



**ALROSA**

Investor Presentation –  
Q3 and 9M 2016 Results

21 November 2016

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## 9M 2016 key financial highlights

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Revenue	<b>255.6</b> RUB bn +48% 9M 2015: RUB 172.5 bn	Net profit	<b>116.9</b> RUB bn 3.6x 9M 2015: RUB 32.2 bn
Diamond sales	<b>30.0</b> mln cts +31% 9M 2015: 22.9 mln cts	Diamond production	<b>27.9</b> mln cts -6% 9M 2015: 29.6 mln cts
EBITDA	<b>150.0</b> RUB bn +67% 9M 2015: RUB 89.8 bn	EBITDA margin	<b>59%</b> 9M 2015: 52%
Net debt / EBITDA	<b>0.8x</b> 9M 2015: 1.6x	Free cash flow	<b>104.1</b> RUB bn 2.9x 9M 2015: RUB 35.8 bn

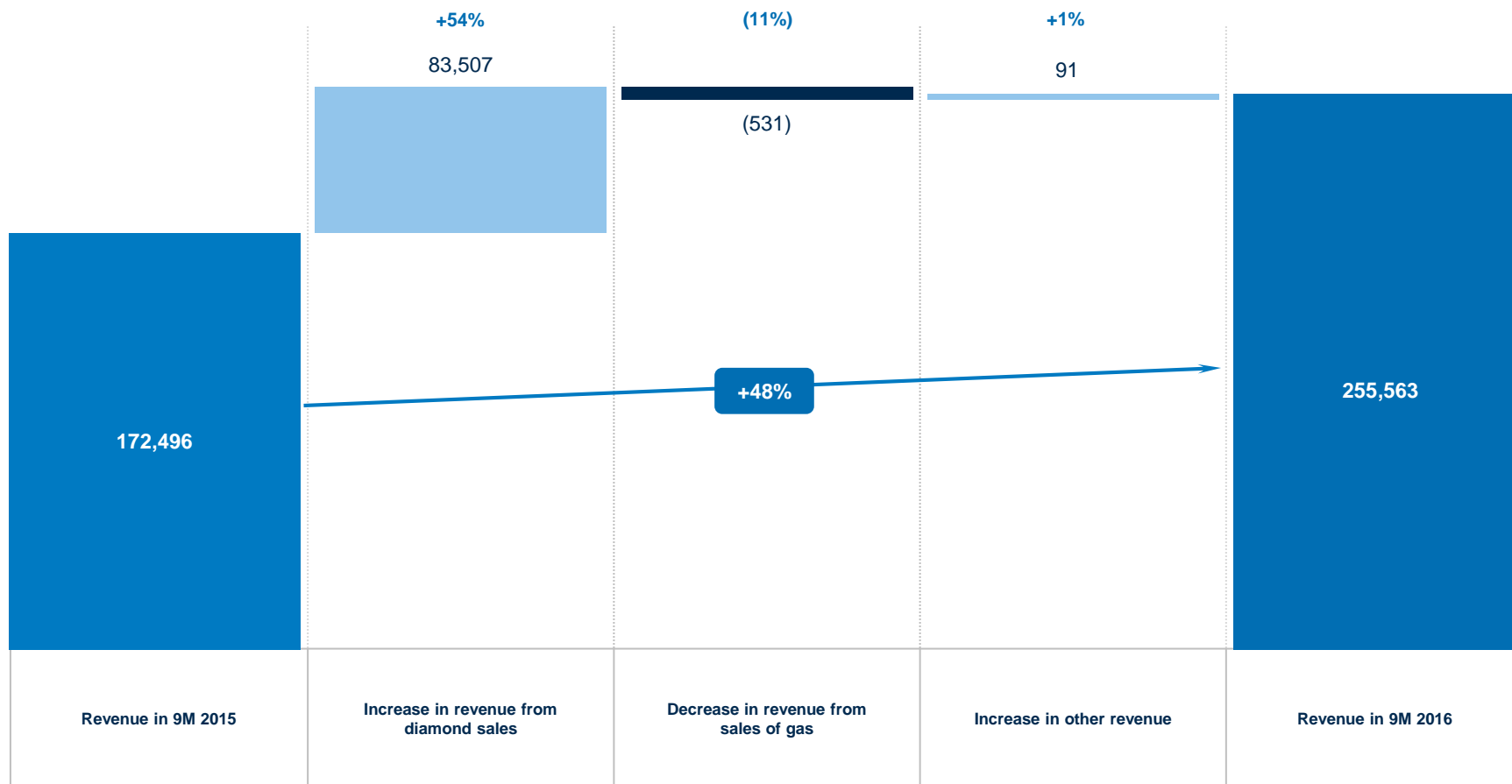
## Financial results

RUB mln	Q3 2016	Q2 2016	Change	9M 2016	9M 2015	Change
<b>Operating performance</b>						
Production, mln cts	11.0	8.7	26%	27.9	29.6	(6%)
Sales, mln cts, incl.:	8.3	9.6	(14%)	30.0	22.9	31%
gem quality diamonds sales, mln cts	5.8	7.4	(22%)	22.1	15.6	42%
industrial quality diamonds sales, mln cts	2.5	2.2	14%	7.9	7.3	8%
<b>IFRS income statement of profit or loss and other comprehensive income</b>						
Revenue	68,896	84,328	(18%)	255,563	172,496	48%
Cost of sales	(27,243)	(30,196)	(10%)	(96,496)	(73,580)	31%
EBITDA	38,707	51,793	(25%)	150,011	89,824	67%
EBITDA margin	56%	61%	-	59%	52%	-
Net profit / (loss)	26,560	40,496	(34%)	116,945	32,220	3.6x
Net profit margin	39%	48%	-	46%	19%	-
EPS, RUB	3.56	5.40	(34%)	15.64	4.23	3.7x
<b>IFRS statement of financial position</b>						
Cash and cash equivalents				32,949	28,583	15%
Total debt				171,407	212,005	(19%)
Net debt				138,458	183,422	(25%)
Net debt / EBITDA				0.8x	1.6x	-
Equity attributable to owners of PJSC ALROSA				248,581	153,452	62%
<b>IFRS statement of cash flows</b>						
Cash inflow from operating activities before changes in working capital				153,230	90,632	69%
Income tax paid				(27,892)	(10,566)	2.6x
Changes in working capital				689	(19,557)	-
Net cash inflow from operating activities				126,027	60,509	2.1x
Purchase of property, plant and equipment				(21,948)	(24,690)	(11%)
Free cash flow				104,079	35,819	2.9x
ROIC				34%	29%	-

# 9M 2016 revenue growth y-o-y was driven by higher diamond sales

## Revenue analysis

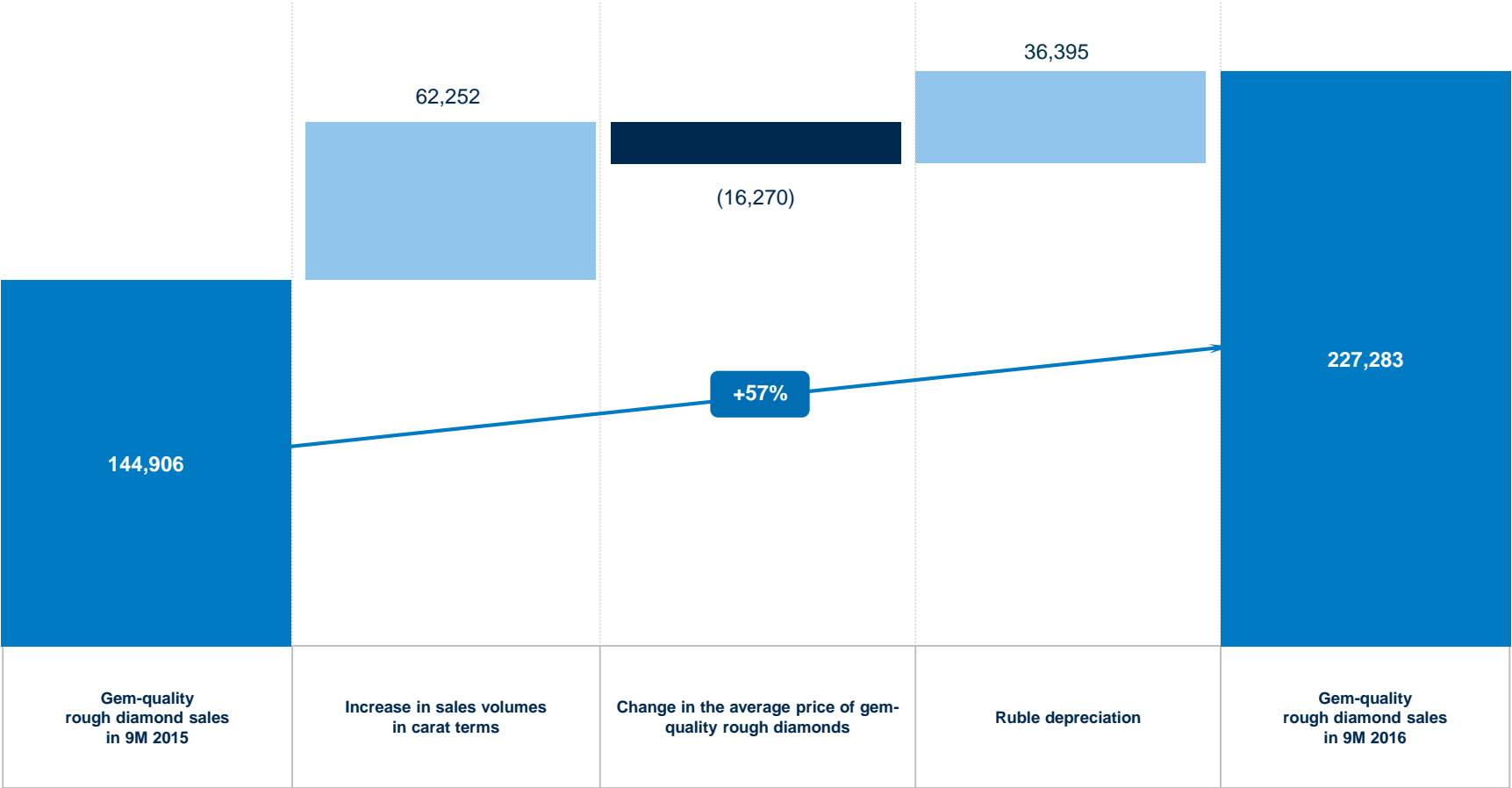
RUB mln



# Gem-quality rough diamond revenue in 9M 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



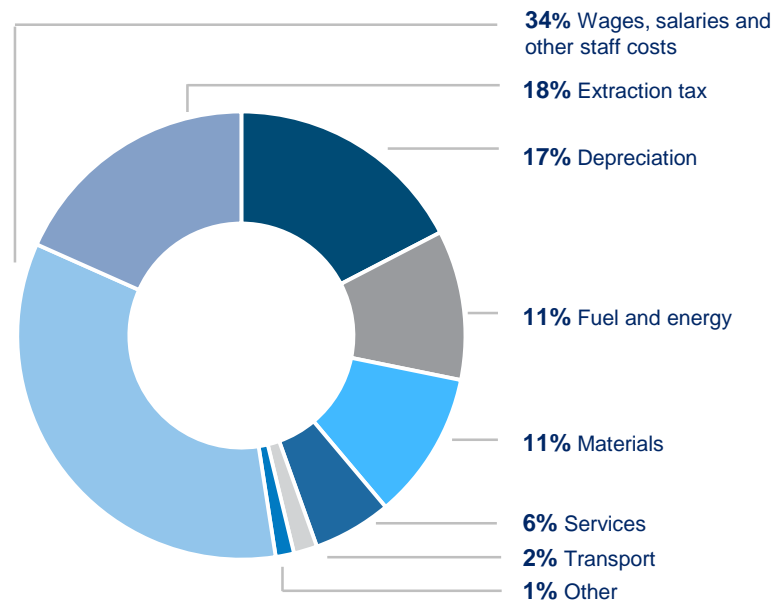
# Cost of sales increased in 9M 2016 y-o-y in line with sales volumes growth

## Cost of sales

RUB mln

	9M 2016	9M 2015	9M 2016 vs 9M 2015
Wages, salaries and other staff costs	32,399	31,266	4%
Extraction tax	17,404	17,340	0%
Depreciation	16,508	13,988	18%
Fuel and energy	10,255	12,390	(17%)
Materials	10,143	8,300	22%
Services	5,378	3,977	35%
Transport	1,607	1,484	8%
Other	1,258	1,299	(3%)
<b>Cost of production</b>	<b>94,952</b>	<b>90,044</b>	<b>5%</b>
Movement in inventory of diamonds, ores and concentrates	781	(17,406)	-
Cost of diamonds for resale	763	942	(19%)
<b>Cost of sales</b>	<b>96,496</b>	<b>73,580</b>	<b>31%</b>

## Breakdown of 9M 2016 production costs



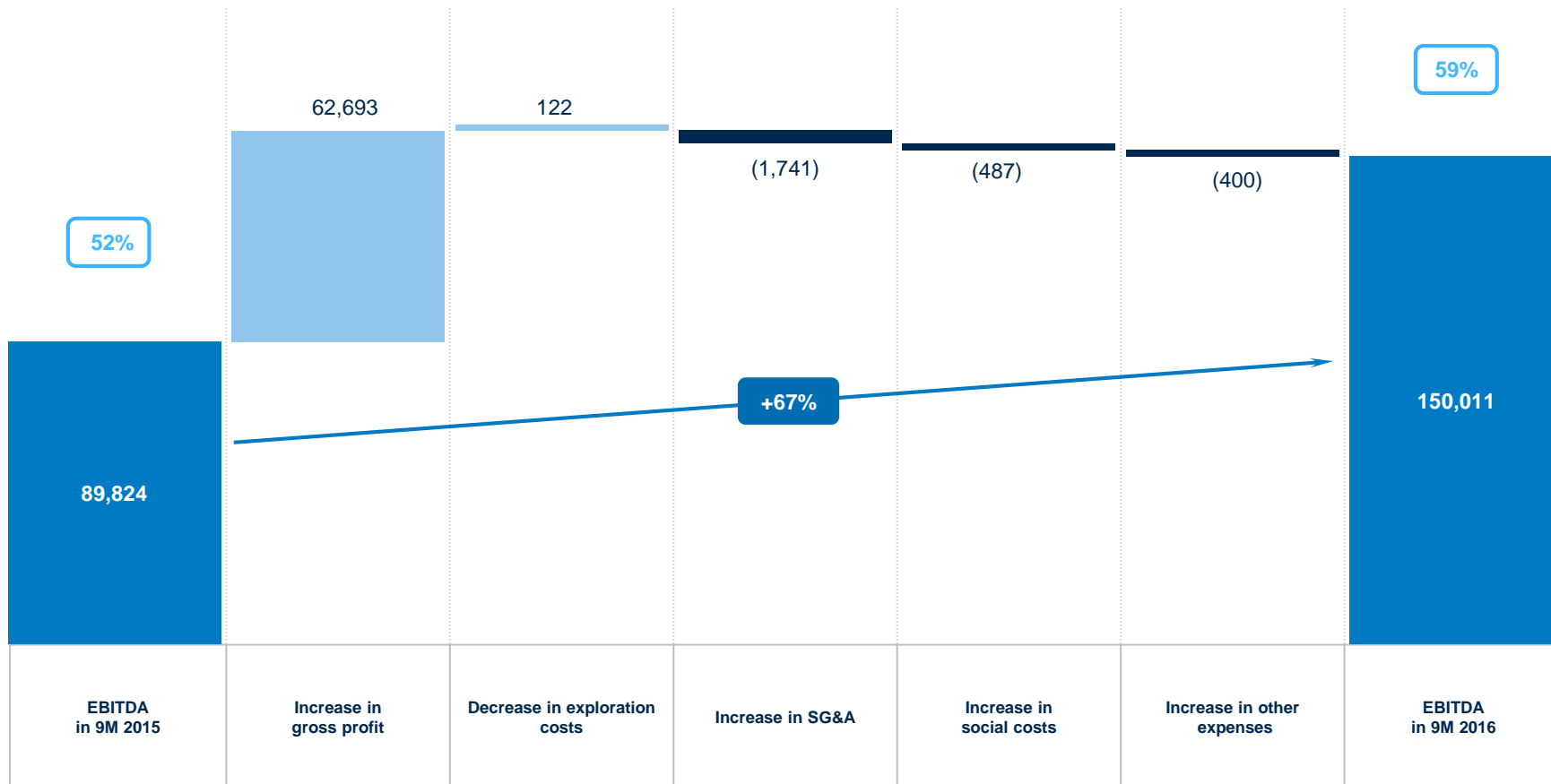
- Wages, salaries and other staff costs in 9M 2016 y-o-y grew as a result of indexation in line with the inflation rate
- Growth of depreciation in 9M 2016 y-o-y was due to production increases at Komsomolskaya pipe, Udachny underground mine and Karpinskogo-1 pipe and due to commencing of production at Bolshaya Kuonamka and Talakhtakh alluvial placers
- 9M 2016 materials costs increased y-o-y mainly as a result of price increase for materials, new production equipment implementation at Udachny division and increase in mining activities at AO Nizhne-Lenskoye deposits
- 9M 2016 decrease in fuel and energy costs and higher services costs are mainly due to reclassification of electricity purchase costs

# EBITDA increased in 9M 2016 y-o-y due to growth in gross profit from diamond sales

## EBITDA analysis

RUB mln

EBITDA margin



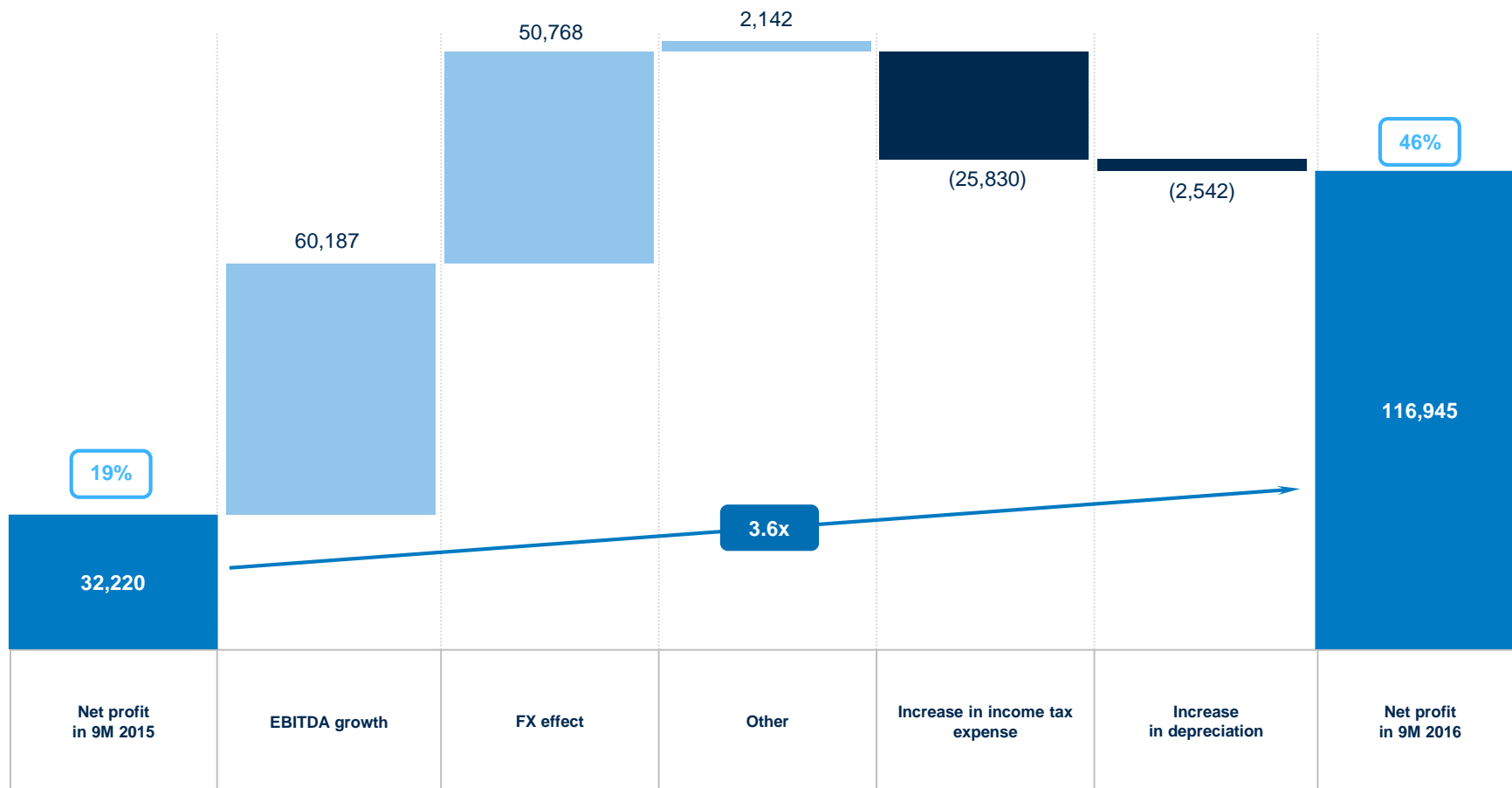


# Net profit growth in 9M 2016 y-o-y was driven by EBITDA growth and FX effect

## Net profit analysis

RUB mln

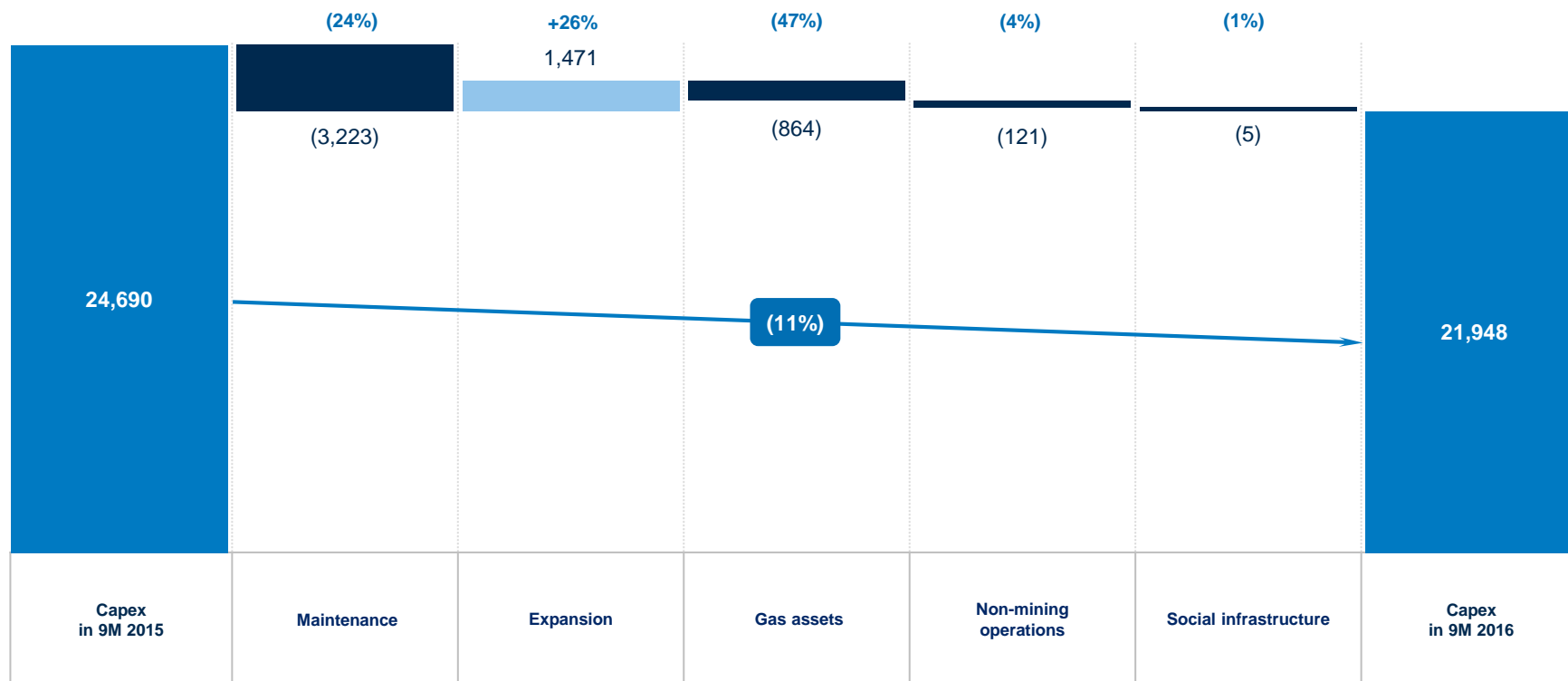
Net profit margin



# Capex in 9M 2016 decreased by 11% y-o-y mainly due to lower investments in maintenance

## Capital expenditure analysis

RUB mln



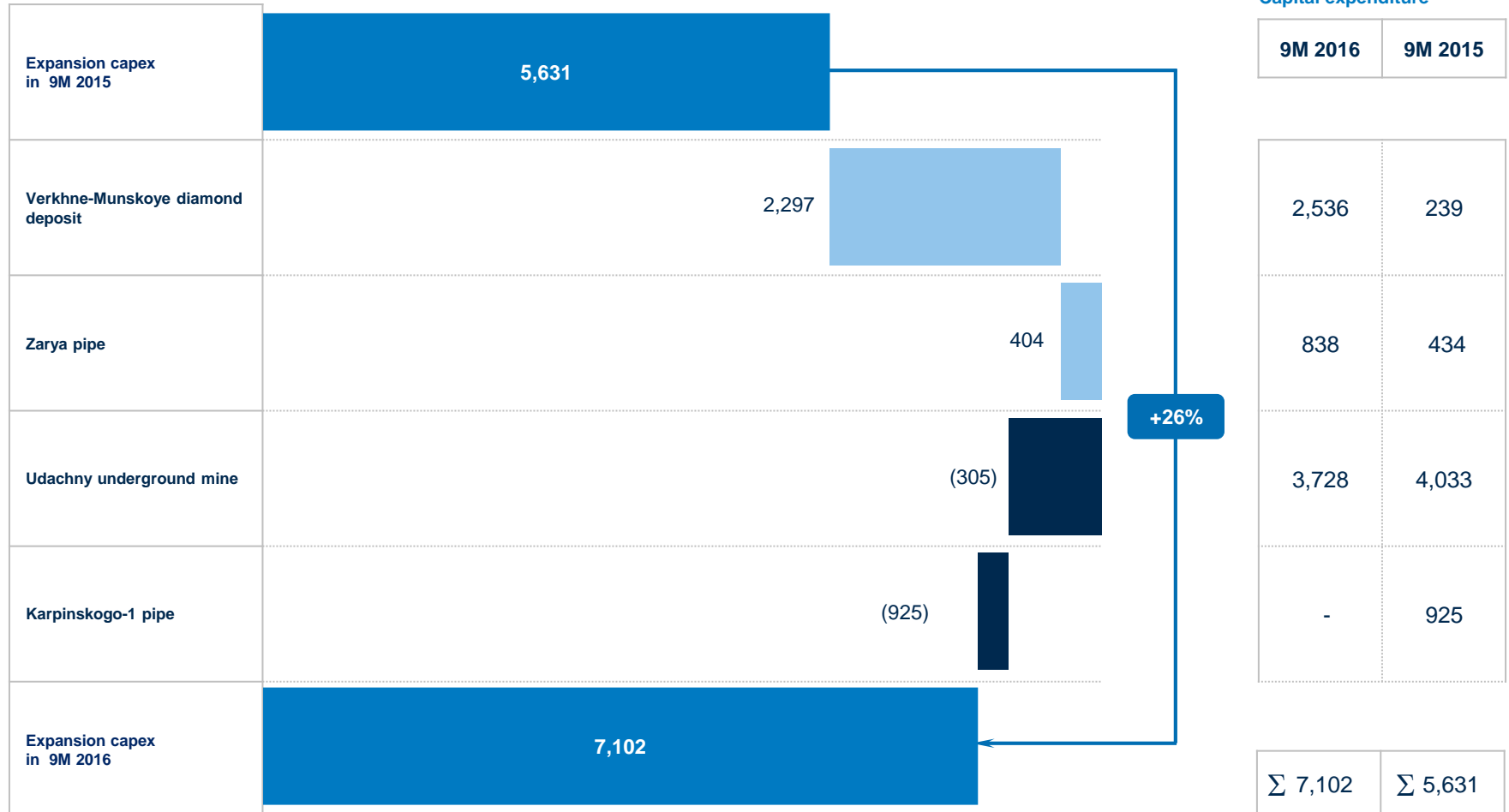
## Capital expenditure

	Maintenance	Expansion	Gas assets	Non-mining operations	Social infrastructure	Total
9M 2016	10,402	7,102	955	2,929	560	Σ21,948
9M 2015	13,625	5,631	1,819	3,050	565	Σ24,690

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

## Expansion capex analysis

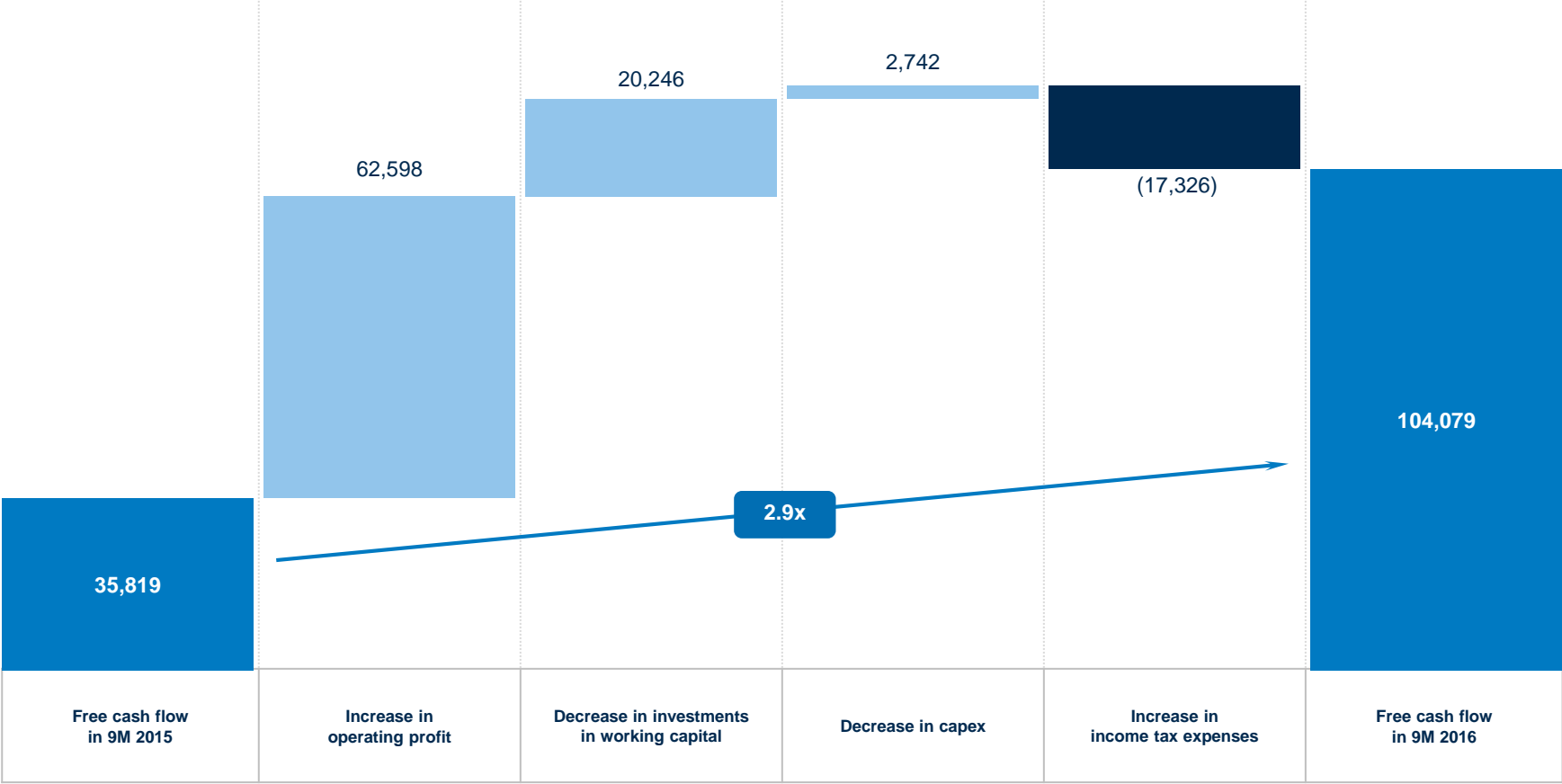
RUB mln



# Free cash flow increased in 9M 2016 y-o-y due to growth in operating profit and decrease in investments in working capital

## Free cash flow analysis

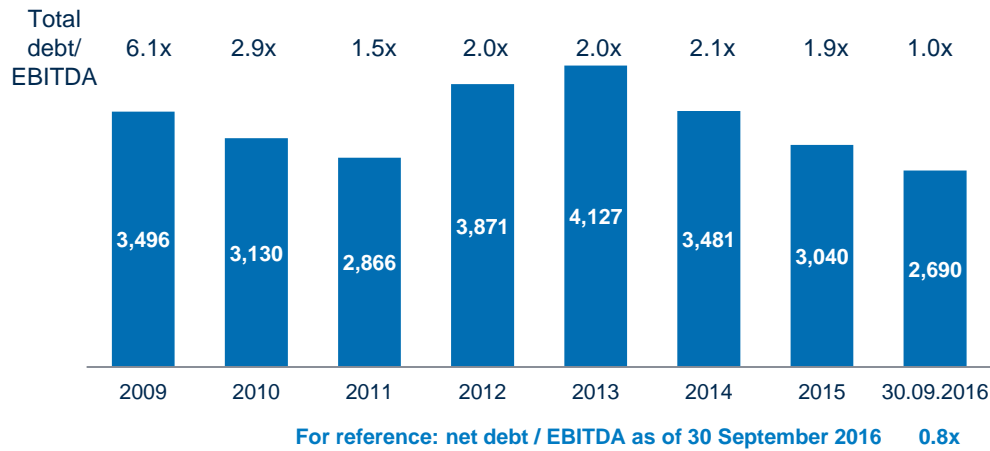
RUB mln



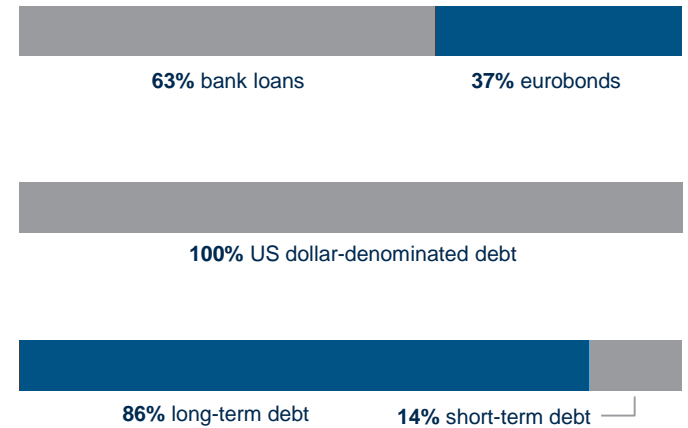
More than RUB 80 bn of cash have been accumulated on the accounts and bank deposits during 9M 2016, which is sufficient to provide the Company with liquidity in the mid-term

## Loans and borrowings

\$ mln



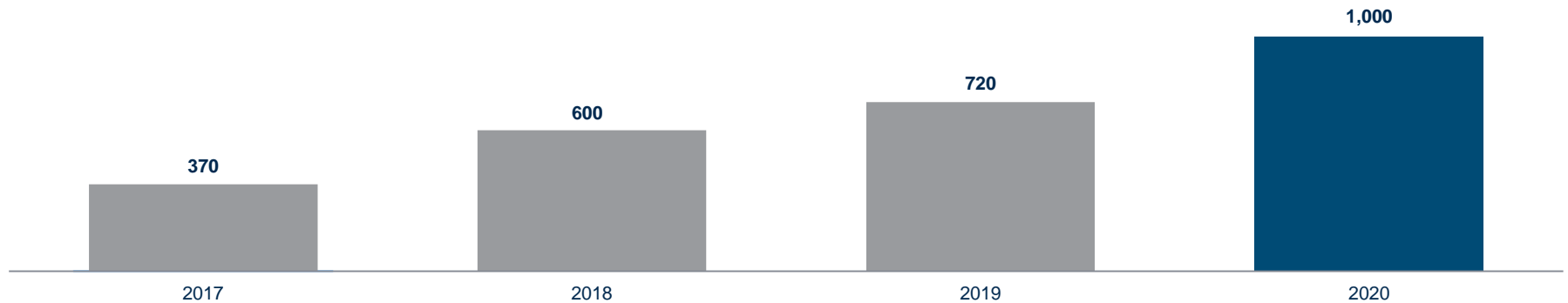
## Loans and borrowings breakdown



## Maturity profile of loans and borrowings

As of 30 September 2016, \$ mln

■ Bank Loans ■ Eurobonds



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Thank you!



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