



Q1 2019 operating results

Moscow, 17 April 2019 – ALROSA, a global leader in diamond production, reports its Q1 2019 diamond production of 7.8 m carats and sales of 10.6 m carats grew 18% q-o-q (down 21% y-o-y). Total sales in value terms grew 19% q-o-q to \$1 bn (down 37% y-o-y).

- **Q1 diamond production** grew 5% y-o-y to 7.8 m cts.
- **Q1 ore and gravel processing** increased 11% y-o-y to 6.4 m t.
- **Q1 average diamond grade** was 1.23 cpt (5% y-o-y) on the back of higher share of lower-grade ore processing.
- **Q1 rough diamond sales** grew 18% q-o-q to 10.6 m cts, including 7.9 m cts of gem-quality diamonds (up 50% q-o-q) as cutters were restocking their supplies of small- and medium-size diamonds.
- **Diamond inventories as at the end of Q1 2019** went down by 16% q-o-q (up 16% y-o-y) to 14 m cts.
- **Average realised prices for gem-quality diamonds** fell 19% q-o-q (20% y-o-y) to \$123/ct due to a larger share of small-size diamonds in total sales and lower prices mostly for medium-size diamonds.
- **In Q1 2019, the diamond price index** was down by 3.1% q-o-q.
- **Q1 sales** increased 20% q-o-q to \$988 m, but decreased 38% y-o-y.

Rough and polished diamond market overview

- In Q1 2019, the diamond market performed weaker than usual for that part of the year due to lower jewellery sales during the Christmas season. All the key consumption markets for diamond jewellery saw mixed performance in Q1 2019.
- India's cutting and polishing industry experienced temporary liquidity problems after local banks toughened loan security and repayment terms.
- As dealers and retailers were restocking their supplies after the holiday season, demand for small- and medium-size rough diamonds was gradually reviving throughout Q1 2019.

Hereinafter, data on Q1 2019 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*)

30 April	Meeting of the Board of Directors – 2H 2018 dividend recommendation
13 May	April 2019 sales results
17 May	Q1 2019 IFRS results
10 June	May 2019 sales results
26 June	Annual General Meeting of Shareholders – 2H 2018 dividend declaration
10 July	June 2019 sales results
18 July	Q2 and 6M 2019 operating results

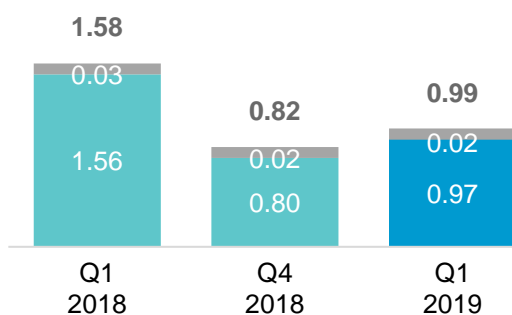
PRELIMINARY SALES RESULTS

Sales: 10.6 m cts

- **In Q1 2019, diamond sales (ex. polished diamonds)** grew by 1.6 m cts q-o-q to 10.6 m cts (up 18% q-o-q), including gem-quality diamonds up by 2.6 m cts q-o-q to 7.9 m cts (up 50% q-o-q), due to increased small-size diamond sales driven by seasonal restocking by dealers and retailers.
- The 22% y-o-y decrease in gem-quality diamond was due to high base effect of the previous year, when consumers were restocking following a protracted slowdown in demand. The 27% q-o-q decline in industrial diamond sales to 2.7 m cts reduced their share to 26%.

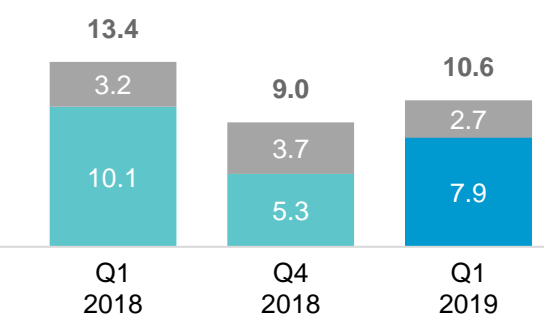
Rough diamond sales

\$ bn



Rough diamond sales

m cts



■ Gem-quality diamonds ■ Industrial diamonds

Inventories: 14.3 m cts

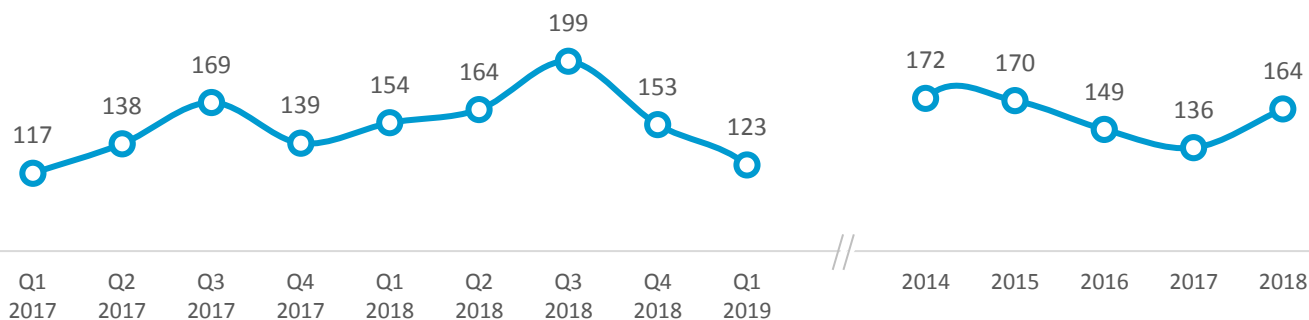
Total sales: \$1 bn

Diamond sales: \$988 m

- **In Q1 2019, diamond inventories (14.3 m cts as at Q1 end)** went down 2.7 m cts as output decreased 24% q-o-q while sales in cts grew 18% q-o-q. On a y-o-y basis, inventories went up by 2 m cts (up 16% y-o-y).
- **Total sales in Q1 2019 amounted to \$1,004 m**, including \$988 m (up 20% q-o-q) in diamond sales (ex. polished diamonds), with an 18% q-o-q sales growth in carats due to a larger share of small-size diamonds. Q1 sales in value terms declined 37% y-o-y, while sales in carats fell by 21% y-o-y.
- **Gem-quality diamond sales** in value terms increased 21% q-o-q to \$969 m as sales in carats surged 50%, but the average realised price decreased in Q1 2019. On a y-o-y basis, sales in value terms went down by 38% on the back of a 22% y-o-y decline in sales in carats.
- **In Q1 2019, polished diamond sales** amounted to \$16.4 m (down 23% q-o-q and 31% y-o-y).
- **In Q1 2019, average realised prices of gem-quality diamonds decreased by 19% q-o-q (20% y-o-y) to \$123/ct** due to a larger share of small-size diamonds and lower prices mostly for medium-size diamonds.

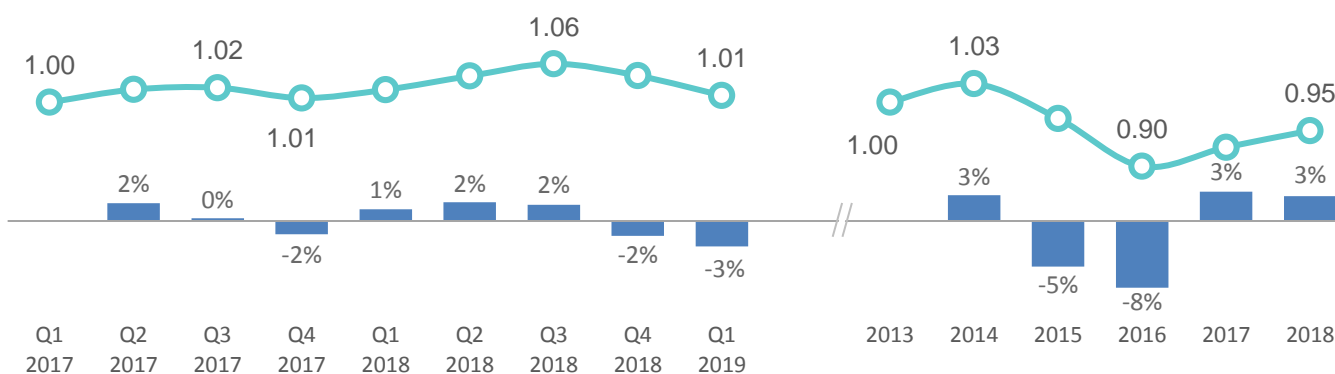
Average realised prices for gem-quality diamonds

\$/ct



• Q1 diamond price index was down 3.1%

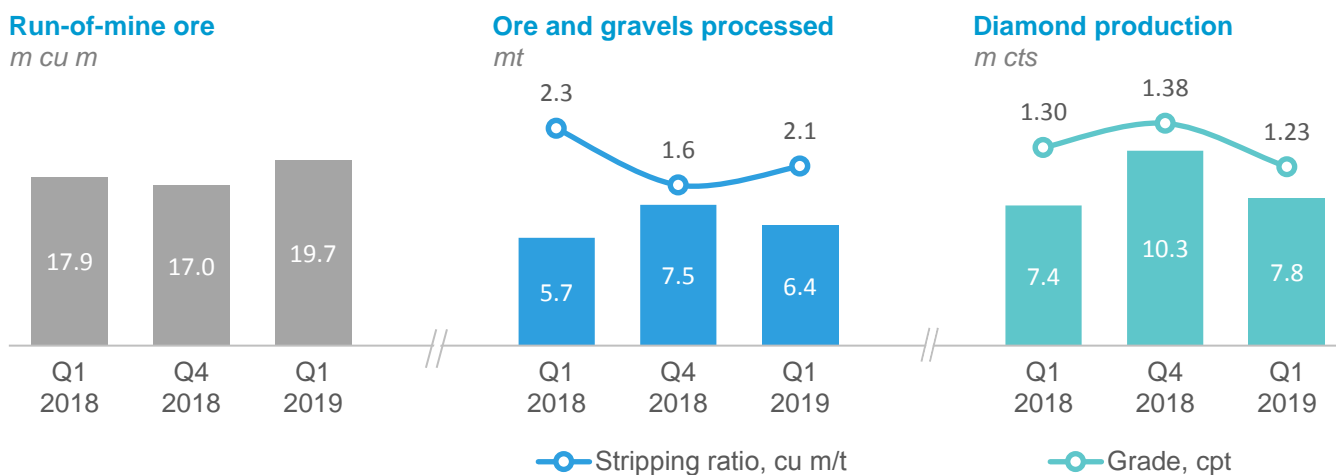
Gem-quality diamond price indices



PRODUCTION

Production: 7.8 m cts

- **Q1 diamond production** was down 24% q-o-q to 7.8 m cts, mostly due to a decrease in the output at the International and Aikhal underground mines and the Jubilee pipe.
- In Q1 2019, a 5% y-o-y growth of diamond production was driven by an increase in ore processing at the Botuobinskaya pipe, gradual ramp-up at the Udachny underground mine, launch of production at the Verkhne-Munskoye deposit, and an increase in the output at Severalmaz due to processing of higher-grade ore.



- **Q1 run-of-mine ore** went up 16% q-o-q (10% y-o-y) to 19.7 m cu m, mostly due to seasonal production growth at alluvial deposits (gravel extracted is processed in summer) and implementation of design solutions at Severalmaz.
- **Q1 stripping ratio** was up 30% q-o-q to 2.1 cu m/t, mostly due to a seasonal decline in gravel processing at Mirny Division's alluvial deposits, increase in rock moved at Almazy Anabara deposits following a larger share of deposits located in riverbeds, and an increase in total rock moved at the Arkhangelskaya pipe. The stripping ratio decreased 7% y-o-y mainly on the back of completed stripping operations at the Verkhne-Munskoye deposit. In 2018, the average stripping ratio was 1.2 cu m/t.
- **Q1 open-pit mining** was down 6% q-o-q to 6.1 m cts as production at the Jubilee pipe went down following a larger share of off-balance (lower-grade) ore processed.
- The 16% y-o-y **increase in open-pit mining** was associated with the processing of higher-grade ore from the Botuobinskaya pipe, lower ore processing volumes at the Nyurbinskaya pipe, suspension of gravel processing at Nyurba Division's alluvial deposits, launch of production at the Verkhne-Munskoye deposit, and higher output at Severalmaz.

In Q1 2019, open-pit mining accounted for 78% of total production.

- **In Q1 2019**, the 55% q-o-q **decrease in underground mining** to 1.5 m cts was associated with reduced production at the Aikhal underground mine

¹ The stripping ratio is calculated as rock moved in cubic metres (less pre-stripping) divided by ore and gravels processed (in tonnes).

(processing of ore accumulated in summer in Q4 2018) and the International underground mine (mining at deep horizons).

- The y-o-y **decrease in underground mining** by 24% was mostly attributable to a decline in production at the International underground mine.

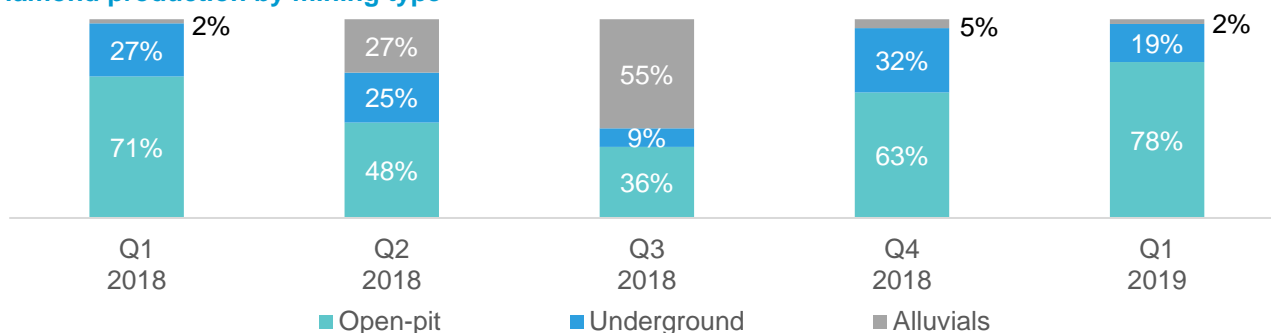
In Q1 2019, underground mining accounted for 19% of total production.

- **Q1 alluvial mining** went down 61% q-o-q to 0.2 m cts as a result of a seasonal – almost complete – shutdown of production at alluvial deposits, except for several deposits at Mir and Udachny. The 20% y-o-y growth was largely driven by more gravels processed at Udachny’s alluvial deposits and a higher average grade after the start of gravel processing at the Verkhne-Munskoye deposit.

In Q1 2019, alluvials accounted for 2% of total production.

- **Q1 average grade** went down by 11% q-o-q (5% y-o-y) to 1.23 cpt as a result of less high-grade ore processed from the International and Aikhal underground mines and a larger share of lower-grade (0.62 cpt) ore and gravels processed at Udachny deposits.

Diamond production by mining type



PERFORMANCE BY DIVISION

Aikhal Division operational overview

Aikhal Division accounted for 35% of ALROSA Group's total diamond production in Q1 2019

	Q1 2019	Q4 2018	q-o-q	Q1 2018	y-o-y
Ore processing, '000 t	2,449	2,649	(8%)	2,532	(3%)
Grade, cpt	1.13	1.65	(31%)	1.11	2%
Diamond production, '000 cts	2,773	4,373	(37%)	2,810	(1%)

Aikhal Division:

Jubilee pipe

Aikhal pipe

Komsomolskaya pipe

Zarya pipe

Location: Republic of Sakha
(Yakutia), near Aikhal
settlement, 485 km away
from Mirny town

Q1 diamond production was down 37% q-o-q (1% y-o-y) to **2,773,000 cts**. Ore processed in this period amounted to **2,449,000 t**, down 8% q-o-q and 3% y-o-y.

Open-pit mining:

At the Jubilee pipe, a 26% q-o-q decrease in Q1 diamond production came as a result of a 6% q-o-q reduction in ore processing, as well as by a larger share of off-balance (lower-grade) ore. An 8% y-o-y drop in production resulted from a 2% y-o-y decrease in ore processing, with the average grade down 2% y-o-y.

At the Komsomolskaya pipe, diamond production went up 7.2 times to reach 80,000 cts in Q1 2019 (vs 11,000 cts in Q4 2018) due to an overall increase in ore processing and lower processing volumes from the Aikhal underground mine. An 8% y-o-y drop in production resulted from an 18% y-o-y decline in ore processing caused by an emergency shutdown of the autogenous mill at the processing plant, which is currently fully operational.

Underground mining:

At the Aikhal underground mine, a 67% q-o-q decrease in Q1 diamond production was caused by processing of ore accumulated in summer in Q4 2018. A 12% y-o-y increase in diamond production was due to processing of higher-grade ore (up 18% y-o-y).

Mirny Division operational overview

Mirny Division accounted for 6% in ALROSA Group's total diamond production in Q1 2019

	Q1 2019	Q4 2018	q-o-q	Q1 2018	y-o-y
Ore and gravels processing, '000 t	413	1,500	(72%)	432	(4%)
Grade, cpt	1.14	0.95	20%	2.71	(58%)
Diamond production, '000 cts	469	1,418	(67%)	1,169	(60%)

Mirny Division:
Mir pipe
International pipe
Alluvial deposits

Location: Republic of Sakha
(Yakutia), Mirny town,
220 km south of the Arctic
Circle

Q1 diamond production was down 67% q-o-q (60% y-o-y) to **469,000 cts**. Ore and gravels processed in this period amounted to **413,000 t**, down 72% q-o-q and 4% y-o-y.

Underground mining:

At the International underground mine, a 66% q-o-q decrease (down 62% y-o-y) in Q1 diamond production was due to mining at deep horizons and complications caused by gas-dynamic phenomena. In Q1 2019, ore was processed in February only.

Alluvial mining:

A 73% q-o-q decline in Q1 diamond production at the alluvial and technogenic deposits came on the back of a 73% decrease in gravel processing due to the dredge shutdown. A 25% y-o-y decrease in diamond production at the alluvial and technogenic deposits is associated with the processing of lower-grade gravels (diamond grade down 42% y-o-y) at the upper deposits of Vodorazdelnye Galechniki.

Udachny Division operational overview

Udachny Division accounted for 18% in ALROSA Group's total diamond production in Q1 2019

	Q1 2019	Q4 2018	q-o-q	Q1 2018	y-o-y
Ore and gravels processing, '000 t	2,243	1,922	17%	1,500	50%
Grade, cpt	0.62	0.66	(7%)	0.54	13%
Diamond production, '000 cts	1,380	1,276	8%	817	69%

Udachny Division:

Udachnaya pipe

Zarnitsa pipe

Verkhne-Munskoye

deposit

Alluvial deposits

*Location: Republic of
Sakha (Yakutia), 550 km
north of Mirny town*

Q1 diamond production was up 8% q-o-q (69% y-o-y) to **1,380,000 cts**. Ore and gravels processed in this period grew 17% q-o-q (up 50% y-o-y) to **2,243,000 t**.

Open-pit mining:

At the Zarnitsa pipe, a 23% q-o-q growth in Q1 diamond production was driven by a higher average diamond grade (up 11% q-o-q) and an increase in ore processing (up 11% q-o-q) due to a scheduled ramp-up to design capacity following an upgrade. A 12% y-o-y decline in production resulted from a 10% y-o-y drop in average grade.

An 86% q-o-q production growth at the Zapolyarnaya pipe of the Verkhne-Munskoye deposit resulted from a 58% q-o-q increase in ore processing due to a gradual ramp-up to design capacity and increased processing of the western ore body with a higher average grade (up 18% q-o-q).

Underground mining:

At the Udachny underground mine, a 19% q-o-q decrease in diamond production in Q1 2019 was caused by an overall reduction in ore processing by 13% q-o-q due to a decline in ore production and an average grade drop by 7% q-o-q. A 31% y-o-y growth came on the back of a 31% y-o-y increase in ore processing as a result of a scheduled ramp-up to design capacity.

Alluvial mining:

At the Udachny Division's alluvial deposits, a 56% q-o-q (79% y-o-y) increase in Q1 diamond production was driven by a 41% q-o-q (26% y-o-y) expansion of gravel processing, with the average grade up 11% q-o-q and 41% y-o-y following the start of production at the Zapolyarnaya pipe of the Verkhne-Munskoye deposit.

Nyurba Division operational overview

Nyurba Division accounted for 28% in ALROSA Group's total diamond production in Q1 2019

	Q1 2019	Q4 2018	q-o-q	Q1 2018	y-o-y
Ore and gravels processing, '000 t	452	494	(9%)	390	16%
Grade, cpt	4.93	4.58	8%	4.86	1%
Diamond production, '000 cts	2,226	2,262	(2%)	1,895	18%

*Nyurba Division:
Nyurbinskaya pipe
Botuobinskaya pipe
Alluvial deposits*

*Location: Republic of
Sakha (Yakutia), 200 km
north-west of Nyurba
town and 320 km north-
east of Mirny town*

Q1 diamond production was down 2% q-o-q (up 18% y-o-y) to **2,226,000 cts**. Ore and gravels processed in this period amounted to **452,000 t**, down 9% q-o-q (up 16% y-o-y).

Open-pit mining:

At the Nyurbinskaya pipe, a 6% q-o-q (8% y-o-y) decrease in Q1 diamond production was due to a 17% q-o-q (2% y-o-y) decline in ore processing caused by increased ore processing at the Botuobinskaya pipe, with a 13% q-o-q increase in average grade (down 6% y-o-y).

At the Botuobinskaya pipe, a 34% q-o-q (2.2 times y-o-y) increase in Q1 diamond production was driven by a 66% q-o-q (92% y-o-y) rise in ore processing due to reduced ore processing at the Nyurbinskaya pipe and discontinued gravel processing at alluvial deposits, with an average grade declining by 19% q-o-q (up 16% y-o-y).

Alluvial mining:

There was no diamond production in Q1 2019.

Lomonosov Division (Severalmaz) operational overview

Lomonosov Division accounted for 12% in ALROSA Group's total diamond production in Q1 2019

	Q1 2019	Q4 2018	q-o-q	Q1 2018	y-o-y
Ore processing, '000 t	798	886	(10%)	858	(7%)
Grade, cpt	1.22	1.11	10%	0.85	44%
Diamond production, '000 cts	975	987	(1%)	729	34%

Lomonosov Division:
Arkhangelskaya pipe
Karpinskogo-1 pipe
Karpinskogo-2 pipe

Location: Arkhangelsk
Region, Russian
Federation

Q1 diamond production was down 1% q-o-q (up 34% y-o-y) to **975,000 cts**. Ore processing decreased 10% q-o-q (down 7% y-o-y) to **798,000 t**.

Open-pit mining:

At the Arkhangelskaya pipe, a 23% q-o-q growth in Q1 diamond production was caused by an increase in ore processing (up 40% q-o-q), with the average diamond grade down 12% q-o-q. A 3% y-o-y growth of diamond production was driven by a higher average diamond grade (up 23% y-o-y) combined with a 16% y-o-y reduction of ore processing.

At the Karpinskogo-1 pipe, a 6% q-o-q decrease in Q1 diamond production was due to a 5% q-o-q decrease in the average diamond grade. A 66% y-o-y increase in production was attributable to the processing of ore from higher-grade blocks, with the average diamond grade going up 61%.

The Karpinskogo-2 pipe saw no ore processing during the quarter and will see none in the near future.

Almazy Anabara operational overview

In Q1 2019, Almazy Anabara saw no diamond production

Almazy Anabara: several alluvial deposits located in the north-west of the Republic of Sakha (Yakutia)

There is no diamond production at Almazy Anabara alluvial deposits in winter due to a seasonal suspension of the gravel processing.

Q1 run-of-mine ore stood at 4,870,000 cu m, with gravels accumulated in winter to be processed from April–May till October (depending on the weather conditions).

APPENDICES

Appendix 1. Diamond production

'000 cts	Q1 2019	Q4 2018	q-o-q	Q1 2018	y-o-y
Aikhal Division	2,773	4,373	(37%)	2,810	(1%)
Jubilee pipe	2,251	3,030	(26%)	2,331	(3%)
Aikhal underground mine	442	1,332	(67%)	393	12%
Komsomolskaya pipe	80	11	619%	86	(7%)
Mirny Division	469	1,418	(67%)	1,169	(60%)
International underground mine	405	1,181	(66%)	1,061	(62%)
Mir underground mine	–	–	–	21	–
Alluvial and technogenic deposits	64	237	(73%)	86	(25%)
Udachny Division	1,380	1,276	8%	817	69%
Udachnaya pipe	–	–	–	–	–
Udachny underground mine	659	818	(19%)	505	31%
Zarnitsa pipe	217	176	23%	246	(12%)
Verkhne-Munskoye deposit	385	207	86%	–	–
Alluvial deposits	119	76	56%	67	79%
Nyurba Division	2,226	2,262	(2%)	1,895	18%
Nyurbinskaya pipe	1,408	1,498	(6%)	1,528	(8%)
Botuobinskaya pipe	819	610	34%	366	123%
Alluvial deposits	–	154	–	–	–
Severalmaz	975	987	(1%)	729	34%
Arkhangelskaya pipe	385	313	23%	374	3%
Karpinskogo-1 pipe	590	628	(6%)	356	66%
Karpinskogo-2 pipe	–	46	–	–	–
Almazy Anabara	–	–	–	–	–
Total	7,823	10,317	(24%)	7,420	5%

Appendix 2. Ore and gravel processing

'000 t	Q1 2019	Q4 2018	q-o-q	Q1 2018	y-o-y
Aikhal Division	2,449	2,649	(8%)	2,532	(3%)
Jubilee pipe	2,185	2,327	(6%)	2,223	(2%)
Aikhal underground mine	77	292	(74%)	81	(5%)
Komsomolskaya pipe	187	30	523%	228	(18%)
Mirny Division	413	1,500	(72%)	432	(4%)
International underground mine	70	219	(68%)	159	(56%)
Mir underground mine	–	–	–	7	–
Alluvial and technogenic deposits	343	1,281	(73%)	266	29%
Udachny Division	2,243	1,922	17%	1,500	50%
Udachnaya pipe	–	–	–	–	–
Udachny underground mine	494	567	(13%)	378	31%
Zarnitsa pipe	822	741	11%	842	(2%)
Verkhne-Munskoye deposit	573	363	58%	–	–
Alluvial deposits	354	251	41%	280	26%
Nyurba Division	452	494	(9%)	390	16%
Nyurbinskaya pipe	308	371	(17%)	315	(2%)
Botuobinskaya pipe	144	87	66%	75	92%
Alluvial deposits	–	36	–	–	–
Severalmaz	798	886	(10%)	858	(7%)
Arkhangelskaya pipe	374	268	40%	447	(16%)
Karpinskogo-1 pipe	424	427	(1%)	412	3%
Karpinskogo-2 pipe	–	191	–	–	–
Almazy Anabara	–	–	–	–	–
Total	6,355	7,451	(15%)	5,712	11%

Appendix 3. Grade

cpt	Q1 2019	Q4 2018	q-o-q	Q1 2018	y-o-y
Aikhal Division	1.13	1.65	(31%)	1.11	2%
Jubilee pipe	1.03	1.30	(21%)	1.05	(2%)
Aikhal underground mine	5.74	4.56	26%	4.86	18%
Komsomolskaya pipe	0.43	0.37	15%	0.38	13%
Mirny Division	1.14	0.95	20%	2.71	(58%)
International underground mine	5.78	5.39	7%	6.67	(13%)
Mir underground mine	–	–	–	3.02	–
Alluvial and technogenic deposits	0.19	0.19	1%	0.32	(42%)
Udachny Division	0.62	0.66	(7%)	0.54	13%
Udachnaya pipe	–	–	–	–	–
Udachny underground mine	1.33	1.44	(7%)	1.34	(0%)
Zarnitsa pipe	0.26	0.24	11%	0.29	(10%)
Verkhne-Munskoye deposit	0.67	0.57	18%	–	–
Alluvial deposits	0.34	0.30	11%	0.24	41%
Nyurba Division	4.93	4.58	8%	4.86	1%
Nyurbinskaya pipe	4.57	4.04	13%	4.85	(6%)
Botuobinskaya pipe	5.68	7.02	(19%)	4.88	16%
Alluvial deposits	–	4.28	–	–	–
Severalmaz	1.22	1.11	10%	0.85	44%
Arkhangelskaya pipe	1.03	1.17	(12%)	0.84	23%
Karpinskogo-1 pipe	1.39	1.47	(5%)	0.86	61%
Karpinskogo-2 pipe	–	0.24	–	–	–
Almazy Anabara	–	–	–	–	–
Total	1.23	1.38	(11%)	1.30	(5%)

GLOSSARY

average realised price is sales revenue in US dollars divided by sales volumes in carats

cpt – carats per tonne

ct, cts – carat, unit of mass (weight) equal to 200 mg; one of the 4Cs of diamond quality along with colour, cut and clarity

diamond price index allows to track changes in average diamond prices on a like-for-like basis (excluding +10.8 cts)

gem-quality diamonds – diamonds used in jewellery

mt – million tonnes

p.p. – percentage point

stripping ratio is calculated as rock moved in cubic metres (less pre-stripping) divided by ore and gravels processed (in tonnes)

t – tonne