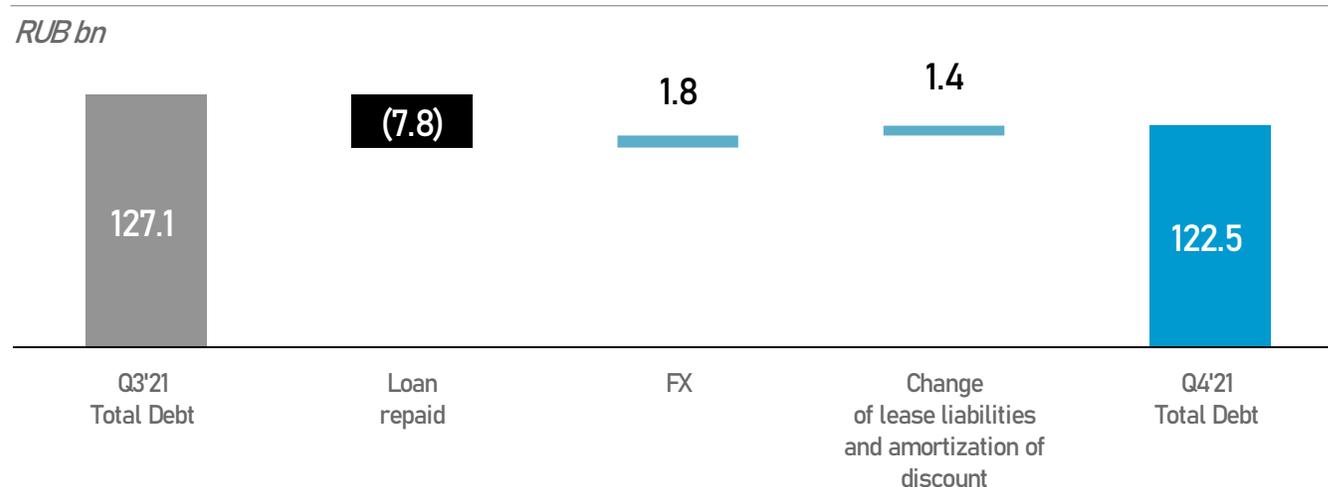
2. Mainly includes disposal of cash due to liquidation of PJSC ALROSA-Nyurba

3. Excluding lease obligation and amortization of discount.

Q3'21 to Q4'21 Net Debt bridge



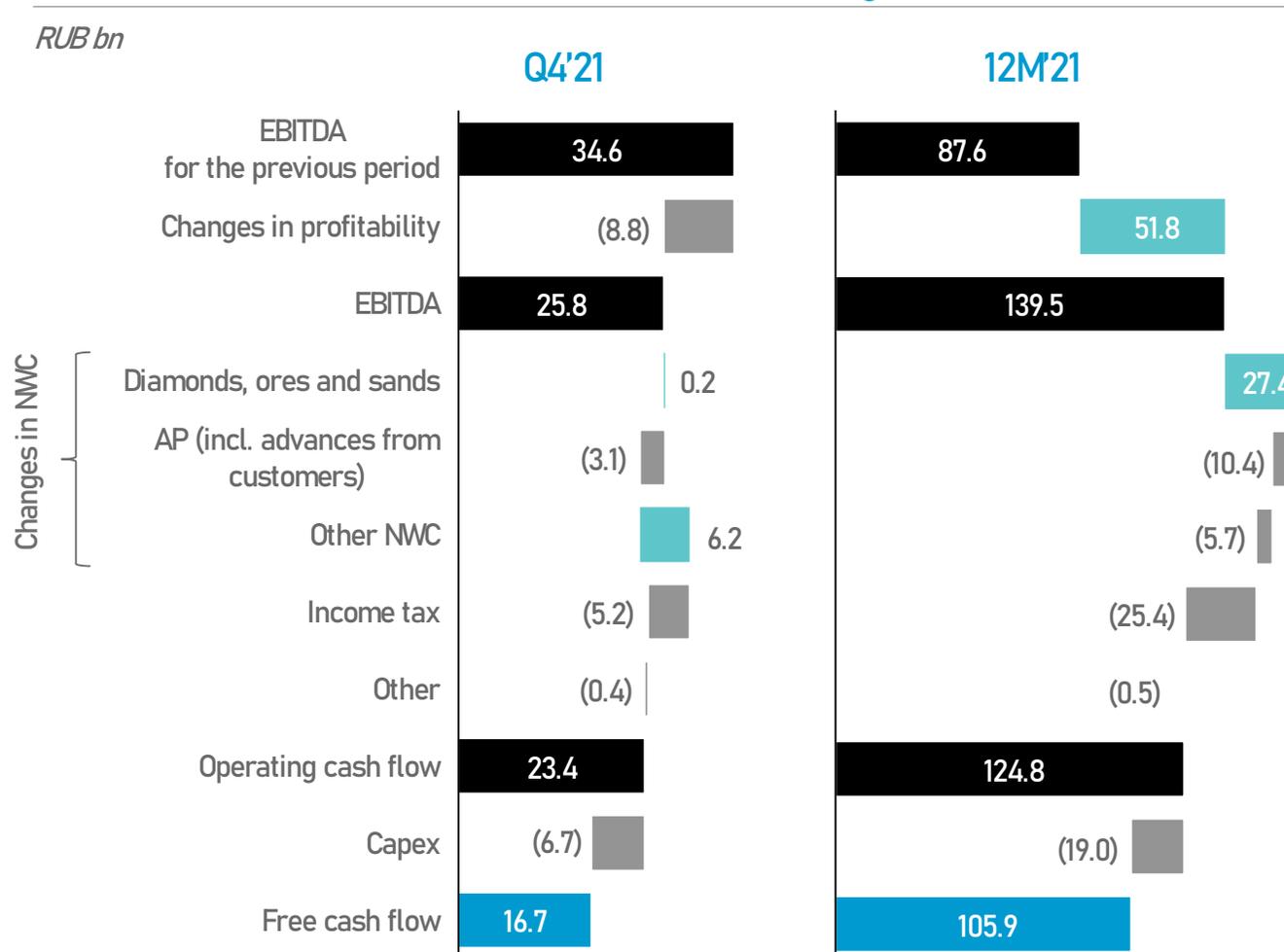
Q3'21 to Q4'21 Total Debt bridge



Free Cash Flow

- Q4'21 FCF of RUB 16.7 bn (Q3'21: RUB 24.5 bn):
 - (-) Profitability down by RUB 8.8 bn on sales mix change
 - (+) W/C release of RUB 3.2 bn driven by:
 - RUB 2.9 bn – due to growth of diamond stocks in cts and increase in unit production costs on (1) higher labor expenses (payment of annual remuneration) and (2) material costs (increase of scheduled maintenance and repairs expenditures)
 - +RUB 3.0 bn on changes in ore & gravels stocks
 - RUB 3.1 bn – AP¹ down due to lower advances from customers
 - +RUB 3.3 bn AR² on decrease of advances to suppliers
 - +RUB 3.2 bn other incl. employees salaries & benefits (travel/vacations) accruals and growth in other taxes payables
- H2'21 FCF came at RUB 41.2 bn (H1'21: RUB 64.7 bn)
- 12M'21 FCF grew to RUB 105.9 bn (12M'20: RUB 79.5 bn):
 - (+) Profitability: +RUB 51.8 bn on sales growth and better pricing
 - (+) W/C release of RUB 11.3 bn driven by:
 - +RUB 27.4 bn – decrease of diamond stocks volumes in ct
 - RUB 10.4 bn – AP down as lower customers' advances
 - RUB 5.7 bn other incl. materials, accruals for employees salaries and benefits and change in other liabilities

EBITDA to Free cash flow bridge



Source: Company data and analysis.

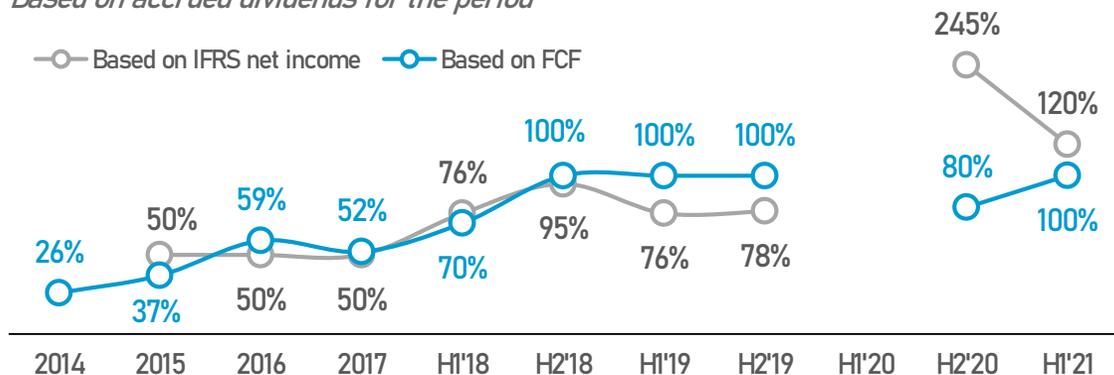
1. Trade and other payables (excluding interest accrued and payables for PPE)
2. Trade and other receivables (excluding interest receivable)

Dividends

- EGM (31/09/21) approved H1'21 dividends of RUB 64.7 bn (RUB 8.79/sh), or 100% of FCF for the period, which were fully paid in Q4
- With the H2'2020 dividends of RUB 70.3 bn, ALROSA paid a total of RUB 135 bn in dividends – more than the 2018 and 2019 dividends combined
- H2'21 dividends: April – Board meeting, June 2022 – AGM
- Dividend policy
 - Semi-annual payments and FCF-based
 - Payout ratio linked to Net debt/LTM EBITDA ratio
 - Minimum payment: 50% of IFRS annual net profit

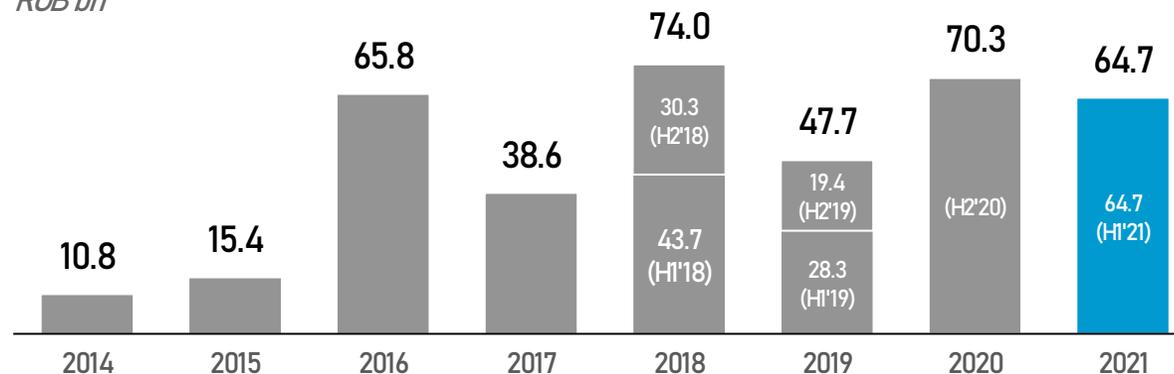
Dividend payout

Based on accrued dividends for the period



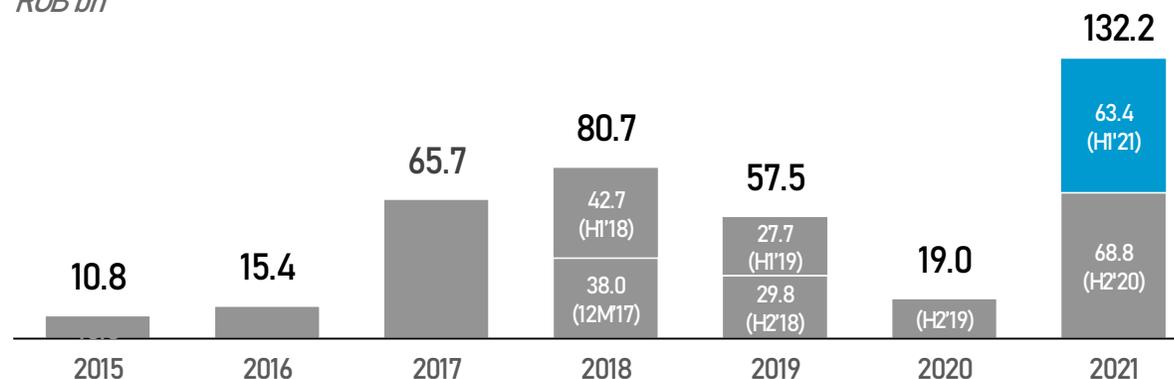
Dividend accruals

RUB bn



Dividend payments¹

RUB bn



Source: Company data and analysis.

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

Outlook

Market outlook: demand strong, supply structurally down

- 2021 diamond jewelry hit a new all time record level reaching \$84 bn due to strong consumers activity in all key markets notably in USA and China
- Retailers report strong sales in 2021, cite continued positive sentiment from consumers
- Cutters and polishers enjoy strong demand for polished, healthy profitability, improved balance sheet. Though in 2022 availability of rough diamonds is their key concern
- Miners exhausted diamonds stocks in 9M'21, starting from H2'21 supply comes from production only
- Global diamonds production in 2022 to reach 110-120 m cts, a 15-20% drop vs 2021 total rough diamond demand
- No further diamonds supply upside risks are expected
- 2021 ALROSA diamond prices grew +33% from Jan'21 through Dec'21
- Diamond prices will be playing an important role in fixing rough diamond shortage amidst healthy diamond jewelry demand

ALROSA in 2022

- 2022 production outlook: up to 34.3 m ct (2021: 32.4 m ct)
- Sales volumes will depend on real market demand, as well as ability to bring additional output through debottlenecking
- Revenue per carat growth to be supported by favorable supply demand balance
- Capex: growth to RUB 33 bn (previous guidance of RUB 26 bn) on catch up in delayed projects / input materials & services inflation
- Active cost cutting program being consistently pursued:
 - Growth in utilization rates to partially tame inflation pressure
 - Ongoing savings from operational efficiency programs and optimization initiatives



APPENDIX

Production Costs Dynamics And Breakdown

- Q4'21 production related cost of sales +27% qoq to RUB 25.2 bn driven by:

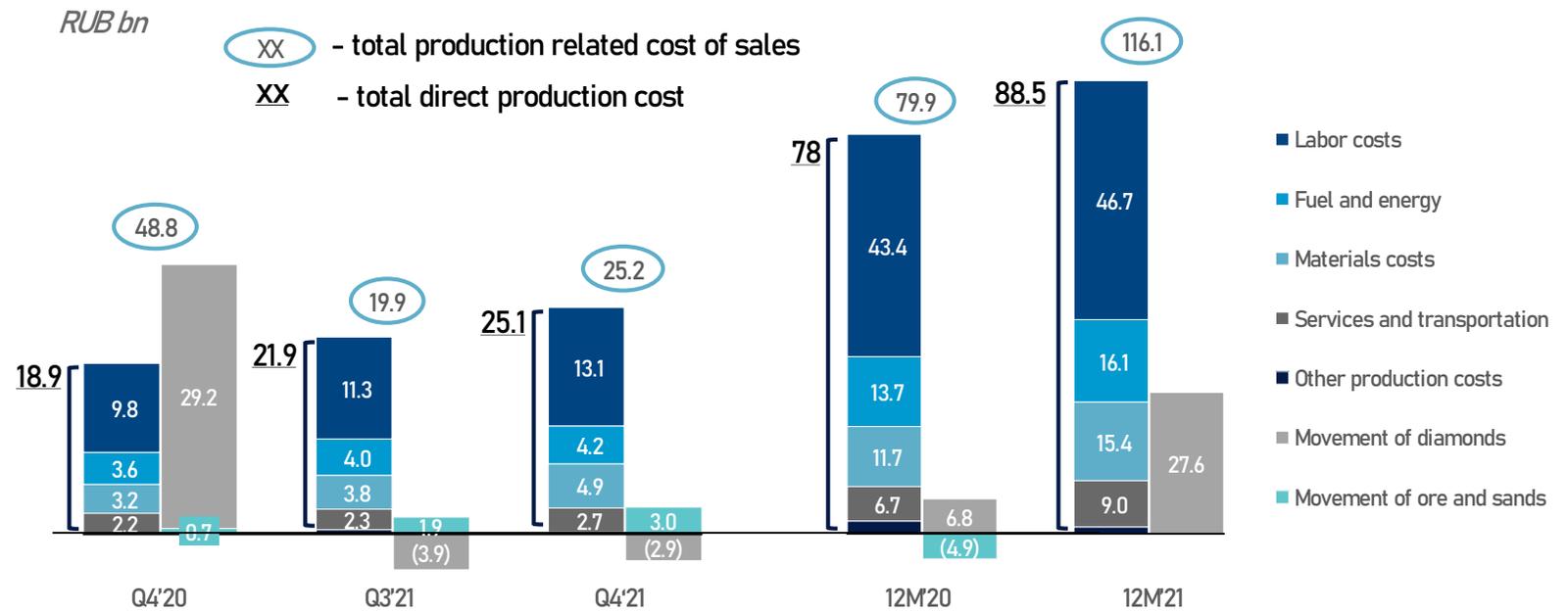
- (-) labor costs up by 16% (+RUB 1.8 bn) due to payment of annual remuneration
- (-) materials costs up by 29% (+RUB 1.1 bn) due to increase of scheduled maintenance and repairs costs
- (-) movement in diamonds' stocks (+RUB 1.0 bn)
- (-) movement in ores & gravels' stocks (+RUB 1.1 bn) on decrease of unit cost per ton due to stripping ratio decline and changes in stocks structure by type of mining

... and 48% yoy decrease driven by movement in diamonds' stocks (-RUB 32.1 bn) on the back of high base of Q4'20 due to release of diamonds' stock

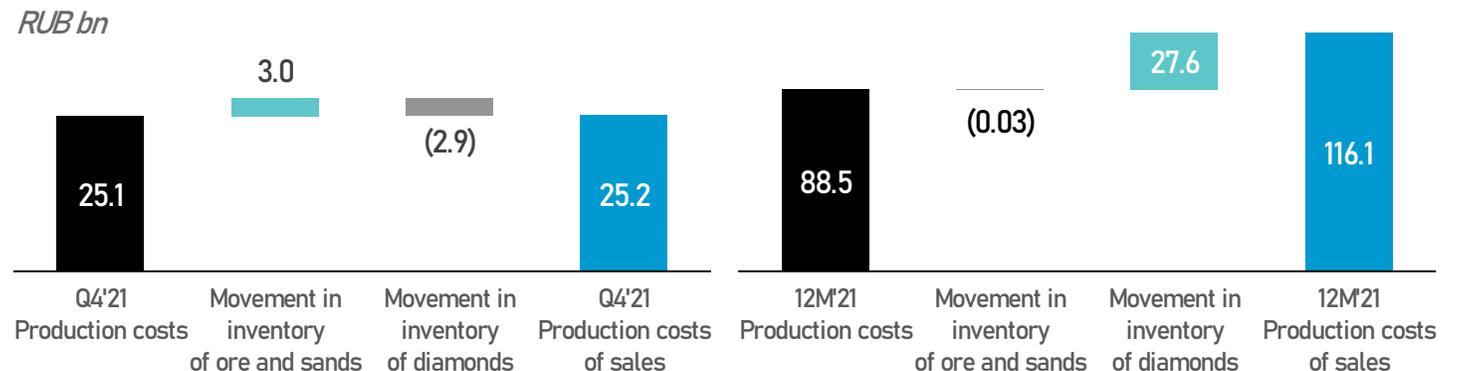
- 12M'21 increase by 45% mostly due to:

- (-) movement in diamonds' stocks (+RUB 20.8 bn) due to release of 11.7 m ct diamonds' stock
- (-) increase of labor costs, fuel & energy, materials and services & transportation expenses (+RUB 11.7 bn) mostly due to low base of 2020 (reduction of the costs due to revised production plan)

Q4'21 direct production costs up 27% qoq



Cost of goods sold



Non-Production Costs Dynamics And Breakdown

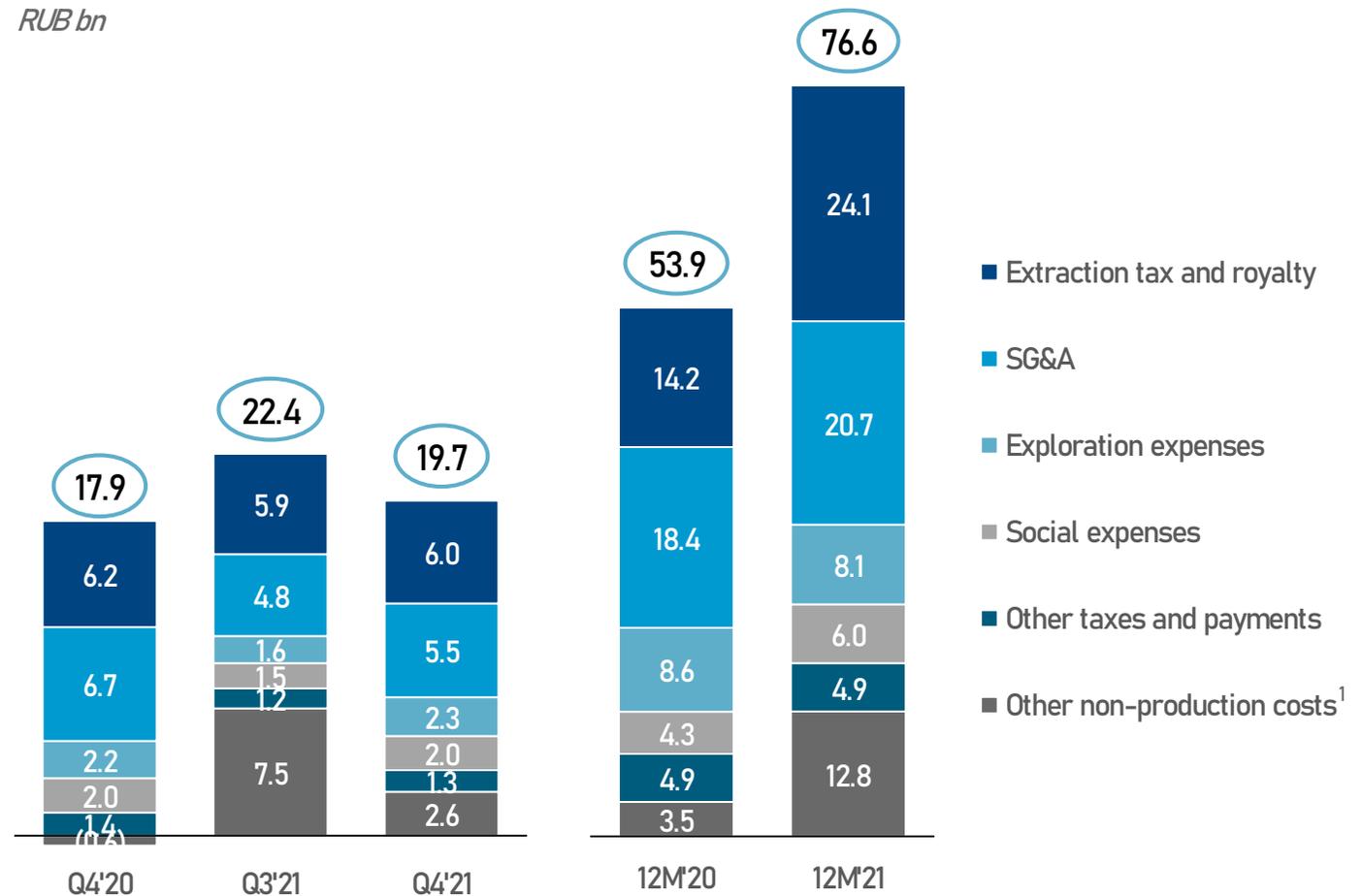
- Q4'21 non-production costs were down 12% qoq to RUB 19.7 bn mostly due to:

- (+) other non-production costs down by RUB 4.9 bn due to cost of diamonds for resale purchased as part of Gokhran auctions in Q3'21
- (-) SG&A expenses +13% (+RUB 0.6 bn) due to payment of annual remuneration
- (-) exploration expenses +43% (+RUB 0.7 bn)
- (-) social expenses +37% (+RUB 0.5 bn) due to seasonality

- 12M'21 increase by 42% mostly due to:

- (-) MET increased by 69% (+RUB 9.8 bn) on higher sorting volumes and RUB weakening
- (-) SG&A expenses +13% (+RUB 2.4 bn) mostly due to increase of headcount and low base effect of 12M'20 associated with cost cutting (part-time work mode) and COVID-19 restrictions (reduction of business trips)
- (-) social expenses +40% (+RUB 1.7 bn) due to increase of charity expenses (increase of contribution to the dedicated Fund of Future Generations, targeted assistance to hospitals and growth of contributions to the administrations of the municipal districts (uluses))
- (-) other non-production costs up by RUB 9.1 bn due to cost of diamonds for resale purchased as part of Gokhran auctions

Q4 '21 non-production costs were down by 12% qoq



Source: Company data and analysis.

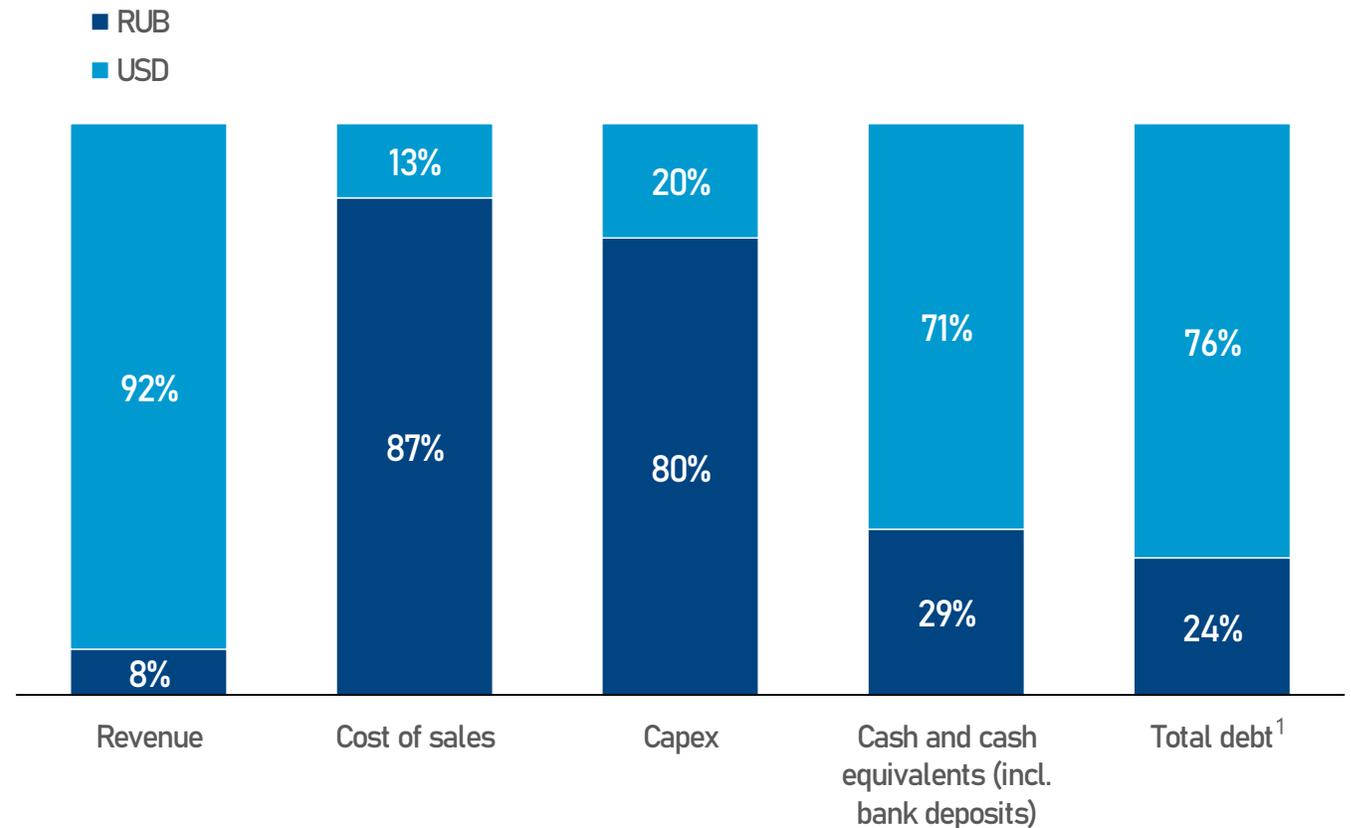
1. Mainly includes cost of diamonds for resale of RUB 9.1 bn, NDC/DPA contribution and other non-production costs.

FX Rate

- ALROSA is an exporter with ca. 90% of revenue denominated in USD
- Major portion of costs and capex is denominated in RUB, 76% of the Company's debt portfolio¹ is denominated in USD to create a natural hedge against FX risks
- 12M'21 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 – +/-1.25%
 - cost of sales – +/-0.18%
 - EBITDA – +/-2.76%
 - capex – +/-0.27%

Financial metrics breakdown by currency

% of metric's total, 12M'21



Source: Company data and analysis.

1. Excluding lease obligation (the equivalent of USD 78 m)

Key Investment 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	2024	2027
Fully operational	✓	✓	-	-
Ramp-up	2021	2019	2025	2029
Target ore output pa, m t	4.0	3.0	0.3	1.4
Target production pa, m ct	4.8	1.8	1.1	0.5
Total CAPEX, RUB bn	63.9	20.3	5.6	4.6
<i>Invested share</i>	<i>89%</i>	<i>96%</i>	<i>17%</i>	<i>0%</i>
Resource base ³ , m ct	207.6	40.4	12.7	4.7



Source: Company data

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

Output

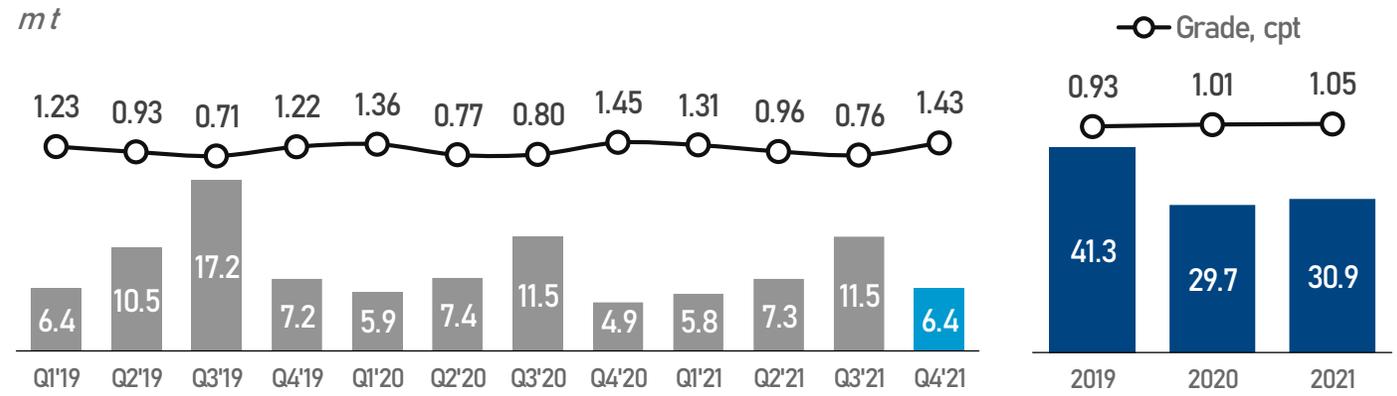
Q4'21

- Ore & gravels processing was down 44% QoQ to 6.4 mt due to the seasonal halt in the processing of gravels from the Almazy Anabara alluvial deposits. The 31% YoY growth is explained by the low base effect from 2020 (suspension of processing plants No. 1 of Severalmaz and No. 14 of the Aikhal Division for scheduled preventive maintenance).
- Production grew by 4% QoQ to 9.1 m ct. The 29% YoY growth was due to ore processing volumes growth (Severalmaz and Aikhal) and a higher grade at the International UG mine.
- Av. grade was seasonally up 87% qoq (-1% yoy) to 1.43 cpt following the suspension of production at alluvials.

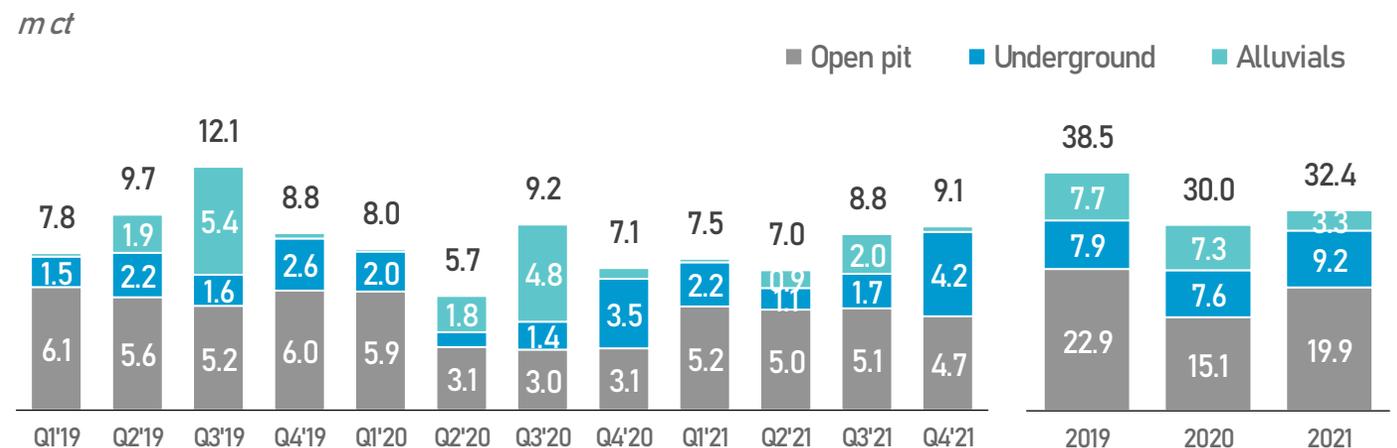
12M'21

- Ore & gravels processing volumes increased to 30.9 mt (+4%).
- Production rose by 8% to 32.4 m ct, primarily due to higher volumes from the V.Munskoye and Nyurba Division deposits.
- Av. grade increased by 4% to 1.05 cpt as the share of gravel processing at low yielding Almazy Anabara dropped.

Ore and sands processing



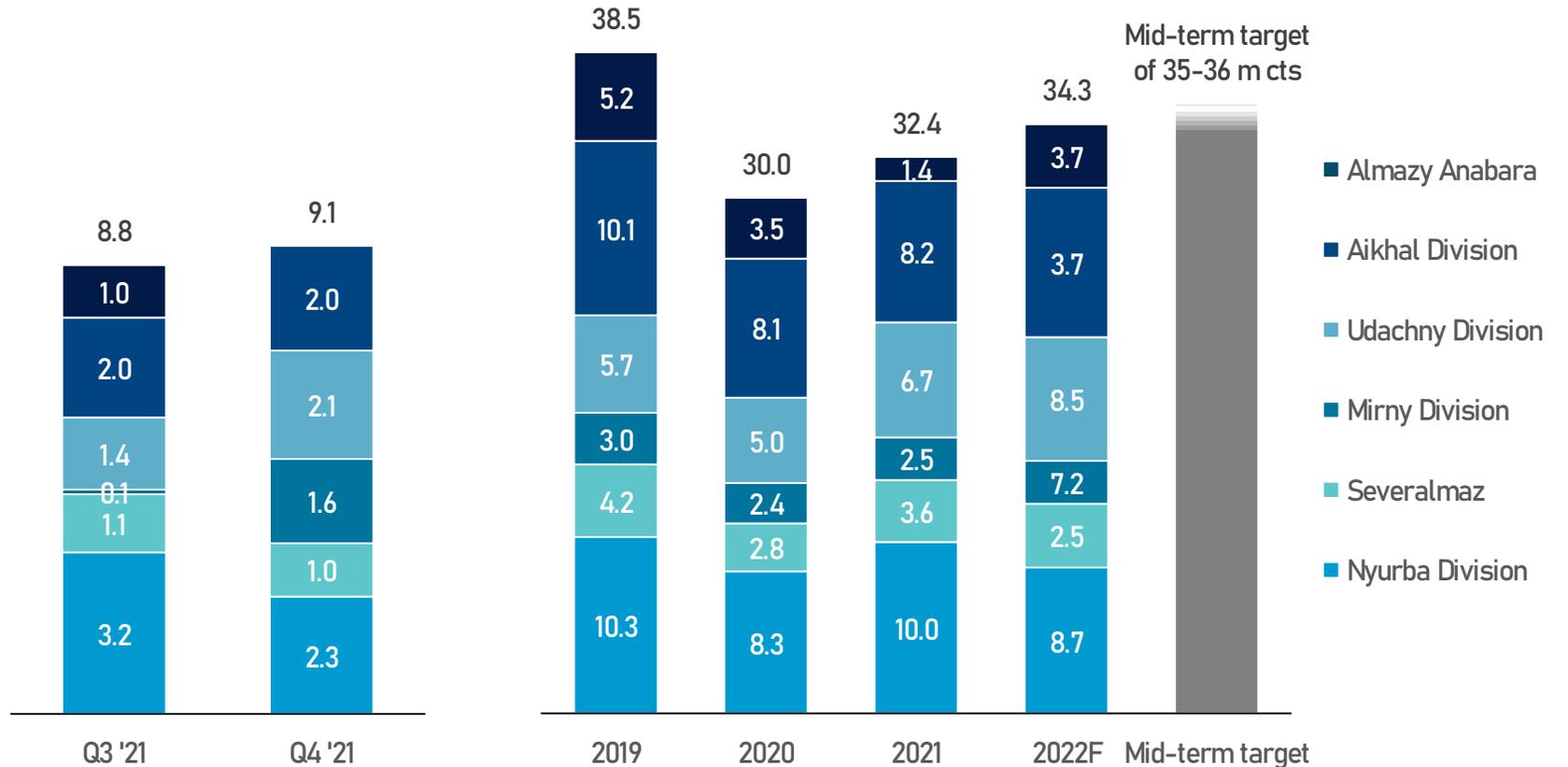
Diamond production



Diamond Production by Assets

- Q4'21 diamond production went up by 4% qoq mainly due to:
 - Mirny Division – up by 17.2x due to resumed processing of ore from the International UG mine due to the relaunch of the Mirny Division's processing plant No. 3 after its scheduled off-season downtime
- For more details please see [Q4'21 Trading update](#)
- 2022 production to recover up to 34.3 m ct (base-case scenario)

m ct

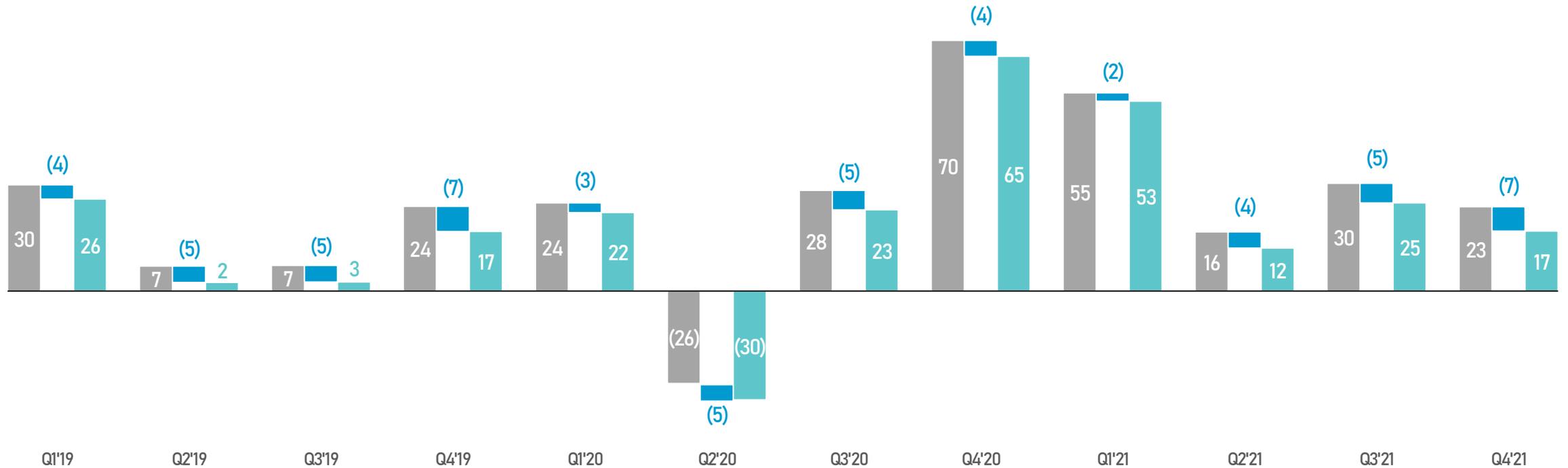


Operating Cash Flow and Capex

Operating cash flow and capex dynamics

RUB bn

■ OCF¹ ■ CAPEX ■ FCF²



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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