



ALROSA

Investor Presentation –
Q2 and H1 2017 Results

30 August 2017

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H1 2017 key financial highlights

Revenue	155.6 RUB bn H1 2016: 186.7 RUB bn	(17%)	Net profit	48.9 RUB bn H1 2016: 90.4 RUB bn	(46%)
Diamond sales	24.3 mln cts H1 2016: 21.7 mln cts	+12%	Diamond production	19.3 mln cts H1 2016: 16.9 mln cts	+14%
EBITDA	72.8 RUB bn H1 2016: 111.3 RUB bn	(35%)	EBITDA margin	47% H1 2016: 60%	
Net debt / EBITDA	0.3x H1 2016: 1.0x		Free cash flow	50.3 RUB bn H1 2016: 78.7 RUB bn	(36%)

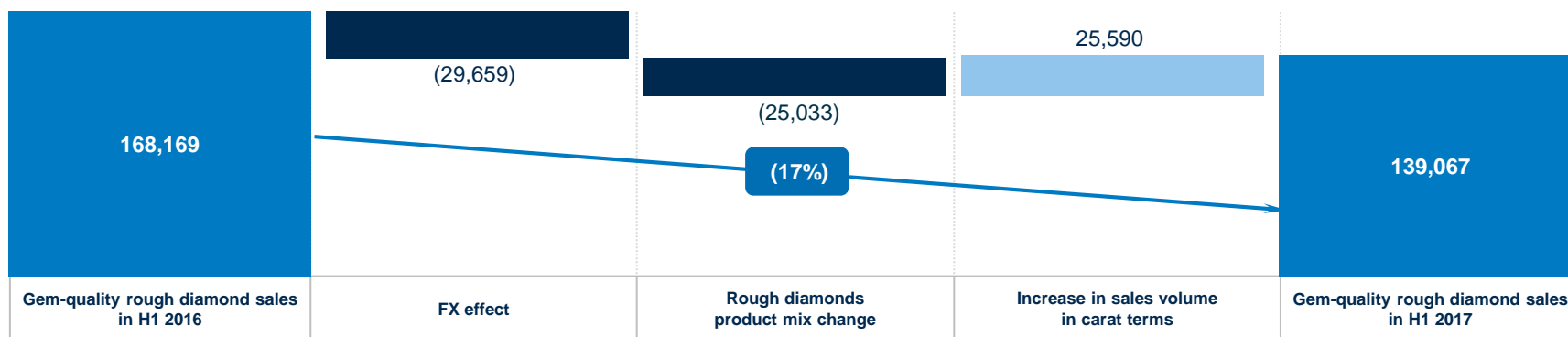
Financial results

RUB mln	Q2 2017	Q1 2017	Q-o-Q change	H1 2017	H1 2016	Y-o-Y change
Operating performance						
Production, mln ct	10.4	8.9	17%	19.3	16.9	14%
Sales, mln ct, incl.:	10.2	14.1	(28%)	24.3	21.7	12%
gem-quality diamonds sales, mln ct	8.0	11.1	(28%)	19.1	16.3	17%
industrial quality diamonds sales, mln ct	2.2	3.0	(27%)	5.2	5.4	(4%)
IFRS income statement of profit or loss and other comprehensive income						
Revenue	70,737	84,813	(17%)	155,550	186,667	(17%)
Cost of sales	(30,468)	(47,020)	(35%)	(77,488)	(69,253)	12%
EBITDA	37,647	35,153	7%	72,800	111,304	(35%)
EBITDA margin	53%	41%	-	47%	60%	-
Net profit	25,168	23,742	6%	48,910	90,385	(46%)
Net profit margin	36%	28%	-	31%	48%	-
EPS, RUB	3.35	3.18	5%	6.53	12.08	(46%)
IFRS statement of financial position						
Cash and cash equivalents	61,995	40,609	53%	61,995	20,829	3.0x
Total debt	103,202	98,627	5%	103,202	174,371	(41%)
Net debt	41,207	58,018	(29%)	41,207	153,542	(73%)
Net debt / EBITDA	0.3x	0.4x	-	0.3x	1.0x	-
Equity attributable to owners of PJSC ALROSA	238,939	279,040	(14%)	238,939	222,591	(7%)
IFRS statement of cash flows						
Cash inflow from operating activities before changes in working capital	37,534	34,977	7%	72,511	111,461	(35%)
Income tax paid	(8,451)	(6,427)	31%	(14,878)	(21,258)	(30%)
Increase/(decrease) in cash flows due to working capital changes	(7,695)	11,839	-	4,144	3,176	30%
Net cash inflow from operating activities	21,388	40,389	(47%)	61,777	93,379	(34%)
Purchase of property, plant and equipment	(5,604)	(5,828)	(4%)	(11,432)	(14,689)	(22%)
Free cash flow	15,784	34,561	(54%)	50,345	78,690	(36%)
ROIC	26%	28%	-	26%	34%	-

Ruble appreciation against US dollar, and a change in the product mix 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 in carat terms

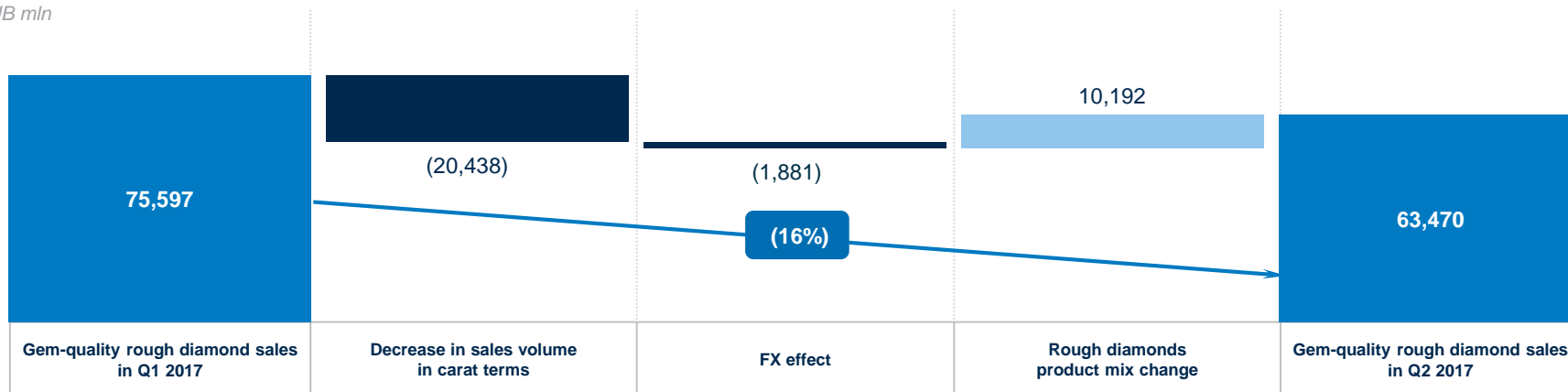
Analysis of revenue from gem-quality rough diamond sales, y-o-y change

RUB mln



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

RUB mln



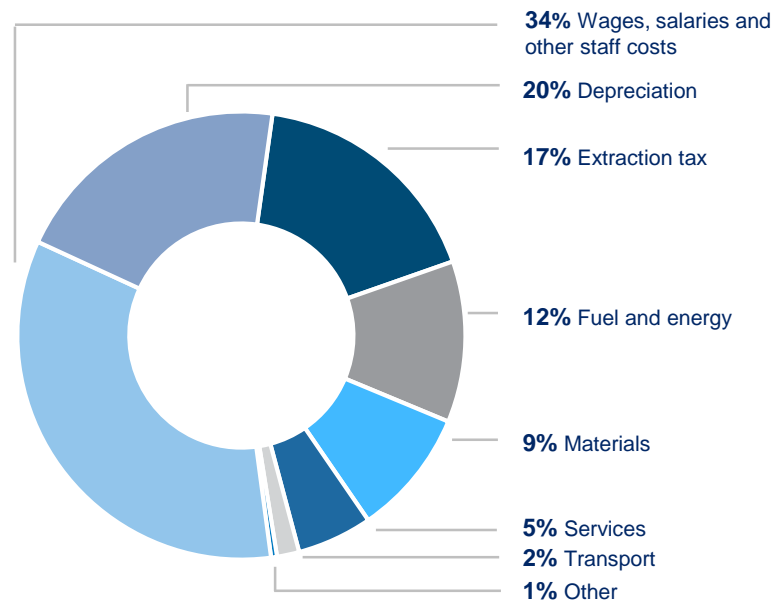
H1 2017 production costs were flat y-o-y while increase in cost of sales was in line with sales growth y-o-y

H1 2017 cost of sales

RUB mln

	H1 2017	H1 2016	Y-o-Y change
Wages, salaries and other staff costs	21,839	22,002	(1%)
Depreciation	13,077	11,693	12%
Extraction tax	11,188	11,665	(4%)
Fuel and energy	7,477	7,381	1%
Materials	5,878	6,169	(5%)
Services	3,488	3,144	11%
Transport	1,032	1,335	(23%)
Other	276	580	(52%)
Cost of production	64,255	63,969	<1%
Movement in inventory of diamonds, ores and concentrates	13,217	4,787	2.8x
Cost of diamonds for resale	16	497	(97%)
Cost of sales	77,488	69,253	12%

H1 2017 production costs breakdown



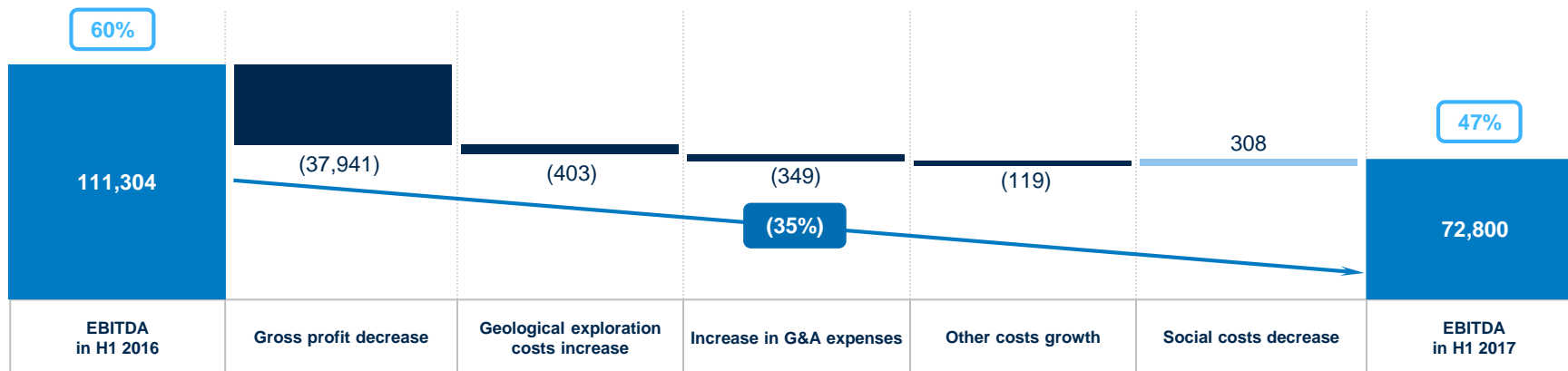
- The Company ensured a minimum growth of production costs due to maintaining the same level of wages, salaries, fuel and energy expenses as well as lower materials and transportation costs
- Increase in depreciation costs was mainly due to commissioning of new production capacities at the Udachny underground mine and increased output at the Company's deposits
- Extraction tax decreased y-o-y due to RUB appreciation against US dollar
- Higher services costs were driven by electricity transportation costs growth

EBITDA decline y-o-y was mainly driven by decrease in gross profit while q-o-q EBITDA growth was due to gross profit increase and decrease in expenses

EBITDA analysis, y-o-y change

RUB mln

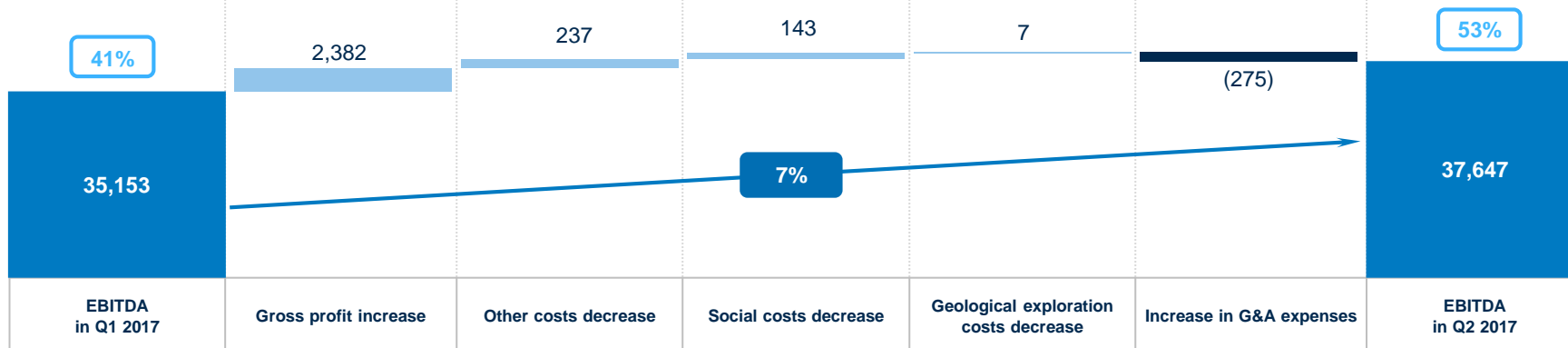
EBITDA margin



EBITDA analysis, q-o-q change

RUB mln

EBITDA margin

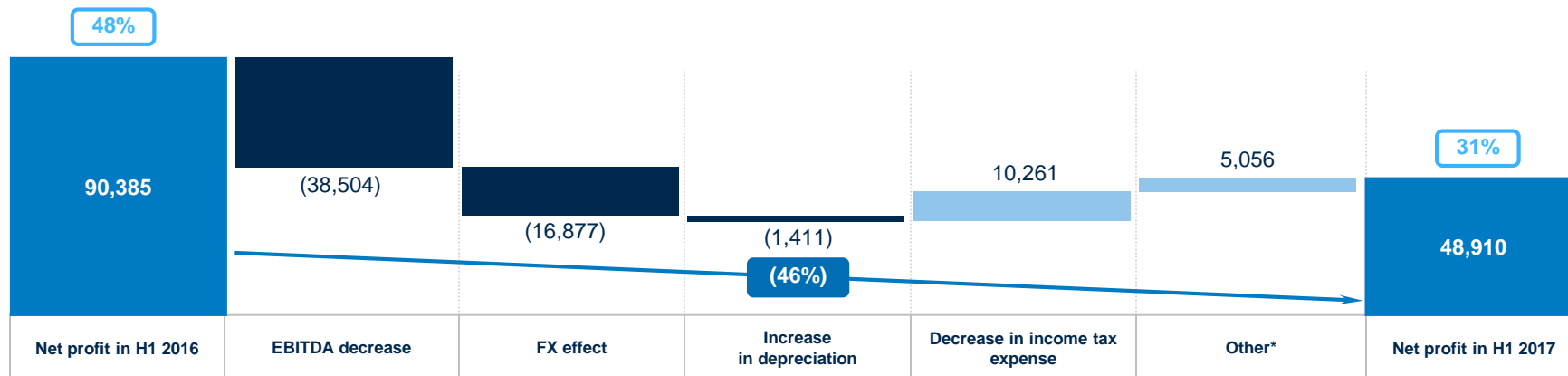


EBITDA decrease and FX effect resulted in net profit decline y-o-y. Q-o-q growth in net profit is mainly due to increase in EBITDA and other income

Net profit analysis, y-o-y change

RUB mln

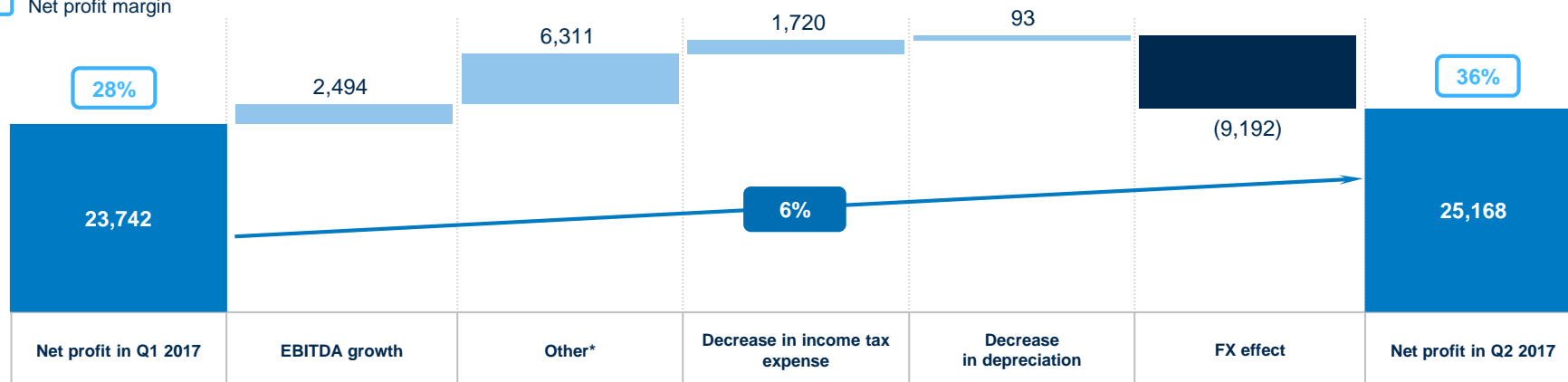
Net profit margin



Net profit analysis, q-o-q change

RUB mln

Net profit margin

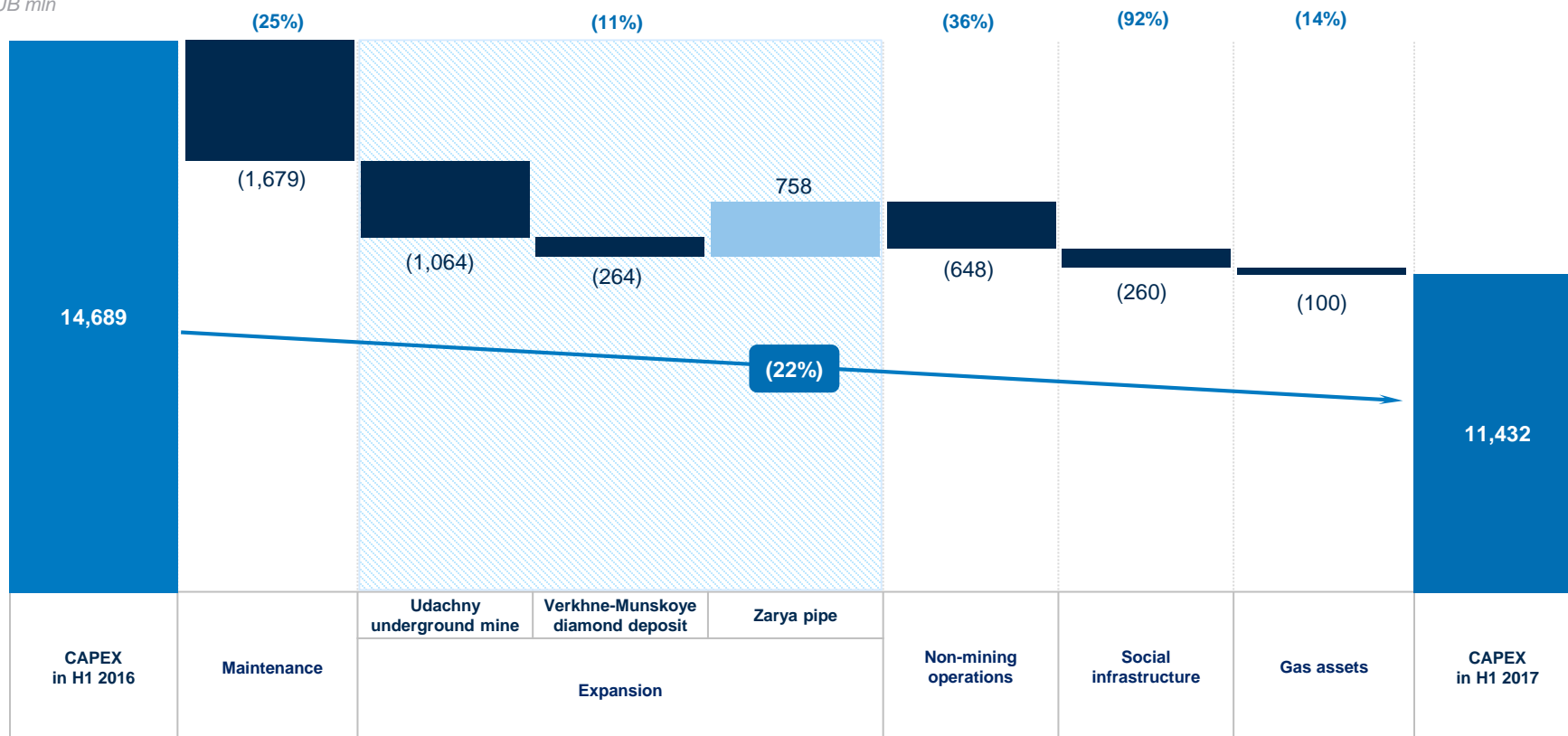


Note: other changes in net profit are inclusive of RUB 3,470 mln income from changes in the pension plan which imply financing of ALROSA's non-state pensions together with the employees on parity terms

CAPEX decreased y-o-y mainly due to lower investments in maintenance

Capital expenditure analysis

RUB mln



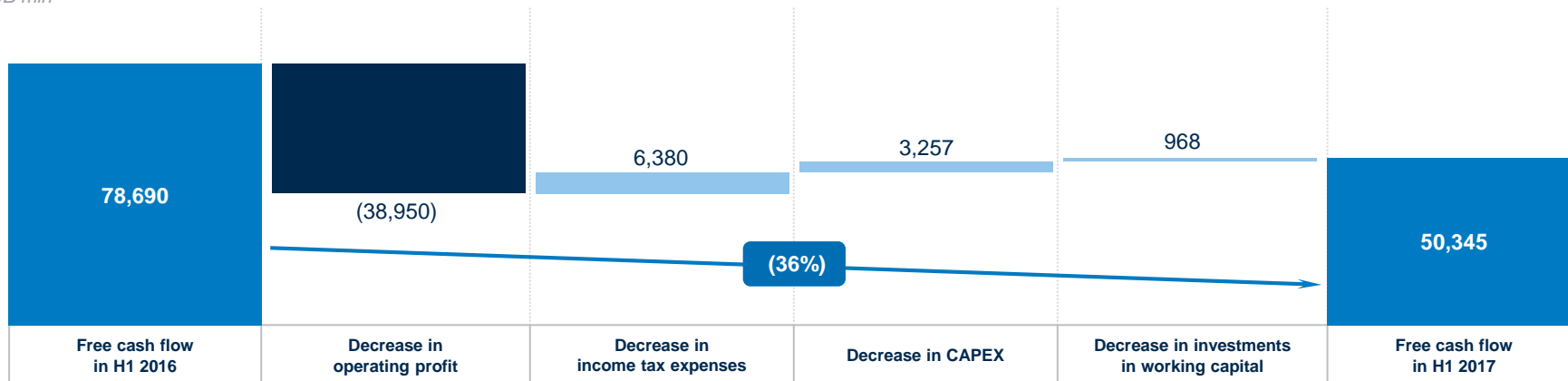
Capital expenditure

	Maintenance	Udachny underground mine	Verkhne-Munskoye diamond deposit	Zarya pipe	Non-mining operations	Social infrastructure	Gas assets	Σ
H1 2017	5,104	1,618	1,163	1,759	1,141	22	625	Σ 11,432
H1 2016	6,783	2,682	405	2,023	1,789	282	725	Σ 14,689

Y-o-y free cash flow decrease was due to operating profit decline. Q-o-q decrease in free cash flow was driven by changes in working capital

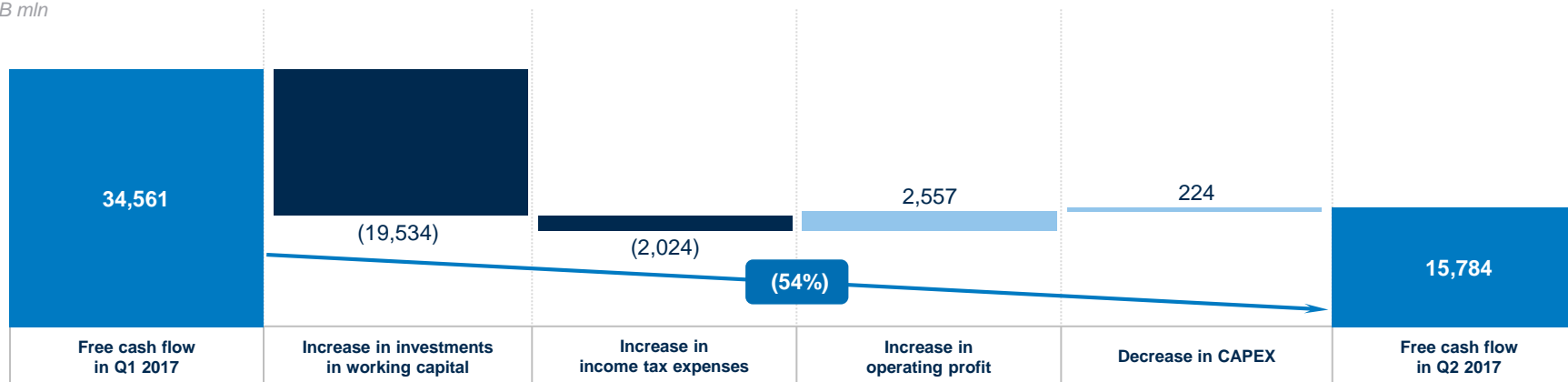
Free cash flow analysis, y-o-y change

RUB mln



Free cash flow analysis, q-o-q change

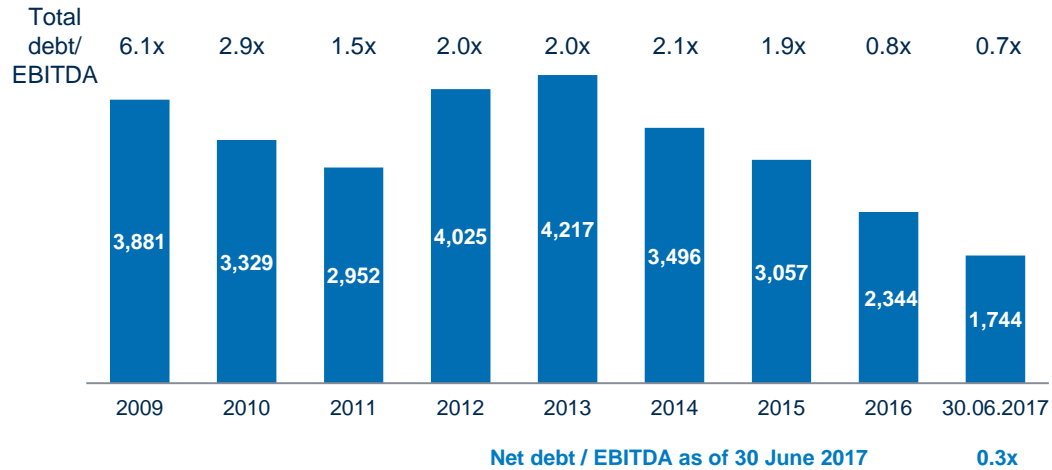
RUB mln



By the end of H1 2017 net debt / EBITDA is at a historically low level

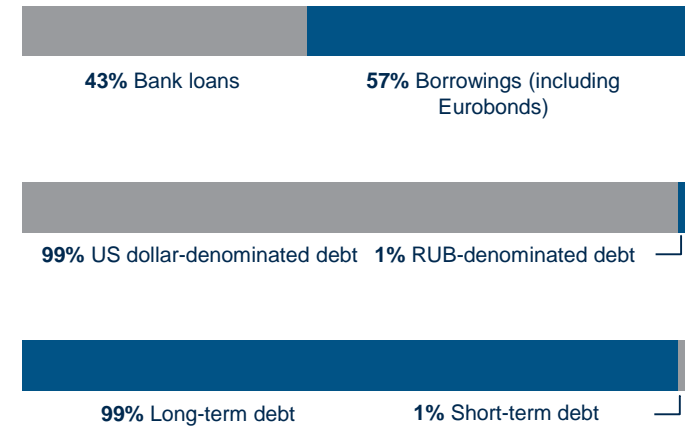
Loans and borrowings

\$ mln



Loans and borrowings breakdown

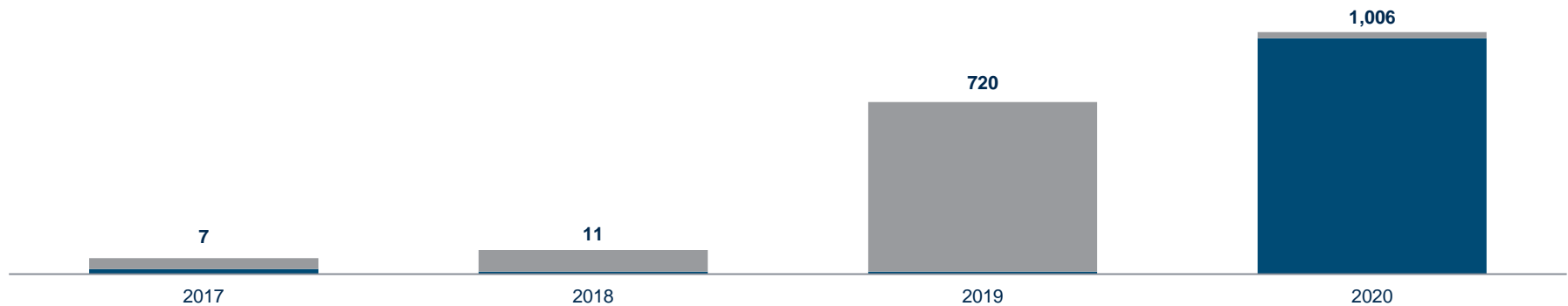
As of 30 June 2017



Maturity profile of loans and borrowings

As of 30 June 2017, \$ mln

■ Bank loans ■ Borrowings (including Eurobonds)



Thank you!



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