



АЛРОСА  ALROSA

Investor Presentation – FY 2012 Results

26th April, 2013

Disclaimer



IMPORTANT: You must read the following before continuing.

The below applies to the presentation (the “Presentation”) following this important notice, and you are therefore advised to read this important notice carefully before reading, accessing or making any other use of this Presentation.

The information contained herein has been prepared for the use in this Presentation and has not been independently verified. Such information is confidential and is being provided to you solely for your information and may not be reproduced, retransmitted, further distributed to any other person or published, in whole or in part, for any purpose. ALROSA relies on information obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. None of ALROSA or any of its affiliates or controlling shareholders intends or otherwise is under any obligation to update or keep current the information (or to correct any inaccuracy) contained herein.

This Presentation contains statements about future events and expectations that are forward-looking statements. Any statement herein that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause ALROSA’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, express or implied, is made regarding the future performance. ALROSA assumes no obligation to update, supplement or revise the forward-looking contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements. In no circumstances shall the distribution of this Presentation imply that no negative change may occur in the business of ALROSA after the date of such distribution, or any date of amendment and/or addition hereto.

Neither this Presentation, nor the fact of its distribution, does constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire any securities in any jurisdiction or an inducement to enter into any investment activity and nothing contained herein shall form the basis of any contract or commitment or investment decision whatsoever. The contents hereof should not be construed as investment, legal, tax, accounting or other advice, and investors and prospective investors in securities of any issuer mentioned herein are required to make their own independent investigation and appraisal of the business and financial condition of such issuer and the nature of the securities and consult their own advisers as to legal, financial, tax and other related matters.

No reliance may be placed for any purposes whatsoever on the information contained in this Presentation or on its completeness, accuracy or fairness. The information in this Presentation is subject to verification, completion and change. Accordingly, no representation or warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the accuracy, completeness or fairness of the information or opinions contained in this Presentation. None of ALROSA nor any of its shareholders, directors, officers or employees, affiliates, advisors, representatives nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this Presentation or its contents or otherwise arising in connection therewith.

This Presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. Persons in whose possession this Presentation and/or such information may come are required to inform themselves about and to observe such restrictions.

Some numerical figures included in this Presentation have been subject to rounding adjustments.

By reviewing this Presentation you acknowledge and agree to be bound by the foregoing.

Highlights of 2012



- ◆ Sustainable production of 34.4 mln cts
- ◆ Stable sales volumes of 33.2 mln cts driven by strong demand
- ◆ Record revenue of RUB 150.9 bn in 2012 underlined by stable diamond prices
- ◆ EBITDA margin remains high at 41% in 2012 despite a decline to 2011 caused by grown cost of sales mainly due to increased salaries and higher expenses on fuel and materials
- ◆ Maintenance capex in line with depreciation and doubled expansion capex for 2012 due to construction of infrastructure at underground mine “Udachniy” and processing plant and tailings facilities at Seversalmaz
- ◆ Achieved target range of Total debt / EBITDA ratio at the level of 2.0x
- ◆ The Supervisory Board recommended record dividends of RUB 1.11 per share for 2012

Operational Overview



Diamond production, mln cts



Diamond production by mine (deposit), '000 cts

	2010	2011	2012	2012 vs 2011
1 Nyurbinskaya pipe	7,837	6,950	7,276	5%
2 Jubilee pipe	3,421	3,589	6,272	75%
3 International underground mine	4,091	5,912	5,916	0%
4 Udachniy pipe	13,139	10,374	5,642	(46%)
5 Aikhal underground mine	998	1,306	2,520	93%
6 Mir underground mine	1,082	1,321	1,855	40%
7 Arkhangelskaya pipe	504	557	559	0%
8 Zarnitsa pipe	167	209	203	(3%)
9 Komsomolskaya pipe	484	367	153	(58%)
10 Alluvial placers and tailings	2,609	3,967	4,024	1%
Total	34,331	34,552	34,420	0%

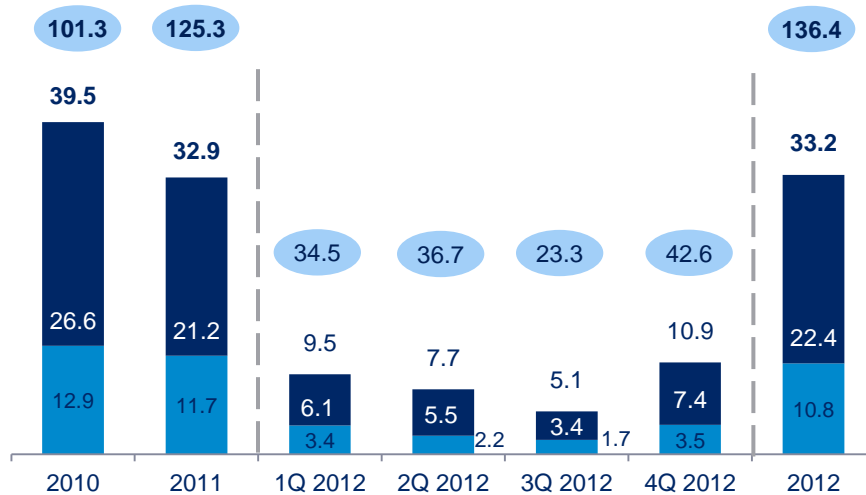
- ◈ In 2012, ALROSA maintained stable production at the level of 34.4 mln cts
- ◈ Production at Jubilee pipe continued to grow due to planned processing of higher quality ore
- ◈ Continuous transition of open-pit operations to underground mining at Udachniy pipe resulted in further production decline
- ◈ Production at Aikhal underground mine grew 93% in 2012 compared to 2011 reaching target production levels
- ◈ Production at Mir underground mine has been gradually increased to reach target production levels in 2015
- ◈ Planned reduction of production took place at Komsomolskaya pipe

Sales Overview



Diamond revenue and Sales volumes

■ Gem-quality diamonds sales volumes, mln cts
■ Non gem-quality diamonds sales volumes, mln cts
● Diamond revenue, RUB bn



Diamond prices by segment, \$/ct

◆ Gem-quality diamonds
◆ Non gem-quality diamonds



◆ In 2012, diamond revenue reached RUB 136.4 bn supported by stable sales volumes of 33.2 mln cts

◆ Diamond prices remained stable as well despite decline in 4Q 2012

2012 Financial Results



RUB mln	2010	2011	2012	2012 vs 2011
Key Operational Metrics				
Diamond Production, mln cts	34.3	34.6	34.4	0%
Diamond Sales, mln cts	39.5	32.9	33.2	1%
Key Earning Metrics				
Revenue	113,394	137,732	150,880	10%
Cost of Sales	(63,669)	(56,005)	(68,467)	22%
EBITDA	34,814	65,217	61,950	(5%)
<i>EBITDA Margin</i>	31%	47%	41%	-
Net Profit	11,788	26,658	33,634	26%
<i>Net Profit Margin</i>	10%	19%	22%	-
Financial Position				
Cash and Cash Equivalents	4,136	12,014	6,242	(48%)
Total Debt	101,965	95,553	122,701	28%
<i>Total Debt/ EBITDA</i>	2.9x	1.5x	2.0x	-
Net Debt	97,829	83,539	116,459	39%
<i>Net Debt/ EBITDA</i>	2.8x	1.3x	1.9x	-
Total Equity	92,610	113,097	137,849	22%
Cash Flow Metrics				
Cash Inflow from Operating Activities before changes in WC	29,982	62,189	61,830	(1%)
WC changes	12,067	(3,775)	(8,872)	-
Cash Inflow from Operating Activities post WC changes and Income Tax	37,800	49,182	42,007	(15%)
Capital Investments in PP&E	(11,968)	(21,420)	(30,050)	40%
Free Cash Flow	25,832	27,762	11,957	(57%)

Operational activity

- Record revenue of RUB 150.9 bn in 2012 underlined by stable diamond prices
- EBITDA margin remains high at 41% in 2012 despite decline to 2011 caused by grown cost of sales mainly due to increased salaries and higher expenses on fuel and materials
- Record net profit of RUB 33.6 bn and net profit margin of 22%

Debt position

- Total debt / EBITDA ratio for 2012 is at the target level of 2.0x in line with the strategy of continuous deleveraging

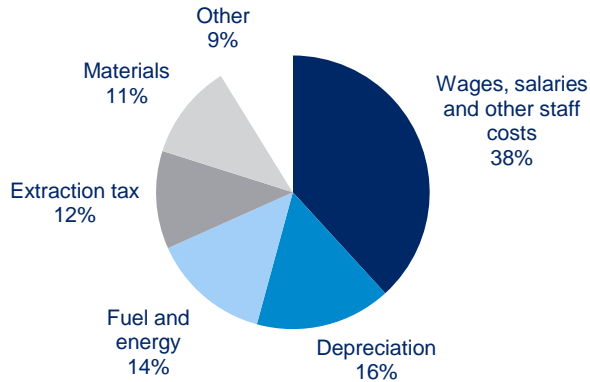
Working capital

- During 2012 ALROSA increased its inventory base and trade and other receivables, which affected cash inflows from operating activities

Cost of Sales Overview



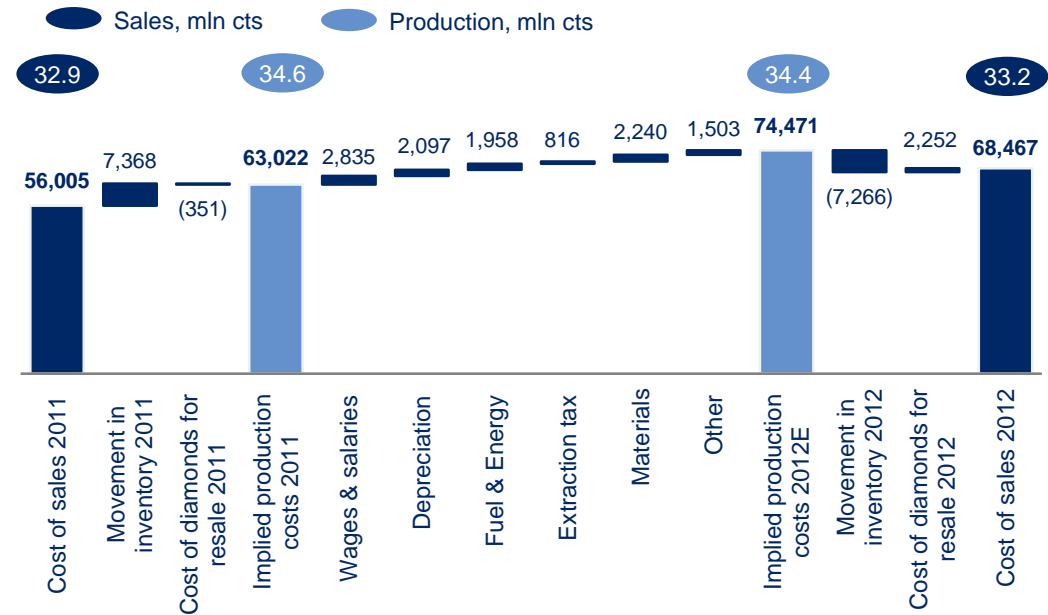
2012 production costs structure



2012 Production Costs: RUB 74.5 bn¹

Note: ¹ Cost of sales after adjustment for movement in inventory of diamonds, ore and concentrate (RUB 7,266 mln) and cost of diamonds for resale (-RUB 1,262 mln)

Cost of sales dynamics, RUB mln



Note: Implied production costs calculated due to differences in produced and sold volumes

- Production costs in 2012 grew 18% compared to 2011 driven by planned indexation of salaries, which were frozen during crisis, and higher expenses on fuel and materials

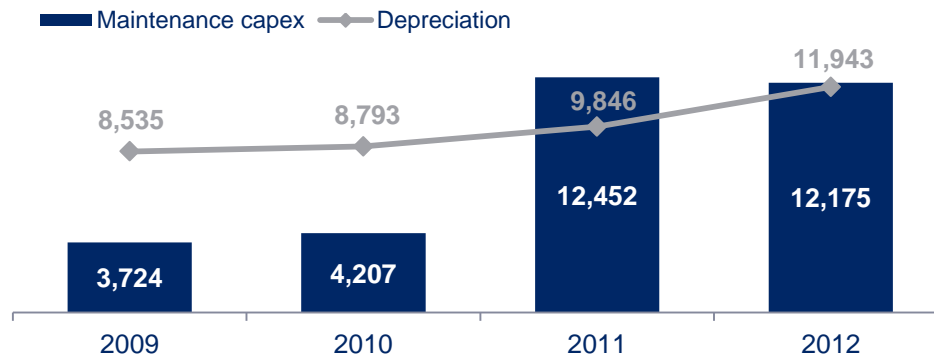
Investment Program and Capex



Maintenance and expansion capex

RUB mln	2010	2011	2012	2012 vs 2011
Total capex (purchase of PP&E)	11,968	21,420	30,050	40%
incl.:				
Expansion total:	7,761	8,968	17,875	2.0x
incl.:				
Underground mine "Udachniy"	2,798	3,512	6,937	2.0x
Open-pit mines at Seversalmaz	1,477	2,027	4,558	2.2x
Gas assets	-	-	3,309	-
Underground mine "Aikhal"	1,767	2,004	1,999	0%
Underground mine "Mir"	1,720	1,425	1,073	(25%)
Maintenance	4,207	12,452	12,175	(2%)

Maintenance capex and Depreciation, RUB mln



- ◆ 2012 capex grew 40% to 2011 driven by doubled expansion capex
- ◆ Expansion capex doubling mainly relates to:
 - ◆ Underground mine "Udachniy" – construction of infrastructure;
 - ◆ Seversalmaz – processing plant and tailings facility;
 - ◆ Gas assets – integrated gas processing plant
- ◆ 2012 maintenance capex remained stable in accordance with the Company's plans
- ◆ Strong cash flow generation in 2011 and 2012 provided the Company with an opportunity to compensate for the under-investment of the previous two years

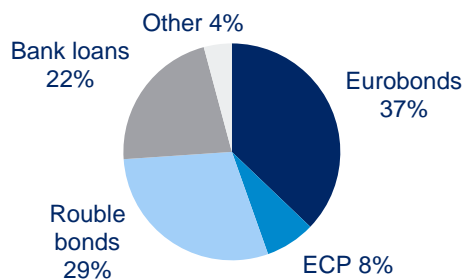
Debt Portfolio Structure



- ◆ In 2012, total debt / EBITDA increased to 2.0x from 1.5x due to gas assets buyback
- ◆ Debt portfolio structure is weighted towards public debt instruments, which account for 74% of the portfolio
- ◆ c. 66% of total debt portfolio is US dollar denominated

Debt portfolio structure

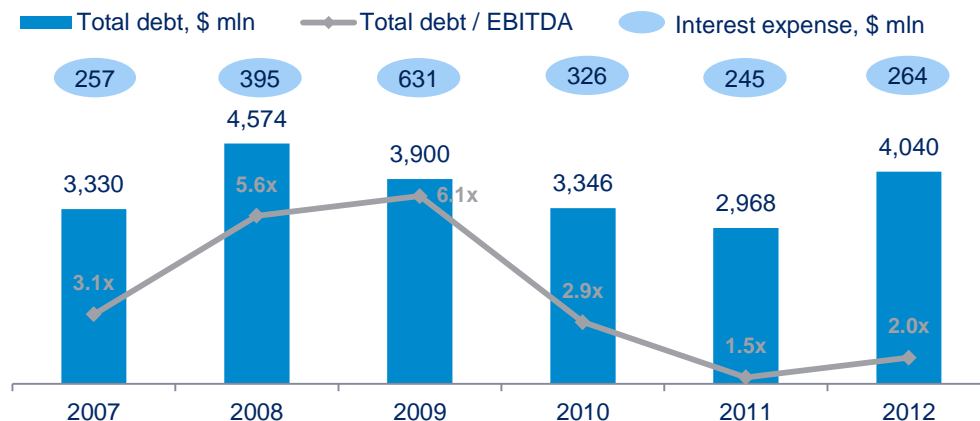
As of 31st December, 2012



Total debt as of 31st December, 2012: \$4,040mln¹, with average interest rate – 7.0%

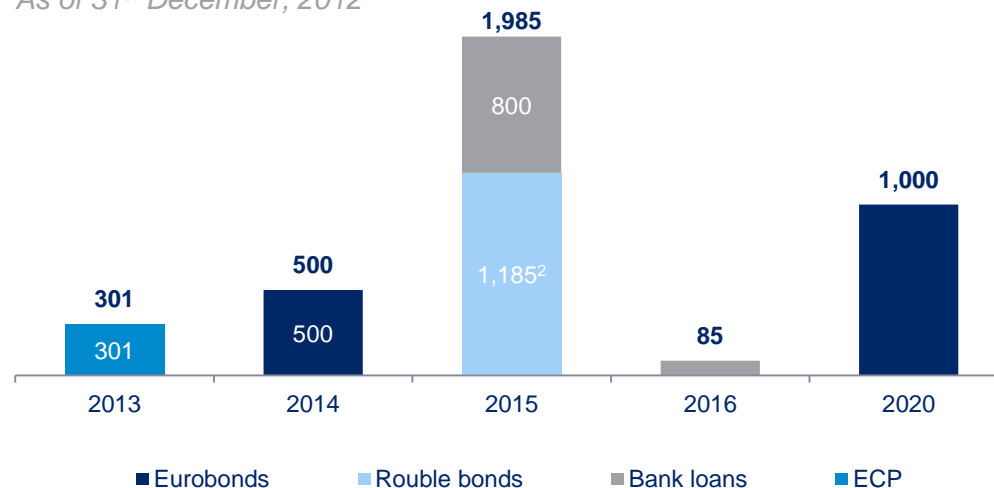
Note: ¹ Converted at 30.3727 RUB/USD exchange rate. Includes loans and public debt in the amount of \$3,871mln and other rouble denominated fixed rate loans of \$169mln

Debt, leverage and interest expense evolution



Debt maturity profile of loans and public debt, \$ mln

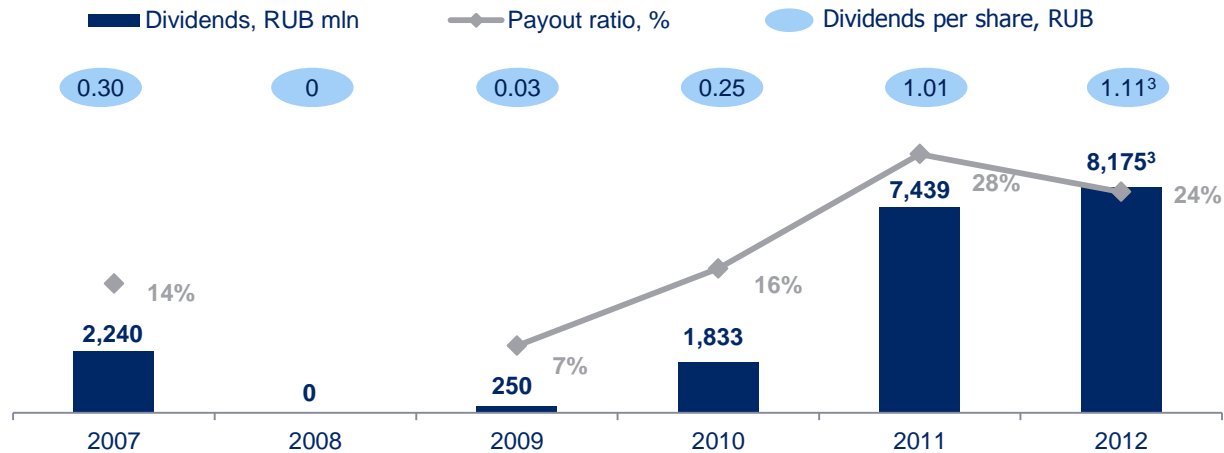
As of 31st December, 2012



Note: ² Includes Rouble bonds with put options in June 2013 in the amount of \$527mln



Dividends, Dividends per share¹ and Payout ratio²



Note: ¹ Rebased to account for the share split which occurred in 2011

² Payout ratio was calculated as approved dividends for the respective year divided by profit attributable to owners of ALROSA (based on IFRS)

³ Numbers to be approved by the General Meeting of Shareholders in June 2013

- ALROSA paid dividends of RUB 7,439 mln for 2011 financial year, which corresponds to a payout ratio of 28% based on IFRS or 25% based on RAS
- ALROSA remains committed to its dividend policy. The Supervisory Board recommended record dividends of RUB 8,175 mln for 2012 to the General Meeting of Shareholders. This amount corresponds to a payout ratio of 24% based on IFRS or 32.5% based on RAS



Thank you