



**ALROSA**

Investor Presentation –  
Q3 and 9M 2015 Results

25 November 2015

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## Key 9M 2015 financial highlights

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Revenue	<b>172.5</b> RUB bn +17% 9M 2014: RUB 146.9 bn	Diamond sales	<b>23.0</b> mln cts (20%) 9M 2014: 28.8 mln cts
EBITDA	<b>89.8</b> RUB bn +36% 9M 2014: RUB 65.8 bn	Free cash flow	<b>35.8</b> RUB bn +59% 9M 2014: RUB 22.6 bn
EBITDA margin	<b>52%</b> 9M 2014: 45%	Total debt	<b>212.0</b> RUB bn +15% 30.06.15: RUB 184.0 bn
Net profit	<b>32.2</b> RUB bn 2.5x 9M 2014: RUB 12.8 bn	Total debt / EBITDA	<b>1.8x</b> 30.06.15: 1.6x

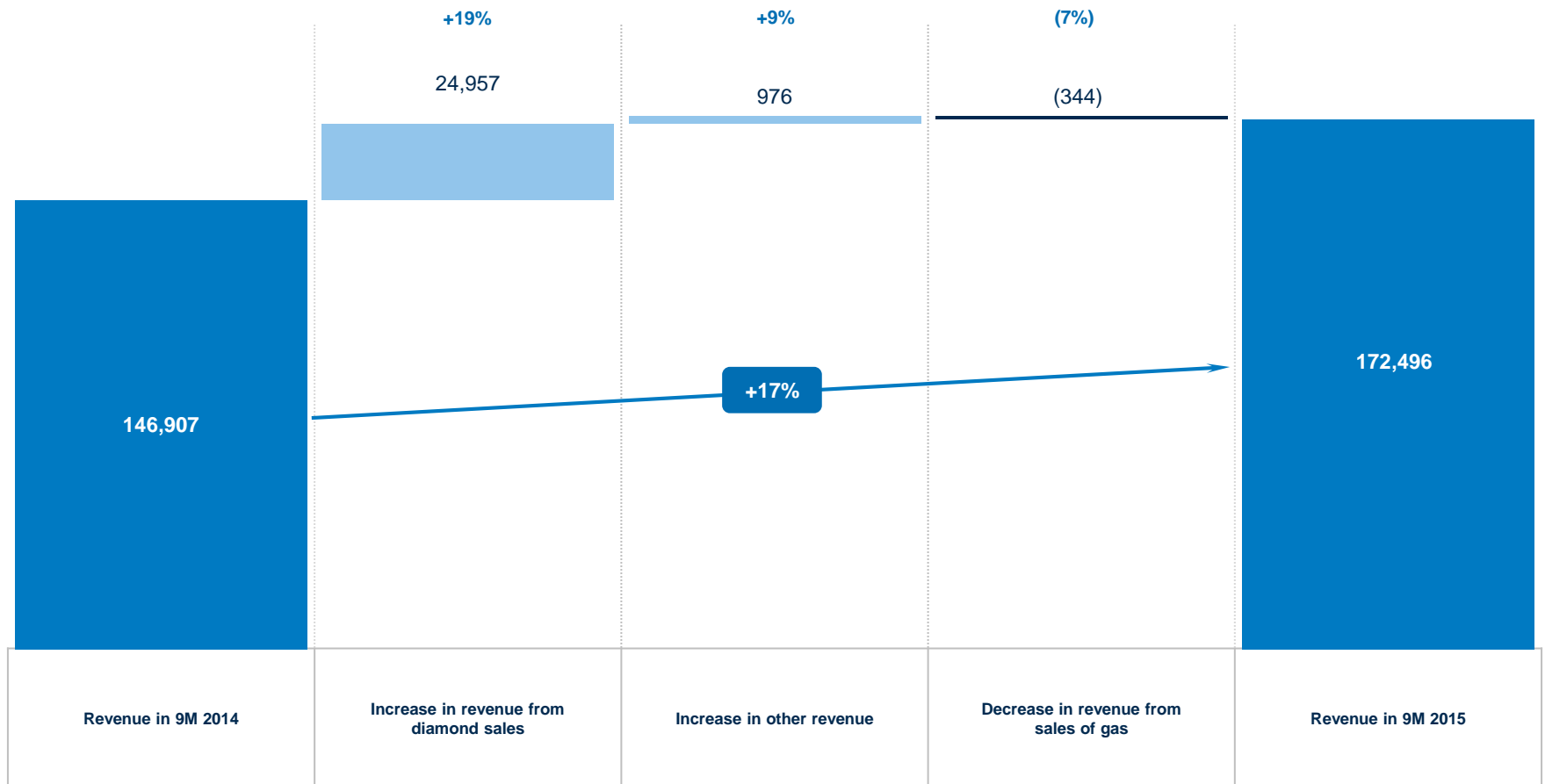
## Financial results

RUB mln	Q3 2015	Q2 2015	Change	9M 2015	9M 2014	Change
<b>Operating performance</b>						
Production, mln cts	11.6	9.6	21%	29.6	25.7	16%
Sales, mln cts	4.9	9.0	(46%)	23.0	28.8	(20%)
<b>IFRS statement of profit or loss and other comprehensive income</b>						
Revenue	40,628	57,288	(29%)	172,496	146,907	17%
Cost of sales	(18,700)	(26,885)	(30%)	(73,580)	(71,932)	2%
EBITDA	19,351	27,610	(30%)	89,824	65,841	36%
EBITDA margin	48%	48%	-	52%	45%	-
Net profit / (loss)	(15,178)	25,167	-	32,220	12,784	2.5x
Net profit margin	-	44%	-	19%	9%	-
EPS, RUB	(2.10)	3.40	-	4.23	1.64	2.6x
<b>IFRS statement of cash flows</b>						
Cash inflow from operating activities before changes in working capital				90,632	66,053	37%
Income tax paid				(10,566)	(11,241)	(6%)
Changes in working capital				(19,557)	(8,288)	2.4x
Net cash inflow from operating activities				60,509	46,524	30%
Purchase of property, plant and equipment				(24,690)	(23,948)	3%
Free cash flow				35,819	22,576	59%
<b>IFRS statement of financial position</b>						
				<b>as at 30.09.15</b>	<b>as at 30.06.15</b>	<b>Change</b>
Cash and cash equivalents				28,583	43,237	(34%)
Total debt				212,005	184,035	15%
Total debt / EBITDA				1.8x	1.6x	-
Net debt				183,422	140,798	30%
Net debt / EBITDA				1.6x	1.2x	-
Equity attributable to owners of PJSC ALROSA				153,452	169,151	(9%)

# 9M 2015 revenue growth y-o-y was mainly driven by higher diamond sales

## Revenue analysis

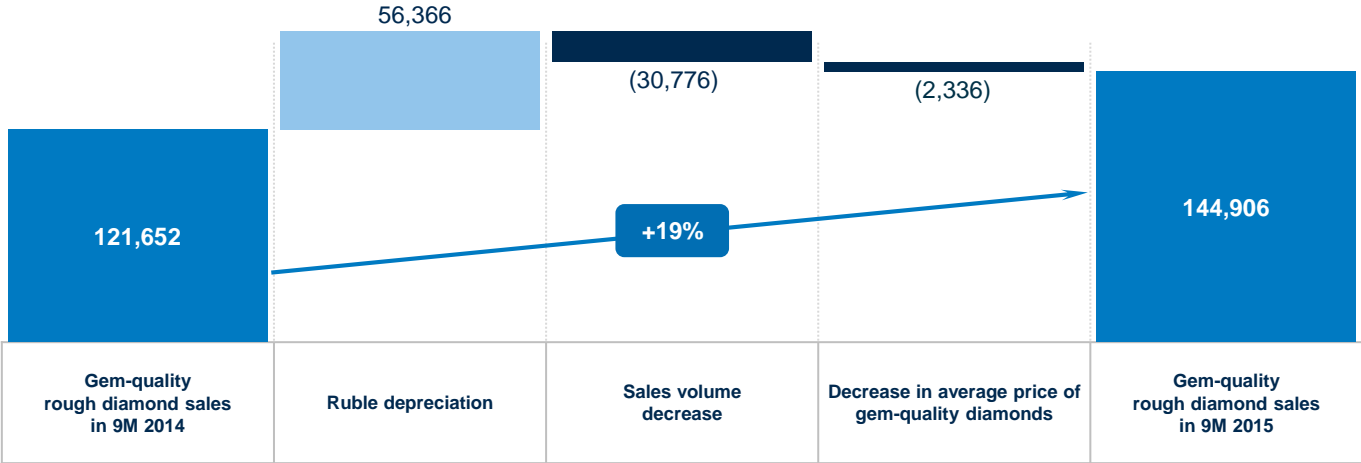
RUB mln



# Growth of gem-quality rough diamond sales in 9M 2015 was driven by ruble depreciation against the US dollar

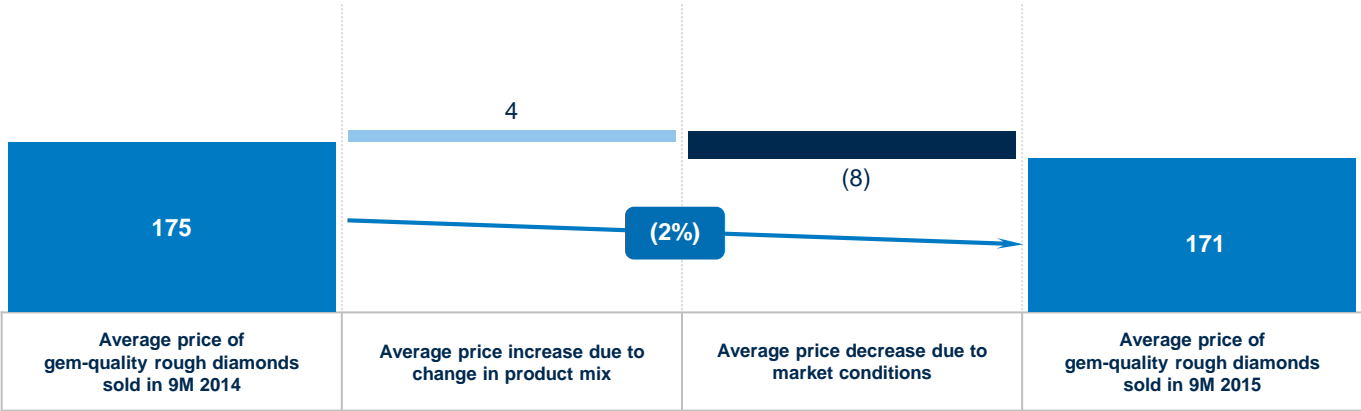
## Gem-quality rough diamond revenue analysis

RUB mln



## Gem-quality rough diamond average price analysis

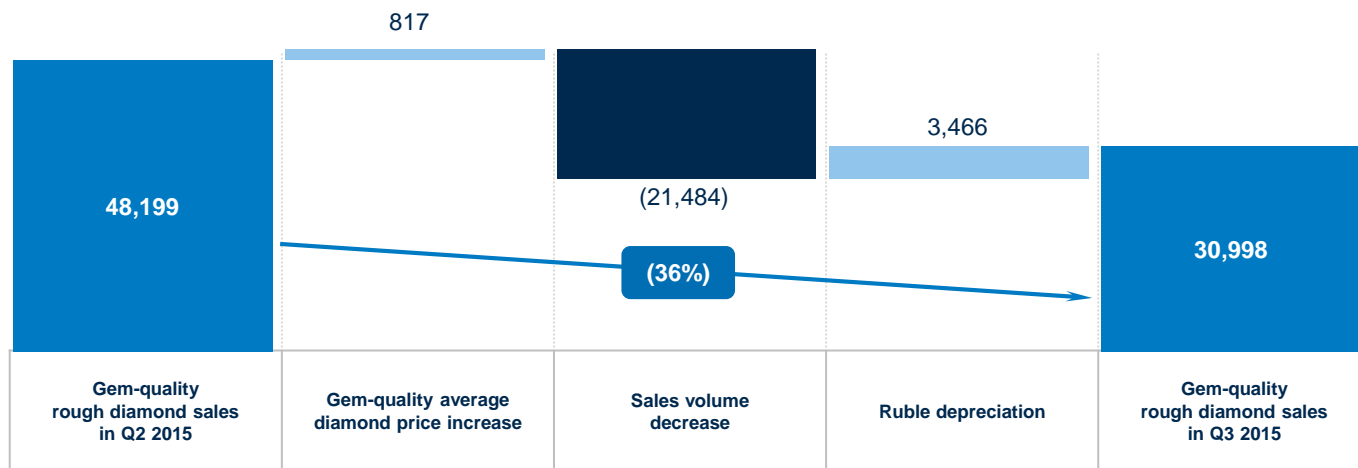
\$/carat



# Lower diamond sales caused the decrease in gem-quality rough diamond sales in Q3 2015

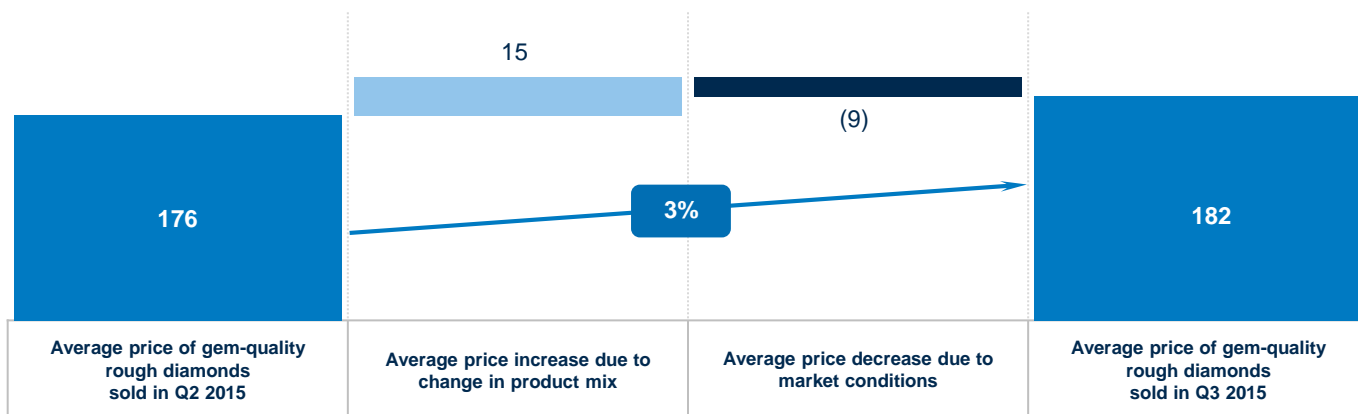
## Gem-quality rough diamond revenue analysis

RUB mln



## Gem-quality rough diamond average price analysis

\$/carat



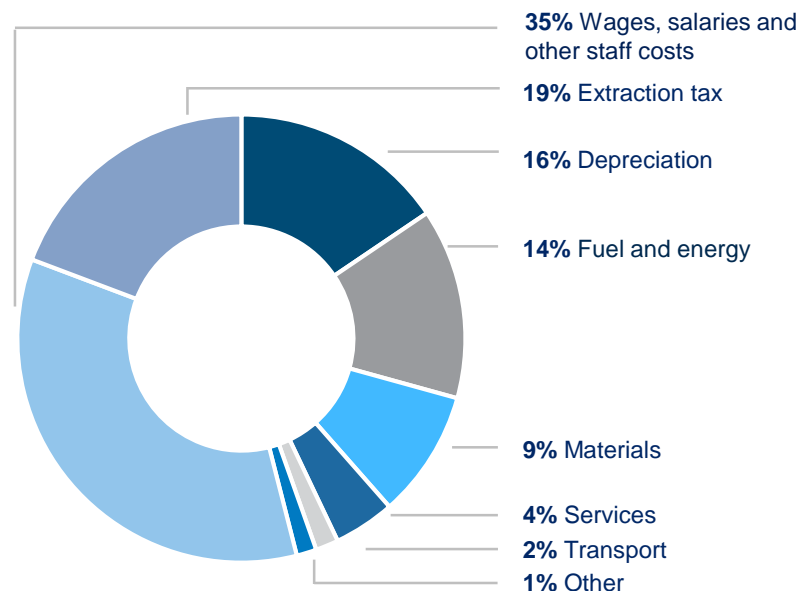
# Higher production cost was triggered by wages, salaries, extraction tax, fuel and energy costs and materials

## Cost of sales

RUB mln

	9M 2015	9M 2014	9M 2015 vs. 9M 2014
Wages, salaries and other staff costs	31,266	25,363	23%
Extraction tax	17,340	10,157	71%
Depreciation	13,988	13,094	7%
Fuel and energy	12,390	9,511	30%
Materials	8,300	6,820	22%
Services	3,977	3,488	14%
Transport	1,484	2,074	(28%)
Other	1,299	469	2.8x
<b>Cost of production</b>	<b>90,044</b>	<b>70,976</b>	<b>27%</b>
Movement in inventory of diamonds, ores and concentrates	(17,406)	180	-
Cost of diamonds for resale	942	776	21%
<b>Cost of sales</b>	<b>73,580</b>	<b>71,932</b>	<b>2%</b>

## Production costs in 9M 2015



- Wages, salaries and other staff costs increased against 9M 2014 mainly as a result of indexation at the inflation rate and change in methodology of the annual remuneration reserve accrual, and higher scope of work
- Extraction tax (MET) payments growth resulted from ruble depreciation against the US dollar, from growth of production, and from the Ministry of Finance's new diamond pricelist coming into force in 2014
- Fuel and energy costs growth mainly resulted from the reclassification of costs for the purchase of electricity from ALROSA's subsidiary Viluyskaya HPP-3, as well as from higher diesel prices and increased scope of work
- Materials costs increased against 9M 2014 on the back of imported replacement components price growth, higher scope of work at ALROSA Group enterprises
- Transport costs decline resulted from additional truck transportation expenses back in 2014 due to a reduced period of navigation on the River Lena in 2013

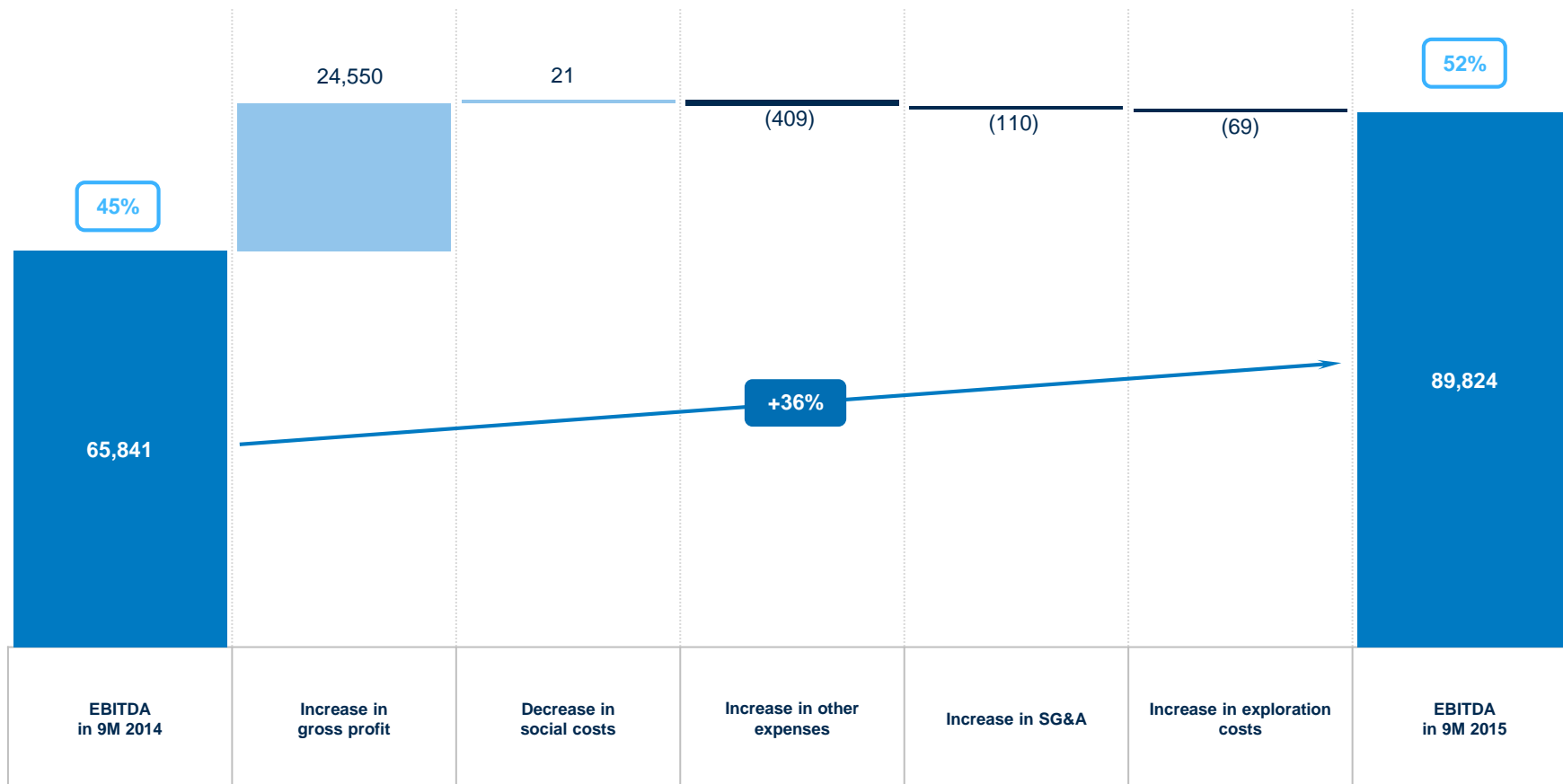


# 9M 2015 EBITDA increased y-o-y due to growth in gross profit from diamond sales

## EBITDA analysis

RUB mln

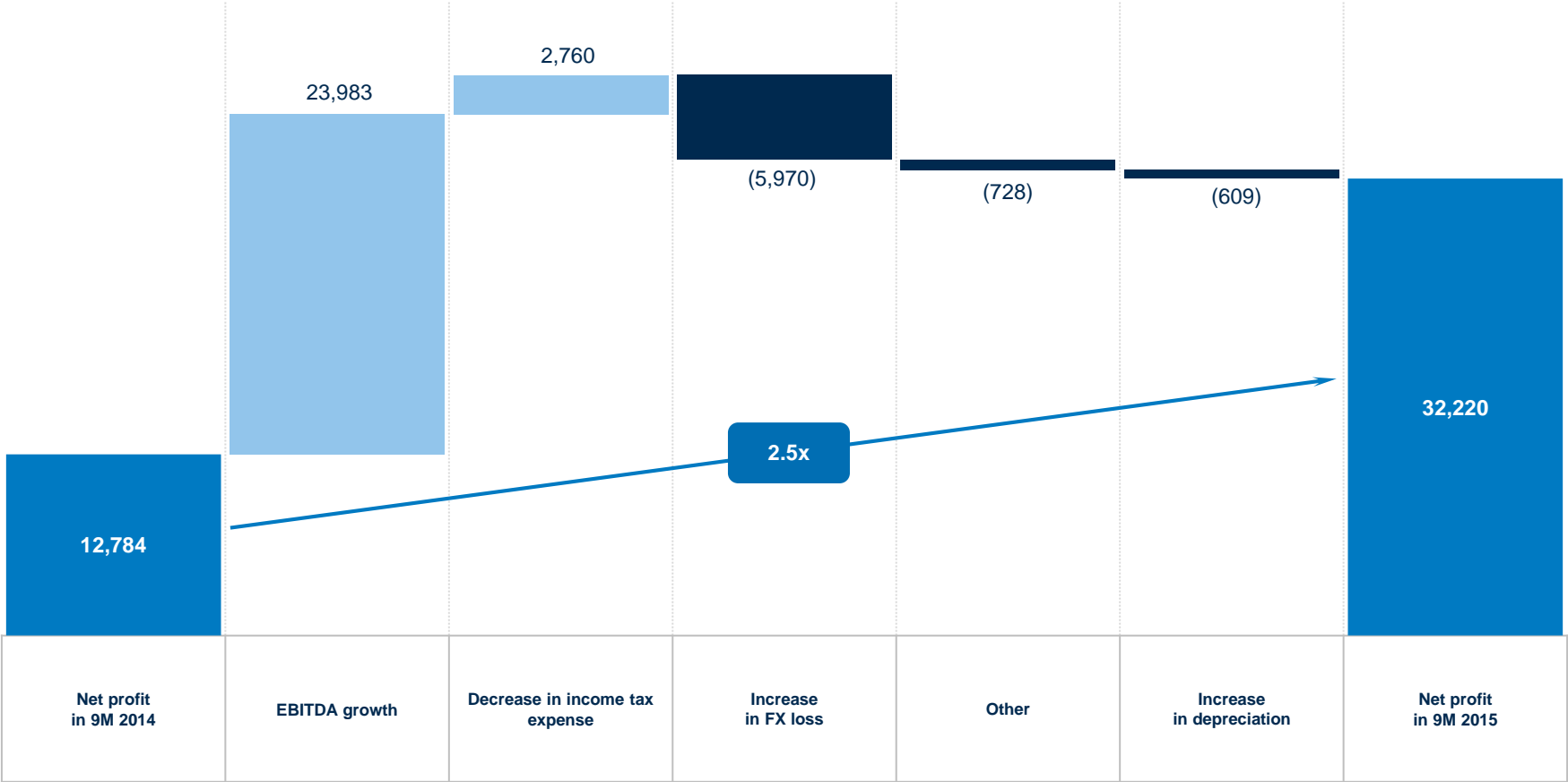
EBITDA margin



# Net profit increased in 9M 2015 y-o-y due to EBITDA growth and decline in income tax expense

## Net profit analysis

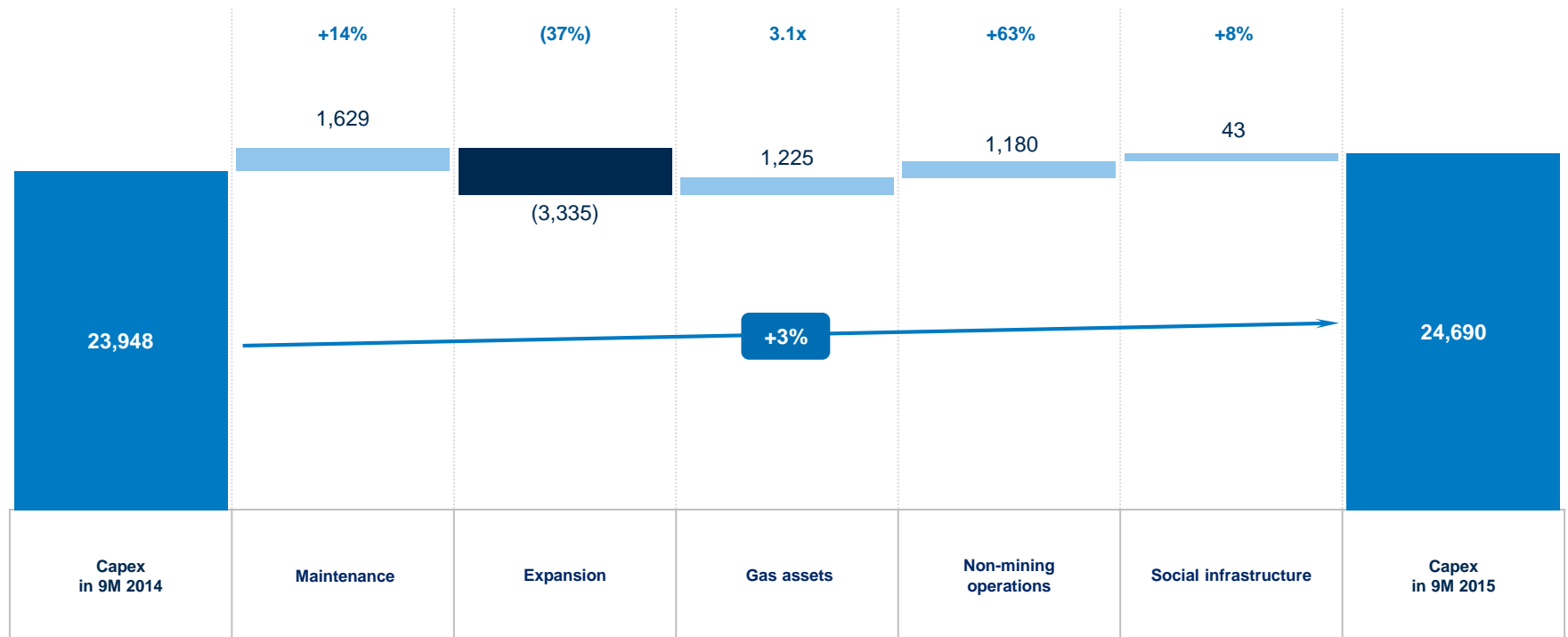
RUB mln



# 9M 2015 total capex increased by 3% mainly due to higher investments in maintenance

## Capital expenditure analysis

RUB mln



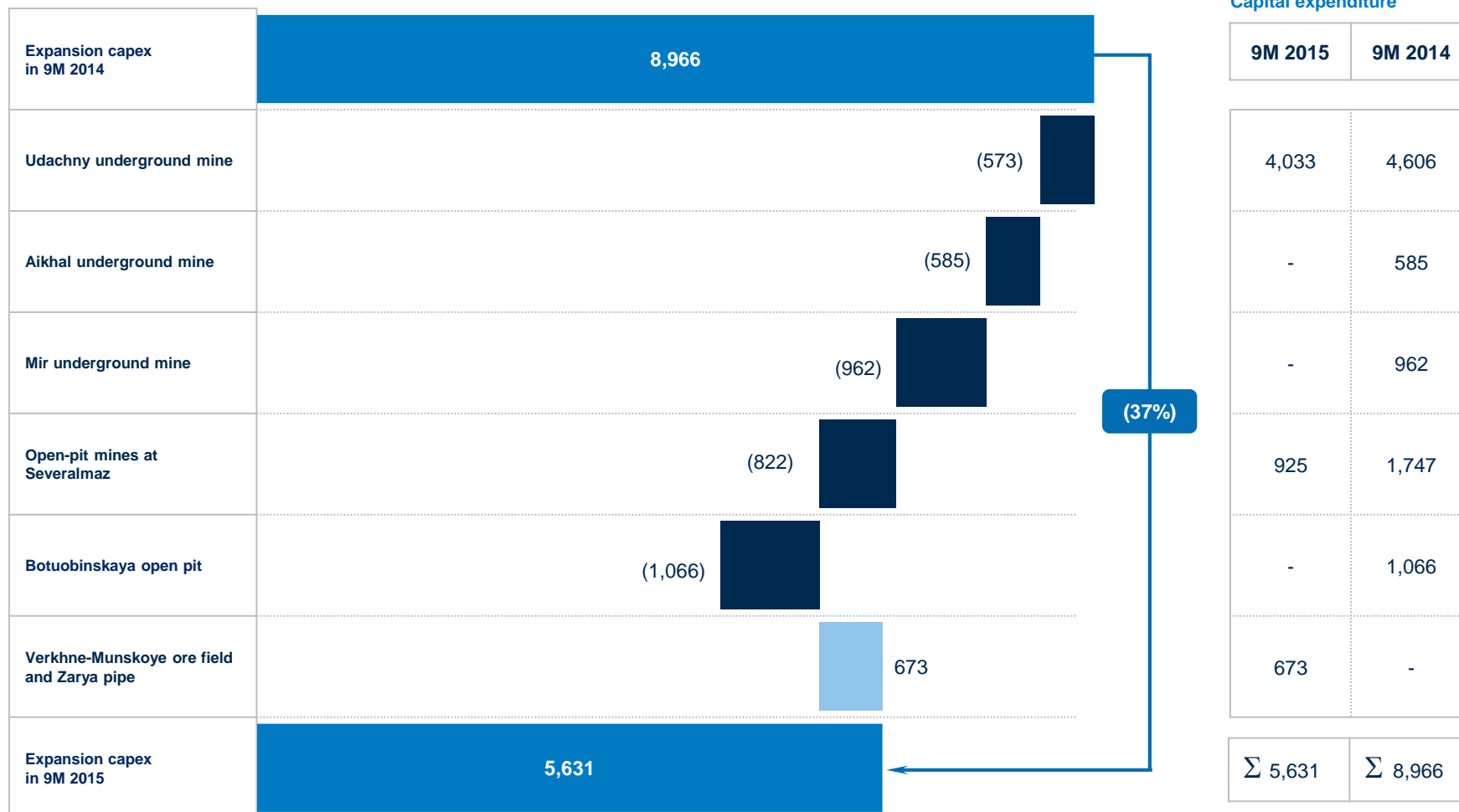
## Capital expenditure

	Maintenance	Expansion	Gas assets	Non-mining operations	Social infrastructure	Σ
9M 2015	13,625	5,631	1,819	3,050	565	Σ 24,690
9M 2014	11,996	8,966	594	1,870	522	Σ 23,948

# Expansion capex decrease was due to commissioning of Botuobinskaya open pit, Udachny underground mine and Seversalmaz production facilities

## Expansion capex analysis

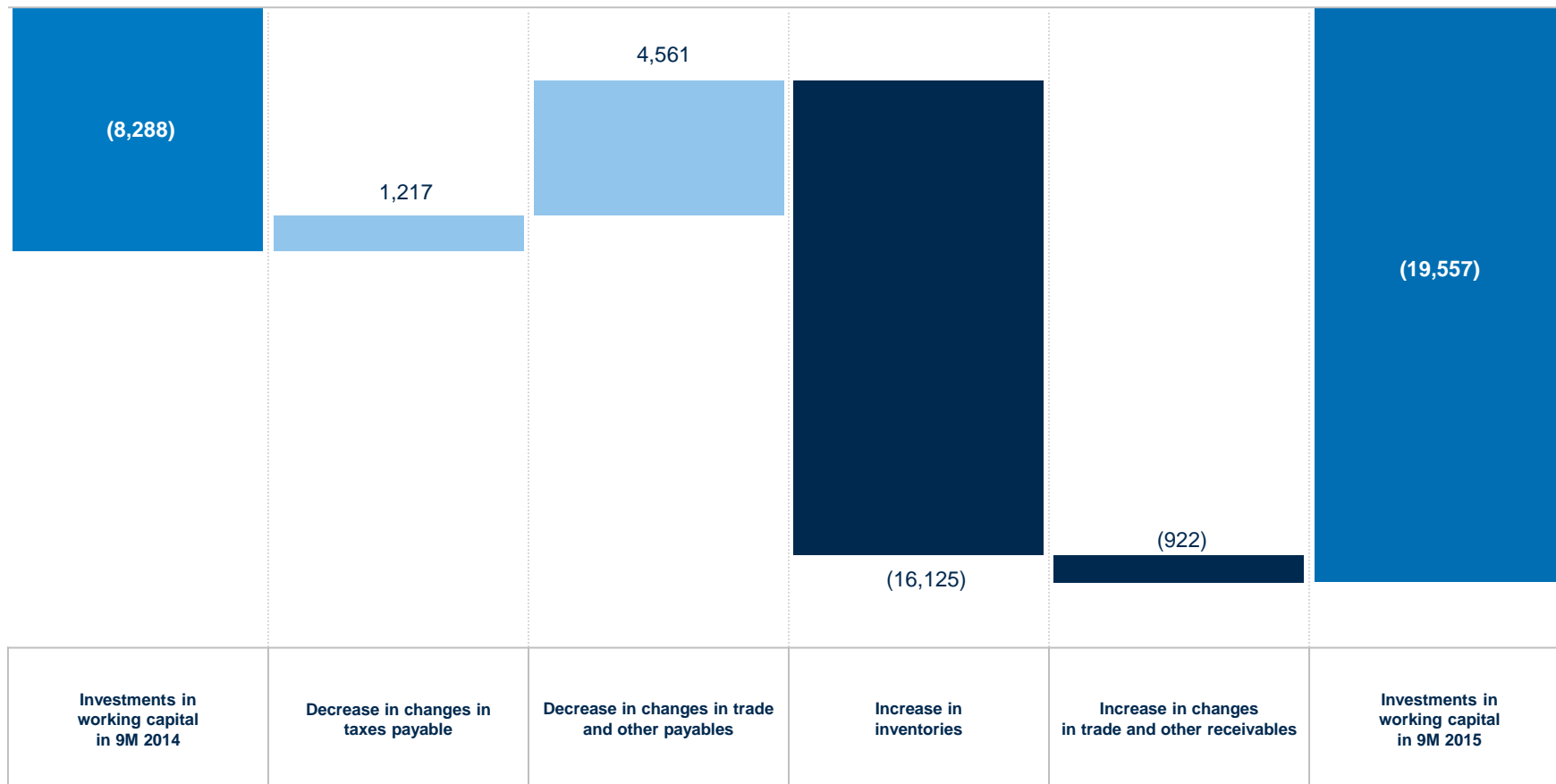
RUB mln



# Growth of investments in working capital in 9M 2015 y-o-y was driven by the increase in rough diamond inventories due to the global softening in rough diamond demand

## Analysis of investments in working capital

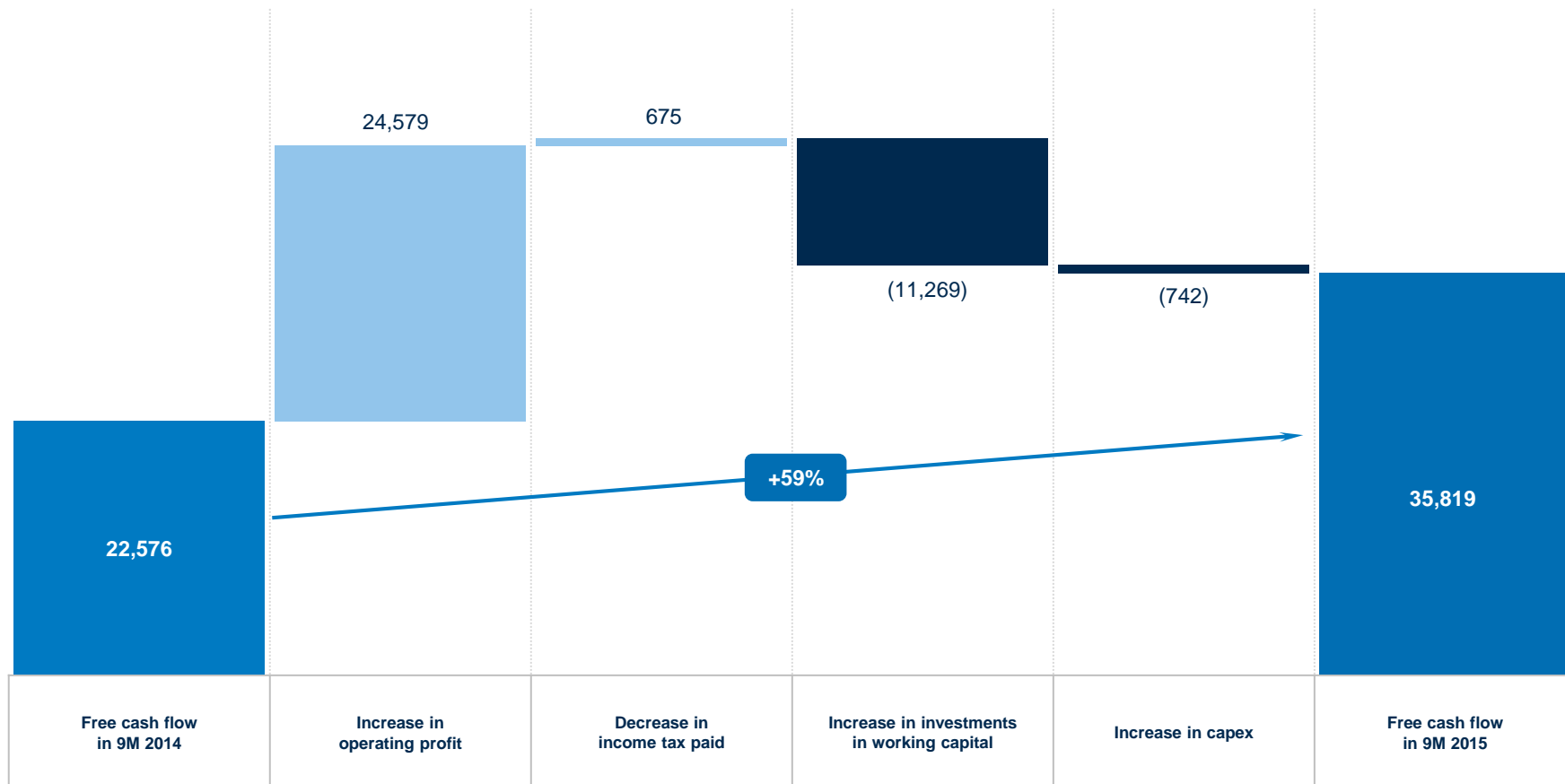
RUB mln



# Free cash flow increased in 9M 2015 due to growth in operating profit

## Free cash flow analysis

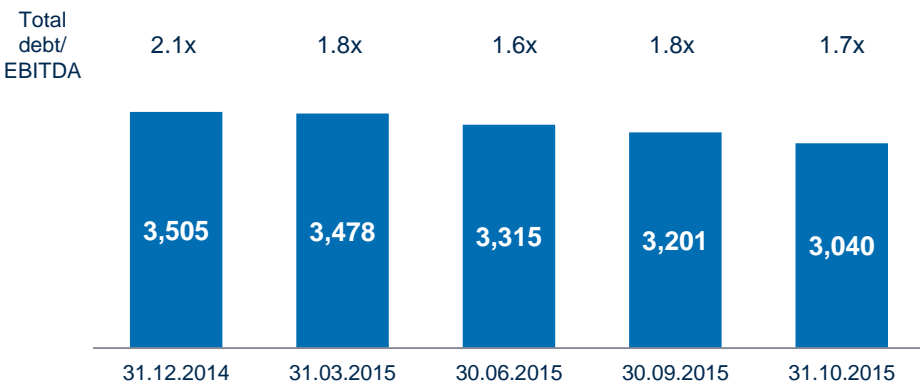
RUB mln



# Loans and borrowings were reduced to USD 3.0 bn after the RUB 10 bn bond repayment in October 2015

## Loans and borrowings

\$ mln



## For reference: ALROSA net debt

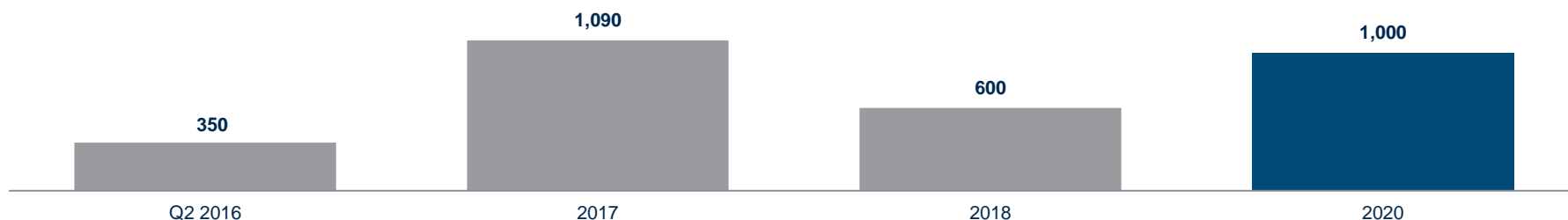
\$ mln



## Maturity profile of loans and borrowings

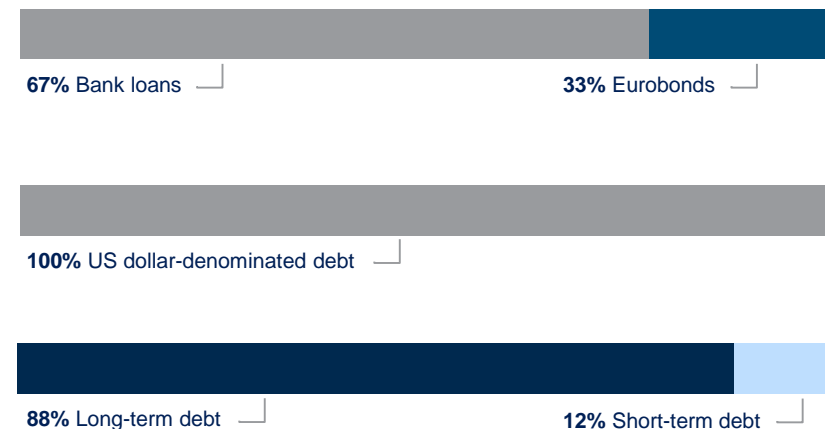
\$ mln

■ Bank loans ■ Eurobonds



## Loans and borrowings breakdown

As at 31 October 2015



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# Thank you!



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