



**ALROSA**

Investor Presentation –  
Q1 2016 Results

31 May 2016

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## Q1 2016 key financial highlights

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Revenue	<b>102.3</b> RUB bn +37% Q1 2015: RUB 74.6 bn	Diamond sales	<b>12.1</b> mln cts +34% Q1 2015: 9.0 mln cts
EBITDA	<b>59.3</b> RUB bn +38% Q1 2015: RUB 42.9 bn	Net profit	<b>49.9</b> RUB bn 2.2x Q1 2015: RUB 22.2 bn
EBITDA margin	<b>58%</b> Q1 2015: 57%	Free cash flow	<b>59.9</b> RUB bn +89% Q1 2015: RUB 31.8 bn

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The improvement in ALROSA's Q1 2016 y-o-y financial results was caused mainly by increase in diamond sales by 34% in carat terms

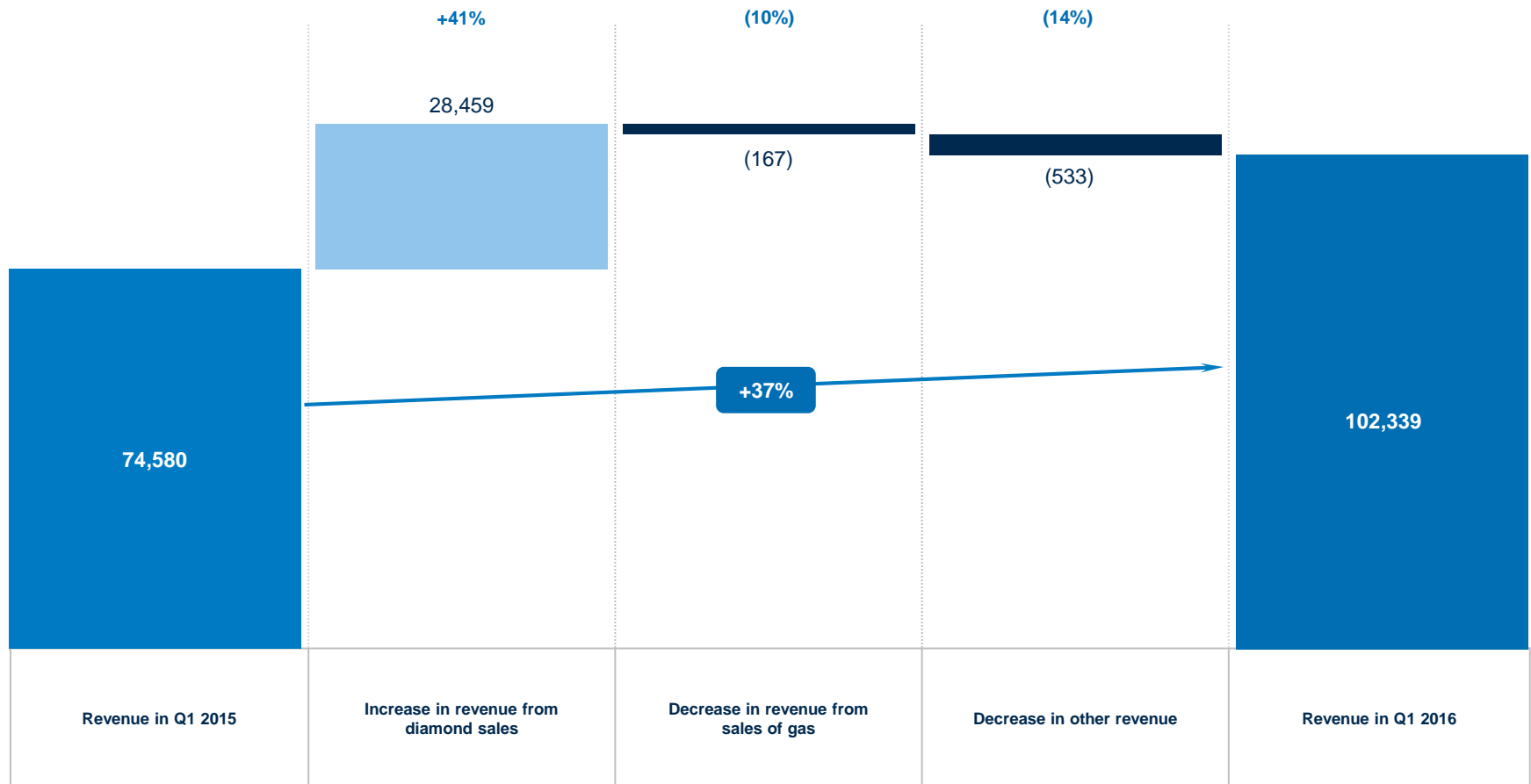
## Financial results

RUB mln	Q1 2016	Q4 2015	Q1 2015	Q1 2016 vs Q4 2015	Q1 2016 vs Q1 2015
<b>Operating performance</b>					
Production, mln cts	8.2	8.6	8.4	(5%)	(2%)
Sales, mln cts, incl.:	12.1	7.1	9.0	71%	34%
gem quality diamonds sales, mln cts	8.9	4.1	7.0	2.2x	27%
industrial quality diamonds sales, mln cts	3.2	3.0	2.0	6%	60%
<b>IFRS income statement of profit or loss and other comprehensive income</b>					
Revenue	102,339	52,028	74,580	97%	37%
Cost of sales	(39,057)	(19,660)	(27,995)	99%	40%
EBITDA	59,342	28,674	42,863	2.1x	38%
EBITDA margin	58%	55%	57%	5%	1%
Net profit / (loss)	49,889	(28)	22,231	-	2.2x
Net profit margin	49%	-	30%	-	64%
EPS, RUB	6.68	(0.06)	2.93	-	2.3x
<b>IFRS statement of financial position</b>					
Cash and cash equivalents	75,963	20,503	54,221	3.7x	40%
Total debt	207,119	223,159	203,327	(7%)	2%
Net debt	131,156	202,656	149,106	(35%)	(12%)
Net debt / EBITDA	1.0x	1.7x	1.3x	-	-
Equity attributable to owners of PJSC ALROSA	199,653	151,742	156,774	32%	27%
<b>IFRS statement of cash flows</b>					
Cash inflow from operating activities before changes in working capital	60,890	29,348	43,074	2.1x	41%
Income tax paid	(6,418)	221	(2,596)	-	2.5x
Changes in working capital	12,478	(14,537)	(1,090)	-	-
Net cash inflow from operating activities	66,950	15,032	39,388	4.5x	70%
Purchase of property, plant and equipment	(7,043)	(9,551)	(7,634)	(26%)	(8%)
Free cash flow	59,907	5,481	31,754	10.9x	89%
ROIC	31%	27%	27%	-	-

# Q1 2016 revenue growth y-o-y was driven mainly by higher diamond sales

## Revenue analysis

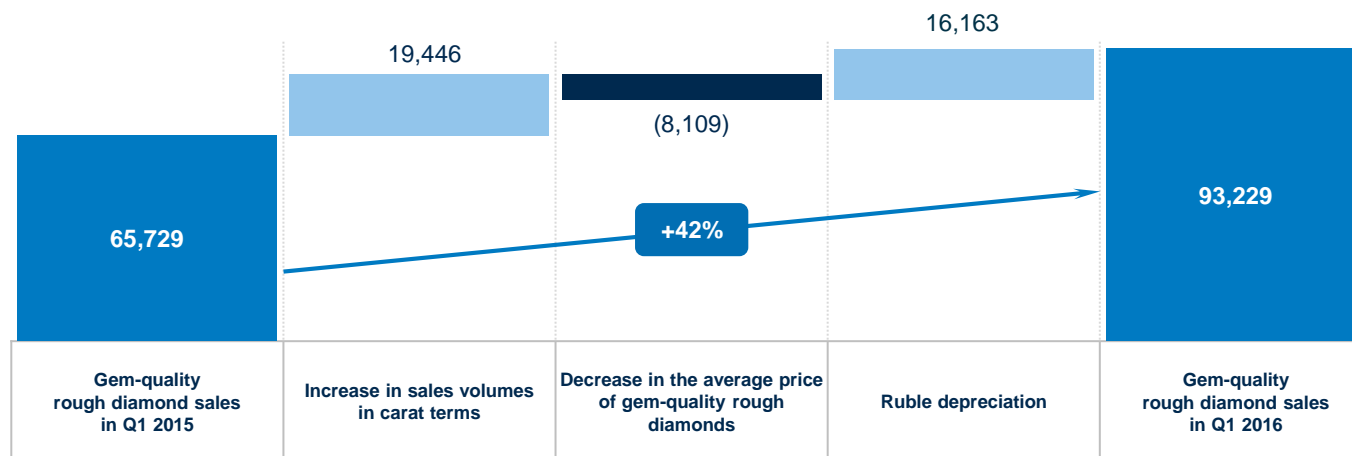
RUB mln



# Gem-quality rough diamond sales in Q1 2016 compared to Q1 2015 and Q4 2015 grew due to an increase in sales volumes and the ruble's depreciation against the US dollar

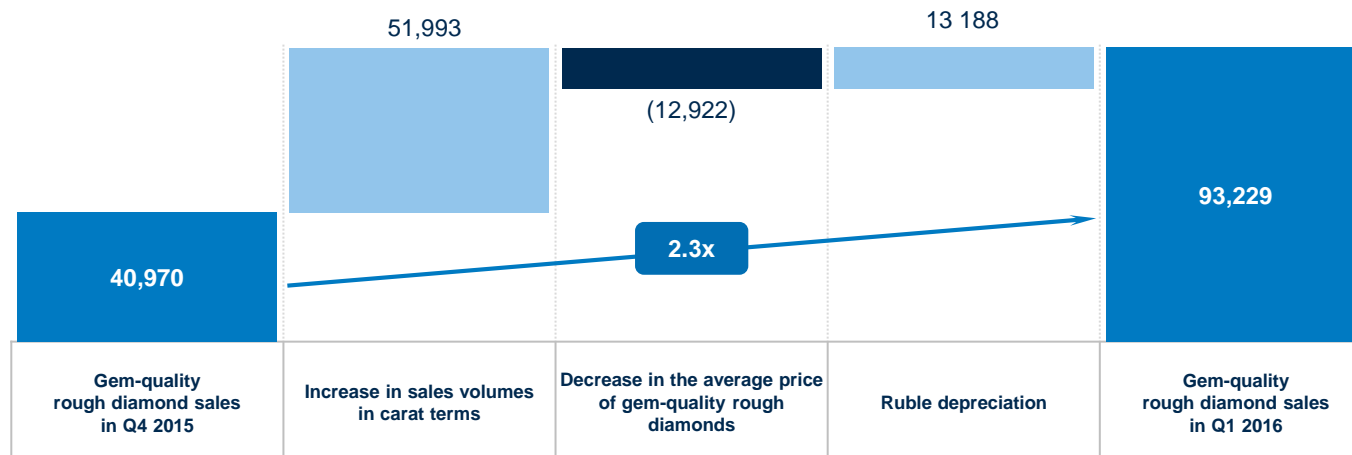
## Analysis of revenue from gem-quality rough diamond sales, Q1 2016 vs Q1 2015

RUB mln



## Analysis of revenue from gem-quality rough diamond sales, Q1 2016 vs Q4 2015

RUB mln



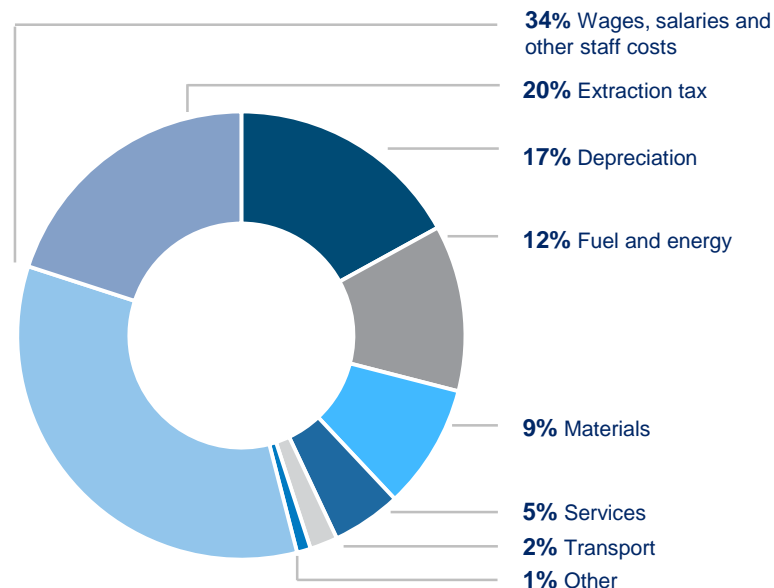
# Higher production costs were driven by depreciation, materials costs, wages, salaries and other staff costs and services

## Cost of sales

RUB mln

	Q1 2016	Q1 2015	Q1 2016 vs Q1 2015
Wages, salaries and other staff costs	11,219	10,590	6%
Extraction tax	6,682	6,681	0%
Depreciation	5,612	4,517	24%
Fuel and energy	3,998	4,766	(16%)
Materials	2,791	2,131	31%
Services	1,469	971	51%
Transport	691	572	21%
Other	314	359	(13%)
<b>Cost of production</b>	<b>32,776</b>	<b>30,587</b>	<b>7%</b>
Movement in inventory of diamonds, ores and concentrates	6,029	(2,904)	-
Cost of diamonds for resale	252	312	(19%)
<b>Cost of sales</b>	<b>39,057</b>	<b>27,995</b>	<b>40%</b>

## Breakdown of Q1 2016 production costs



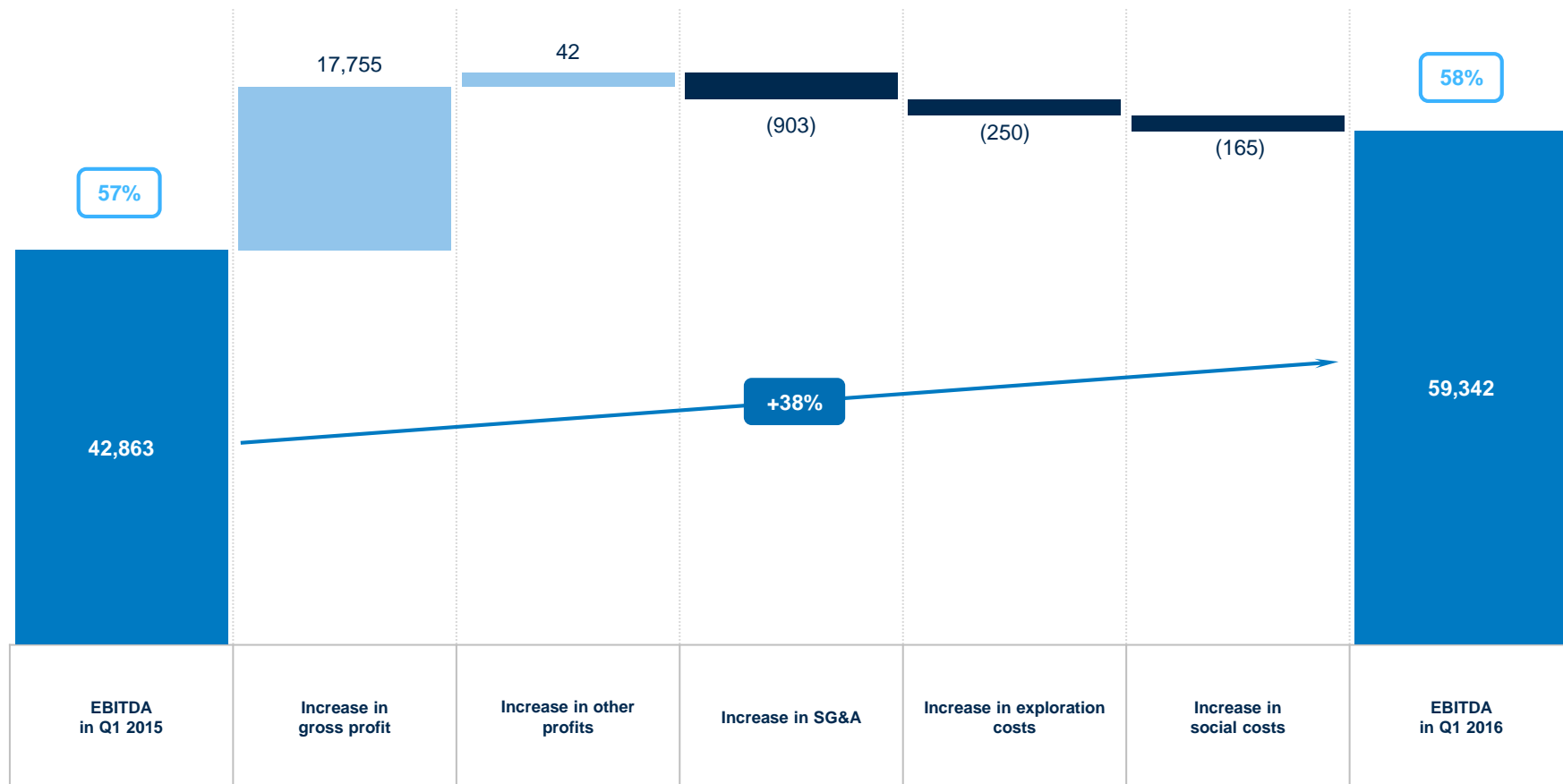
- Cost of sales increased in Q1 2016 y-o-y in line with revenue growth
- Wages, salaries and other staff costs in Q1 2016 y-o-y grew mostly as a result of indexation in line with the inflation rate
- Growth of depreciation in Q1 2016 vs Q1 2015 was due to production increases at Mirny and Udachny divisions
- Q1 2016 materials costs increased compared to Q1 2015 mainly as a result of a new production equipment commencing at Udachny division and increase in mining activities at AO "Almazy Anabara"
- Decrease in fuel and energy costs in Q1 2016 y-o-y was in line with an increase in services costs over the same period and was associated with the reclassification of costs for the purchase of electricity

# In Q1 2016 vs Q1 2015 EBITDA increased due to growth in gross profit from diamond sales

## EBITDA analysis

RUB mln

EBITDA margin



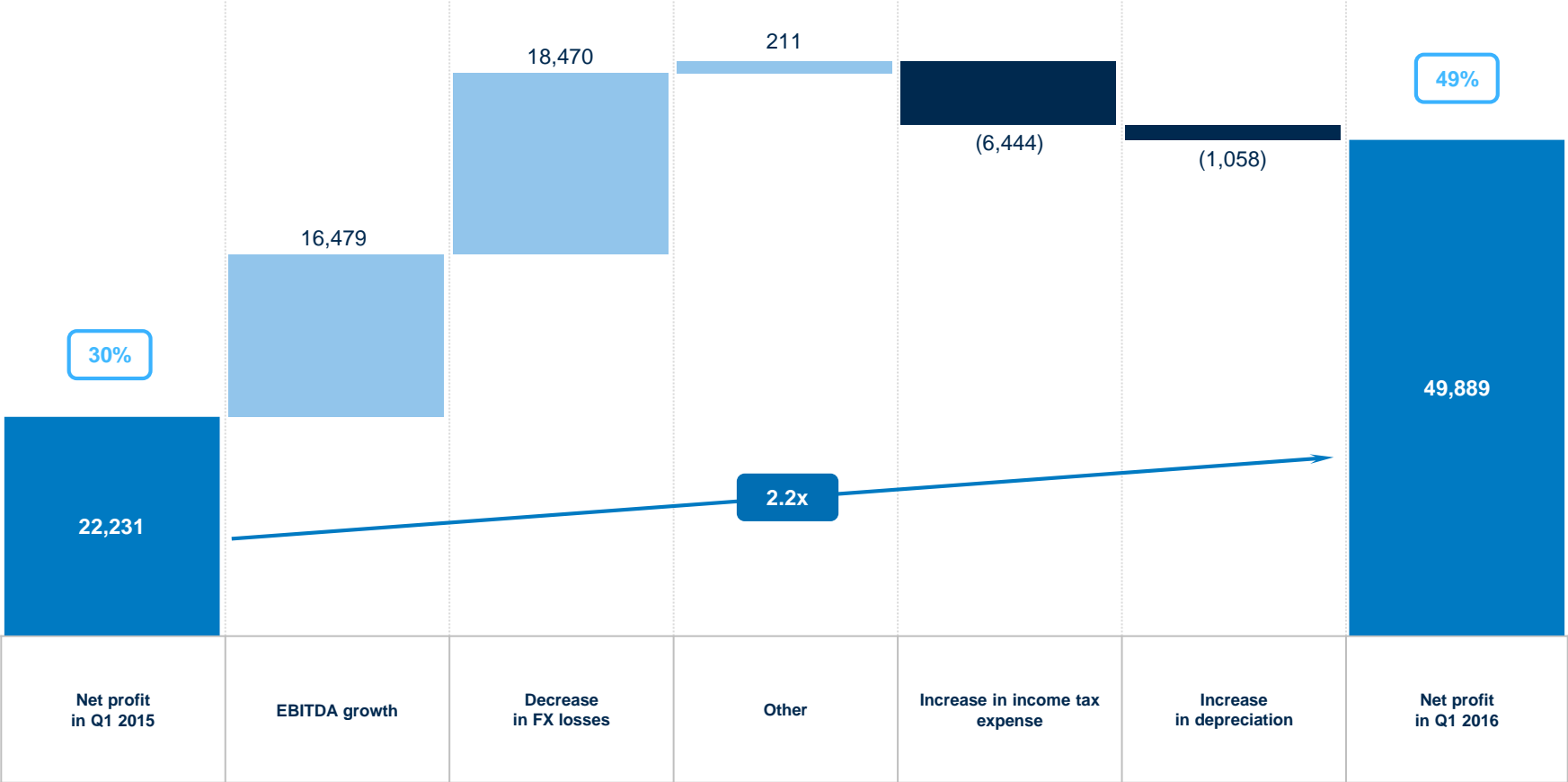


# Net profit growth in Q1 2016 vs Q1 2015 was driven by EBITDA growth and decline in FX losses

## Net profit analysis

RUB mln

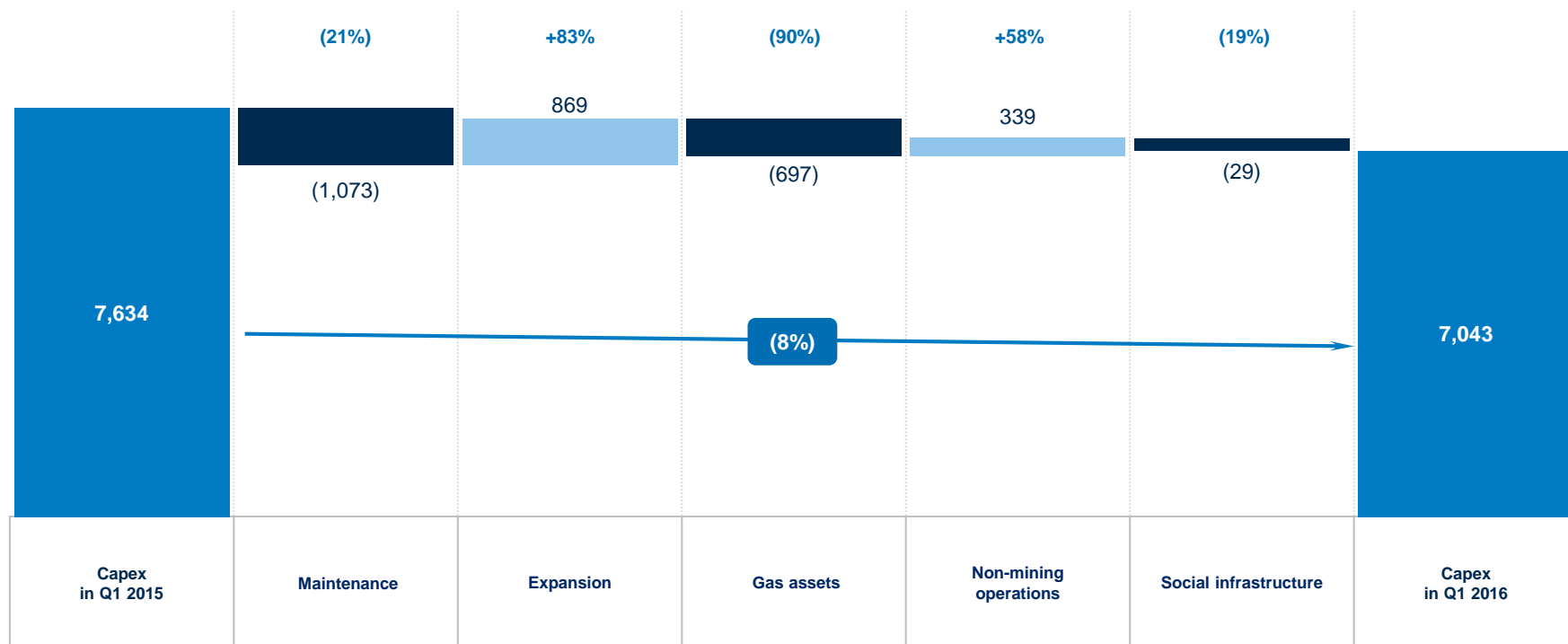
Net profit margin



# Total capex in Q1 2016 decreased by 8% y-o-y mainly due to fewer investments in maintenance

## Capital expenditure analysis

RUB mln



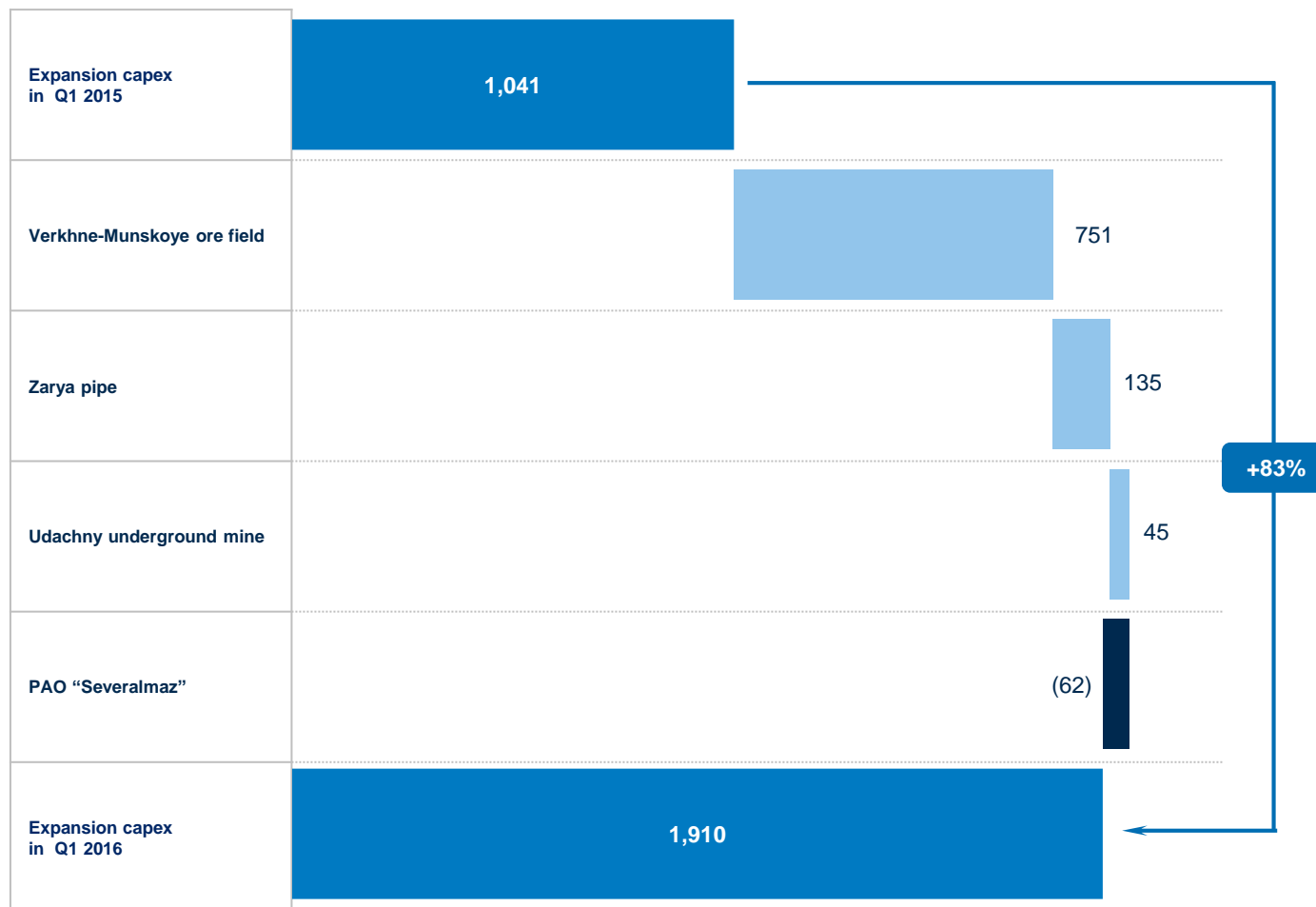
## Capital expenditure

	Maintenance	Expansion	Gas assets	Non-mining operations	Social infrastructure	Total
Q1 2016	4,013	1,910	80	919	121	Σ 7,043
Q1 2015	5,086	1,041	777	580	150	Σ 7,634

# Increase in expansion capex was primarily associated with development of transport infrastructure at Verkhne-Munskoye ore field

## Expansion capex analysis

RUB mln



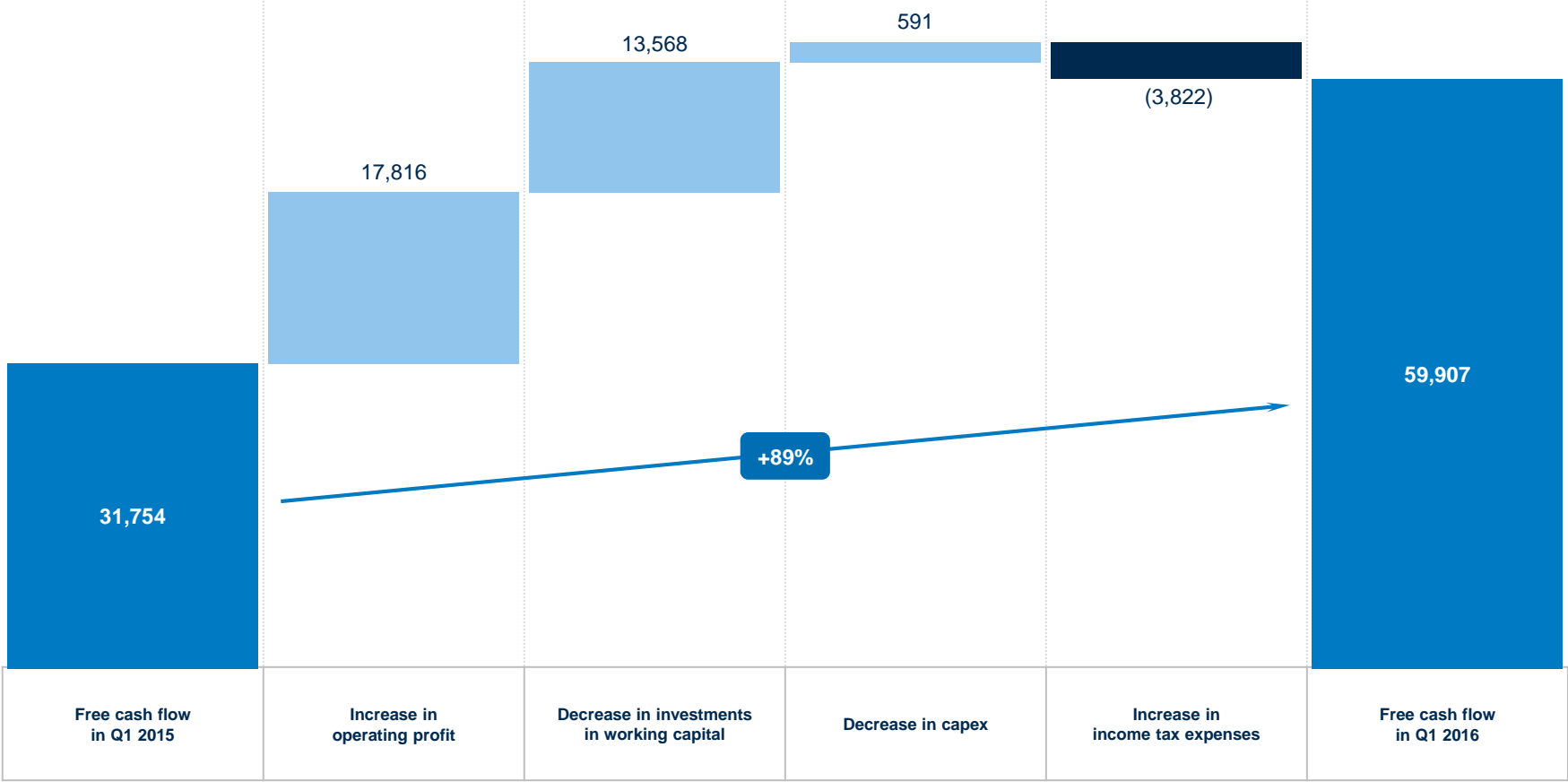
## Capital expenditure

	Q1 2016	Q1 2015
Verkhne-Munskoye ore field	751	-
Zarya pipe	135	-
Udachny underground mine	1,024	979
PAO "Severalmaz"	-	62
<b>Σ</b>	<b>Σ 1,910</b>	<b>Σ 1,041</b>

# Free cash flow increased in Q1 2016 vs Q1 2015 due to growth in operating profit and decrease in investments in working capital

## Free cash flow analysis

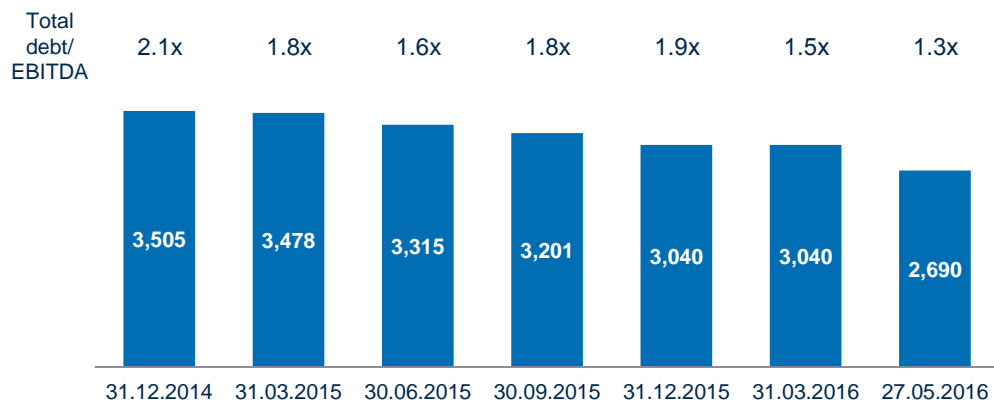
RUB mln



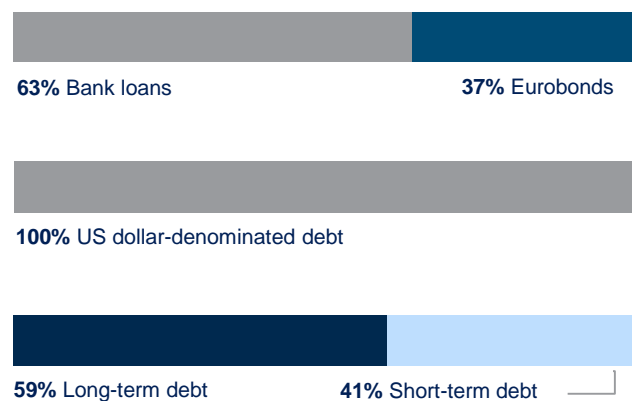
# Loans and borrowings decreased to \$2.7 bn after \$350 mln loan was repaid to JSC Alfa-Bank using cash from operating activities

## Loans and borrowings

\$ mln



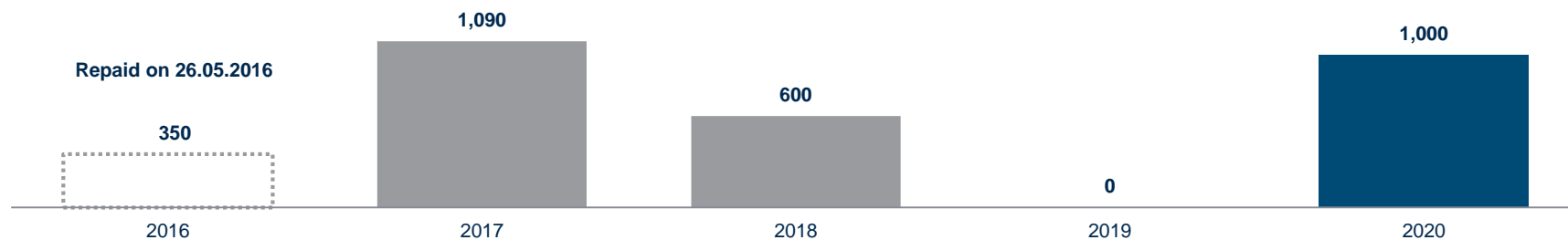
## Loans and borrowings breakdown



## Maturity profile of loans and borrowings

As at 31 March 2016, \$ mln

■ Bank loans ■ Eurobonds



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# Thank you!



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