ALROSA Q3 and 9M 2019 IFRS results

Moscow, 8 November 2019 – ALROSA, the world's leader in diamond mining, announces its IFRS financial results for Q3 2019.

- **Revenue** in Q3 2019 decreased by 20% q-o-q to RUB 46 bn on lower sales volumes (down 23% q-o-q), which was partially offset by higher average realised prices. A 35% y-o-y decline in revenue is attributable to lower sales (down 5% y-o-y) and a higher share of small-size diamonds.
- **EBITDA** in Q3 2019 amounted to RUB 21 bn (down 16% q-o-q, down 47% y-o-y) on lower top line.
- **EBITDA margin** in Q3 2019 increased by 2 pp q-o-q to 46% (down 11% y-o-y).
- **Free cash flow** in Q3 2019 increased by 4% q-o-q to RUB 2.5 bn reflecting stronger operating cash flow along with a marginal increase in capex (up 2% q-o-q).
- **Net profit** in Q3 2019 remained flat q-o-q at RUB 13 bn, including as a result of other income recognition (release from liabilities under the guarantee to the bank in the amount of RUB 1.5 bn). A 44% y-o-y decline is attributable to lower revenue and EBITDA margin (down 11 pp y-o-y).
- **Net debt / LTM EBITDA**[1] increased to 0.6x as at the end of Q3 2019 (vs 0.3x as at the end of Q2 2019).
- **2019 guidance:**
    - Production – 38.5 m carats;
    - Sales – 32–33 m carats;
    - Capex – RUB 23.0 bn.

[1] LTM 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).

RUB bn	Q3 2019	Q2 2019	q-o-q	Q3 2018	y-o-y	9M 2019	9M 2018	y-o-y
Diamond sales, million carats, incl.	6.4	8.3	*(23%)*	6.7	*(5%)*	25.3	29.1	*(13%)*
gem-quality	4.3	6.0	*(28%)*	4.7	*(8%)*	18.2	21.1	*(14%)*
industrial	2.1	2.3	*(9%)*	2.0	*4%*	7.0	8.0	*(11%)*
Revenue	45.7	57.4	*(20%)*	70.1	*(35%)*	173.6	238.3	*(27%)*
EBITDA	21.1	25.1	*(16%)*	40.0	*(47%)*	77.5	129.1	*(40%)*
EBITDA margin	46%	44%	*2 pp*	57%	*-11 pp*	45%	54%	*-9 pp*
Net profit	13.5	13.4	*0.5%*	24.2	*(44%)*	51.0	82.5	*(38%)*
Free cash flow[2]	2.5	2.4	*4%*	16.0	*(84%)*	30.8	62.0	*(50%)*
Net debt[3]	63.0	35.4	*78%*	36.6	*72%*	63.0	36.6	*72%*
Net debt / LTM EBITDA	0.6x	0.3x	–	0.2x	–	0.6x	0.2x	–

Alexey Philippovskiy, ALROSA's CFO, commented on the results:

"In 9M 2019, the diamond market was impacted by the oversupply of polished diamonds and challenging situation in India's financial sector. As major producers have reduced diamond supply by a quarter since the beginning of the year and Indian cutters begin to see stocks gradually winding down, the supply and demand in the diamond pipeline seem to be heading towards balance again. Since early August 2019, the prices and demand have somewhat stabilised resulting in increased monthly sales, with total sales adding 7%, 42% and 2% m-o-m in August, September and October, respectively.

ALROSA's financials in Q3 2019 saw expected pressure from external factors. Sales went down by 23% q-o-q to 6.4 m carats, and the y-o-y reduction in 9M 2019 amounted to 13% (25.3 m carats). Rough diamond sales in Q3 2019 decreased by 24% q-o-q to $601 m and by 34% in 9M 2019.

Free cash flow in Q3 2019 amounted increased by 4% q-o-q to RUB 2.5 bn, despite the working capital increase of RUB 11.9 bn (up 13% q-o-q) and a minor capex growth (up 2% q-o-q).

Net debt / LTM EBITDA as at the end of Q3 2019 stood at 0.6x, in line with the target leverage and higher than in Q2 2019, which is mainly explained by a 2H 2018 dividend cash payment of RUB 29.8 bn.

In September 2019, the Extraordinary General Meeting of Shareholders resolved to pay 1H 2019 dividends in the amount of RUB 3.84 per share, or RUB 28.3 bn in total, which is equal to 100% of the free cash flow for the period." (please see the press release)

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Key events until the end of 2019 (*Investor calendar*)

10 December November 2019 sales results

The 2020 investor calendar will be published shortly.

[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.

PUBLICATIONS ARCHIVE

- Q3 and 9M 2019 IFRS results
- October 2019 sales results
- Q3 and 9M 2019 trading update
- Investor presentation

MANAGEMENT DISCUSSION AND ANALYSIS OF ALROSA GROUP FOR Q3 2019 AND 9M 2019

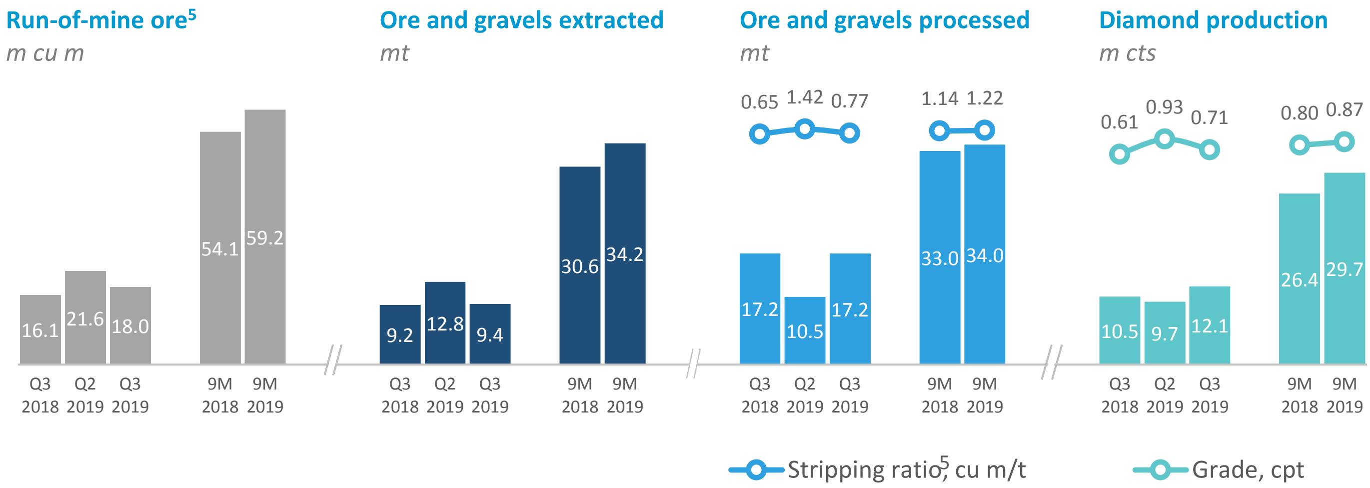
The structure and scope of the report and overview of ALROSA's business are shown in Appendix 4.

ROUGH AND POLISHED DIAMOND MARKET OVERVIEW

- In 9M 2019, diamond jewellery demand was affected by increased macroeconomic uncertainty that put a damper on consumer confidence.
- Amid the declining demand since the beginning of 2019, diamond jewellery manufacturers and cutters have been actively reducing their stocks of end products and rough diamonds (year-to-date rough diamond purchases decreased by 13% y-o-y).

Hereinafter, data on Q3 2019 and 9M 2019 production, sales, prices, and inventories is preliminary and may be updated. Data on the diamond market is the Company's estimate.

OPERATING HIGHLIGHTS



Run-of-mine ore: 18 m cu m

- **Q3 run-of-mine ore** decreased by 17% q-o-q to 18 m cu m mainly due to seasonal decline in preparatory pre-mining operations at Almazy Anabara. The 12% y-o-y growth was primarily driven by the launch of production at the V. Munskoye deposit as well as implementation of design solutions at the Arkhangelskaya pipe (Severalmaz) (cutback for pit deepening).
- **9M run-of-mine ore** totalled 59.2 m cu m, up 9% y-o-y, mostly due to the launch of production at the V. Munskoye deposit.

Production: 12.1 m carats

- **Q3 diamond production** was up 24% q-o-q to 12.1 m carats mainly due to seasonal growth of production at alluvial deposits.

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[4] Less pre-stripping.

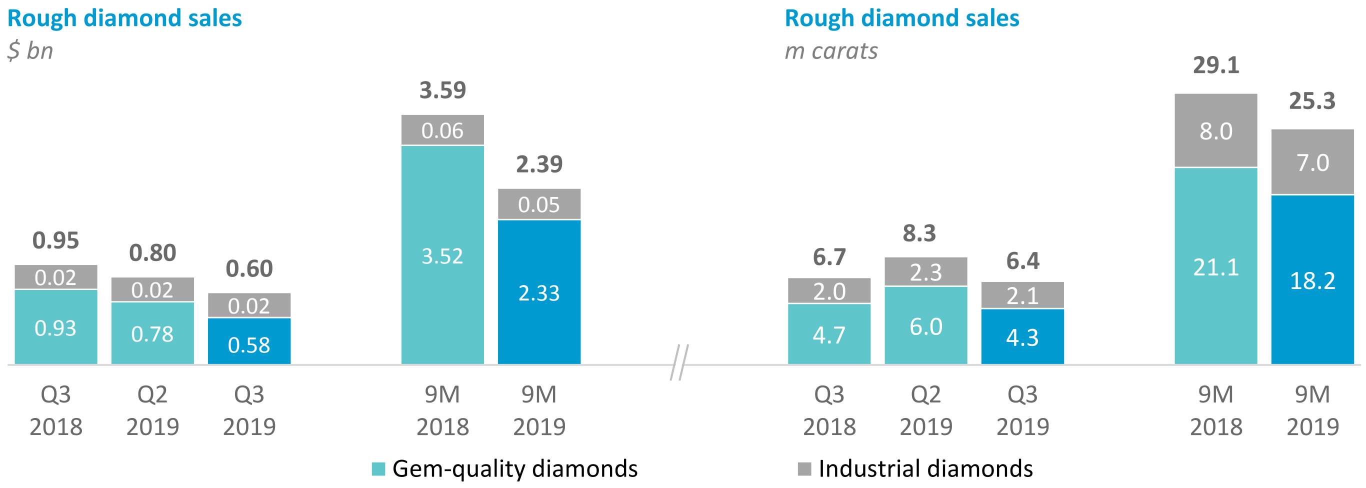
[5] The stripping ratio is calculated as rock moved in cubic metres (less pre-stripping) divided by ore and gravels processed (in tonnes).

- **Q3 and 9M diamond production** grew by 14% and 12% y-o-y, respectively, reaching 29.7 m carats. The y-o-y growth is attributed to the launch of production at the V. Munskoye deposit in Q4 2018 and the growth of production volumes at the Nyurba Division's Botuobinskaya pipe on the back of both the increased higher-grade ore processing and the roll-out of the operational efficiency improvement programme.
- **Q3 stripping ratio** was down by 46% q-o-q to 0.8 m cu m/t mostly due to the seasonal growth of gravel processing at Almazy Anabara deposits as rock moved seasonally decreased by 86% q-o-q. A 19% rise y-o-y was mainly driven by an increase in stripping operations as part of implementation of design solutions at Severalmaz.
- **9M stripping ratio** was 1.2 m cu m/t (up 6% y-o-y).

Average diamond grade: 0.71 cpt

- **Q3 average diamond grade** seasonally went down by 24% q-o-q to 0.71 cpt due to the increase in the share of ore produced at lower-grade alluvial deposits. In Q4, production from alluvial deposits is suspended resulting in a higher average grade q-o-q.

  Q3 and 9M average diamond grade went up by 16% and 9% y-o-y, respectively, reaching 0.87 cpt in 9M, driven by an increase in high-grade ore processing at the Botuobinskaya pipe.



Sales: 6.4 m carats

- **In Q3 2019, rough diamond sales declined by 1.9 m carats q-o-q to 6.4 m carats (down 23% q-o-q)**, with sales of gem-quality diamonds falling by 1.7 m carats q-o-q to 4.3 m carats (down 28% q-o-q).
- The decline was caused by softer demand in the diamond jewellery markets after the record-high sales in 2018, particularly a somewhat weaker demand from end consumers in China and USA amid the ongoing trade tensions.
- Elevated polished diamond inventories piled up in 2018 on positive expectations for 2019 diamond jewellery demand, which turned negative instead, were an overhang negatively impacting polished prices. Deflation in polished diamond prices eroded midstream margins and, as a result, made industry financing more difficult.

- Moreover, the jewellery sector consolidation and an expanding share of online jewellery sales result in an ongoing non-recurrent reduction in polished diamond stocks across the retail sector as more efficient stock management practices are introduced, which is in turn reflected in the amount of diamonds purchased by cutting and polishing companies.

  Gem-quality diamond sales decreased by 8% y-o-y. Industrial diamond sales went down 9% q-o-q to 2.1 m cts, their share accounted for 32% of Q3 sales.

- **9M diamond sales** decreased by 3.8 m cts (down 13% y-o-y) on lower demand and mid-stream destocking.

Inventories: 21.7 m cts

- **Diamond inventories increased to 21.7 m cts as at Q3** (up 5.7 m cts q-o-q), driven by lower sales and seasonal growth in output at alluvial deposits. As compared to the previous year, inventories went up by 6.2 m cts (up 40%) due to both decreased sales and a y-o-y increase in output.

Q3 2019
Total sales – $611 m
Diamond sales – $601 m

- **Total sales in Q3 2019 amounted to $611 m**, including $601 m (down 24% q-o-q) in diamond sales (ex. polished diamonds), with a 23% q-o-q sales decline in carats due to a lower share of small-size diamonds. A y-o-y decrease of 37% in total sales came as a result of a 5% fall in sales in carats, as well as a larger share of small-size diamond sales and price index decline (down 7.5% year-to-date).

- **Q3 gem-quality diamond sales** in value terms decreased by 25% q-o-q to $585 m as sales in carats declined by 28%, but the average realised price moved up. The Q3 sales in value terms declined by 37% y-o-y due to an 8% decrease in volumes and a lower average realised price (down 32% y-o-y) driven by (a) growing sales of small-size diamonds and (b) price index reduction.

9M 2019
Total sales – $2,423 m
Diamond sales – $2,386 m

- **9M total sales amounted to** $2,423 m (down 34%), including $2,386 m in diamond sales (ex. polished diamonds) (down 34%).

- **9M gem-quality diamond sales** in value terms amounted to $2,334 m, down 34% y-o-y amid a 14% decline in sales and a 23% drop in the average realised price.

- **Q3 and 9M polished diamond sales** amounted to $10 m (down 13% q-o-q, down 60% y-o-y) and $37 m (down 50% y-o-y), respectively.

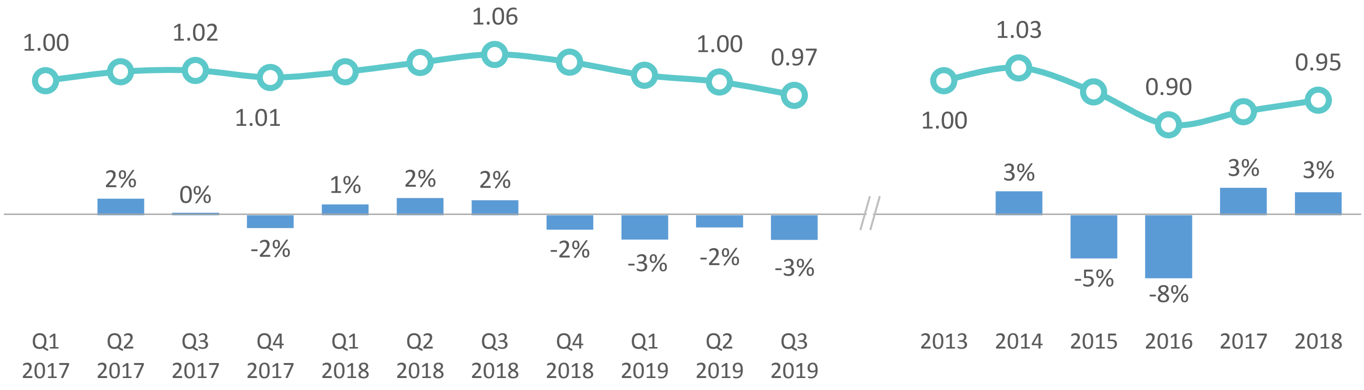
- **In Q3 2019, average realised prices for gem-quality diamonds rose 5% q-o-q** to $135/ct due to a lower share of small-size diamonds.

Average realised prices for gem-quality diamonds

$/ct

- **In Q3 2019, the diamond price index** lost 3.1% q-o-q, down 7.5% year-to-date.

Gem-quality diamond price indices



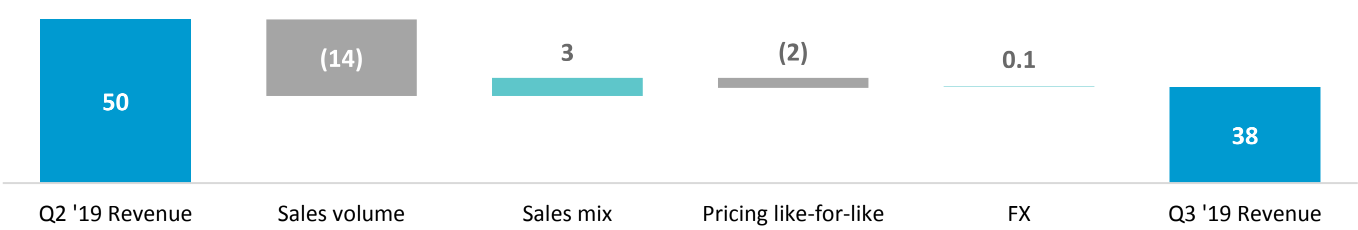
KEY FINANCIAL HIGHLIGHTS

Revenue

Revenue: RUB 45.7 bn

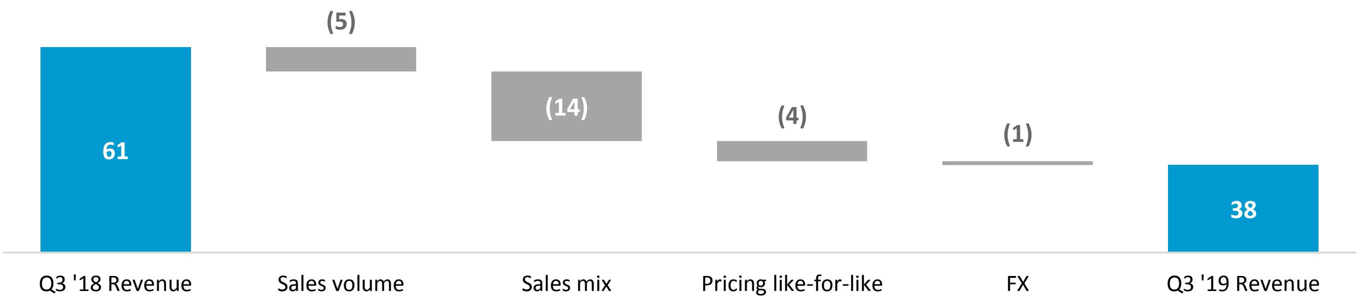
- In Q3 2019, **revenue** dropped by 20% q-o-q to **RUB 45.7 bn,** mainly due to lower sales in carats (down 23% q-o-q). On a y-o-y basis, revenue declined by 35% due to a sales mix change towards an increased share of small-size diamonds and lower sales in carats (down 5% y-o-y).

Drivers affecting revenue from gem-quality diamond sales
RUB bn



- **Revenue from diamond sales** in Q3 2019 went down to **RUB 39.4 bn** (down 24% q-o-q), including **revenue from gem-quality diamond sales at RUB 37.6 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 38% 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 Q3 2019, **other revenue** grew by 25% q-o-q to **RUB 5.1 bn** predominantly as a result of a seasonal rise in transportation business revenue (higher passenger traffic in the vacation season). A 9% rise y-o-y came from external electricity sales by Vilyuiskaya HPP-3.
- In Q3 2019, **income from grants** amounted to **RUB 1.3 bn** (down 14% q-o-q, down 16% y-o-y), mainly due to grant adjustment for the unused amount (attributable to lower actual consumption vs plan), and a reduced grant for

housing and utilities maintenance on the back of a lower volume of subsidised services in the summer period.

- In Q3 2019, **total sales costs** went down by 23% q-o-q to **RUB 24.7 bn** (down 18% y-o-y) due to sales in carats decreasing by 23% q-o-q (down 5% y-o-y).

  Production costs in Q3 2019 grew by 7.2% q-o-q (RUB 2.3 bn) to **RUB 33.9 bn** mainly as a result of increase in MET payments by 34.4% q-o-q (RUB 1.5 bn) partially attributable to seasonal growth of production and change in the RUB/USD rate, and rise in materials costs related to scheduled summer maintenance.

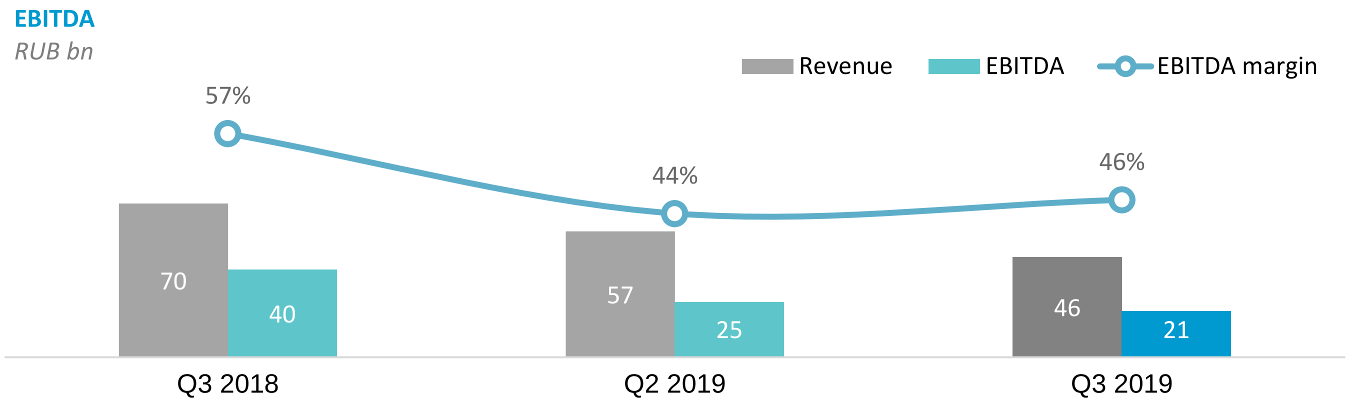
  Production costs in Q3 2019 grew by 12.1% y-o-y (RUB 3.7 bn) as a result of:

  – growth of payroll expenses by 16.9% y-o-y (RUB 1.7 bn) due to a 4% adjustment in wages and salaries, larger workload in connection with the launch of the V. Munskoye deposit, and additional provisions for vacations and expenses on travel to vacation destinations for employees;

  – increase in MET payments by 19.8% y-o-y (RUB 1.0 bn) partially attributable to seasonal growth of production and change in the RUB/USD rate;

  – rise in materials costs by 9.8% y-o-y (RUB 0.4 bn) related to the development of the V. Munskoye deposit;

  – increase in fuel and energy expenses by 12% y-o-y (RUB 0.4 bn) caused by higher tariffs, volumes and fuel prices.



EBITDA: RUB 21.1 bn

- In Q3 2019, **EBITDA** declined to **RUB 21.1 bn** (down 16% q-o-q) as sales in carats shrank by RUB 14.1 bn while the share of large-size diamonds (+10.8 carats) in the sales mix rose adding RUB 3.4 bn.

  On a y-o-y basis, **EBITDA decreased by 47%**, mainly due to lower sales (down RUB 6.0 bn), a weaker sales mix (down RUB 14.5 bn) amid stronger demand for small-size diamonds, and lower like-for-like prices for rough diamonds (down RUB 2.7 bn).

- **FX rate impact** in Q3 2019 was positive for EBITDA q-o-q (RUB 0.1 bn) and negative y-o-y (RUB 1.2 bn).

EBITDA margin: 46%

- **EBITDA margin** in Q3 2019 increased by 2 pp q-o-q to **46%**. On a y-o-y basis, EBITDA margin dropped by 11 pp as total revenue declined by 35% y-o-y with the cost of goods sold decreasing by 16% y-o-y.

EBITDA

RUB m

	Q3 2019	Q2 2019	Q3 2018	9M 2019	9M 2018
Operating profit	17,266	19,060	34,541	60,814	112,667
Depreciation	5,520	5,898	5,182	17,993	17,193
Adjustments (see financial statements in Excel)	(1,733)	173	252	(1,260)	(807)
EBITDA	**21,053**	**25,132**	**39,975**	**77,547**	**129,053**

Net profit: RUB 13.5 bn

- **Net profit** in Q3 2019 remained flat q-o-q at **RUB 13.5 bn**, including as a result of other income recognition (release from liabilities under the guarantee to the bank in the amount of RUB 1.5 bn). A 44% y-o-y decline in net profit was attributable to lower revenue and EBITDA margin (down 11 pp y-o-y).

LIQUIDITY, WORKING CAPITAL AND CAPITAL EXPENDITURE

Cash flows

- **Cash and cash equivalents and 90+ days deposits** decreased by RUB 11.7 bn to **RUB 42.1 bn** in Q3 2019 primarily due to the distribution of dividends for 2H 2018. The current liquidity position is in line with the corporate financial policy, which requires the Company to maintain a minimum liquidity pool of at least RUB 25 bn.

Operating activities

- **Operating cash flow** in Q3 2019 increased by 3% q-o-q to **RUB 7.1 bn** mainly due to the decline in income tax paid stemming from the reduction in profit before tax in Q2 2019 vs Q1 2019 (income tax is paid on a quarterly basis for the previous quarter). A 3.5x y-o-y decline comes as a result of lower margins (down 47% y-o-y) and a rise in working capital (up 37% y-o-y).

Working capital analysis

Working capital

RUB m	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**
Diamonds	63,447	44,247	42,472	49,587	41,567
Ores and sands mined	12,229	19,805	16,806	14,032	12,505
Mining and construction materials, consumable and other supplies	35,450	30,821	27,161	29,000	32,941
Trade and other receivables (excl. interest receivable)	16,756	20,751	17,894	17,911	21,683
Prepaid taxes, other than income tax	191	139	229	300	261
Accounts payable to employees	(11,376)	(11,961)	(12,198)	(12,591)	(10,694)
Trade and other payables (excl. interest payable)	(7,278)	(6,230)	(6,264)	(7,310)	(7,893)
Other taxes payable	(6,920)	(6,966)	(7,385)	(8,585)	(5,347)
Working capital	**102,499**	**90,606**	**78,715**	**82,344**	**85,023**

- In Q3 2019, **working capital grew** by 13% q-o-q (up RUB 11.9 bn) as a result of:
  - increase in rough diamond inventories by RUB 19.2 bn (up 43% q-o-q) as sales declined on lower demand and seasonal growth in output;
  - seasonal decline in ores and sands mined by RUB 7.6 bn (down 38% q-o-q), primarily at the alluvial deposits of Almazy Anabara;
  - seasonal rise in the mining and construction materials, consumable and other supplies by RUB 4.6 bn (up 15% q-o-q) triggered by the start of the navigation period on the Lena River;
  - decrease in trade and other receivables by RUB 4.0 bn (down 19% q-o-q) stemming from the reduction in domestic sales of diamonds and seasonal decline in other receivables.
  - In Q3 2019, **working capital grew** by 21% y-o-y (up RUB 17.5 bn), which was mainly attributable to the ramping up of rough diamond inventories by RUB 21.9 bn (up 53% y-o-y) as inventories in carats expanded by 40% y-o-y to 21.7 m carats as at the end of Q3 2019.

Free cash flow

RUB m	Q3 2019	Q2 2019	Q3 2018	9M 2019	9M 2018
EBITDA	**21,053**	**25,132**	**39,975**	**77,547**	**129,053**
Changes in working capital	(11,892)	(11,891)	(8,683)	(20,155)	(1,941)
Income tax paid	(2,180)	(5,747)	(5,775)	(12,991)	(24,954)
Other	163	(562)	(775)	(579)	(3,344)
Operating cash flow	**7,144**	**6,932**	**24,742**	**43,822**	**98,814**
Capex	(4,640)	(4,534)	(8,765)	(13,050)	(20,791)
Free cash flow	**2,504**	**2,398**	**15,977**	**30,772**	**78,023**

FCF: RUB 2.5 bn

Free cash flow (FCF) in Q3 2019 went up by 4% q-o-q to **RUB 2.5 bn** on the back of a stronger operating cash flow. On a y-o-y basis, a 6x FCF decline was registered, mainly due to shrinking margins, despite capex going down by 47% y-o-y due to the launch of the V. Munskoye deposit.

Investing activities

Investment: RUB 4.6 bn

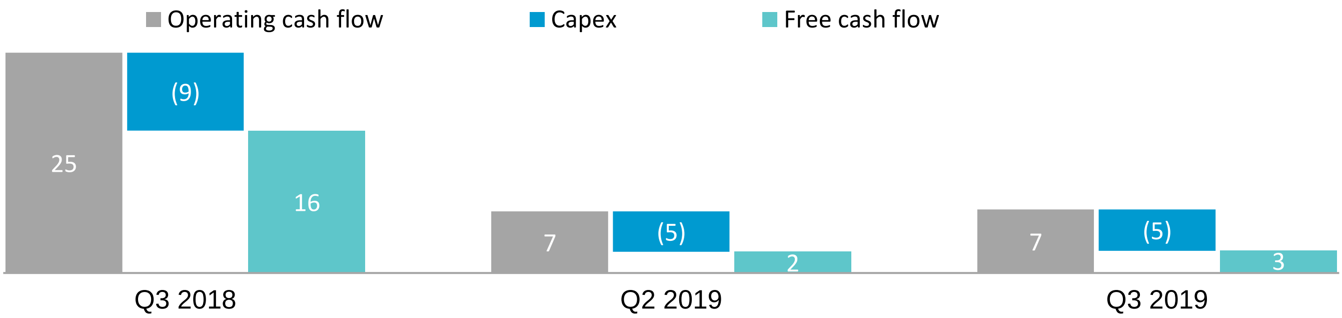
Cash outflow from investing activities: in Q3 2019, capital expenditure amounted to RUB 4.6 bn (up 2% q-o-q, down 47% y-o-y).

Cash inflow from investing activities in Q3 2019 amounted to RUB 1.6 bn, the main part of it being RUB 1.1 bn in interest.

Net inflow from investing activities, including cash received from bank deposits (RUB 26.9 bn), amounted to RUB 23.9 bn.

Capex and free cash flow

RUB bn



Financing activities

Total debt: $1.6 bn

- **Total debt** (including operating lease obligation[6]) for Q3 2019 increased to **$1,631 m** (up 15% q-o-q), or RUB 105.1 bn in the rouble equivalent (up 18% q-o-q), mainly driven by the $200 m bank loan raised in August to meet the liquidity position requirements (RUB 25 bn). Debt portfolio mainly consists of two Eurobond issues (61% of total debt) amounting to $494 m and $500 m due in November 2020 and April 2024, respectively, and bank loans (31% of total

[6] IFRS 16 Leases

debt) in the amount of $300 m and $200 m due in June 2021 and February 2021, respectively.

- **Interest payments** in Q3 2019 went down to **RUB 1.5 bn** (down 57% and up 2% y-o-y) owing to the high base effect of Q2 2019 stemming from a premium paid to par due to the early redemption in April of $400 m Eurobonds due in 2020 (with premium paid to par excluded, interest payments in Q2 2019 amounted to RUB 1.8 bn).

Net debt

RUB m

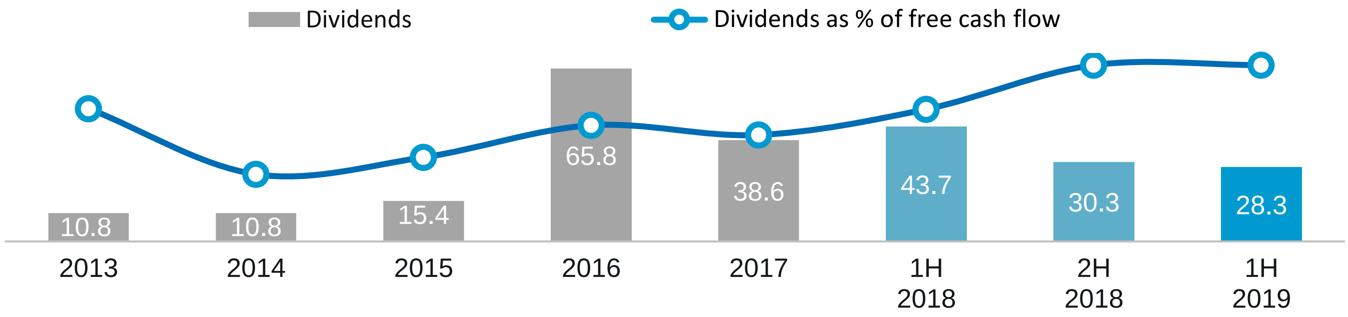
	Q3 2019	**Q2 2019**	**Q1 2018**	**Q4 2019**	**Q3 2018**
Long-term debt	102,015	87,282	63,784	64,974	63,474
Short-term debt	3,064	1,948	42,782	41,687	22,547
Cash and cash equivalents	20,666	5,706	16,230	27,437	49,403
Bank deposits	21,408	48,117	51,590	11,784	15
Net debt	**63,005**	**35,407**	**38,746**	**67,440**	**36,603**

Net debt: $1.0 bn

- **Net debt** in Q3 2019 increased to **RUB 63.0 bn** (up 78% q-o-q, up 72% y-o-y) primarily due to the RUB 29.8 bn dividend payout for 2H 2018.
- **Net debt / LTM EBITDA** stood at **0.6x** as at the end of Q3 2019 (vs 0.3x in Q2 2019).

Dividends

RUB bn



- **1H 2019 dividends.** On 30 September 2019, the Extraordinary General Meeting of Shareholders resolved to pay RUB 28.3 bn (or RUB 3.84 per share) in dividends for 1H 2019, which is equal to 100% of free cash flow for the same period.

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 September 2019	30 June 2019	31 March 2019	31 December 2018	30 September 2018
RUB/USD	64.4156	63.0756	64.7347	69.4706	65.5906
RUB/EUR	70.3161	71.8179	72.7230	79.4605	76.2294

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

	Q3 2019	Q2 2019	Q3 2018	9M 2019	9M 2018
Average RUB/USD exchange rate for the period	64.5936	64.5217	65.5515	64.9321	61.6438
Average RUB/EUR exchange rate for the period	71.8566	72.5069	76.2177	72.9589	73.4879

MAJOR DEVELOPMENTS IN Q3 2019 AND AFTER THE REPORTING DATE

October 2019: Pursuant to the resolution of the Company's Supervisory Board dated 24 September 2019, ALROSA and the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo) entered into a sale and purchase agreement for a 100% stake in Joint-Stock Company "Production Corporation "Kristall". Valued at RUB 1,886 m, the deal was closed on 2 October 2019 (please see the press release).

October 2019: On 22 October 2019, ALROSA raised a 2-year loan from Alfa-Bank of $150 m to finance its current operations.

APPENDICES

Appendix 1. Key financial metrics

RUB bn	Q3 2019	Q2 2019	*q-o-q*	Q3 2018	*y-o-y*	9M 2019	9M 2018	*y-o-y*
Revenue, incl.:	**45.7**	**57.4**	*(20%)*	**70.1**	*(35%)*	**173.6**	**238.3**	*(27%)*
revenue from diamond sales	39.4	51.8	*(24%)*	63.9	*(38%)*	157.1	222.2	*(29%)*
other revenue	5.1	4.1	*25%*	4.7	*9%*	12.8	12.0	*7%*
income from grants	1.3	1.5	*(14%)*	1.5	*(16%)*	3.7	4.1	*(10%)*
Costs, incl.:	**(24.7)**	**(32.2)**	***(23%)***	**(30.1)**	***(18%)***	**(96.0)**	**(109.2)**	***(12%)***
production costs	22.6	21.3	*6%*	18.8	*20%*	65.0	57.9	*12%*
non-production costs	14.3	(14.9)	*(4%)*	15.1	*(5%)*	43.7	40.7	*8%*
movement of diamond, ore and sand inventories	(12.2)	(4.0)	–	(3.8)	–	(12.6)	10.7	–
EBITDA	**21.1**	**25.1**	***(16%)***	**40.0**	***(47%)***	**77.5**	**129.1**	***(40%)***
EBITDA margin	46%	44%	*2%*	57%	*(11%)*	45%	54%	*(9%)*
Depreciation and amortisation	(5.5)	(5.9)	*(6%)*	(5.2)	*7%*	(18.0)	(17.2)	*5%*
Financial income/(expenses)	(2.1)	(1.4)	*52%*	(4.6)	*(54%)*	0.9	(10.8)	–
Other income/(expenses)	2.9	–	–	0.5	*5.3%*	4.2	3.6	*18%*
Income tax	(2.8)	(4.5)	*(37%)*	(6.5)	*(57%)*	(13.7)	(22.1)	*(38%)*
Net profit	**13.5**	**13.4**	***0.5%***	**24.2**	***(44%)***	**51.0**	**82.5**	***(38%)***
Net profit margin	30%	23%	*6%*	35%	*(5%)*	29%	35%	*(5%)*
Free cash flow	**2.5**	**2.4**	***4%***	**16.0**	***(84%)***	**30.8**	**62.0**	***(50%)***
Net debt	**63.0**	**35.4**	***78%***	**36.6**	***72%***	**63.0**	**36.6**	***72%***
Net debt / LTM EBITDA	**0.6x**	**0.3x**	**–**	**0.2x**	**–**	**0.6x**	**0.2x**	**–**

Appendix 2. Revenue by customer geography

	Q3 2019	Q2 2019	Q3 2018	9M 2019	9M 2018
Belgium	43%	40%	40%	42%	44%
Russia	22%	20%	21%	20%	17%
India	14%	17%	14%	15%	14%
United Arab Emirates	8%	9%	8%	10%	10%
Israel	7%	8%	11%	7%	10%
China	3%	3%	4%	4%	4%
Other	2%	2%	2%	2%	2%

Appendix 3. Per unit costs

RUB '000 / cu m	9M 2019	9M 2018	*y-o-y*
Wages, salaries and other staff costs	0.61	0.56	*8%*
Fuel and energy	0.20	0.19	*5%*
Materials	0.16	0.16	*3%*
Services and transport	0.11	0.14	*(19%)*
Other	0.01	0.02	*(29%)*
Total	**1.10**	**1.07**	***3%***

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

The report is a review of the financial condition of the Group for Q3 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 the Group is diamond mining and sales, prospecting and appraisal of diamond deposits, and production and sales of polished diamonds and diamond powders. As the industry's leader, the Group accounts for one third of all reserves worldwide and over 25% of global diamond mining.

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

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

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