



**ALROSA**

Investor Presentation –  
Q1 2017 Results

25 May 2017

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## Q1 2017 key financial highlights

Revenue	<b>84.8</b> RUB bn	<b>+38%</b> Q-o-Q change <b>(17%)</b> Y-o-Y change	Net profit	<b>22.7</b> RUB bn	<b>+37%</b> Q-o-Q change <b>(55%)</b> Y-o-Y change
Diamond sales	<b>14.1</b> mln ct	<b>+41%</b> Q-o-Q change <b>+17%</b> Y-o-Y change	Diamond production	<b>8.9</b> mln ct	<b>(6%)</b> Q-o-Q change <b>+9%</b> Y-o-Y change
EBITDA	<b>35.2</b> RUB bn	<b>+33%</b> Q-o-Q change <b>(41%)</b> Y-o-Y change	EBITDA margin	<b>42%</b>	Q4 2016: 43% Q1 2016: 58%
Net debt / EBITDA	<b>0.4x</b>	Q4 2016: 0.6x Q1 2016: 1.1x	Free cash flow	<b>34.6</b> RUB bn	<b>4.7x</b> Q-o-Q change <b>(42%)</b> Y-o-Y change

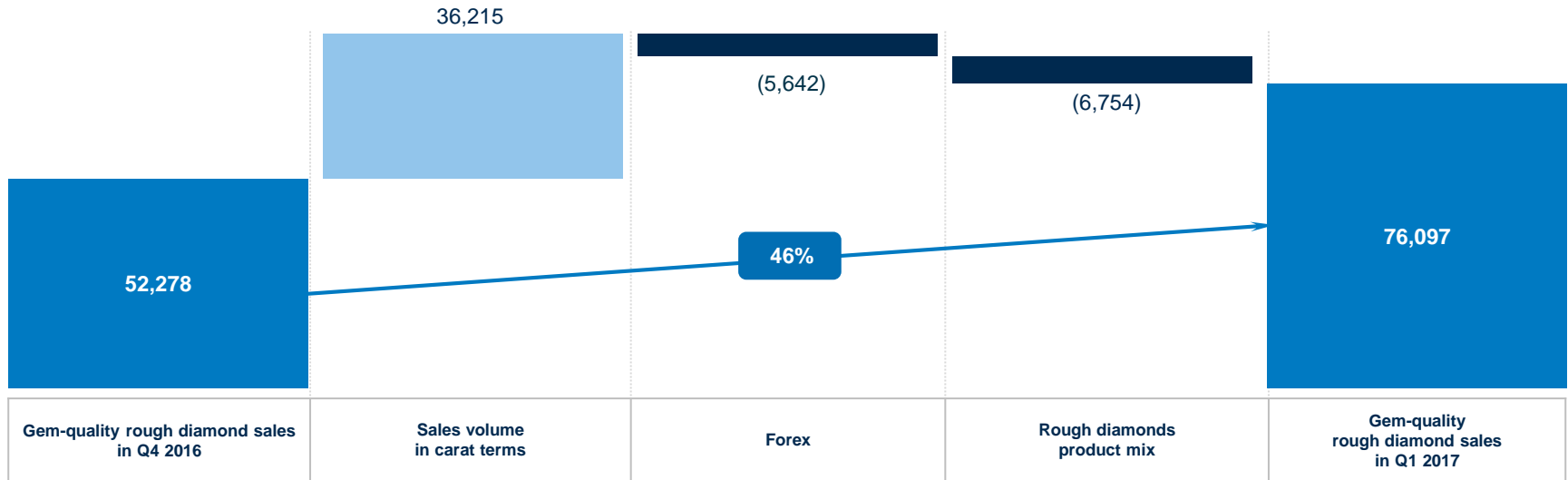
## Financial results

RUB mln	Q1 2017	Q4 2016	Q1 2016	Q-o-Q change	Y-o-Y change
<b>Operating performance</b>					
Production, mln ct	8.9	9.5	8.2	(6%)	9%
Sales, mln ct, incl.:	14.1	10.0	12.1	41%	17%
gem quality diamonds sales, mln ct	11.1	6.5	8.9	71%	25%
industrial quality diamonds sales, mln ct	3.0	3.5	3.2	(14%)	(6%)
<b>IFRS income statement of profit or loss and other comprehensive income</b>					
Revenue	84,813	61,527	102,339	38%	(17%)
Cost of sales	(47,933)	(33,255)	(39,057)	44%	23%
EBITDA	35,222	26,407	59,511	33%	(41%)
EBITDA margin	42%	43%	58%	-	-
Net profit	22,686	16,526	49,889	37%	(55%)
Net profit margin	27%	27%	49%	-	-
EPS, RUB	3.04	2.20	6.68	38%	(54%)
<b>IFRS statement of financial position</b>					
Bank deposits	12,970	28,570	19,122	(55%)	(32%)
Cash and cash equivalents	40,609	30,410	56,841	34%	(29%)
Total debt	98,627	142,335	207,119	(31%)	(52%)
Net debt	58,018	111,925	131,156	(48%)	(56%)
Net debt / EBITDA	0.4x	0.6x	1.1x	-	-
Equity attributable to owners of PJSC ALROSA	279,040	257,202	199,653	8%	40%
<b>IFRS statement of cash flows</b>					
Cash inflow from operating activities before changes in working capital	35,046	25,238	60,890	39%	(42%)
Income tax paid	(6,496)	(2,872)	(6,418)	2.3x	1%
Increase/(decrease) in cash flows due to working capital changes	11,839	(5,255)	12,478	-	(5%)
Net cash inflow from operating activities	40,389	17,111	66,950	2.4x	(40%)
Purchase of property, plant and equipment	(5,828)	(9,804)	(7,043)	(41%)	(17%)
Free cash flow	34,561	7,307	59,907	4.7x	(42%)
ROIC	28%	32%	31%	-	-

Q-o-q growth of revenue from gem-quality rough diamond sales is mainly due to increased sales in carat terms. Rouble appreciation against US dollar, and a change in the product mix resulted in a decrease of gem-quality rough diamond sales y-o-y.

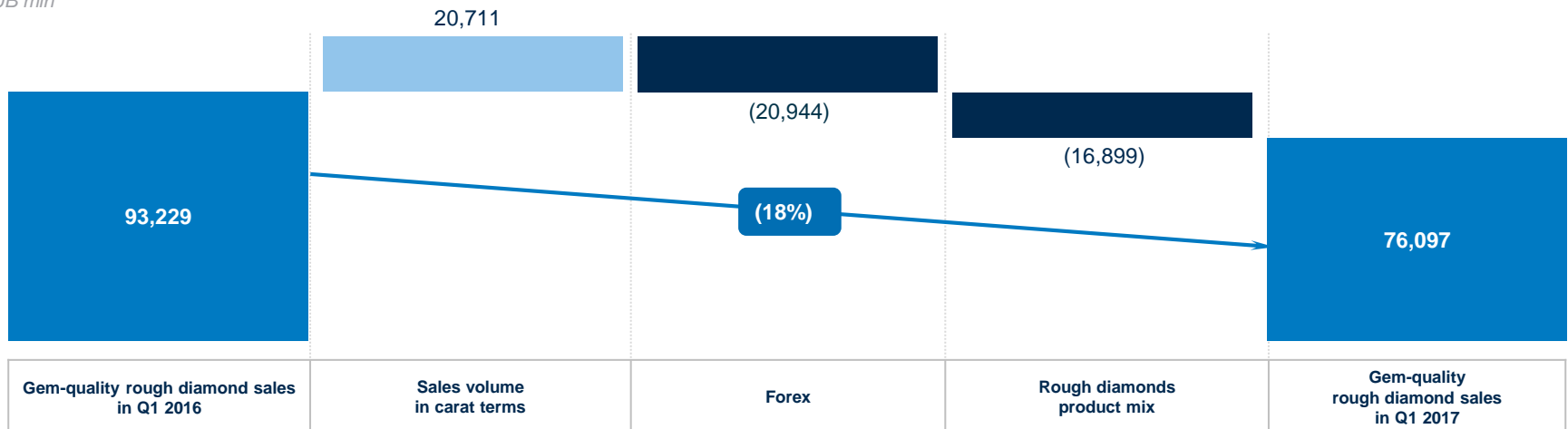
### Factor analysis of revenue from gem-quality rough diamond sales, q-o-q change

RUB mln



### Factor analysis of revenue from gem-quality rough diamond sales, y-o-y change

RUB mln



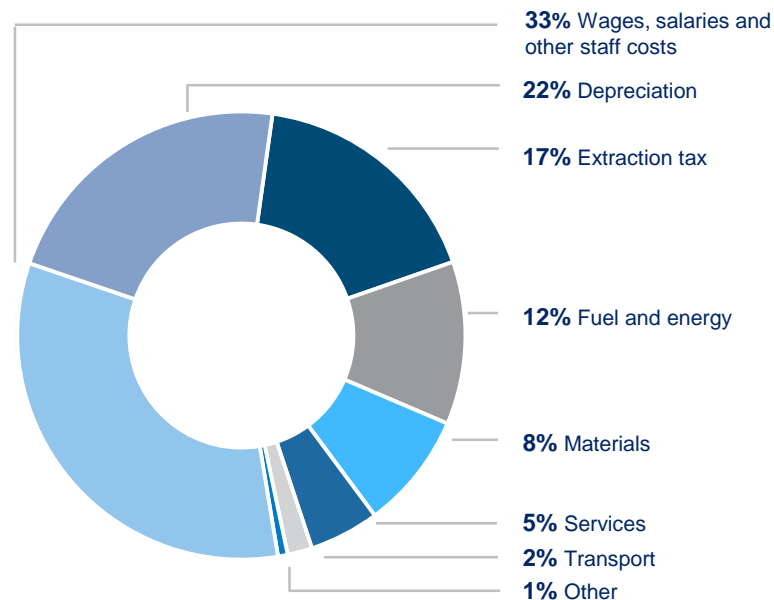
# The Company ensured a minimum growth of production costs, while an increase in its cost of sales is in line with sales growth y-o-y

## Cost of sales

RUB mln

	Q1 2017	Q1 2016	Q1 2017 vs Q1 2016
Wages, salaries and other staff costs	11,192	11,219	< (1%)
Depreciation	7,491	5,612	33%
Extraction tax	5,943	6,682	(11%)
Fuel and energy	4,006	3,998	< 1%
Materials	2,868	2,791	3%
Services	1,723	1,469	17%
Transport	606	691	(12%)
Other	239	314	(24%)
<b>Cost of production</b>	<b>34,068</b>	<b>32,776</b>	<b>4%</b>
Movement in inventory of diamonds, ores and concentrates	13,849	6,029	2.3x
Cost of diamonds for resale	16	252	(94%)
<b>Cost of sales</b>	<b>47,933</b>	<b>39,057</b>	<b>23%</b>

## Breakdown of Q1 2017 production costs



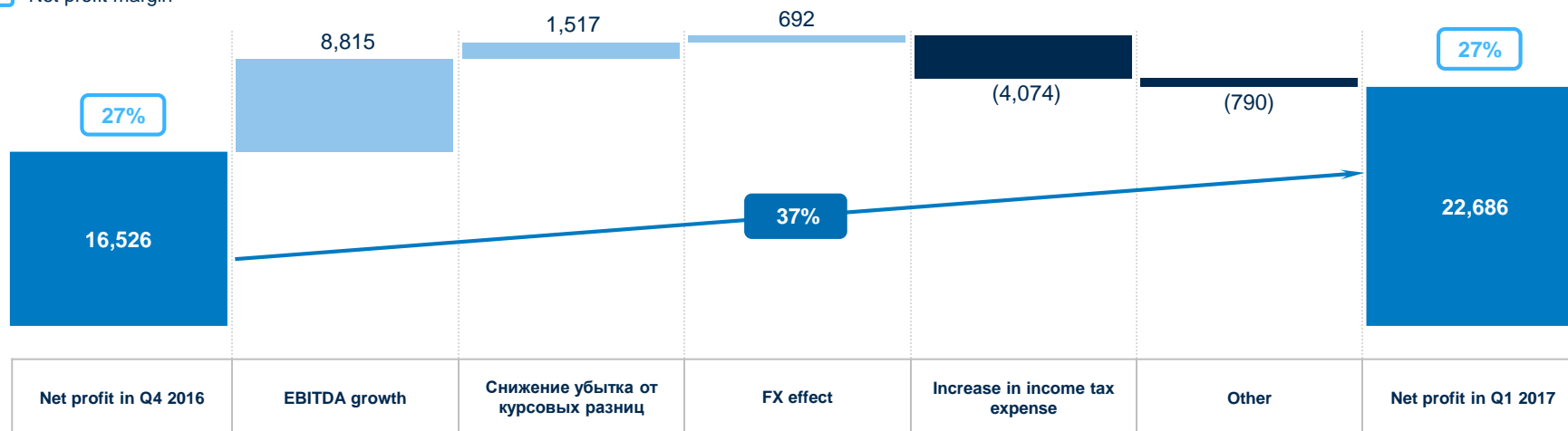
- The Company ensured a minimum growth of production costs in terms of wages, salaries, fuel and energy, materials and transportation costs
- Increase in depreciation costs was mainly due to production growth at Udachny underground mine
- Extraction tax decreased y-o-y due to RUB appreciation against US dollar
- Higher services costs were driven by reclassification of electricity purchase costs

# Net profit growth q-o-q and decrease y-o-y was driven by changes of EBITDA

## Net profit analysis, q-o-q change

RUB mln

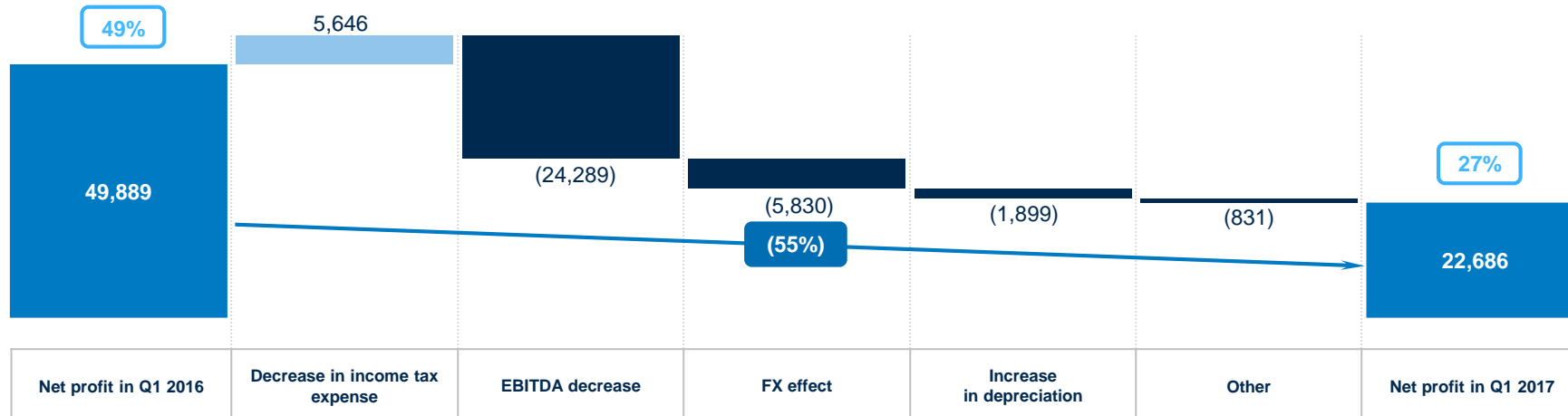
Net profit margin



## Net profit analysis, y-o-y change

RUB mln

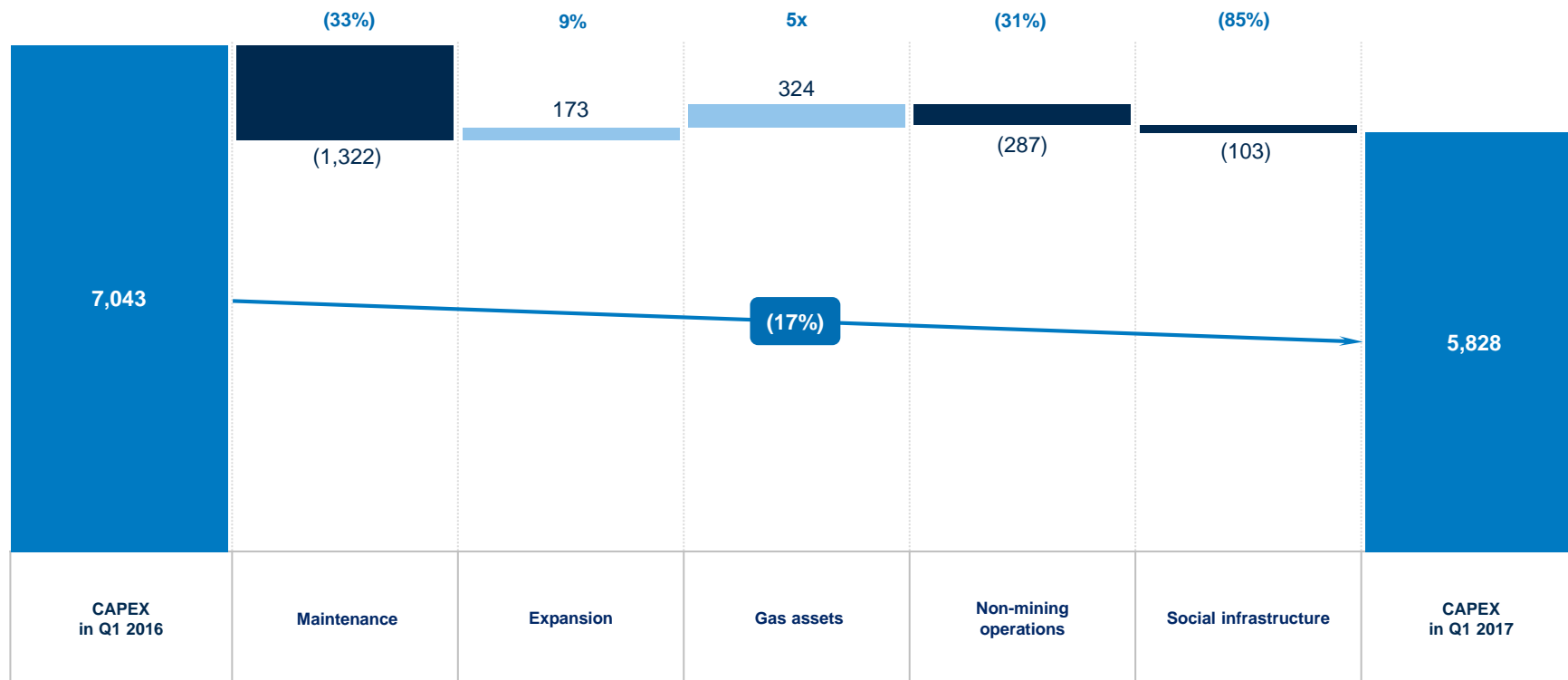
Net profit margin



# Capex decreased by 17% y-o-y mainly due to lower investments in maintenance

## Capital expenditure analysis

RUB mln



## Capital expenditure

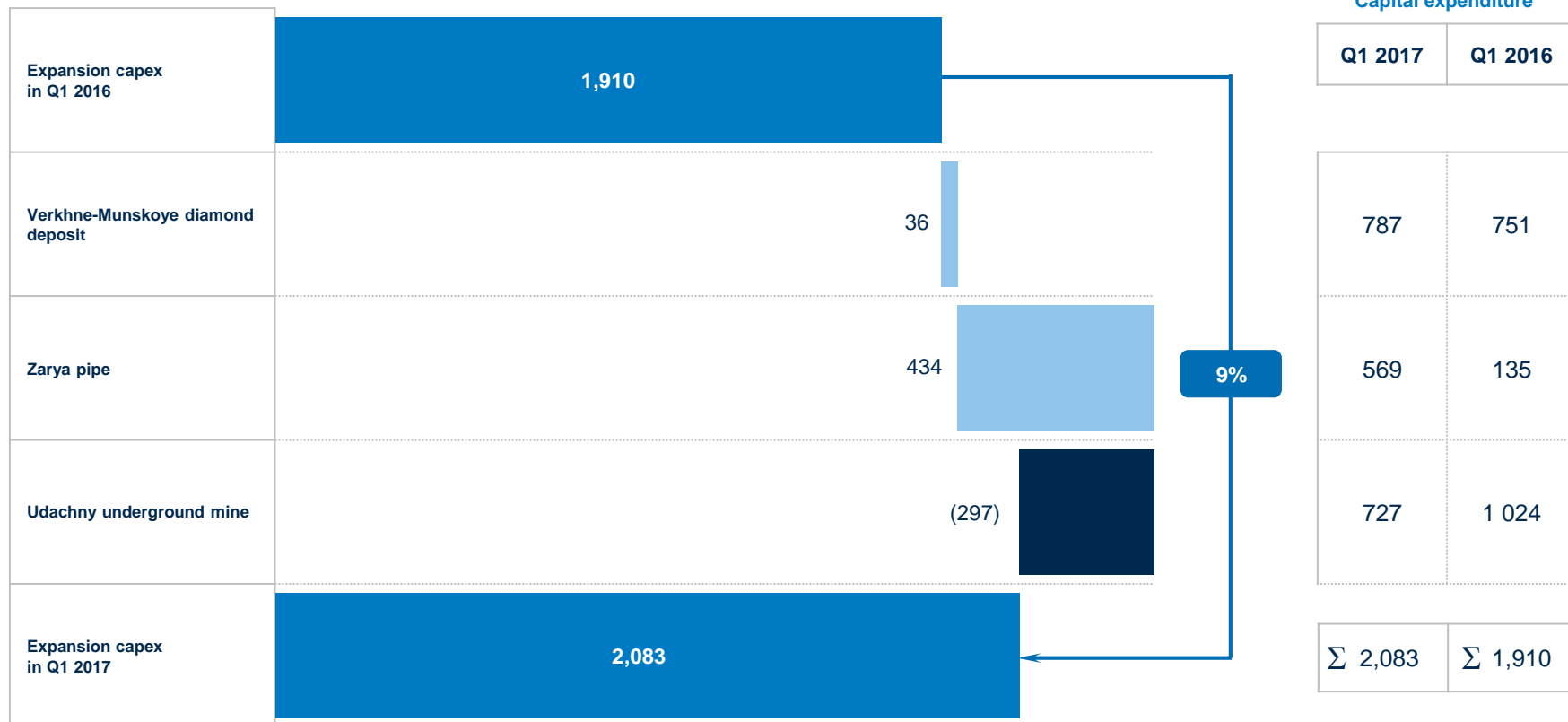
	Maintenance	Expansion	Gas assets	Non-mining operations	Social infrastructure	Σ
Q1 2017	2,691	2,083	404	632	18	Σ 5,828
Q1 2016	4,013	1,910	80	919	121	Σ 7,043



# An increase in expansion capex was driven by construction works at Zarya pipe

## Expansion capex analysis

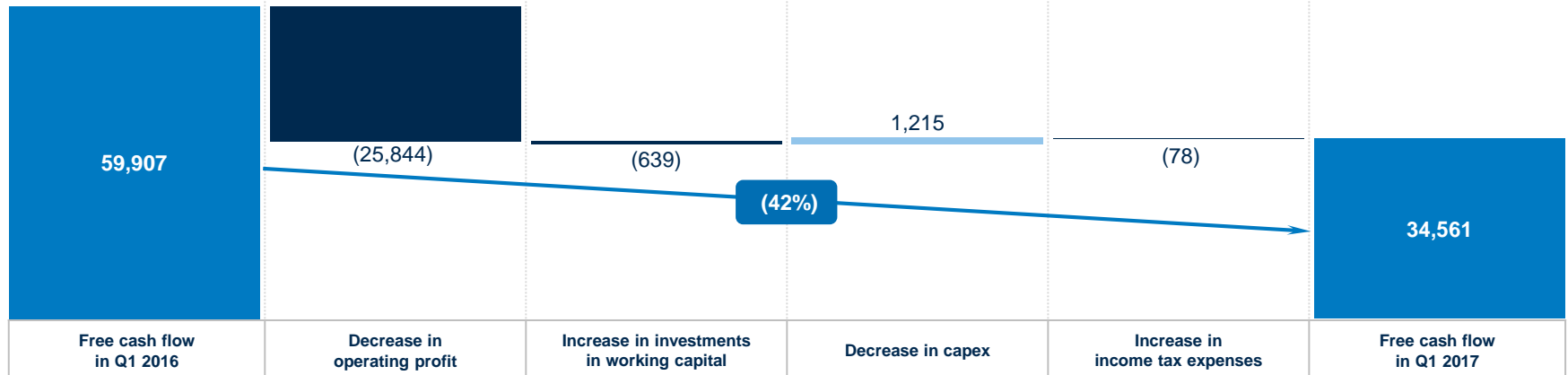
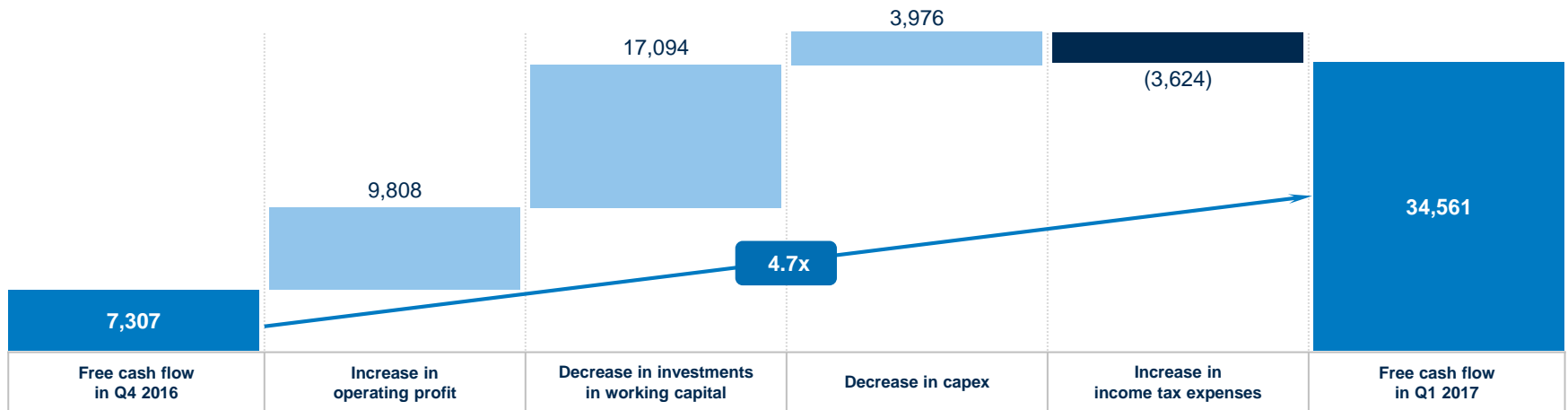
RUB mln



Free cash flow increased q-o-q due to higher operating profit and reduced investments in working capital, while a y-o-y free cash flow decrease was attributable to lower revenue from diamond sales

### Free cash flow analysis, q-o-q and y-o-y

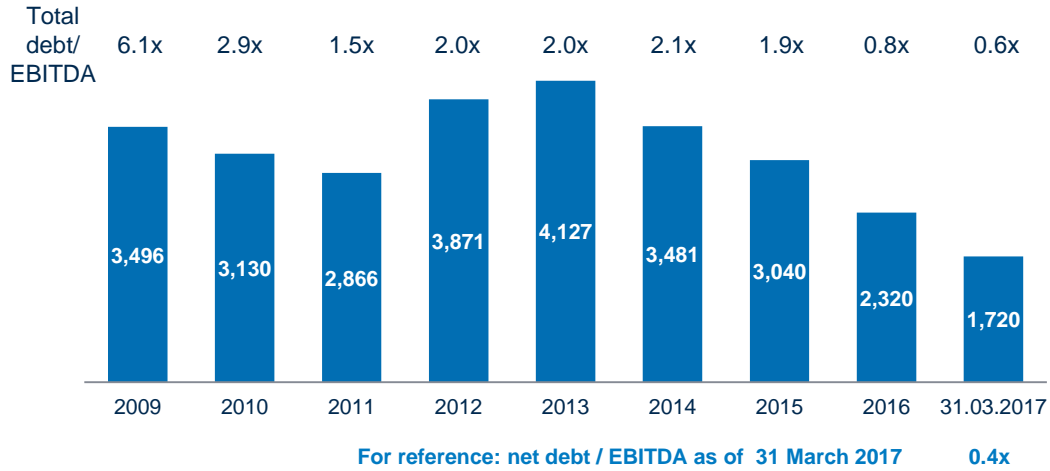
RUB mln.



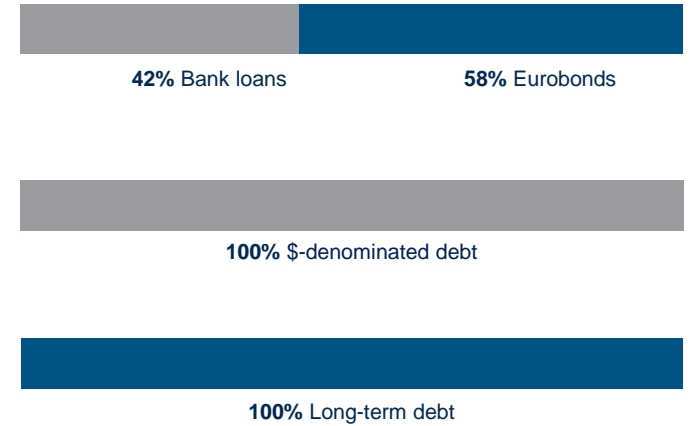
In February 2017 ALROSA repaid \$600 mln of bank loans to VTB Bank with cash from operations reducing debt down to \$1.7 bln

### Loans and borrowings

\$ mln



### Loans and borrowings breakdown



### Maturity profile of loans and borrowings

\$ mln

■ Bank loans ■ Eurobonds



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Thank you!



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