



ALROSA

Q1'18 IFRS Financial Results

16 May 2018

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Q1 2018 key operating and financial highlights

- Q1 sales grew by 43% qoq despite a 26% qoq decrease in output, as company sold ~6 m carats from its stocks
- Revenue grew by 58% qoq driven by better product mix and growth of average selling prices
- EBITDA growth by 78% qoq up to RUB 48 bn on stronger sales, mix and price improvement, as well as tighter cost control
- Free cash flow¹ grew 3.5x qoq on strong profitability growth and lower seasonally capex

Diamonds production

mln cts

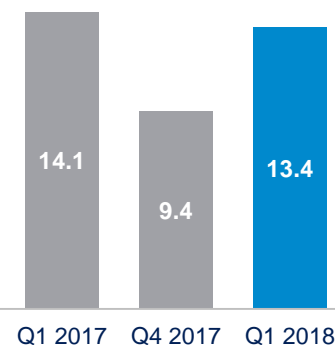
qoq: (26%)
yoy: (17%)



Diamonds sales

mln cts

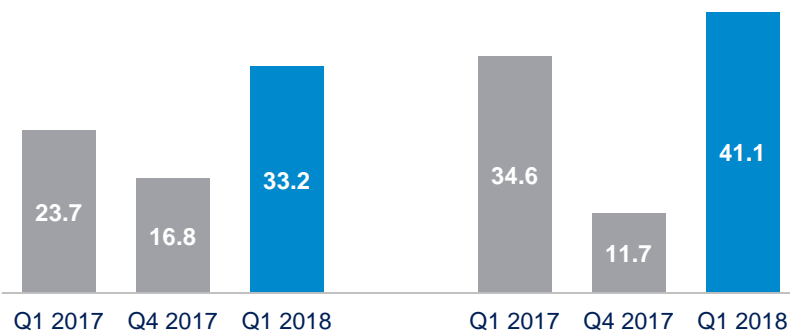
qoq: 43%
yoy: (5%)



Net profit

RUB bn

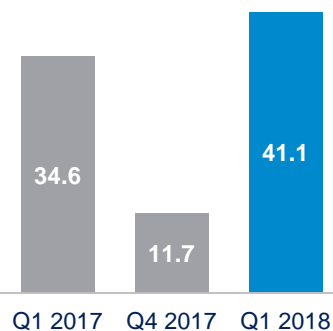
qoq: 2.0x
yoy: 40%



Free cash flow¹

RUB bn

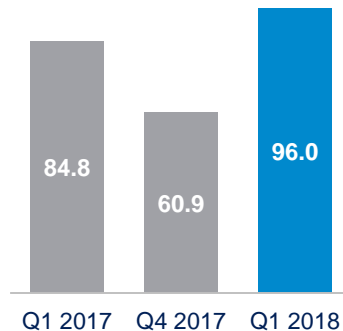
qoq: 3.5x
yoy: 19%



Revenue

RUB bn

qoq: 58%
yoy: 13%

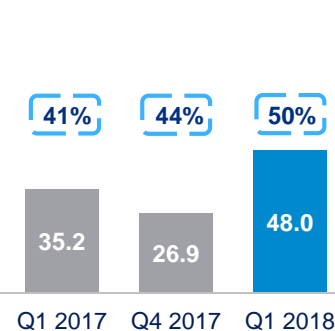


EBITDA

RUB bn

margin

qoq: 78%
yoy: 37%



Note: (1) free cash flow does not include cash from the sale of non-core assets (see slide 6).

Decrease in costs in Q1 was mainly driven by lower labor expenses

Expenses

RUB mln

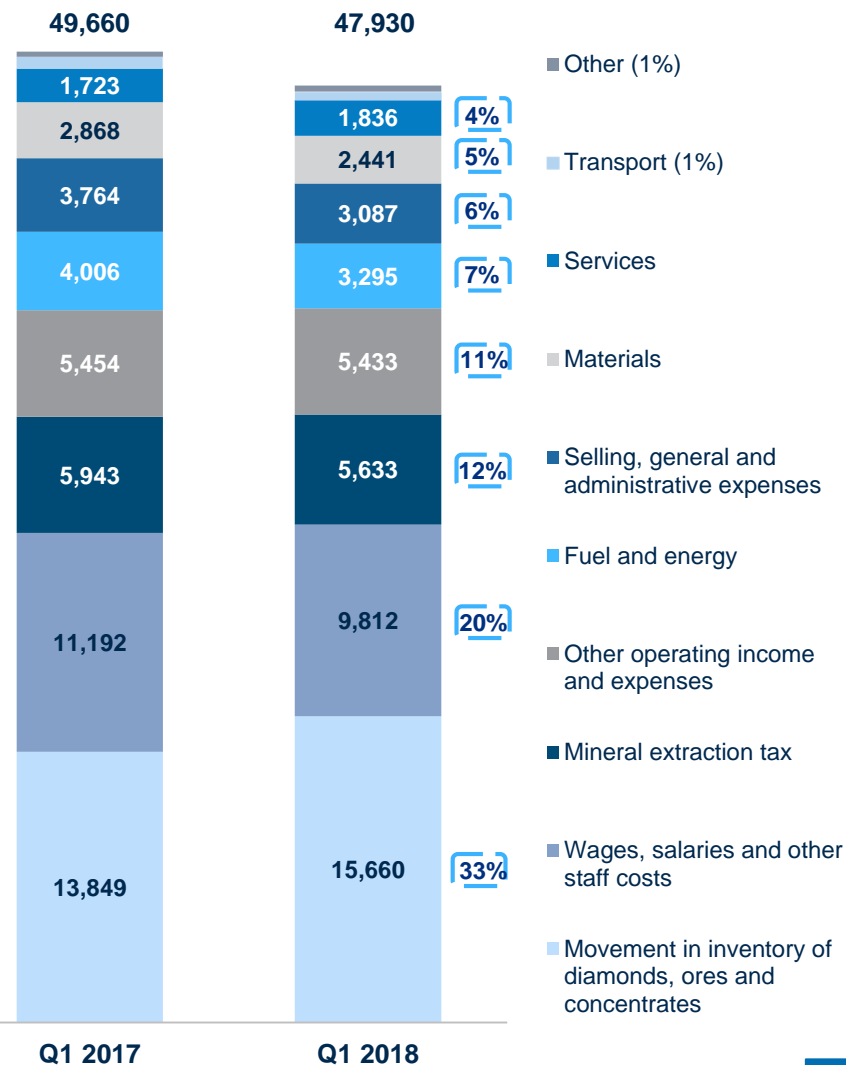
■ non-production related items

	Q1 2017	Q1 2018	Change, yoy
Wages, salaries and other staff costs	11,192	9,812	(12%)
Mineral extraction tax	5,943	5,633	(5%)
Fuel and energy, including:	4,006	4,107	-
gain from electricity costs reduction	-	(812)	-
Materials	2,868	2,441	(15%)
Services	1,723	1,836	7%
Transport	606	419	(31%)
Other	239	309	29%
Movement in inventory of ores and concentrates	(959)	(1,140)	19%
Movement in inventory of diamonds	14,808	16,799	13%
Cost of diamonds for resale	16	5	(69%)
Cost of sales (excluding depreciation)	40,442	39,410	(3%)
Selling, general and administrative expenses	3,764	3,087	(18%)
Exploration expenses	2,279	2,143	(6%)
Social costs	1,257	956	(24%)
Contribution to DPA	121	383	3.2x
Other	1,561	1,780	14%
Other	236	171	(28%)
Other operating income and expenses	5,454	5,433	-
Total expenses	49,660	47,930	(3%)
Non-production related items	24,728	25,931	5%
Total expenses, net of non-production related items	24,932	21,999	(12%)
Total expenses, RUB per carat	2,792	2,965	6%
Total expenses, RUB per m³	1,341	1,211	(10%)

Expenses breakdown

RUB mln

□ Share, %



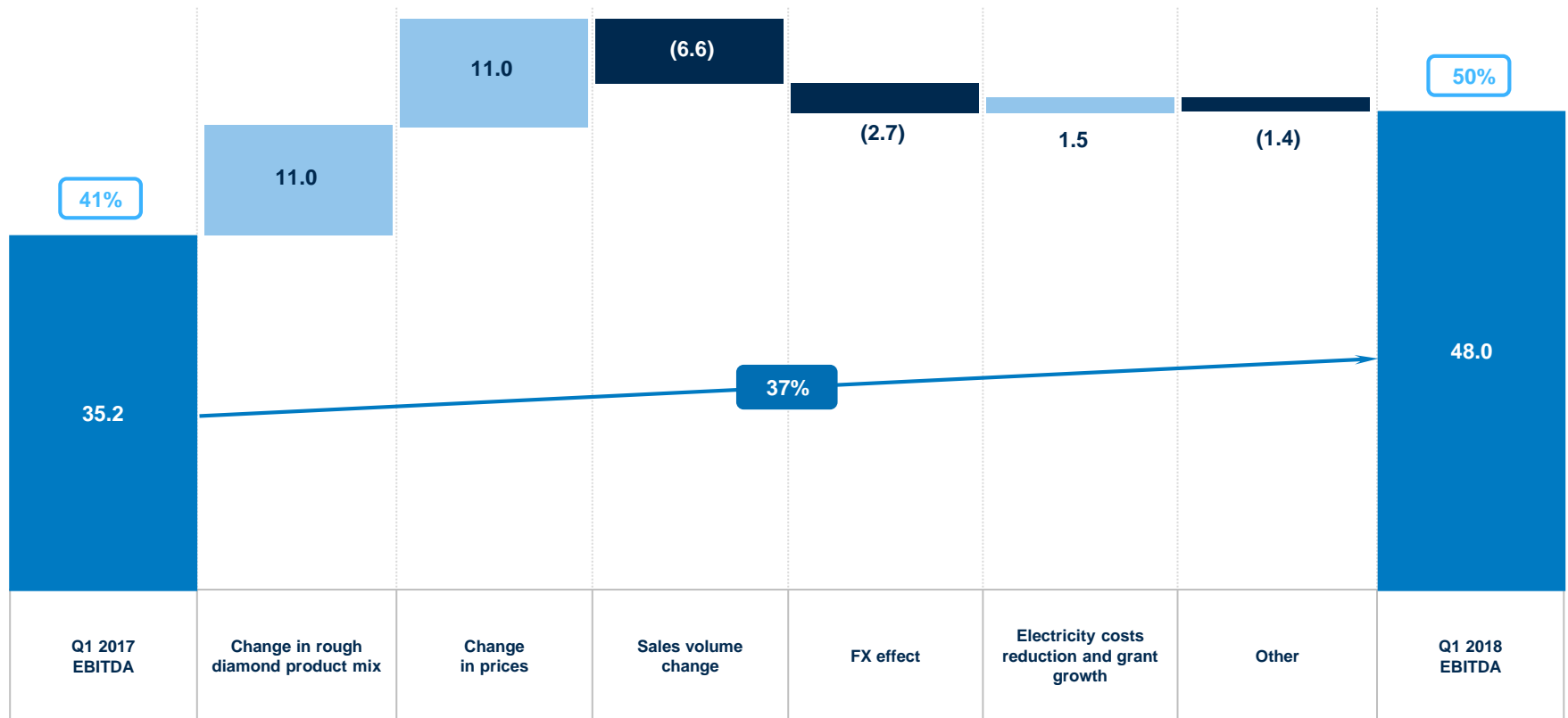
Q1 2018 EBITDA increased by 37% yoy

- Q1 EBITDA growth by 37% yoy was driven by changes in rough diamond product mix and prices despite a decrease in diamond sales yoy

EBITDA analysis

RUB bn

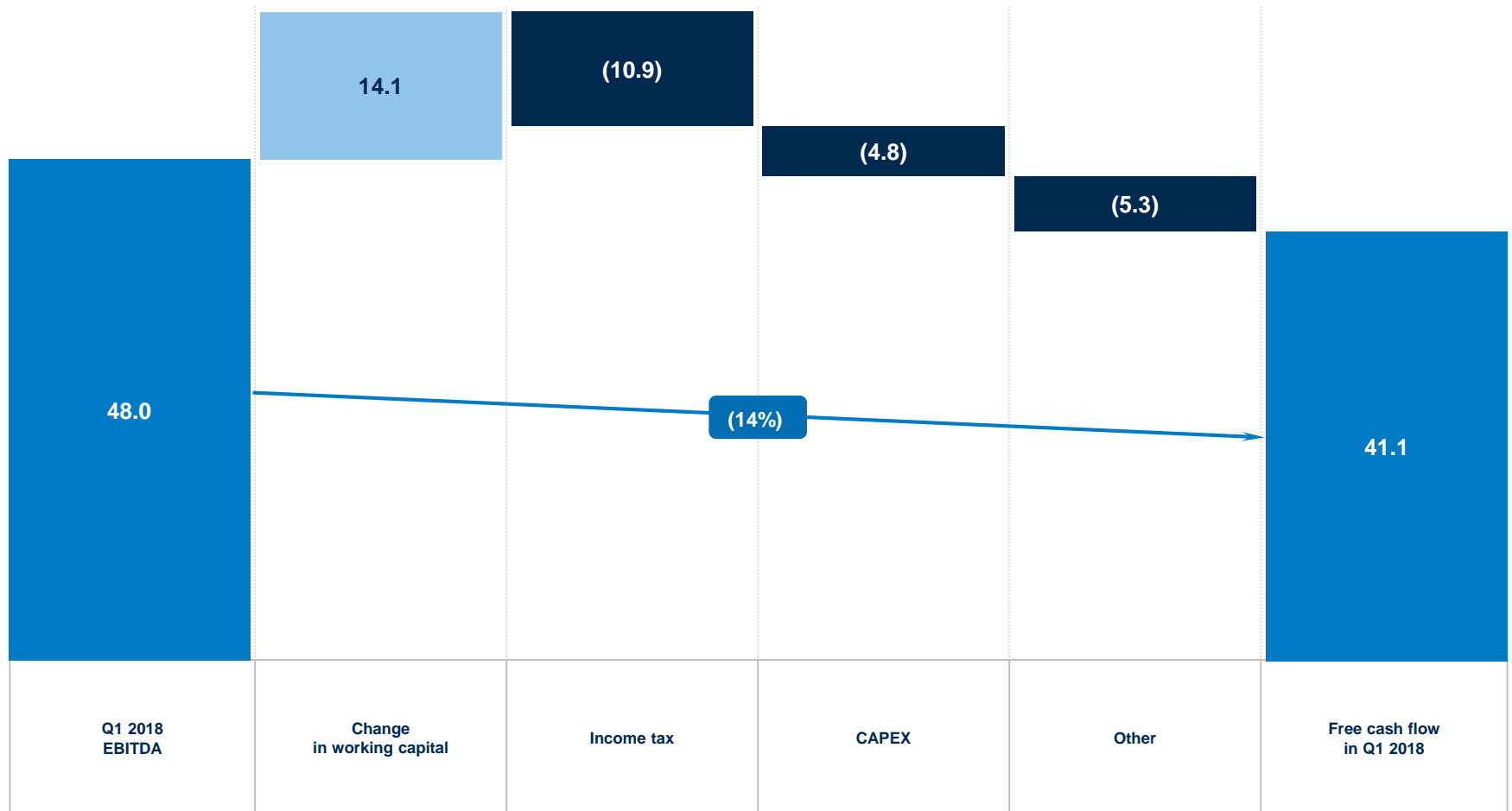
EBITDA margin



Q1 2018 free cash flow reached RUB 41 bn

Cash flow analysis

RUB bn

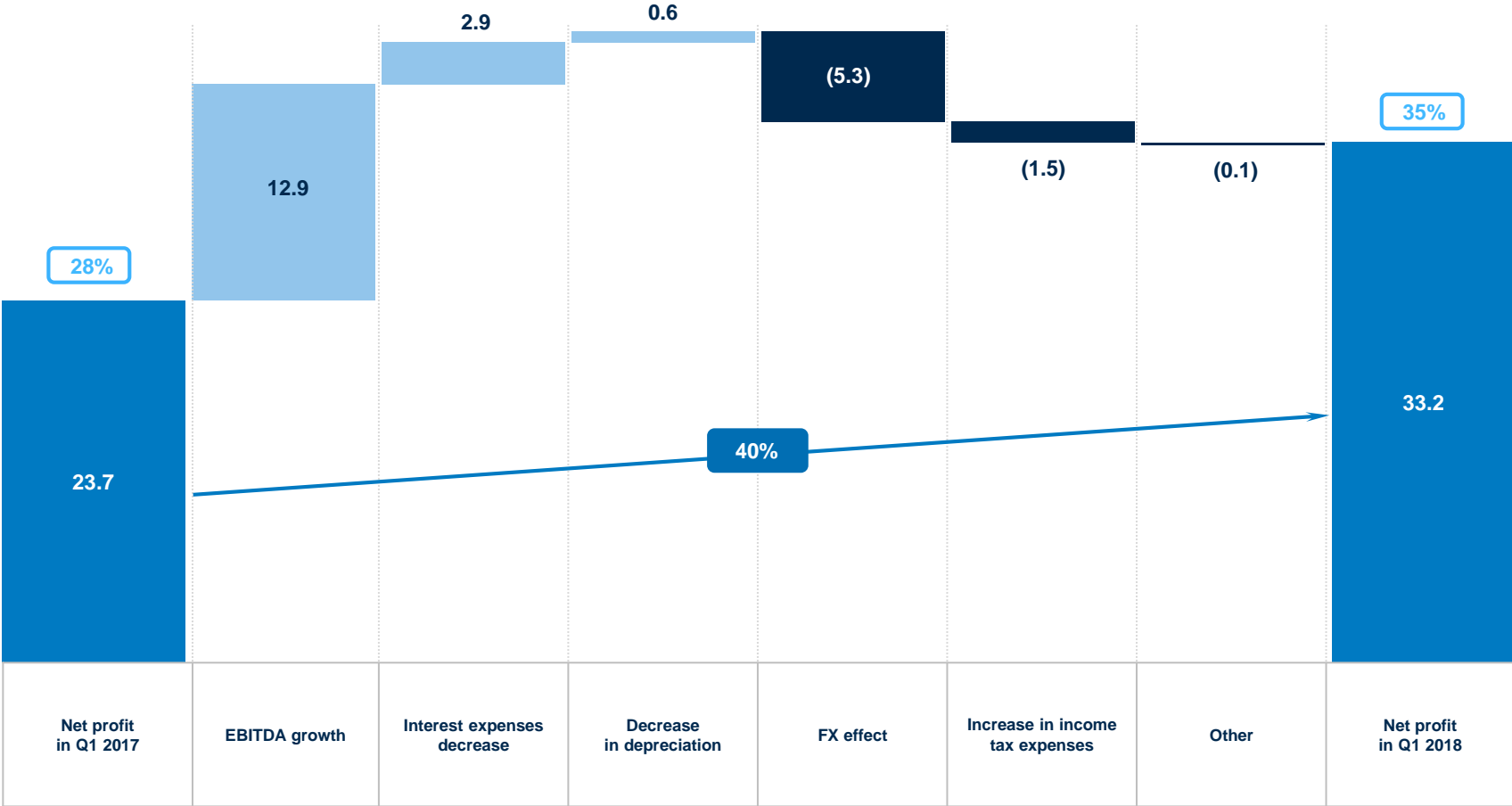


Net profit grew against last year quarter driven by EBITDA expansion

Net profit analysis

RUB bn

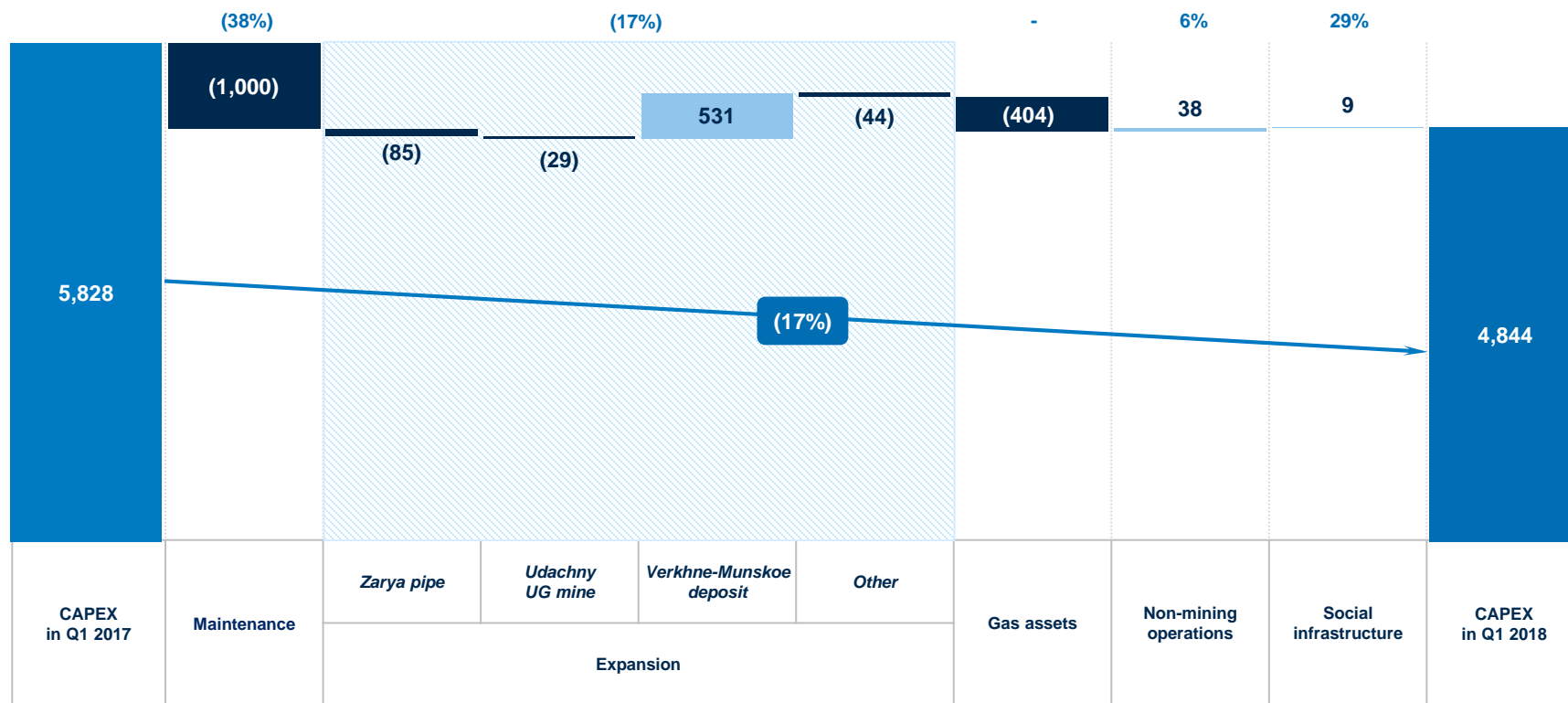
Net profit margin



CAPEX decreased yoy mainly due to lower maintenance capex and disposal of gas assets

Capital expenditure analysis

RUB mln



Capital expenditure

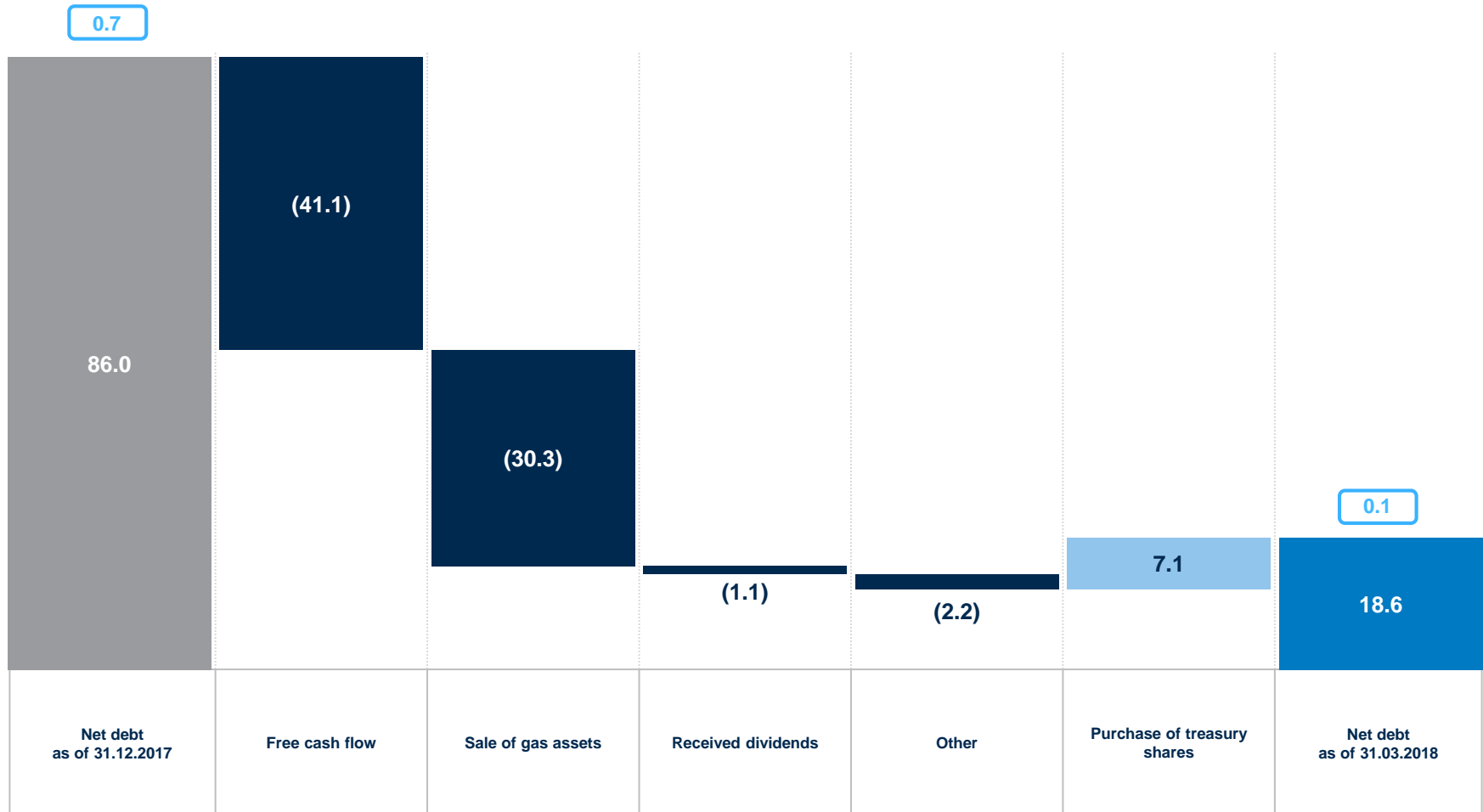
	Maintenance	Zarya pipe	Udachny UG mine	Verkhne-Munskoe deposit	Other	Gas assets	Non-mining operations	Social infrastructure	Σ
Q1 2018	1,608	468	728	1,296	12	0	691	41	Σ 4,844
Q1 2017	2,608	553	757	765	56	404	653	32	Σ 5,828

Q1 2018 net debt decreased by 4.6x yoy reaching RUB 18.6 bn

Net debt analysis

RUB bn

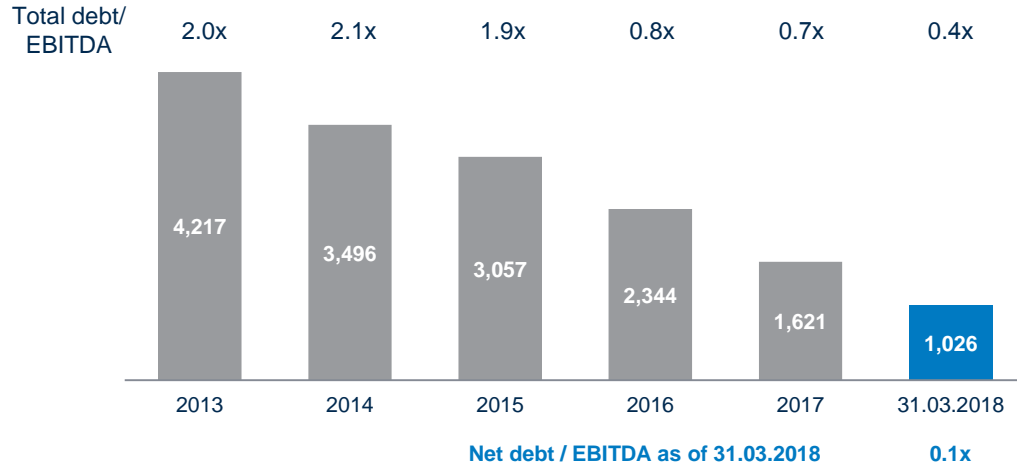
0.7 Net debt / LTM EBITDA



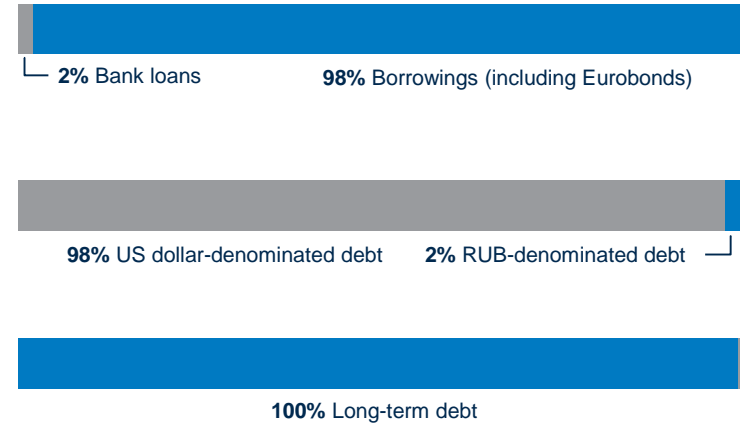
In March 2018 ALROSA repaid \$600 m of bank loans from gas assets disposal proceeds

Debt position

\$ mln



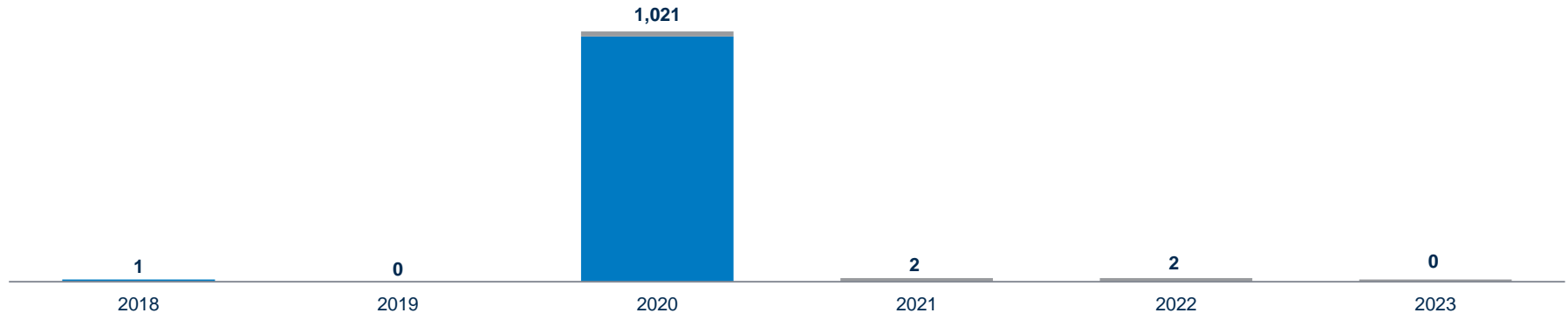
Debt breakdown



Debt maturity profile

\$ mln

■ Bank loans ■ Borrowings (including Eurobonds)



Appendix. Financial and operational results

RUB mln	Q1 2018	Q4 2017	Q1 2017	Change, qoq	Change, yoy
Operational performance					
Run-of-mine, mln m ³	19.1	18.8	19.3	2%	(1%)
Production, mln cts	7.4	10.1	8.9	(26%)	(17%)
Sales, mln cts, including:	13.4	9.4	14.1	43%	(5%)
gem-quality diamond sales, mln cts	10.1	6.2	11.1	63%	(9%)
industrial diamond sales, mln cts	3.3	3.2	3.0	3%	10%
IFRS statement of profit or loss and other comprehensive income					
Revenue (including income from grants)	95,969	60,904	84,813	58%	13%
Cost of sales (excluding depreciation)	(39,410)	(23,410)	(40,442)	68%	(3%)
Selling, general and administrative expenses	(3,087)	(3,213)	(3,764)	(4%)	(18%)
Other operating income and expenses	(5,433)	(7,349)	(5,454)	(26%)	-
EBITDA	48,039	26,932	35,153	78%	37%
EBITDA margin	50%	44%	41%	-	-
Depreciation	(6,008)	(5,267)	(6,642)	14%	(10%)
Finance income / (costs), net	(251)	(1,181)	5,345	(79%)	-
Other income and expenses, net	403	1,859	(2,645)	(78%)	-
Income tax	(9,002)	(5,587)	(7,469)	61%	21%
Net profit	33,181	16,756	23,742	2.0x	40%
Net profit margin	35%	28%	28%	-	-
EPS, RUB	4.47	2.20	3.18	2.0x	41%
IFRS statement of cash flows					
Cash inflow from operating activities before changes in working capital	47,514	26,946	34,977	76%	36%
Income tax paid	(10,934)	(3,504)	(6,427)	3.1x	70%
Changes in working capital	9,372	(3,245)	11,839	-	(21%)
Net cash inflow from operating activities	45,952	20,197	40,389	2.3x	14%
Purchase of property, plant and equipment	(4,844)	(8,526)	(5,828)	(43%)	(17%)
Free cash flow	41,108	11,671	34,561	3.5x	19%
Net debt	18,570	86,047	45,048	(78%)	(59%)
Net debt / EBITDA	0.1x	0.7x	0.3x	-	-

Thank you!



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