



**ALROSA**

Investor Presentation –  
Q3 and 9M 2017 Results

17 November 2017

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## 9M 2017 key financial highlights

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Revenue	<b>214.5</b> RUB bn 9M 2016: 255.6 RUB bn	(16%)	Net profit	<b>61.9</b> RUB bn 9M 2016: 116.9 RUB bn	(47%)
Diamond sales	<b>31.8</b> mln cts 9M 2016: 30.0 mln cts	+6%	Diamond production	<b>29.5</b> mln cts 9M 2016: 27.9 mln cts	+6%
EBITDA	<b>100.0</b> RUB bn 9M 2016: 150.0 RUB bn	(33%)	EBITDA margin	<b>47%</b> 9M 2016: 59%	
Net debt / EBITDA	<b>0.7x</b> 9M 2016: 0.8x		Free cash flow	<b>61.8</b> RUB bn 9M 2016: 104.1 RUB bn	(41%)

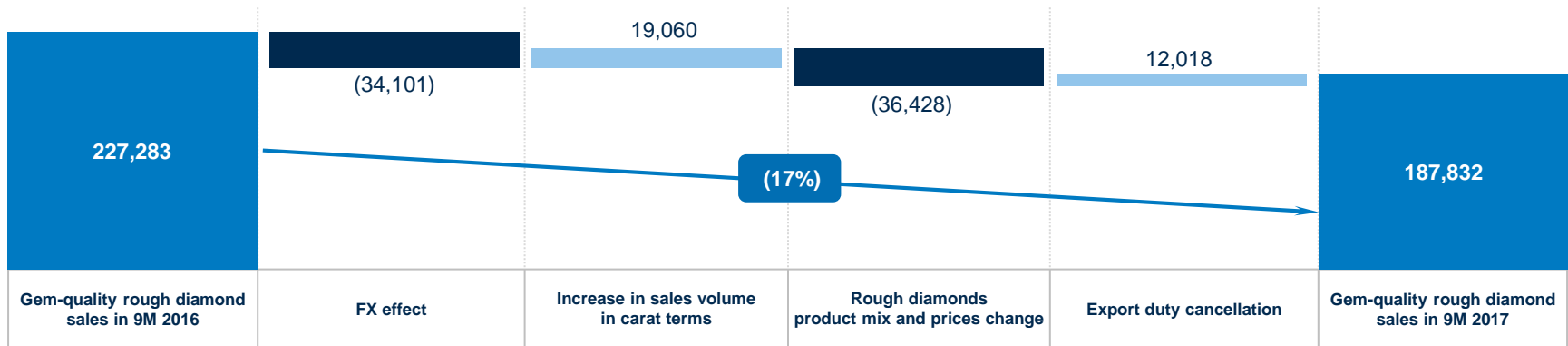
## Financial results

RUB mln	Q3 2017	Q2 2017	Q-o-Q change	9M 2017	9M 2016	Y-o-Y change
<b>Operating performance</b>						
Production, mln ct	10.2	10.4	(2%)	29.5	27.9	6%
Sales, mln ct, incl.:	7.5	10.2	(26%)	31.8	30.0	6%
gem-quality diamonds sales, mln ct	4.9	8.0	(39%)	23.9	22.1	8%
industrial quality diamonds sales, mln ct	2.6	2.2	18%	7.9	7.9	0%
<b>IFRS income statement of profit or loss and other comprehensive income</b>						
Revenue	58,927	70,737	(17%)	214,477	255,563	(16%)
Total costs	(22,297)	(23,969)	(7%)	(86,708)	(79,988)	8%
Selling, general and administrative expenses	(3,125)	(4,145)	(25%)	(11,126)	(11,192)	(1%)
Other operating income and expenses	(6,347)	(4,976)	28%	(16,685)	(14,382)	16%
EBITDA	27,158	37,647	(28%)	99,958	150,011	(33%)
EBITDA margin	46%	53%	-	47%	59%	-
Depreciation and amortization expenses	(5,504)	(6,549)	(16%)	(18,695)	(16,655)	12%
Finance income / (costs), net	539	(6,023)	-	(139)	19,774	-
Other income and expenses, net	(5,874)	5,842	-	(2,677)	(3,524)	(24%)
Income tax	(3,369)	(5,749)	(41%)	(16,587)	(32,661)	(49%)
Net profit	12,950	25,168	(49%)	61,860	116,945	(47%)
Net profit margin	22%	36%	-	29%	46%	-
EPS, RUB	1.73	3.35	(48%)	8.26	15.64	(47%)
<b>IFRS statement of cash flows</b>						
Cash inflow from operating activities before changes in working capital	28,099	37,534	(25%)	100,610	153,230	(34%)
Income tax paid	(4,113)	(8,451)	(51%)	(18,991)	(27,892)	(32%)
Increase/(decrease) in cash flows due to working capital changes	(5,496)	(7,695)	(29%)	(1,352)	689	-
Net cash inflow from operating activities	18,490	21,388	(14%)	80,267	126,027	(36%)
Purchase of property, plant and equipment	(6,986)	(5,604)	25%	(18,418)	(21,948)	(16%)
Free cash flow	11,504	15,784	(27%)	61,849	104,079	(41%)
Net debt	88,639	41,207	2.2x	88,639	138,458	(36%)
Net debt / EBITDA	0.7x	0.3x	-	0.7x	0.8x	-
ROIC	22%	26%	-	22%	34%	-

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

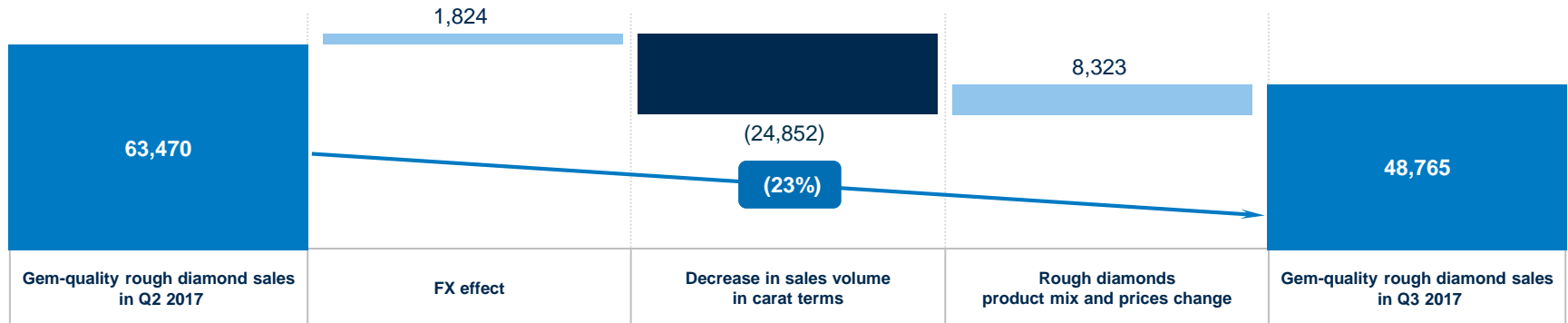
### Analysis of revenue from gem-quality rough diamond sales, y-o-y change

RUB mln



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

RUB mln



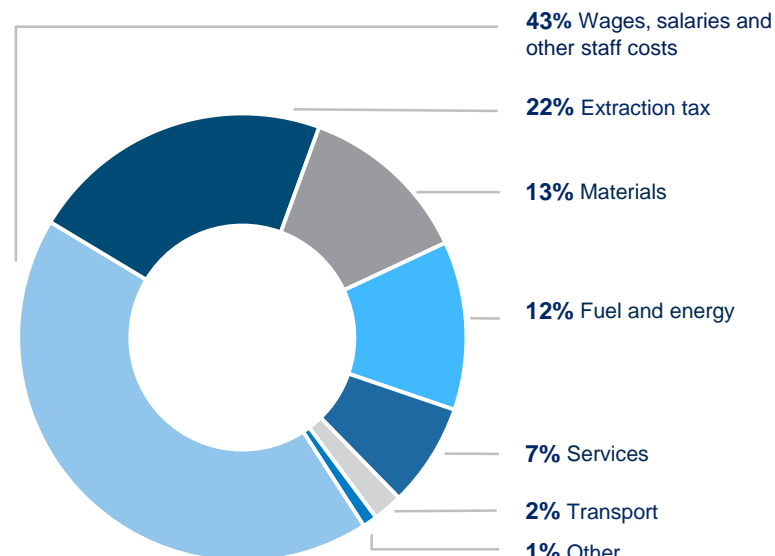
## 9M 2017 production expenses decreased by 3% y-o-y

### Production expenses

RUB mln

	9M 2017	9M 2016	9M 2017 vs 9M 2016
Wages, salaries and other staff costs	32,539	32,399	<1%
Extraction tax	16,724	17,404	(4%)
Materials	9,500	10,143	(6%)
Fuel and energy	9,269	10,255	(10%)
Services	5,686	5,378	6%
Transport	1,632	1,607	2%
Other	797	1,258	(37%)
<b>Production expenses</b>	<b>76,147</b>	<b>78,444</b>	<b>(3%)</b>
Movement in inventory of diamonds, ores and concentrates	10,545	781	13,5x
Cost of diamond for resale	16	763	(98%)
<b>Total costs</b>	<b>86,708</b>	<b>79,988</b>	<b>8%</b>

### Production expenses breakdown



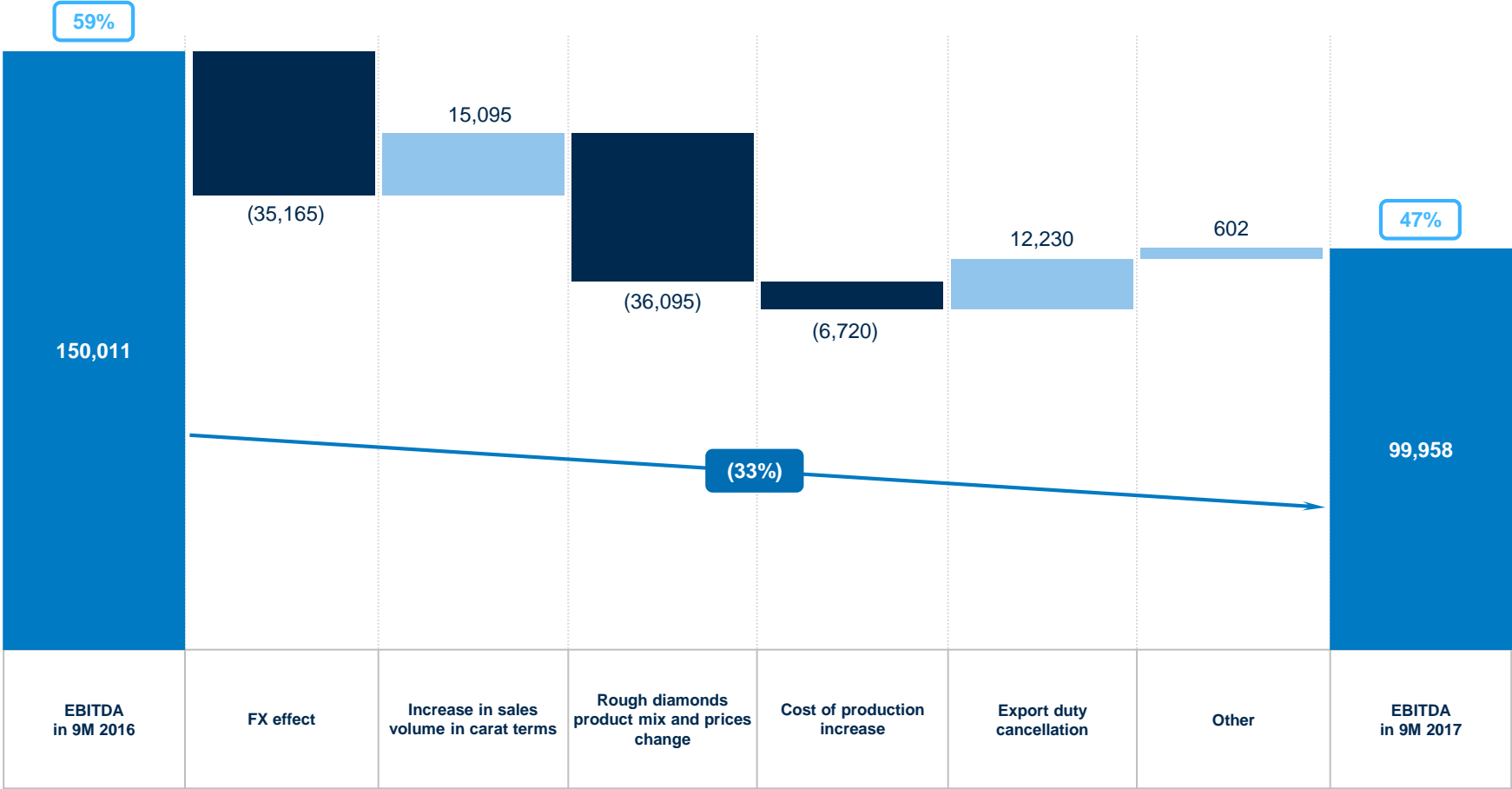
- The Company ensured decrease of production expenses by 3%
- Ruble appreciation against the US dollar resulted in mineral extraction tax and material costs reduction
- Decrease in electricity tariffs led to decline in corresponding cost item

# EBITDA decline y-o-y was driven by rough diamonds product mix and prices change as well as ruble appreciation against US dollar

## EBITDA analysis, y-o-y change

RUB mln

EBITDA margin

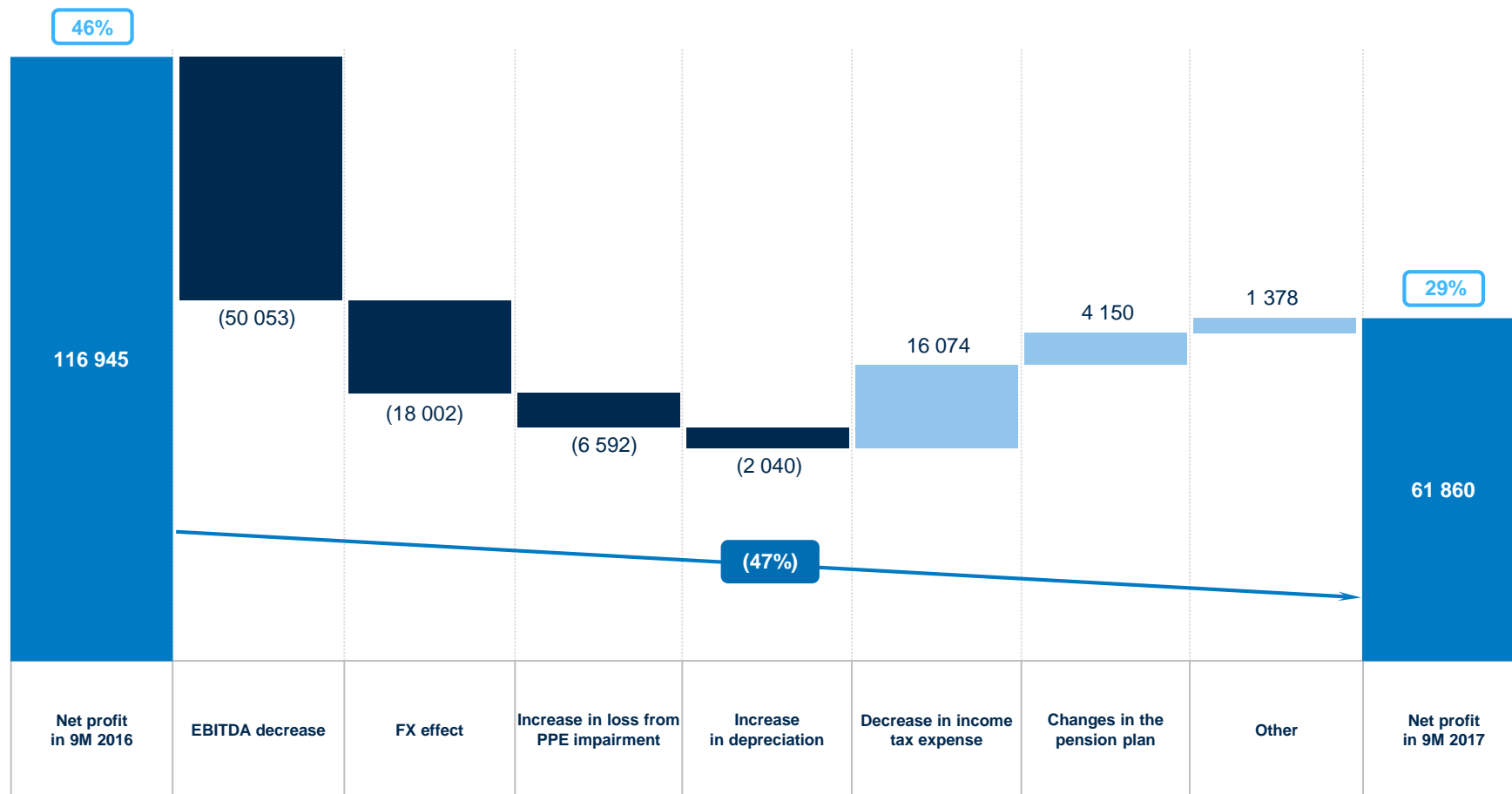


# Net profit decrease y-o-y was driven by EBITDA decrease and PPE partial impairment at the Mir underground mine

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

RUB mln

Net profit margin

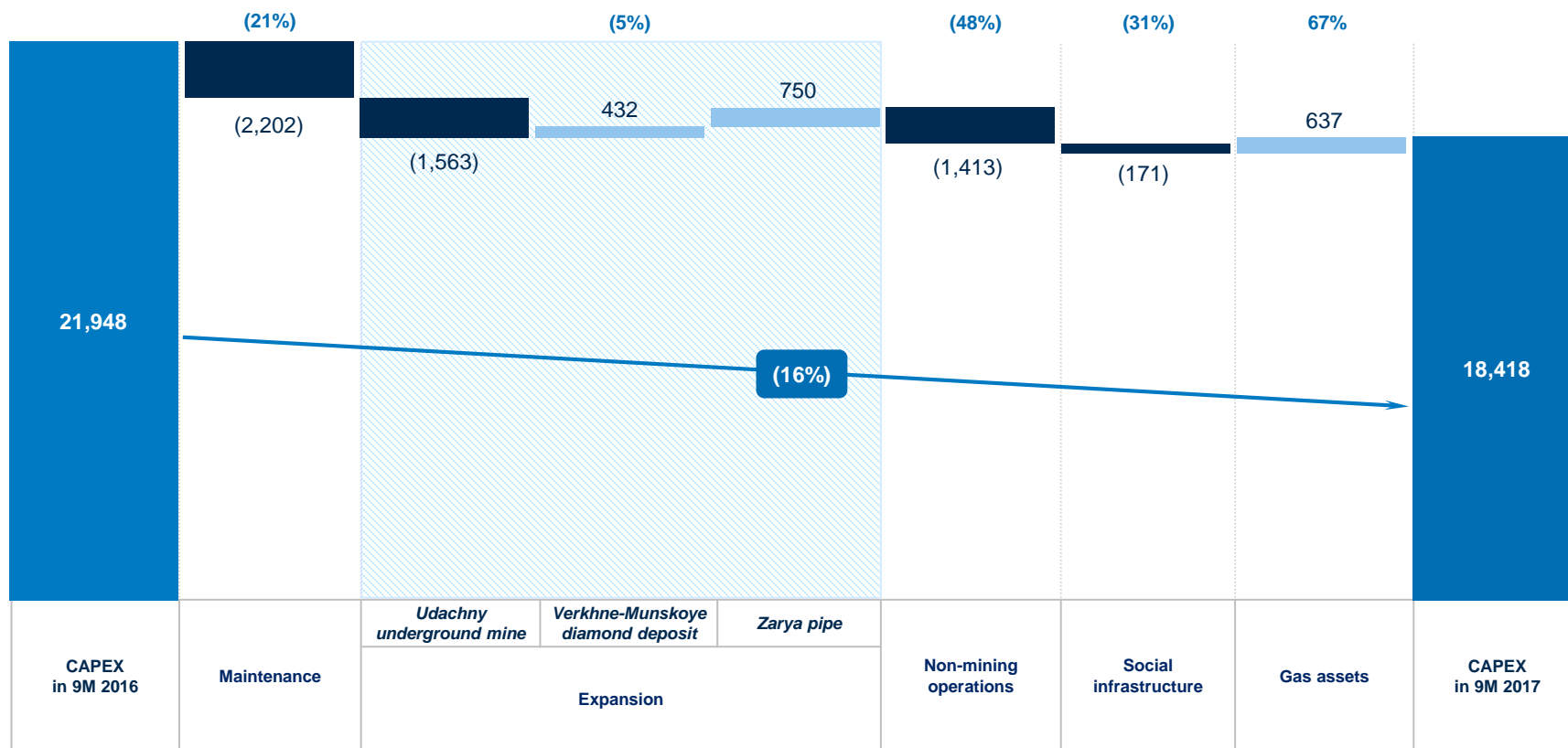




# CAPEX decreased y-o-y mainly due to completion of the Udachny underground mine construction

## Capital expenditure analysis

RUB mln



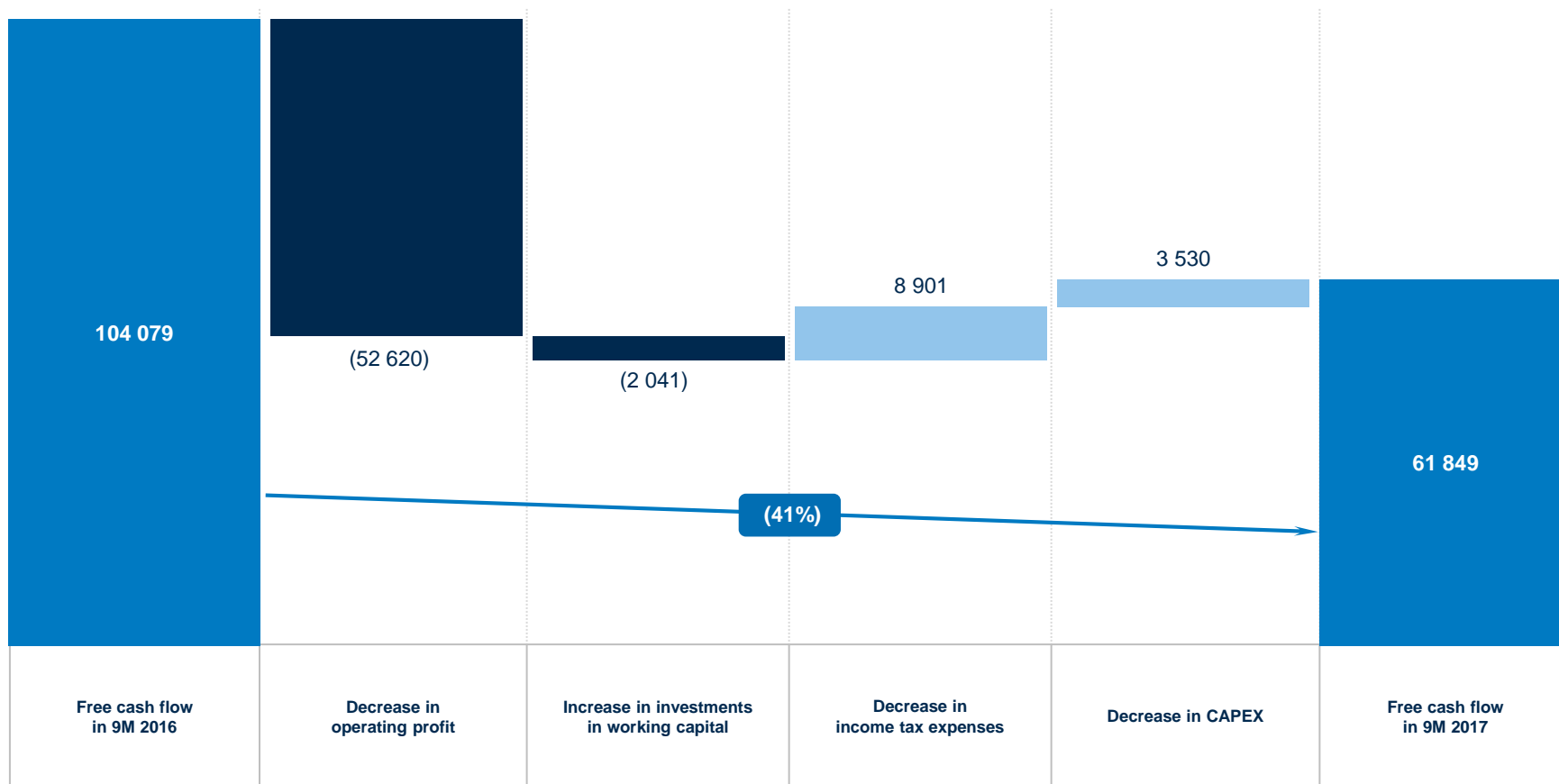
## Capital expenditure

	Maintenance	Expansion	Non-mining operations	Social infrastructure	Gas assets	Σ
9M 2017	8,200	2,165	1,516	389	1,592	Σ 18,418
9M 2016	10,402	3,728	2,929	560	955	Σ 21,948

# Free cash flow decrease y-o-y was mainly due to operating profit decline

## Free cash flow analysis, y-o-y change

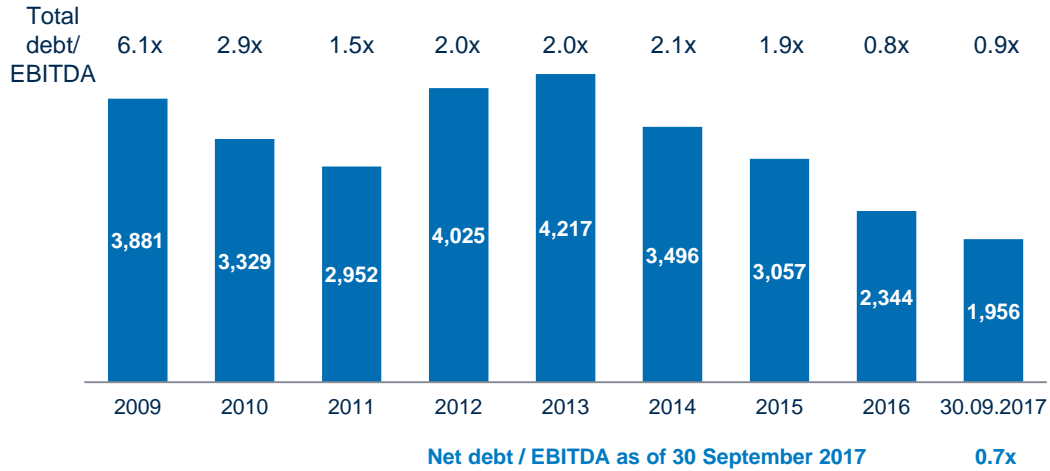
RUB mln



# Loans and borrowings decreased by USD 388 mln during 9M 2017

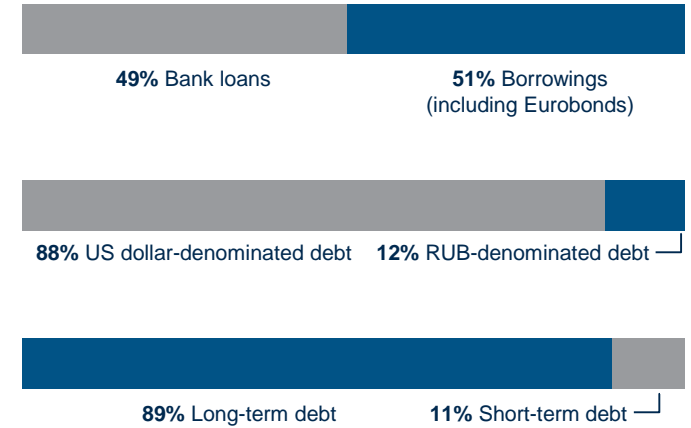
## Loans and borrowings

\$ mln



## Loans and borrowings breakdown

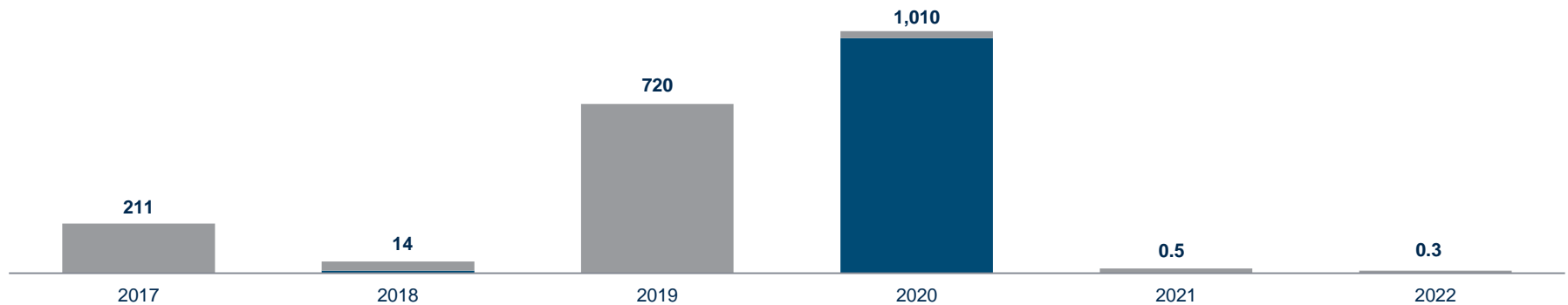
As of 30 September 2017, \$ mln



## Maturity profile of loans and borrowings

As of 30 September 2017, \$ mln

■ Bank loans ■ Borrowings (including Eurobonds)



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Thank you!



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