



**ALROSA**

Investor Presentation –  
Q2 and H1 2016 Results

29 August 2016

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## H1 2016 key financial highlights

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Revenue	<b>186.7</b> RUB bn +42% H1 2015: RUB 131.9 bn	Diamond sales	<b>21.7</b> mln cts +21% H1 2015: 18.0 mln cts
EBITDA	<b>111.3</b> RUB bn +58% H1 2015: RUB 70.5 bn	Net profit	<b>90.4</b> RUB bn 1.9x H1 2015: RUB 47.4 bn
EBITDA margin	<b>60%</b> H1 2015: 53%	Free cash flow	<b>78.7</b> RUB bn 2.2x H1 2015: RUB 35.4 bn

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ALROSA's H1 2016 y-o-y financial results were driven by an increase in diamond sales by 21% in carat terms and by depreciation of Russian ruble against US dollar by 23%

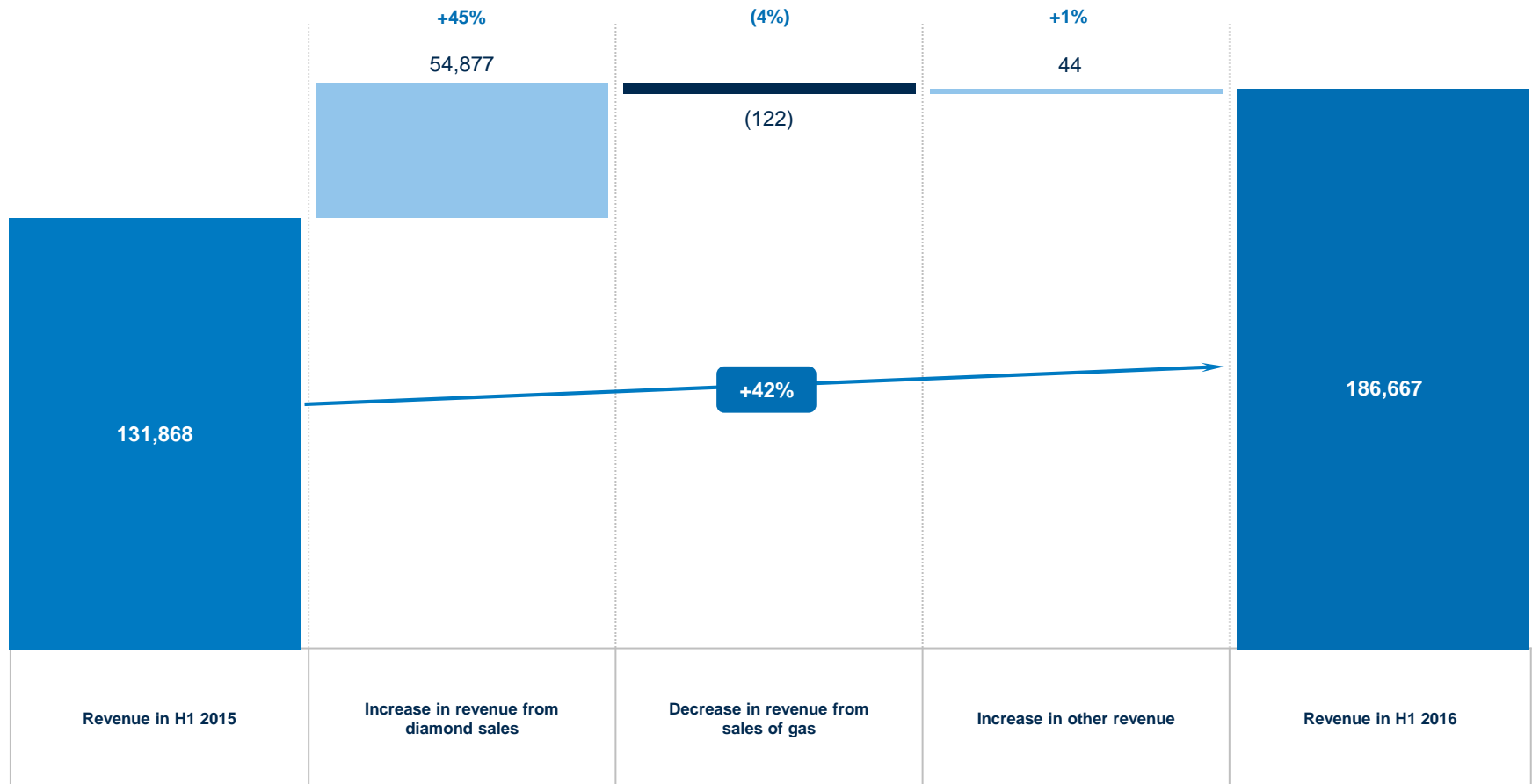
## Financial results

RUB mln	Q2 2016	Q1 2016	Change	H1 2016	H1 2015	Change
<b>Operating performance</b>						
Production, mln cts	8.7	8.2	7%	16.9	18.0	(6%)
Sales, mln cts, incl.:	9.6	12.1	(21%)	21.7	18.0	21%
gem quality diamonds sales, mln cts	7.4	8.9	(17%)	16.3	12.6	29%
industrial quality diamonds sales, mln cts	2.2	3.2	(31%)	5.4	5.4	-
<b>IFRS income statement of profit or loss and other comprehensive income</b>						
Revenue	84,328	102,339	(18%)	186,667	131,868	42%
Cost of sales	(30,196)	(39,057)	(23%)	(69,253)	(54,880)	26%
EBITDA	51,793	59,511	(13%)	111,304	70,473	58%
EBITDA margin	61%	58%	-	60%	53%	-
Net profit / (loss)	40,496	49,889	(19%)	90,385	47,398	1.9x
Net profit margin	48%	49%	-	48%	36%	-
EPS, RUB	5.40	6.68	(19%)	12.08	6.33	1.9x
<b>IFRS statement of financial position</b>						
Cash and cash equivalents				20,829	43,237	(52%)
Total debt				174,371	184,035	(5%)
Net debt				153,542	140,798	9%
Net debt / EBITDA				1.0x	1.2x	-
Equity attributable to owners of PJSC ALROSA				222,591	169,151	32%
<b>IFRS statement of cash flows</b>						
Cash inflow from operating activities before changes in working capital				111,461	71,226	56%
Income tax paid				(21,258)	(9,982)	2.1x
Changes in working capital				3,176	(10,240)	-
Net cash inflow from operating activities				93,379	51,004	83%
Purchase of property, plant and equipment				(14,689)	(15,568)	(6%)
Free cash flow				78,690	35,436	2.2x
ROIC				34%	28%	-

# H1 2016 revenue growth y-o-y was driven mainly by higher diamond sales

## Revenue analysis

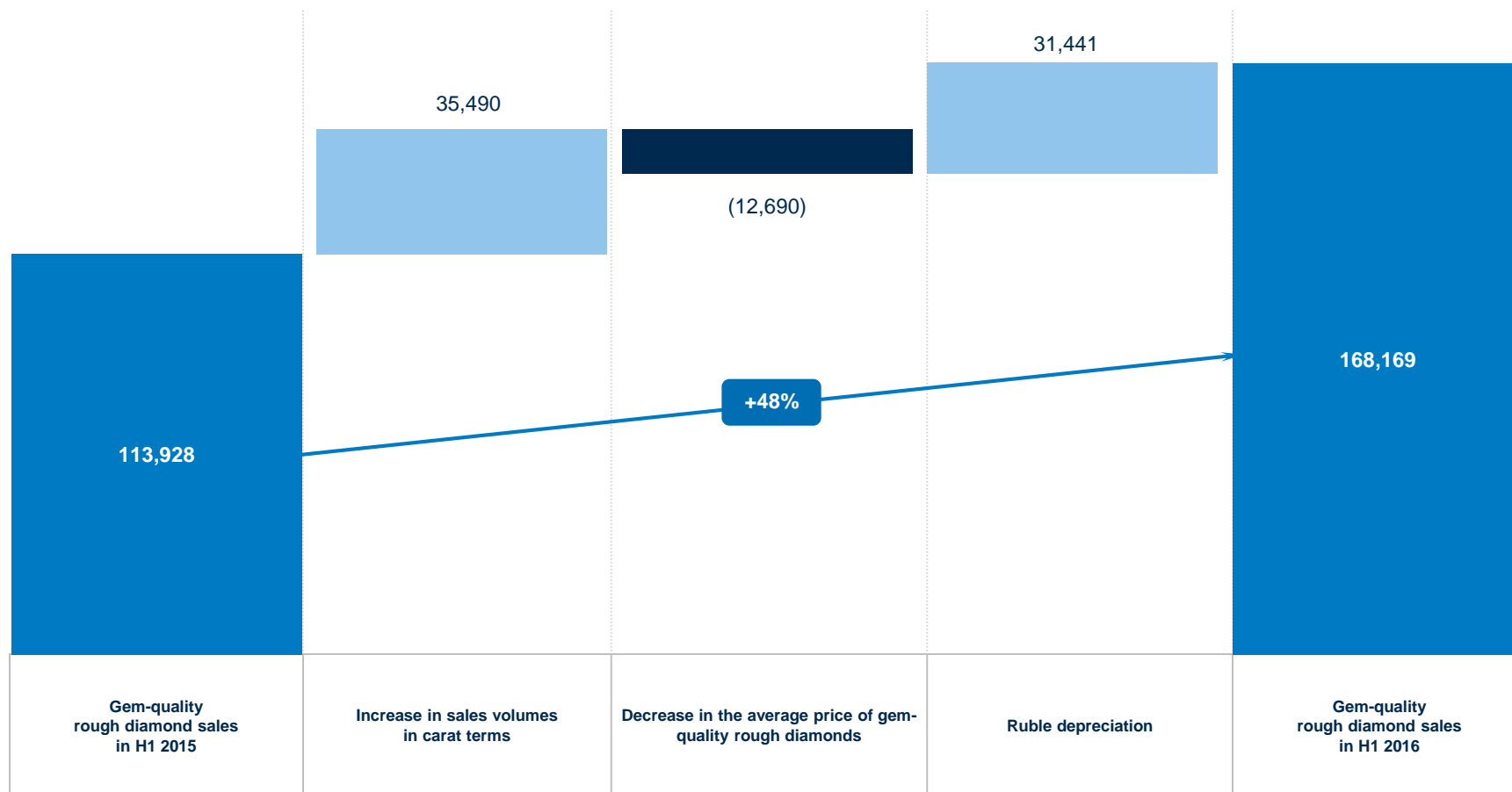
RUB mln



# Gem-quality rough diamond revenue in H1 2016 y-o-y grew due to an increase in sales volumes in carat terms and ruble depreciation against US dollar

## Analysis of revenue from gem-quality rough diamond sales

RUB mln



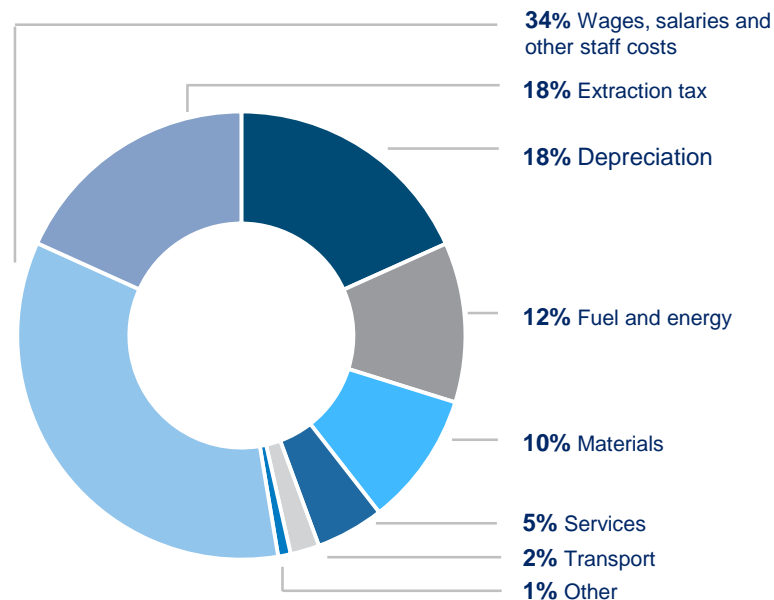
## Cost of sales increased in H1 2016 y-o-y in line with sales volumes growth

### Cost of sales

RUB mln

	H1 2016	H1 2015	H1 2016 vs H1 2015
Wages, salaries and other staff costs	22,002	20,910	5%
Depreciation	11,693	9,459	24%
Extraction tax	11,665	11,024	6%
Fuel and energy	7,381	8,556	-14%
Materials	6,169	4,667	32%
Services	3,144	2,074	52%
Transport	1,335	1,069	25%
Other	580	742	-22%
<b>Cost of production</b>	<b>63,969</b>	<b>58,501</b>	9%
Movement in inventory of diamonds, ores and concentrates	4,787	-4,136	-
Cost of diamonds for resale	497	515	-3%
<b>Cost of sales</b>	<b>69,253</b>	<b>54,880</b>	26%

### Breakdown of H1 2016 production costs



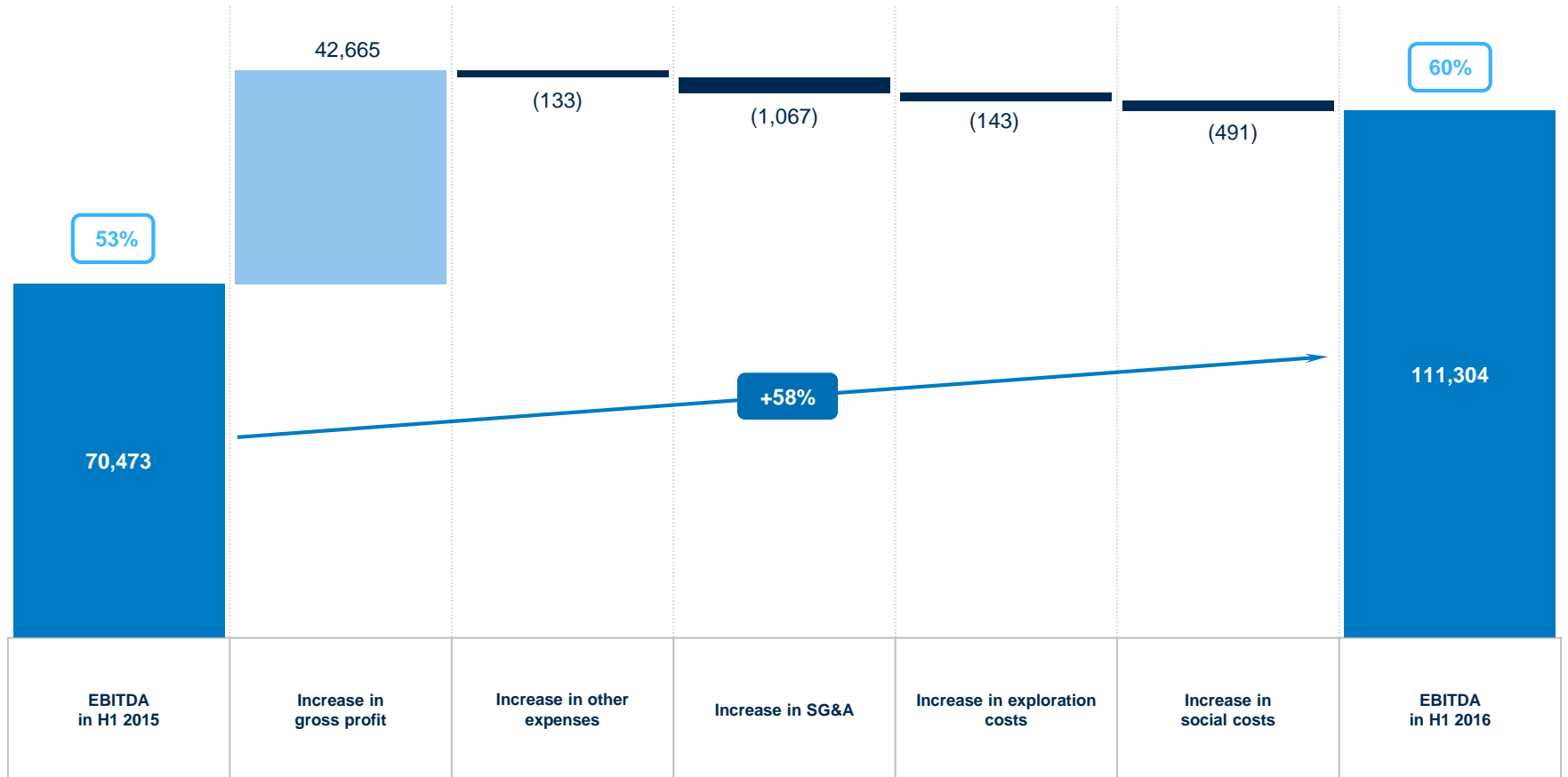
- Wages, salaries and other staff costs in H1 2016 y-o-y grew as a result of indexation in line with the inflation rate
- Growth of depreciation in H1 2016 y-o-y was due to production increases at Komsomolskaya pipe, Udachny underground mine and due to commencing of production at Bolshaya Kuonamka alluvial placer of JSC Nizhne-Lenskoe
- H1 2016 materials costs increased y-o-y mainly as a result of price increases for materials, new production equipment implementation at Udachny division and increase in mining activities at JSC Almazy Anabara
- Decrease in fuel and energy costs in H1 2016 y-o-y was in line with an increase in services costs due to the reclassification of electricity costs

# EBITDA increased in H1 2016 y-o-y due to growth in gross profit from diamond sales

## EBITDA analysis

RUB mln

EBITDA margin



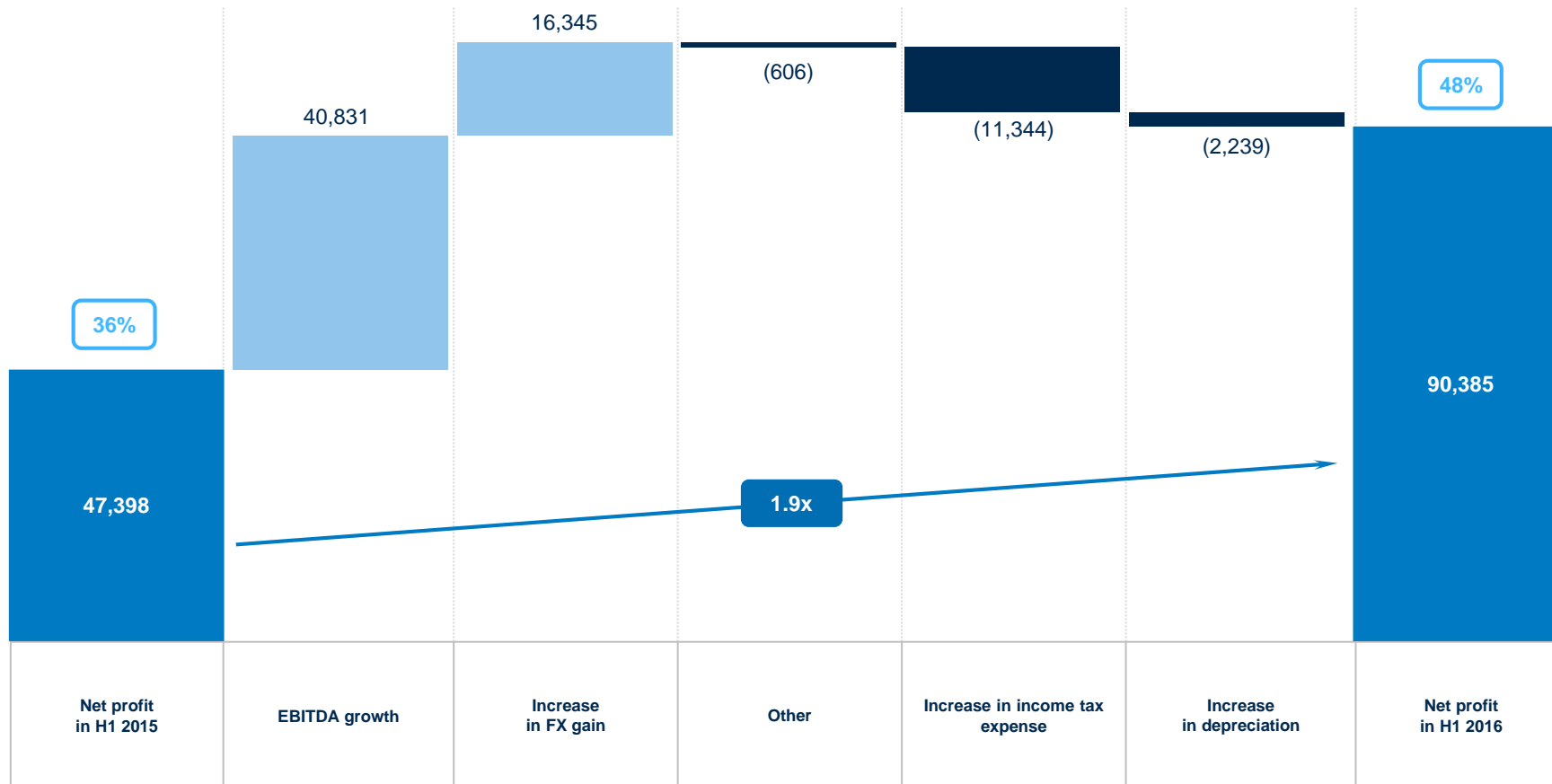


# Net profit growth in H1 2016 y-o-y was driven by EBITDA growth and increase in FX gain

## Net profit analysis

RUB mln

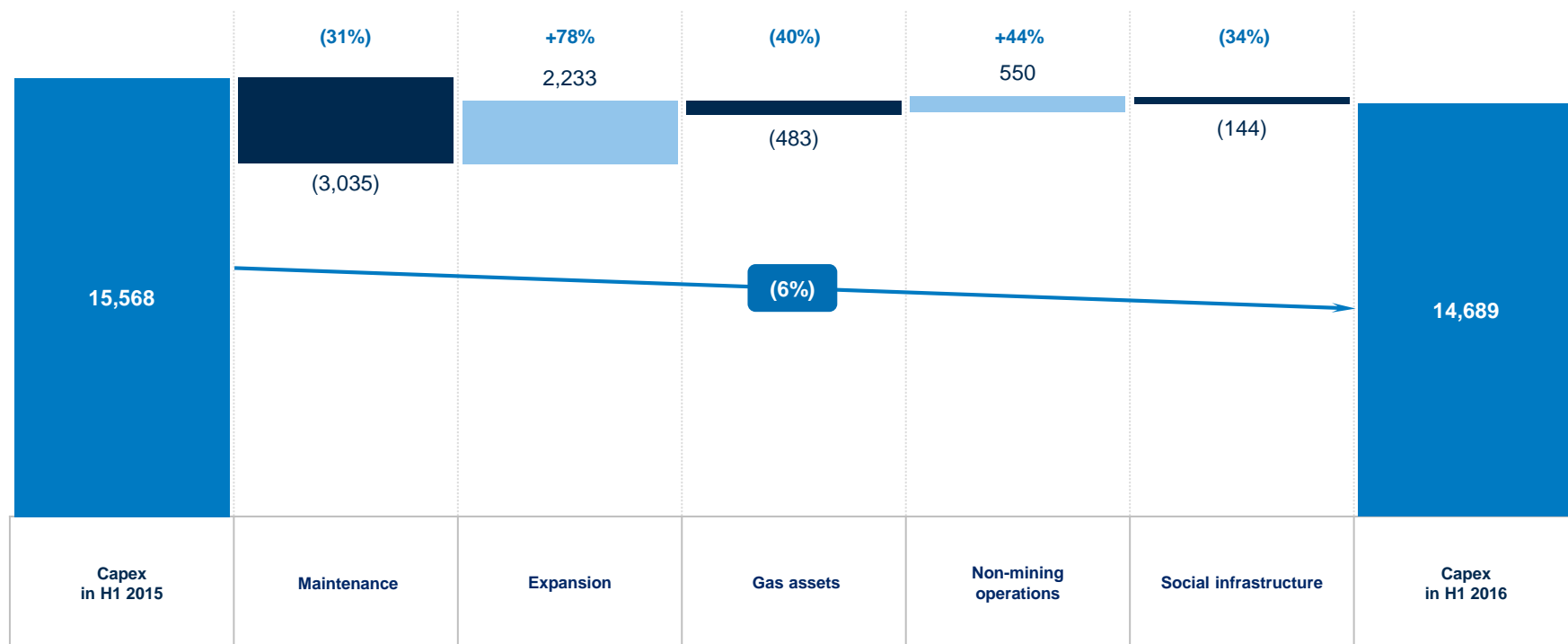
Net profit margin



# Capex in H1 2016 decreased by 6% y-o-y due to lower investments in maintenance

## Capital expenditure analysis

RUB mln



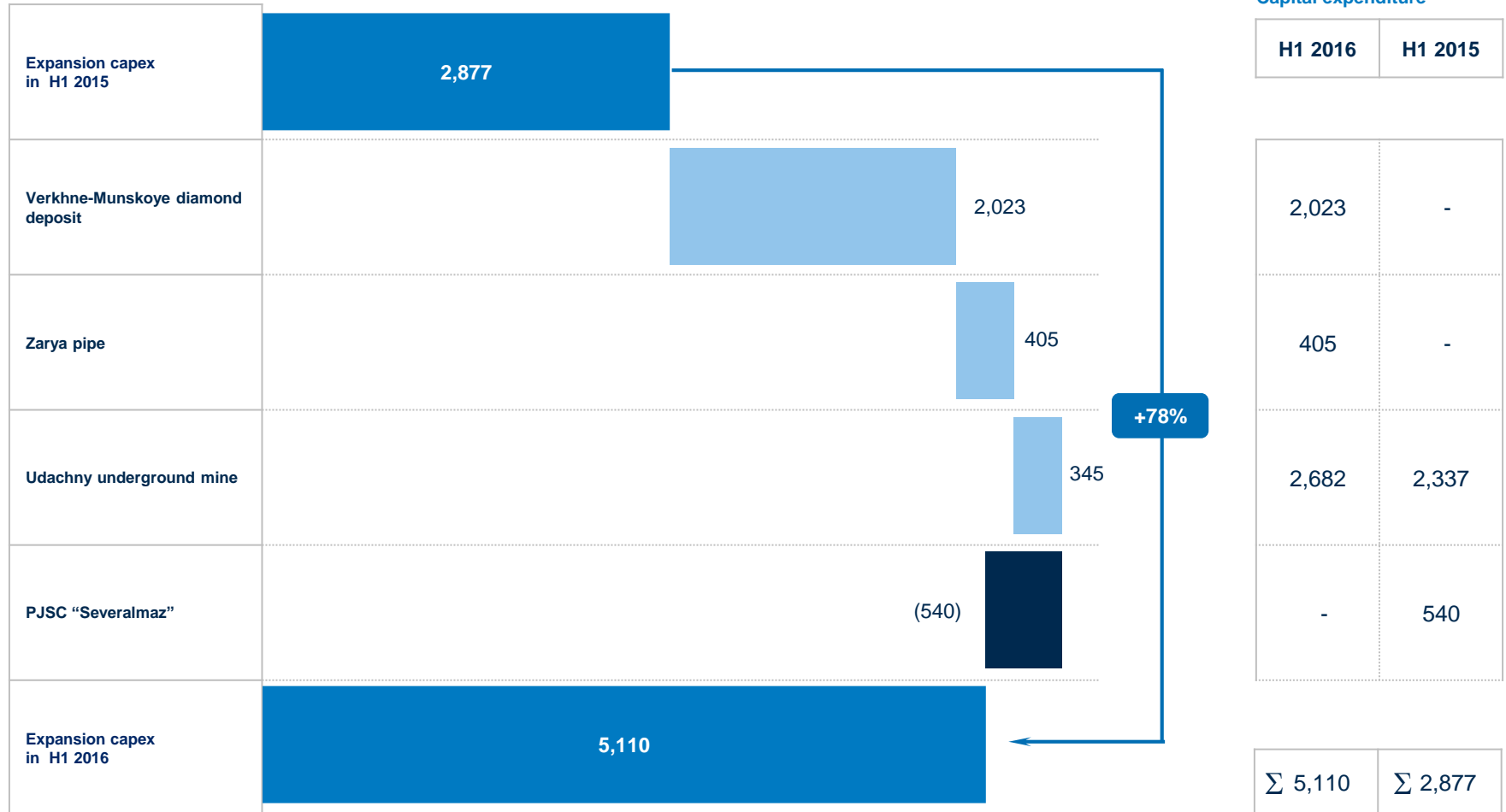
## Capital expenditure

	Maintenance	Expansion	Gas assets	Non-mining operations	Social infrastructure	Total
H1 2016	6,783	5,110	725	1,789	282	Σ 14,689
H1 2015	9,818	2,877	1,208	1,239	426	Σ 15,568

# Increase in expansion capex was driven by the development of transport infrastructure at Verkhne-Munskoye diamond deposit

## Expansion capex analysis

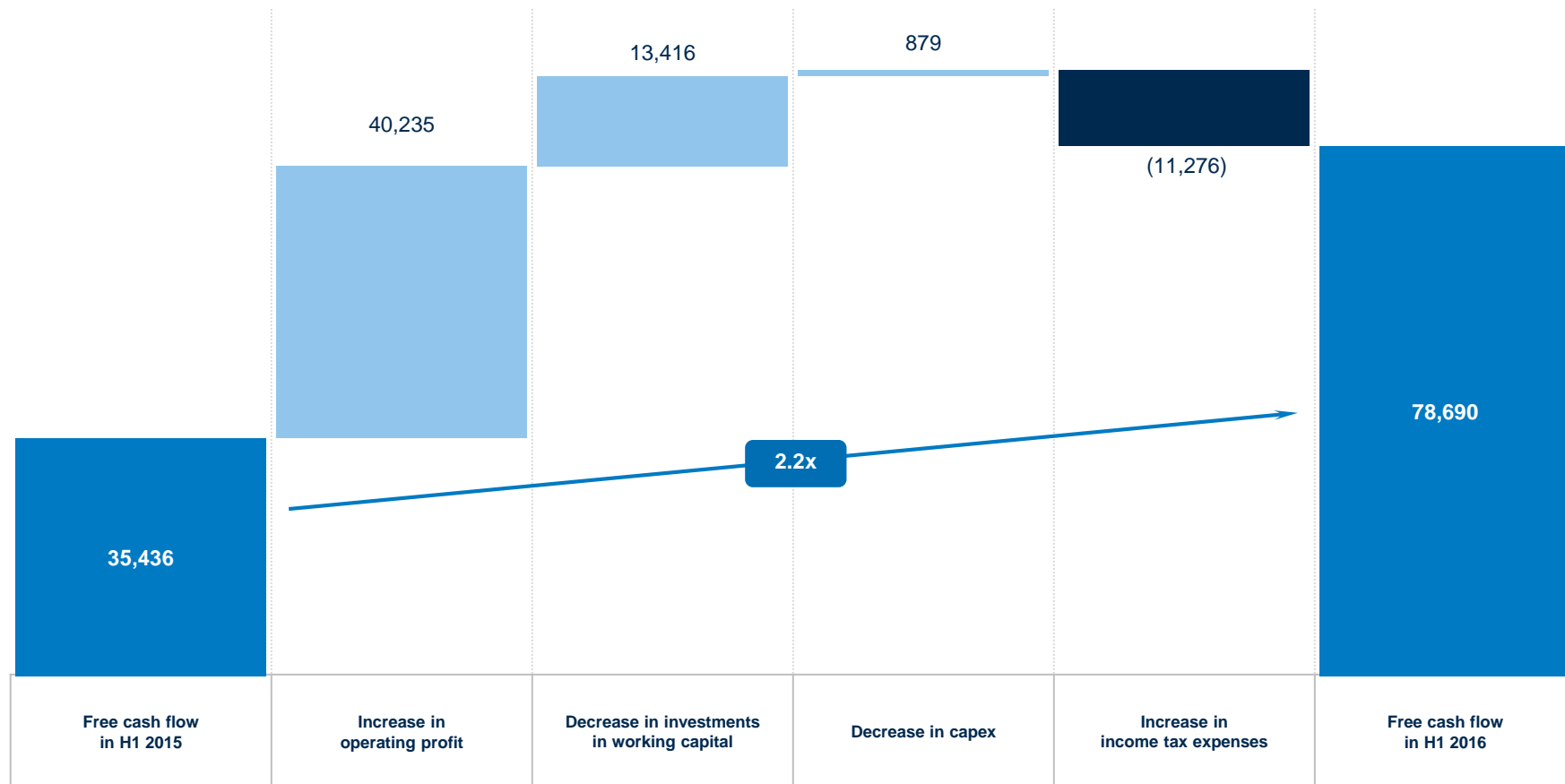
RUB mln



# Free cash flow increased in H1 2016 y-o-y due to growth in operating profit and decrease in investments in working capital

## Free cash flow analysis

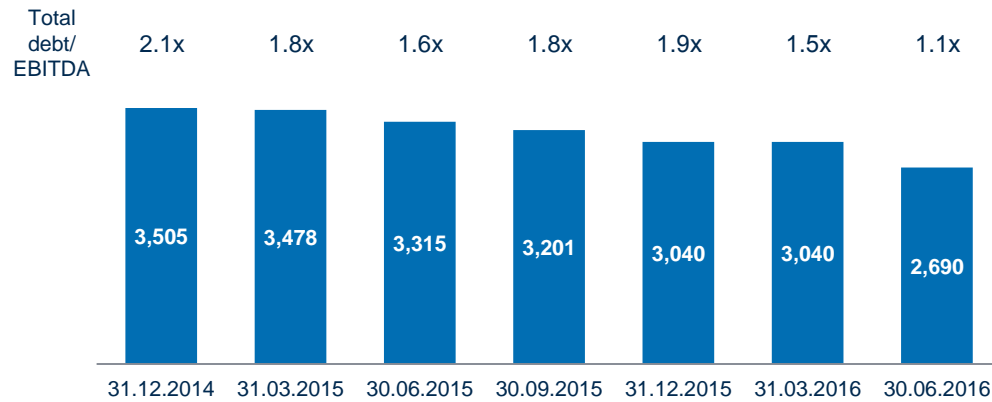
RUB mln



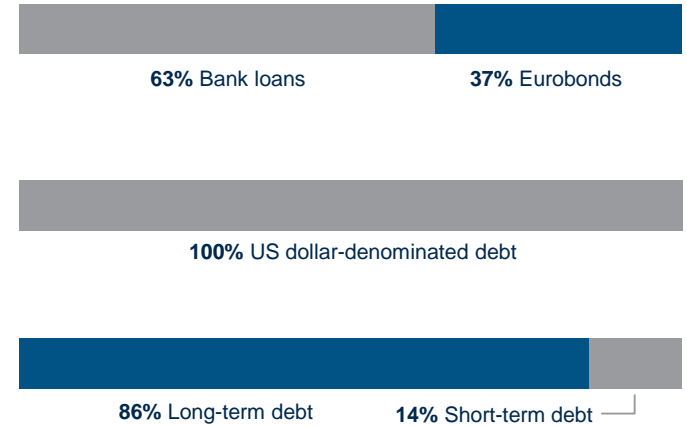
# Share of short-term debt decreased to 14% due to extension of JSC Alfa-Bank loan in amount of \$720 mln to 2019

## Loans and borrowings

\$ mln



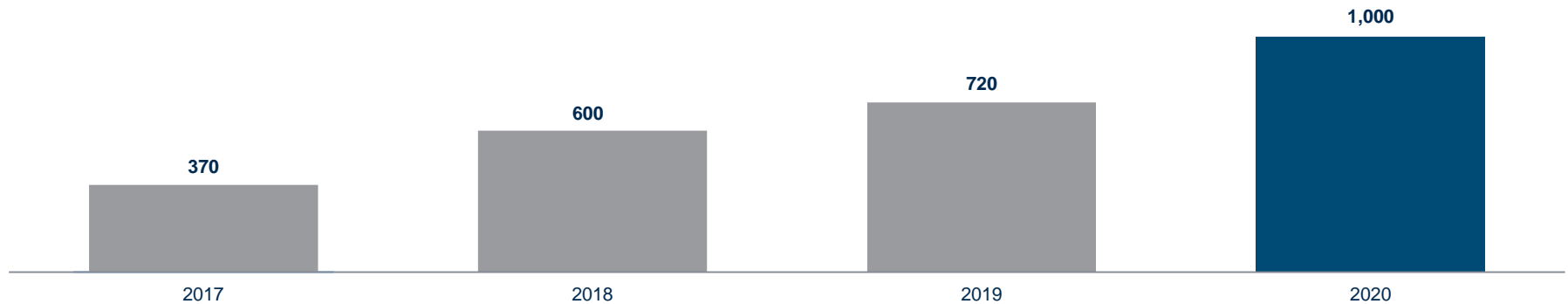
## Loans and borrowings breakdown



## Maturity profile of loans and borrowings

As of 30 June 2016, \$ mln

■ Bank Loans ■ Eurobonds



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Thank you!



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