ALROSA Q2 and 6M 2019 IFRS results

Moscow, 19 August 2019 – ALROSA, the world's leader in diamond mining, announces its IFRS financial results for Q2 2019.

- **Revenue** in Q2 2019 went down by 19% q-o-q to RUB 57 bn driven by a 22% qoq decline in diamond sales volumes. A 21% y-o-y decline in revenue was attributable to lower sales (down 8% y-o-y) and changes in the sales mix.
- **EBITDA** in Q2 2019 was to RUB 25 bn (down 20% q-o-q and 39% y-o-y) on lower top line.
- **EBITDA margin** remained flat q-o-q at 44%.
- **Free cash flow** in Q2 2019 amounted to RUB 2.4 bn (vs RUB 26 bn in Q1 2019) amidst a decline in operating cash flow, seasonal capex growth and increase in working capital.
- **Net profit** decreased by 44% q-o-q to RUB 13 bn, mostly due to lower revenue and high base effect of one-off FX gains in Q1. A 47% y-o-y decline was attributable to lower revenue and reduced margins (down 13 pp y-o-y).
- **Net debt / EBITDA** stood at 0.3x as at the end of Q2 2019 (flat q-o-q).
- **2019 guidance update:**
  - Production is expected to reach 38.5 m carats, up from c.38 m carats previously;
  - Sales are expected at 32–33 m carats;
  - Capex revised to RUB 23.4 bn, down from c.RUB 28 bn previously.

RUB bn	Q2 2019	Q1 2019	q-o-q	Q2 2018	y-o-y	6M 2019	6M 2018	y-o-y
Diamond sales, million carats, incl.	8.3	10.6	*(22%)*	9.0	*(8%)*	18.9	22.4	*(16%)*
gem-quality	6.0	7.9	*(24%)*	6.3	*(5%)*	13.9	16.4	*(15%)*
industrial	2.3	2.7	*(15%)*	2.7	*(15%)*	5.0	6.0	*(17%)*
Revenue	57.4	70.5	*(19%)*	72.2	*(21%)*	127.9	168.2	*(24%)*
EBITDA[1]	25.1	31.4	*(20%)*	41.3	*(39%)*	56.5	89.1	*(37%)*
EBITDA margin	44%	44%	*(0%)*	57%	*(13%)*	44%	53%	*(9%)*
Net profit	13.4	24.1	*(44%)*	25.4	*(47%)*	37.5	58.3	*(36%)*
Free cash flow[2]	2.4	25.9	*(91%)*	20.9	*(89%)*	28.3	62.0	*(54%)*
Net debt[3]	35.4	33.8	*5%*	6.0	*487%*	35.4	6.0	*487%*
Net debt / EBITDA	0.3x	0.3x	–	0.04x	–	0.3x	0.04x	–

Alexey Philippovskiy, ALROSA’s Deputy CEO, commented on the results:

“The diamond market continued to be affected by a number of negative factors that had first emerged as early as the second half of the previous year. These include a slowdown in jewellery sales following strong performance of 2017–2018, particularly as a result of global macroeconomic uncertainties amidst escalating trade wars. As an additional factor, mid-stream and retailers have elevated inventories, while India's cutting and polishing business continues facing difficulties in securing affordable financing. A new trend, i.e. growing share of online jewellery sales mostly in the US, is now gaining its importance for the industry.

In this negative external environment, ALROSA’s sales in Q2 2019 went down by 22% q-o-q to 8.3 m carats, with total revenue decreasing by 19% q-o-q to RUB 57.4 bn. EBITDA declined by 20% q-o-q to RUB 25.1 bn, while EBITDA margin remained flat at 44%.

Despite a weaker operating cash flow and a concurrent seasonal rise in capex (up 17% q-o-q to RUB 4.5 bn) and working capital (up 15% q-o-q, or RUB 11.9 bn), free cash flow remained positive at RUB 2.4 bn.

Leverage remained low, with the net debt / EBITDA ratio standing at 0.3x as at the end of Q2.

According to the Dividend Policy, this enables the management to submit a proposal to the Company’s Supervisory Board to pay up to 100% of H1’19 free cash flow, or RUB 28.3 bn, in dividends for the first half of 2019.”

[1]EBITDA stands for earnings for the last twelve months before interest, income tax, depreciation and amortisation calculated for the past twelve months in accordance with the International Financial Reporting Standards (IFRS).

[2]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).

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

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

22 August	Conference call with management
26 August	Meeting of the Supervisory Board – H1 2019 dividend recommendation
10 September	August 2019 sales results
30 September[4]	Extraordinary General Meeting of Shareholders – H1 2019 dividend declaration
10 October	September 2019 sales results
17 October	Q3 and 9M 2019 operating results
7 November	Q3 and 9M 2019 IFRS results – conference call with management
8 November	October 2019 sales results

PUBLICATIONS ARCHIVE

- Q2 and 6M 2019 IFRS results
- July 2019 sales results
- Q2 and 6M 2019 trading update
- Investor presentation

[4] *The date of the Extraordinary General Meeting of Shareholders is tentative and subject to approval by the Company's Supervisory Board.*

MANAGEMENT DISCUSSION AND ANALYSIS OF ALROSA GROUP FOR Q2 2019 AND 6M 2019

The structure and scope of the report and overview of ALROSA's business are shown in Appendix 4.

MAJOR DEVELOPMENTS IN Q2 2019 AND AFTER THE REPORTING DATE

June 2019: The Annual General Meeting of Shareholders approved 2H 2018 dividends of RUB 4.11 per share, or RUB 30.3 bn in total. (please see the press release).

April 2019: The Company placed 5-year $500 m Eurobonds with a coupon rate of 4.65% per annum and partially redeemed its Eurobonds due in November 2020 for a total of $400 m (please see the press release).

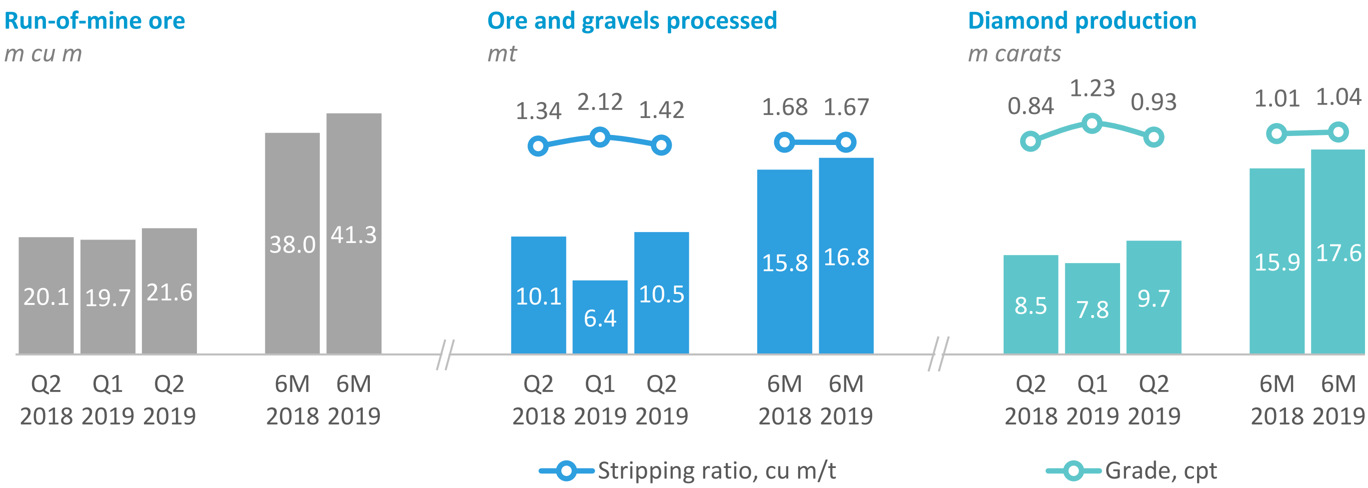
April 2019: The Company launched diamond production at Zaria pipe, with its expected life exceeding ten years (please see the press release).

ROUGH AND POLISHED DIAMOND MARKET OVERVIEW

- In 6M 2019, the rough and polished diamond market saw weak activity in all segments. The key diamond jewellery markets registered a decline in demand amid global macroeconomic uncertainty due to unravelling trade tensions between the US and China and depreciation of the Chinese yuan against the US dollar, resulting in lower purchasing activity of Chinese consumers and tourists.
- The consolidation in the jewellery sector and an expanding share of online jewellery sales in the US resulted in a non-recurrent reduction in polished diamond stocks across the retail sector as businesses embrace more efficient stock management practices, translating into lower diamonds volumes purchased by cutters and polishers.
- Cutters stocked up on end products, which also affected the demand for rough diamonds. To reduce excess stocks the Indian cutters have been decreasing output since May. The lower diamond demand was also caused by the ongoing financing difficulties experienced by the cutters due to the banks tightening the loan security and repayment terms and thus triggering a decline in net rough diamond imports in India.
- Given the market's seasonality, the demand for rough diamonds can rebound closer to the end of Q3 2019 in the run-up to the 2019–2020 Christmas sales season.

Hereinafter, data on Q2 2019 and 6M 2019 production, sales, prices, and inventories is preliminary and may be updated. Data on the diamond market is the Company's estimate.

OPERATING HIGHLIGHTS



- **Q2 run-of-mine ore** went up 10% q-o-q (up 8% y-o-y) to 21.6 m cu m mostly due to a higher stripping ratio at the Nyurbinskaya pipe, preparatory pre-mining operations at Almazy Anabara, and seasonal production growth at Mirny Division's alluvial deposits. An 8% increase **compared to Q2 2018** is mostly attributable to the launch of production at the V.Munskoye deposit and implementation of design solutions at Severalmaz.

  6M run-of-mine ore totalled 41.3 m cu m, up 9% y-o-y, mostly due to the launch of production at the V.Munskoye deposit.

Production: 9.7 m carats

- **Q2 diamond production** was up 24% q-o-q to 9.7 m carats mainly due to seasonal return to production at alluvial deposits.

  A 14% increase compared to Q2 2018 is attributed to the launch of production at the V.Munskoye deposit, an increase in higher-grade ore processing at the Botuobinskaya pipe, and a higher average diamond grade at Severalmaz.

  6M diamond production grew 10% y-o-y mainly due to an increase in ore processing at the Botuobinskaya pipe, among other things, on the back of the projects rolled out as part of the programme to improve operational efficiency and the launch of production at the V.Munskoye deposit.

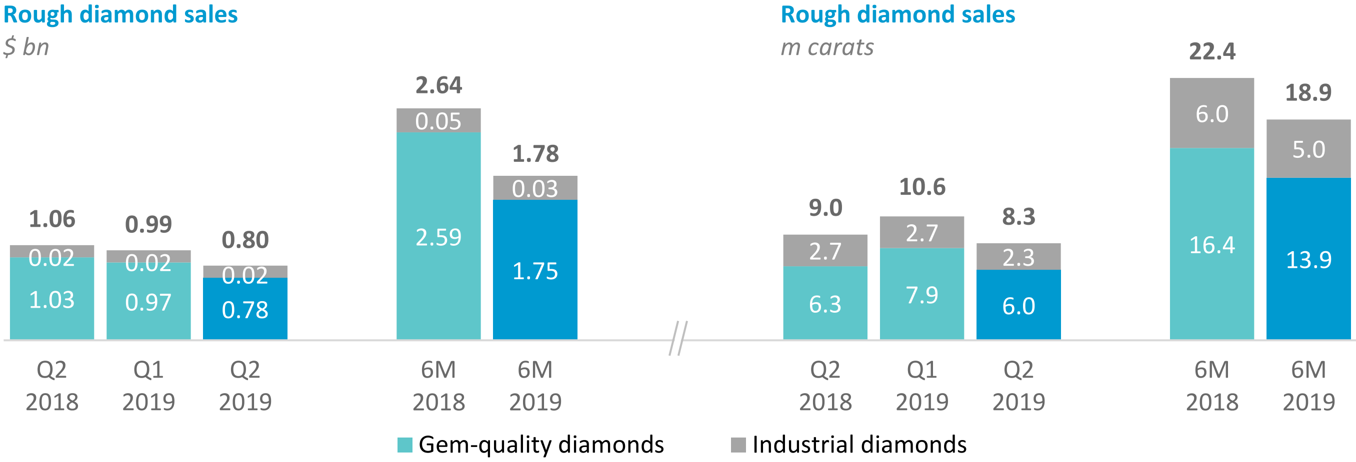
- **Q2 stripping ratio** was down 33% q-o-q to 1.4 m cu m/t mostly due to the seasonal resumption of gravel processing at Almazy Anabara deposits as rock moved decreased 3% q-o-q. A 6% rise y-o-y was mainly driven by an increase in stripping operations as part of implementation of design solutions at Severalmaz.

  6M stripping ratio was 1.7 m cu m/t (down 1% y-o-y).

- **Q2 average diamond grade** went up 10% y-o-y to 0.93 cpt due to a higher average diamond grade at Severalmaz, higher-grade gravels processed at Udachny's alluvial deposits, and higher-grade ore processed at the Botuobinskaya pipe.

At the same time, it went down 25% q-o-q due to the seasonal increase in the share of ore produced at alluvial deposits with lower-grade gravels. Another affecting factor was a lower average diamond grade at the Nyurba Division due to the processing of ore from lower-grade blocks in line with the mining plan. The seasonal drop in average diamond grade is attributable to return to production at alluvial deposits in 2Q 2019, a larger scope of operations and a further decrease of average diamond grade in 3Q. In 4Q, production from alluvial deposits is suspended resulting in a higher average grade q-o-q.

Average diamond grade **in 6M 2019** stood at 1.04 cpt (up 4% y-o-y).



Sales: 8.3 m carats

- **In Q2 2019, diamond sales (ex. polished diamonds)** declined by 2.3 m carats q-o-q to 8.3 m carats (down 22% q-o-q), with sales of gem-quality diamonds falling by 1.9 m carats q-o-q to 6.0 m carats (down 24% q-o-q) due to excessive stocks of rough and polished diamonds in the cutting sector.

  Gem-quality diamond sales decreased 5% y-o-y. Industrial diamond sales went down 16% q-o-q to 2.3 m carats, accounting for 27% of Q2 sales.

  6M diamond sales decreased by 3.5 m carats (down 16% y-o-y) against the backdrop of declining demand in the rough and polished diamonds market caused by high polished diamond inventory levels, including in the US retail sector.

Inventories: 15.9 m carats

- **Diamond inventories rose to 15.9 m carats as at the end of Q2** (up 1.6 m carats q-o-q) driven by lower sales and higher output, which was attributable, among other things, to seasonal factors. As compared to the previous year, inventories went up by 4.2 m carats (up 36% y-o-y).

Q2 2019
Total sales – $807 m
Diamond sales– $796 m

- **Total sales in Q2 2019 amounted to $807 m**, including $796 m (down 19% q-o-q) in diamond sales (ex. polished diamonds), with a 22% q-o-q sales decline in carats due to a lower share of small-size diamonds. Q2 sales in value terms declined 25% y-o-y, while sales in carats fell 8% y-o-y due to changes in the sales mix of gem-quality diamonds (a larger share of small diamonds) and lower diamond price index for comparable products.

2Q gem-quality diamond sales in value terms decreased 20% q-o-q to $780 m as sales in carats declined 24%, but the average realised price moved up. On a y-o-y basis, sales in value terms decreased 25% dragged by a 5% decline in sales in carats and lower average realised prices (down 21% y-o-y).

6M 2019
Total sales – $1,812 m
Diamond sales – $1,784 m

6M total sales amounted to $1,812 m (down 33% y-o-y), including $1,784 m in diamond sales (ex. polished diamonds) (down 32% y-o-y).

6M gem-quality diamond sales in value terms amounted to $1,749 m, down 32% y-o-y amid a 15% decline in sales and a 20% drop in the average realised price.

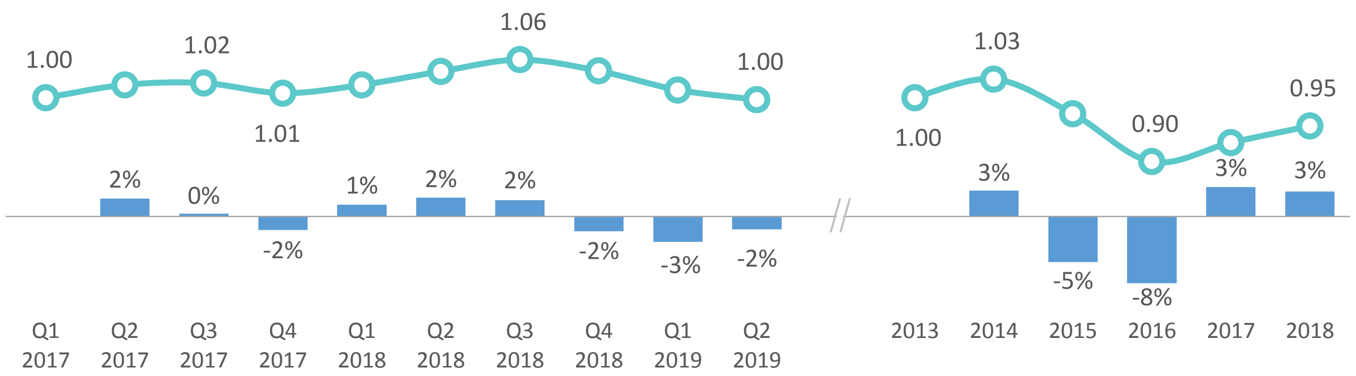
Q2 and 6M diamond sales amounted to $11 m (down 33% q-o-q, down 58% y-o-y) and $27.4 m (down 45% y-o-y), respectively.

- **In Q2 2019, average realised prices for gem-quality diamonds rose 5% q-o-q** to $130/ct due to a lower share of small-size diamonds.

Average realised prices for gem-quality diamonds
$/ct

- **In Q2 2019, the diamond price index** lost 1.6% q-o-q, down 4.6% year-to-date.

Gem-quality diamond price indices



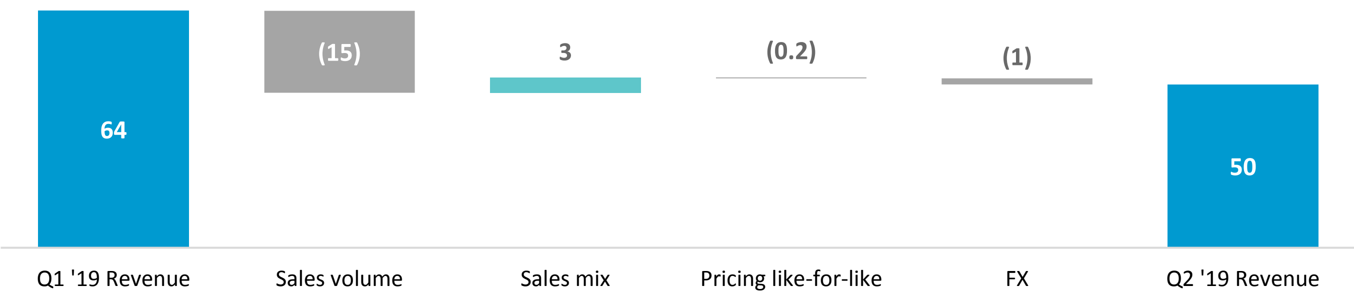
KEY FINANCIAL HIGHLIGHTS

Revenue

Revenue: RUB 57.4 bn

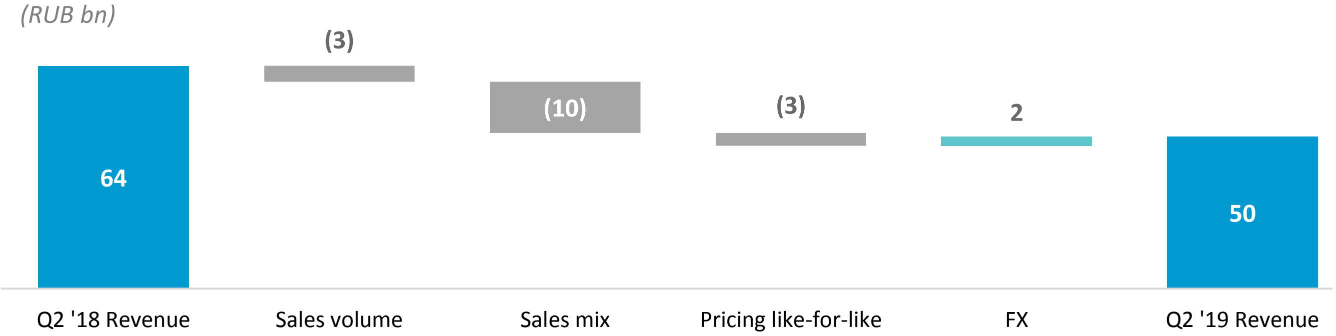
- In Q2 2019, **revenue** dropped by 19% q-o-q to **RUB 57.4 bn,** mainly due to lower sales in carats. On a y-o-y basis, revenue declined by 21% due to a weaker sales mix and lower sales in carats (down 8% y-o-y). Комментарий

Drivers affecting revenue from gem-quality diamond sales
(RUB bn)



- **Revenue from diamond sales** in Q2 2019 went down to **RUB 51.8 bn** (down 21% q-o-q), including **revenue from gem-quality diamond sales at RUB 50.1 bn**, mainly due to a decline in sales in carats.

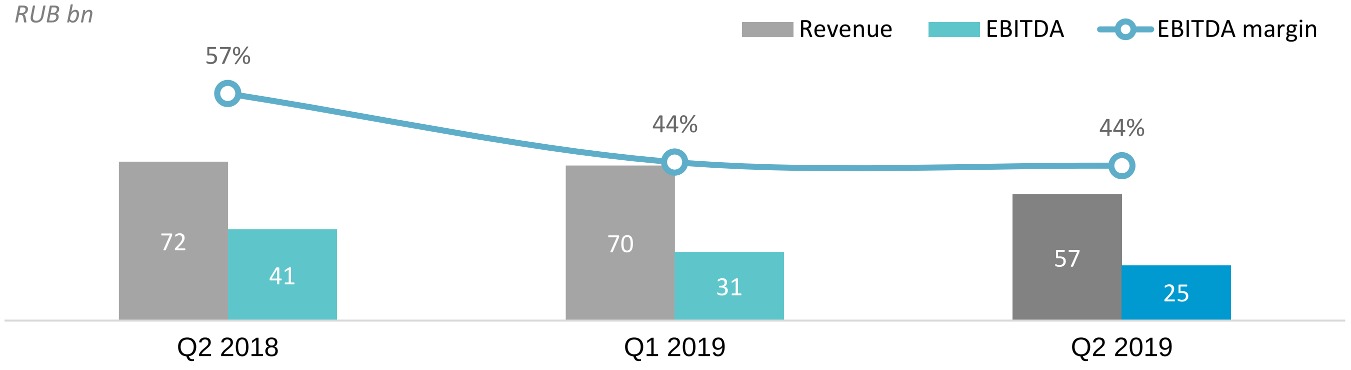
Drivers affecting revenue from gem-quality diamond sales
(RUB bn)



- **On a y-o-y basis, revenue from diamond sales dropped** by 23% as a result of a decline in sales on the back of a lower share of large-size diamonds and lower like-for-like prices for rough diamonds.
- In Q2 2019, **other revenue** grew by 14% q-o-q to **RUB 4.1 bn** predominantly as a result of a seasonal rise in transportation business revenue (higher passenger traffic in the vacation season). A 13% rise y-o-y came from external electricity sales by Vilyuiskaya HPP-3.
- In Q2 2019, **income from grants** amounted to **RUB 1.5 bn** (up 54% q-o-q and down 4% y-o-y), mainly attributable to higher electricity grants (up 49.7% q-o-q) due to payment specifics and rising grants for housing and utilities maintenance (up 50.4% q-o-q) as carried over from Q1 2019 to Q2 2019.

- In Q2 2019, **total costs** went down to **RUB 32.2 bn** (down 18% q-o-q) as sales in carats decreased. On a y-o-y basis, total costs added RUB 1.1 bn (up 3% y-o-y), reflecting a growth in diamond production.

EBITDA
RUB bn



EBITDA: RUB 25.1 bn

- In Q2 2019, **EBITDA** declined to **RUB 25.1 bn** (down 20% q-o-q) as sales in carats shrank by RUB 15.7 bn while the share of large-size diamonds in the sales mix rose by 10.8 carats adding RUB 3.0 bn. On a y-o-y basis, EBITDA decreased by 39%, mainly due to lower sales (down RUB 4.1 bn), a weaker sales mix (down RUB 9.6 bn) and lower like-for-like prices for rough diamonds (down RUB 2.6 bn).
- **FX rate impact** in Q2 2019 was negative for EBITDA q-o-q (RUB 1.2 bn) and positive y-o-y (RUB 1.9 bn).

EBITDA margin: 44%

- **EBITDA margin** in Q2 remained flat q-o-q at **44%**. On a y-o-y basis, EBITDA margin dropped by 13 pp as total revenue declined by 21% y-o-y while the cost of goods sold remained flat (up 1% y-o-y).

EBITDA

RUB m	Q2 2019	Q1 2019	Q2 2018	6M 2019	6M 2018
Operating profit	19,060	23,598	36,735	43,537	78,126
Depreciation	5,898	6,575	6,003	12,474	12,011
Adjustments (see financial statements in Excel)	173	1,179	(1,402)	473	(1,059)
EBITDA	**25,132**	**31,352**	**41,336**	**56,484**	**89,078**

Net profit: RUB 13.4 bn

- **Net profit** in Q2 went down to **RUB 13.4 bn** (down 44% q-o-q) due to shrinking revenue and lower FX gains. A 47% y-o-y decline in net profit was attributable to lower revenue and shrinking margins (down 13 pp y-o-y).

LIQUIDITY, WORKING CAPITAL AND CAPITAL EXPENDITURE

Cash flows

- **Cash and cash equivalents and 90+ days deposits** dropped by RUB 14 bn to **RUB 53.8 bn** in Q2 2019 as the Company repaid bank loans worth USD 300 m. The current liquidity position is in line with its corporate financial policy, which requires the Company to maintain a minimum liquidity pool of c. RUB 25 bn and sufficient liquidity for the 2H 2018 dividend payout.

Operating activity

- In Q2 2019, **operating cash flow** declined to **RUB 6.9 bn** (down 4.3 times q-o-q) on the back of lower profitability (down 20% q-o-q) and working capital growth (up RUB 11.9 bn).

Working capital analysis

Working capital

RUB m	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Diamonds	44,247	42,472	49,587	41,567	30,646
Ores and sands mined	19,805	16,806	14,032	12,505	19,628
Mining and construction materials, consumable and other supplies	30,821	27,161	29,000	32,941	30,305
Trade and other receivables (excl. interest receivable)	20,751	17,894	17,911	21,683	22,727
Prepaid taxes, other than income tax	139	229	300	261	1,248
Accrual for employee flights and holidays, wages and salaries	(11,961)	(12,198)	(12,591)	(10,694)	(10,541)
Trade and other payables (excl. interest payable)	(6,230)	(6,264)	(7,310)	(7,893)	(9,543)
Other taxes payable	(6,966)	(7,385)	(8,585)	(5,347)	(5,966)
Working capital	**90,606**	**78,715**	**82,344**	**85,023**	**78,504**

- In Q2 2019, **working capital grew** by 15% q-o-q (up RUB 11.9 bn) as a result of:
  – increase in rough diamond inventories by RUB 1.8 bn (up 4% q-o-q) as production exceeded sales;

- seasonal rise in ore inventories by RUB 3.0 bn (up 18% q-o-q), primarily at alluvial deposits;
- seasonal rise in supplies by RUB 3.7 bn (up 13% q-o-q) triggered by the start of the navigation period on the Lena River;
- rise in trade and other receivables by RUB 2.9 bn (up 16% q-o-q) due to an increase in VAT claimed for reimbursement caused by the start of the navigation period. (When PPE and supplies are delivered to warehouses, a tax liability arises with respect to VAT for reimbursement. After the shipment, VAT is stated as deductible in the Q3 and Q4 tax returns);
- decrease in other taxes payable by RUB 0.4 bn (down 6% q-o-q).
- in Q2 2019 , **working capital grew** by 15% y-o-y (up RUB 12.1 bn), which was mainly attributable to ramping up rough diamond inventories by RUB 13.6 bn (up 44% y-o-y) as inventories in carats expanded by 36% y-o-y to 15.9 m carats as at the end of Q2.

Free cash flow

RUB m	Q2 2019	Q1 2019	Q2 2018	6M 2019	6M 2018
EBITDA	**25,132**	**31,352**	**41,336**	**56,484**	**89,078**
Changes in working capital	(11,891)	3,628	(6,151)	(8,263)	6,742
Income tax paid	(5,747)	(5,064)	(8,245)	(10,811)	(19,179)
Other	(562)	(180)	1,180	(742)	(2,569)
Operating cash flow	**6,932**	**29,737**	**28,120**	**36,669**	**74,072**
Capex	(4,534)	(3,876)	(7,182)	(8,410)	(12,026)
Free cash flow	**2,398**	**25,861**	**20,938**	**28,259**	**62,046**

FCF: RUB 2.4 bn

Free cash flow (FCF) in Q2 2019 went down to **RUB 2.4 bn** due to a decrease in income, seasonal growth in capital expenditure (up 17% q-o-q) and an increase in working capital. On a y-o-y basis, 9x FCF decline was registered, mainly due to shrinking margins, despite capex going down by 37% y-o-y due to the launch of Verkhne-Munskoye deposit.

Investing activities

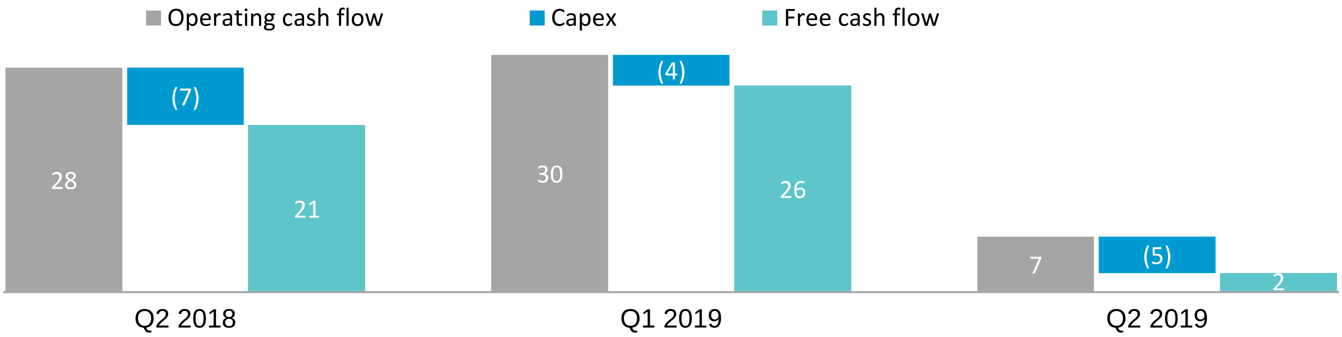
Cash outflow from investing activities in Q2 2019 was driven by investment in the core business only and amounted to RUB 4.5 bn (up 17% q-o-q and down 37% y-o-y).

Cash inflow from investing activities in Q2 2019 amounted to RUB 4.0 bn, the main part of it being the RUB 3.0 bn dividend for 2017 received from Catoca Mining Ltd., as ALROSA's associate.

Net inflow from investing activities, including cash received from bank deposits, amounted to RUB 2.1 bn.

Capex and free cash flow

RUB bn



Investment: RUB 4.5 bn

- In Q2 2019, capital expenditure grew by 17 % q-o-q (down 37% y-o-y) to **RUB 4.5 bn** mainly as a result of a seasonal increase in capex in technical renovation and upgrade (up 26 % q-o-q) and an increase in expansion capex associated with Zaria pipe.

Financing activities

Total debt: $1.4 bn

- **Total debt** (including operating lease obligation) for Q2 was down to **$1,415 m** (down 14% q-o-q) (or RUB 89.2 bn (down 16% q-o-q) in the rouble equivalent) mainly reflecting the repayment of $300 m of bank loans in May and June. Debt portfolio mainly consists of two Eurobond issues (70% of total debt) amounting to $494 m and $500 m due in November 2020 and April 2024, respectively.
- **Interest payments** in Q2 2019 were up by 93% q-o-q (up 2.7x y-o-y) to **RUB 3.5 bn** mainly due to a premium paid to par due to the early redemption in April of $400 m Eurobonds due in 2020.

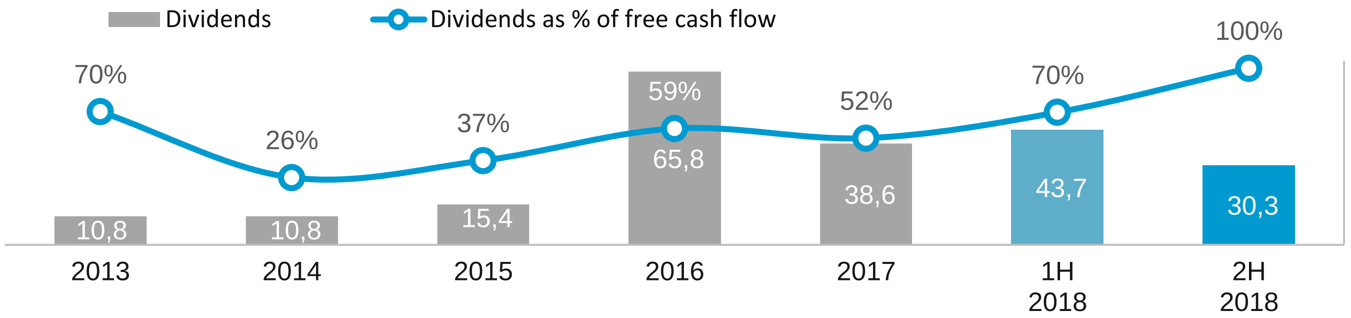
Net debt

RUB m	Q2 2019	Q1 2019	Q2 2018	6M 2019	6M 2018
Long-term debt	87,282	63,784	64,974	63,474	63,798
Short-term debt	1,948	42,782	41,687	22,547	63
Cash and cash equivalents	5,706	16,230	27,437	49,403	52,674
Bank deposits	48,117	51,590	11,784	15	5,160
Net debt	**35,407**	**38,746**	**67,440**	**36,603**	**6,027**

Net debt: $0.6 bn

- **Net debt** in Q2 2019 went down to **RUB 35.4 bn** (down 9% q-o-q) primarily due to the positive free cash flow and RUB 3.0 bn received in dividends from Catoca Mining Ltd., as ALROSA'S associate.
- Net debt / EBITDA stood at 0.3x as at the end of Q2 2019 (flat q-o-q).

Dividends
(RUB bn)



– **2H 2018 dividends.** On 26 June 2019, the General Meeting of Shareholders resolved to pay RUB 30.3 bn, or RUB 4.11 per share, in 2H 2018 dividends, which is equal to 100% of the free cash flow for the reporting period. Thus, the total FY2018 dividends, including those paid for 1H 2018, amounted to RUB 73.9 bn, or RUB 10.4 per share, resulting in all-time high dividends in ALROSA's history.

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

Macroeconomic environment

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

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

RUB m	**30 June 2019**	**31 March 2019**	**31 December 2018**	**30 September 2018**	**30 June 2018**
RUB/USD	63.0756	64.7347	69.4706	65.5906	62.7565
RUB/EUR	71.8179	72.7230	79.4605	76.2294	72.9921

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

	Q2 2019	**Q1 2019**	**Q2 2018**	**6M 2019**	**6M 2018**
Average RUB/USD exchange rate for the period	64.5217	65.7430	61.9130	65.1218	59.4729
Average RUB/EUR exchange rate for the period	72.5069	74.6839	73.8219	73.5766	71.9714

APPENDICES

Appendix 1. Key financial metrics

RUB bn	Q2 2019	Q1 2019	q-o-q	Q2 2018	y-o-y	6M 2019	6M 2018	y-o-y
Revenue, incl.:	**57.4**	**70.5**	*(19%)*	**72.2**	*(21%)*	**127.9**	**168.2**	*(24%)*
revenue from diamond sales	51.8	66.0	*(21%)*	67.1	*(23%)*	117.8	158.3	*(26%)*
other revenue	4.1	3.6	*14%*	3.6	*13%*	7.7	7.3	*5%*
Income from grants	1.5	1.0	*54%*	1.5	*(4%)*	2.4	2.6	*(7%)*
Costs, incl.:	**(32.2)**	**(39.1)**	***(18%)***	**(31.2)**	***3%***	**0.1**	**(79.1)**	***(100%)***
production costs	(18.3)	(18.3)	*(0%)*	(16.7)	*10%*	0.0	(34.0)	*(100%)*
non-production costs	(13.9)	(20.8)	*(33%)*	(14.5)	*(4%)*	0.0	(45.2)	*(100%)*
EBITDA	**25.1**	**31.4**	***(20%)***	**41.3**	***(39%)***	**56.5**	**89.1**	***(37%)***
EBITDA margin	44%	44%	*(0%)*	57%	*(13%)*	44%	53%	*(9%)*
Depreciation and amortisation	(5.9)	(6.6)	*(10%)*	(6.0)	*(2%)*	(12.5)	(12.0)	*4%*
Financial income/(expenses)	(1.4)	5.3	*(126%)*	(6.0)	*(77%)*	3.0	(6.3)	*(148%)*
Other income/(expenses)	–	0.5	*(91%)*	2.7	*(98%)*	1.4	3.1	*(55%)*
Income tax	(4.5)	(6.5)	*(31%)*	(6.6)	*(32%)*	(10.9)	(15.6)	*(30%)*
Net profit	**13.4**	**24.1**	***(44%)***	**25.4**	***(47%)***	**37.5**	**58.3**	***(36%)***
Net profit margin	23%	34%	*(11%)*	35%	*(12%)*	29%	35%	*(5%)*
Free cash flow	**2.4**	**25.9**	***(91%)***	**20.9**	***(89%)***	**28.3**	**62.0**	***(54%)***
Net debt	**35.4**	**38.7**	***(9%)***	**6.0**	***487%***	**35.4**	**6.0**	***487%***
Net debt / EBITDA	**0.3x**	**0.3x**	**–**	**0.04x**	**–**	**0.3x**	**0.04x**	**–**

Appendix 2. Revenue by customer geography

	Q2 2019	Q1 2019	Q2 2018	6M 2019	6M 2018
Belgium	40%	44%	42%	42%	45%
Russia	20%	17%	19%	19%	16%
India	17%	13%	13%	15%	14%
United Arab Emirates	9%	12%	10%	11%	10%
Israel	8%	7%	10%	7%	10%
China	3%	5%	3%	4%	4%
Other	2%	2%	2%	2%	2%

Appendix 3. Per unit costs

RUB '000 / cu m	Q2 2019	Q1 2019	q-o-q	Q2 2018	y-o-y	6M 2019	6M 2018	y-o-y
Wages, salaries and other staff costs	0.56	0.62	*(9%)*	0.51	*10%*	0.59	0.54	*9%*
Fuel and energy	0.18	0.20	*(12%)*	0.24	*(25%)*	0.19	0.21	*(10%)*
Materials	0.14	0.13	*10%*	0.13	*14%*	0.14	0.13	*6%*
Services and transport	0.09	0.10	*(8%)*	0.13	*(28%)*	0.10	0.13	*(24%)*
Other	0.01	0.01	*(1%)*	0.02	*(59%)*	0.01	0.02	*(47%)*
Total	**0.98**	**1.07**	***(8%)***	**1.03**	***(4%)***	**1.03**	**1.03**	***(0%)***

Appendix 4. Structure (perimeter) of the report and overview of ALROSA's business

The report is a review of the financial condition of Group for Q2 2019 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 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.