



АЛРОСА  ALROSA

# Investor Presentation – 1H 2012 Results

4<sup>th</sup> October, 2012

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# Highlights of 1H 2012



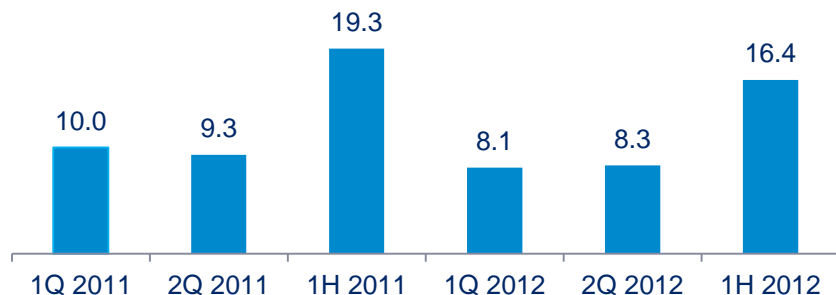
RUB mln	1H 2012	2H 2011	1H 2011	Change vs.	
				2H 2011	1H 2011
<b>Operational Figures</b>					
Production, mln cts	16.4	15.2	19.3	8%	(15%)
Sales, mln cts	17.2	13.8	19.1	25%	(10%)
<b>IFRS Income Statements</b>					
Revenue	76,529	71,585	66,147	7%	16%
Cost of sales	(33,789)	(32,886)	(23,119)	3%	46%
EBITDA	35,525	29,338	35,879	21%	(1%)
<i>EBITDA margin</i>	46%	41%	54%	-	-
Net profit	16,191	391	26,267	41x	(38%)
<i>Net profit margin</i>	21%	1%	40%	-	-
<b>IFRS Balance Sheets</b>					
Cash and cash equivalents	13,530	12,014	13,991	13%	(3%)
Total debt	135,521	95,553	99,302	42%	36%
<i>Total debt / EBITDA</i>	2.1x	1.5x	2.0x	-	-
Total equity	121,561	113,097	113,576	7%	7%
<b>IFRS Cash Flow Statements</b>					
Net cash inflow from operating activity	16,419	26,558	22,624	(38%)	(27%)
Purchase of PP&E	13,915	12,684	8,736	10%	59%

- ◆ Revenue increased by 16% in 1H 2012 compared to 1H 2011 due to higher prices on rough diamonds
- ◆ Cost of sales grew by 46% driven by increased salaries and prices on fuel
- ◆ EBITDA and EBITDA margin are in line with 1H 2011 figures
- ◆ Net profit decreased by 38% due to exchange losses from revaluation of dollar-denominated debt

# Operational Overview



## Diamond production, mln cts



## Diamond production by mine (deposit), '000 cts

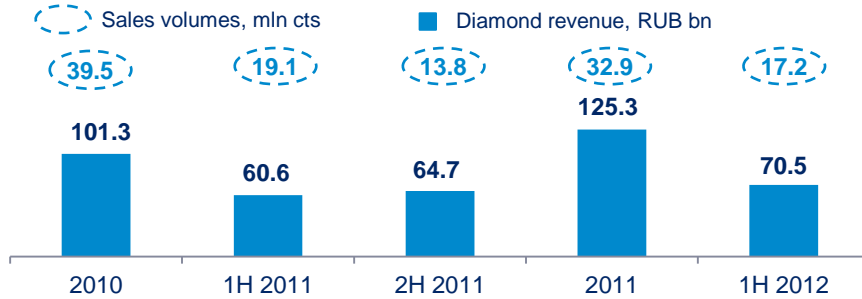
	1H 2012	1H 2011	1H 2012 vs 1H 2011
1 Udachniy pipe	3,618	7,672	(53%)
2 International underground mine	3,552	3,534	1%
3 Nyurbinskaya pipe	3,107	3,729	(17%)
4 Jubilee pipe	2,829	1,714	65%
5 Mir underground mine	997	537	86%
6 Aikhal underground mine	546	129	4.2x
7 Arkhangelskaya pipe	268	277	(3%)
8 Zarnitsa pipe	111	128	(13%)
9 Komsomolskaya pipe	72	223	(68%)
10 Alluvial placers and tailings	1,255	1,384	(9%)
<b>Total</b>	<b>16,354</b>	<b>19,326</b>	<b>(15%)</b>

- ◆ In 1H 2012, production totaled 16.4 mln cts, decreasing 15% from the corresponding period of 2011, as volumes of extracted ore at Udachniy pipe continued to go down due to the transition of open-pit operations to underground mining
- ◆ Production at Nyurbinskaya pipe tapered off due to planned maintenance works at the processing plant
- ◆ Increase in production at Jubilee pipe in 1H 2012 was driven by planned processing of higher quality ore
- ◆ Production was sustained by increased output from Mir and Aikhal underground mines

# Sales Overview



## Diamond revenue and sales volumes



◆ In 1H 2012, diamond revenue was up 16% compared to 1H 2011, driven by higher prices

◆ In gem-quality segment, prices went up 11% compared to 1H 2011 and sales volumes stayed flat. Gem-quality diamonds accounted for 67% of total sales volumes in carats and 98% in value

## Gem-quality diamond prices and sales volumes



◆ In non gem-quality diamonds sector, prices increased 77% compared to 1H 2011, while volumes decreased

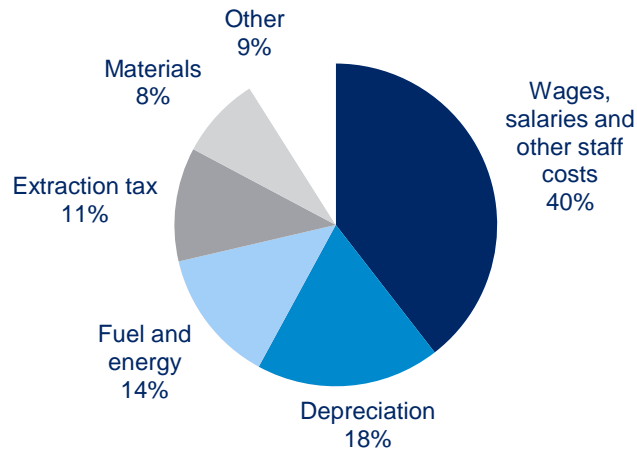
## Non gem-quality diamond prices and sales volumes



# Cost of Sales Overview



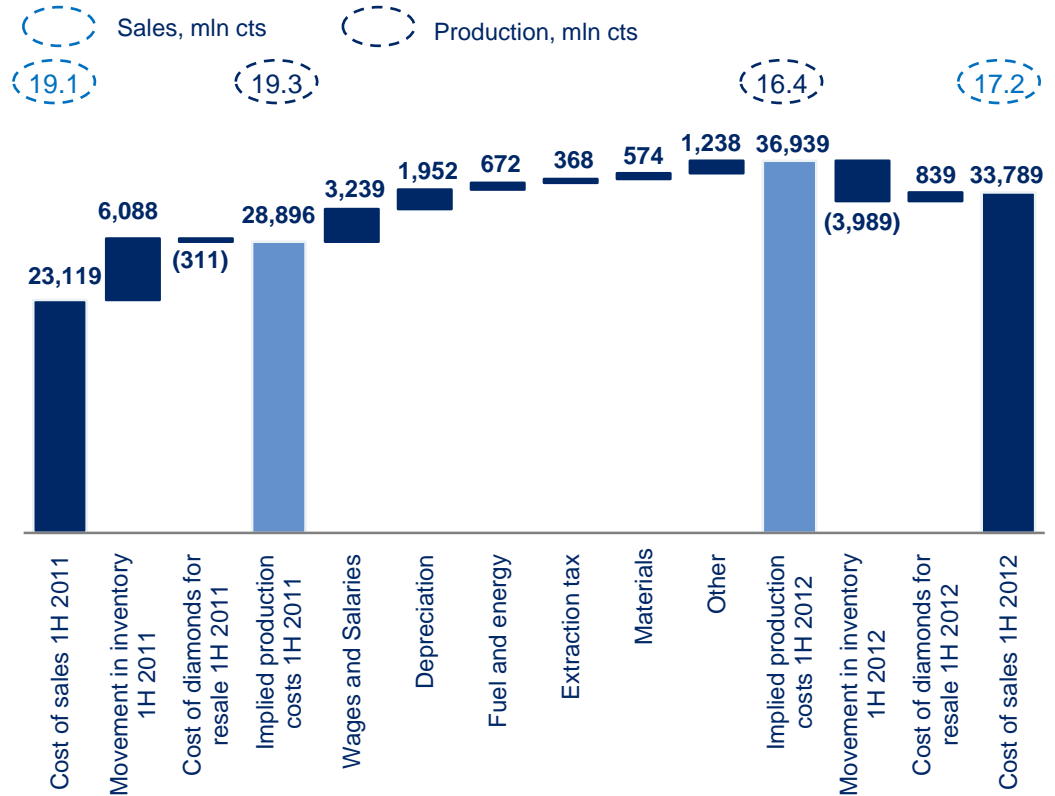
## 1H 2012 production costs structure



## 1H 2012 Production Costs: RUB 37.0 bn<sup>1</sup>

Note: <sup>1</sup> Cost of sales after adjustment for movement in inventory of diamonds, ore and concentrate (RUB 3,989 mln) and cost of diamonds for resale (-RUB 839 mln)

## Cost of sales dynamics, RUB mln



◆ Cost of production grew by 28% compared to 1H 2011 driven by planned increase in salaries, which occurred in 4Q 2011, and higher expenses on fuel

# Investment Program and Capex



## Maintenance and expansion capex

RUB mln	1H 2012	2H 2011	1H 2011	Change vs.	
				2H 2011	1H 2011
<b>Total capex (purchase of PPE)</b>	<b>13,915</b>	<b>12,684</b>	<b>8,736</b>	<b>10%</b>	<b>59%</b>
incl.:					
<b>Expansion total:</b>	<b>6,088</b>	<b>5,575</b>	<b>3,393</b>	<b>9%</b>	<b>79%</b>
incl.:					
Underground mine "Udachniy"	2,060	2,053	1,459	<1%	41%
Open-pit mines at "Severalmaz"	1,731	1,432	595	21%	2.9x
Underground mine "Aikhal"	999	1,354	650	(26%)	54%
Gas assets	876	-	-	-	-
Underground mine "Mir"	422	736	689	(43%)	(39%)
<b>Maintenance</b>	<b>7,827</b>	<b>7,109</b>	<b>5,343</b>	<b>10%</b>	<b>46%</b>

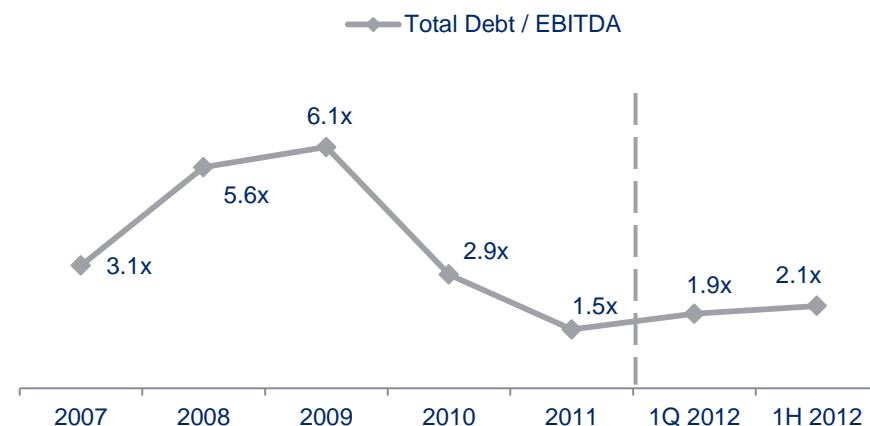
- ◆ Total capex increased by 59% compared to 1H 2011 due to expansion and maintenance capex growth
- ◆ Expansion capex grew by 79% mainly due to:
  - ◆ construction of underground mine at Udachniy;
  - ◆ build-up of production capacities at "Severalmaz";
  - ◆ investments in gas assets
- ◆ Maintenance capex grew by 46% due to increased expenditure on maintenance and reconstruction of production facilities

# Debt Portfolio Structure



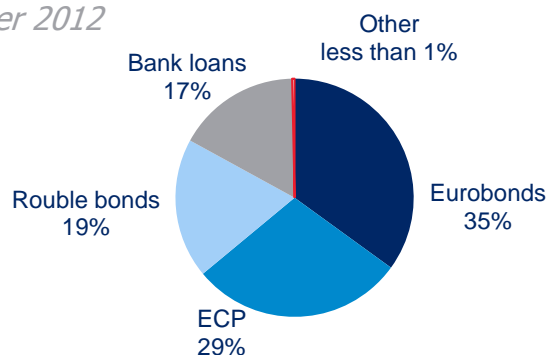
- ◆ Total Debt / EBITDA increased to 2.1x from 1.9x in 1Q 2012 and from 1.5x in 2011 due to gas assets buyback
- ◆ Debt portfolio structure is weighted towards public debt instruments, accounting for 83% of the portfolio
- ◆ ALROSA is on track to refinance short-term debt by bank loans and public debt instruments

## Leverage evolution



## Debt portfolio structure

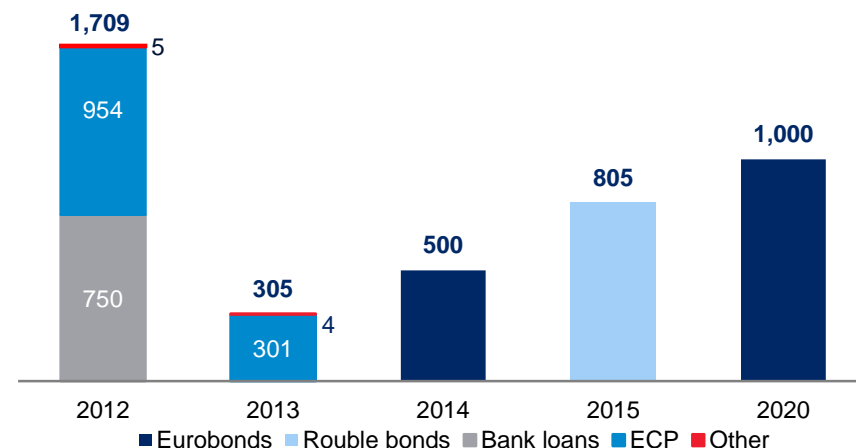
As of October 2012



**Total debt as of October 2012: \$ 4,319 mln,  
with average debt interest rate – 6.27%**

## Debt maturity profile, \$ mln

As of October 2012







**Thank you**