



ALROSA

**Investor Presentation –
Q1 2014 Results**

24 June 2014

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Q1 2014 Key Financial Highlights

Diamond sales	Diamond sales reached record 12.7 mln carats, +23% higher y-o-y
Revenue	Revenue increased by +43% compared to Q1 2013, amounting to RUB56.3 bn as a result of increased gem-quality rough diamond sales volume and the ruble weakening
EBITDA	EBITDA increased 1.6 times compared to Q1 2013 and reached RUB26.1 bn mainly due to an increase in gross profit from diamond sales; EBITDA margin increased to 46%
Net profit	Net profit decreased by -3% y-o-y and amounted to RUB6.1 bn as a result of the increased FX loss
Free cash flow	Free cash flow increased 2.5 times compared to Q1 2013, reaching RUB20.1 bn as a result of increased cash flow from the rough diamond sales and inventory sell-down
Net debt / EBITDA	Net debt reduced by -7%, net debt to EBITDA ratio is at the level of 1.5x

Financial Results

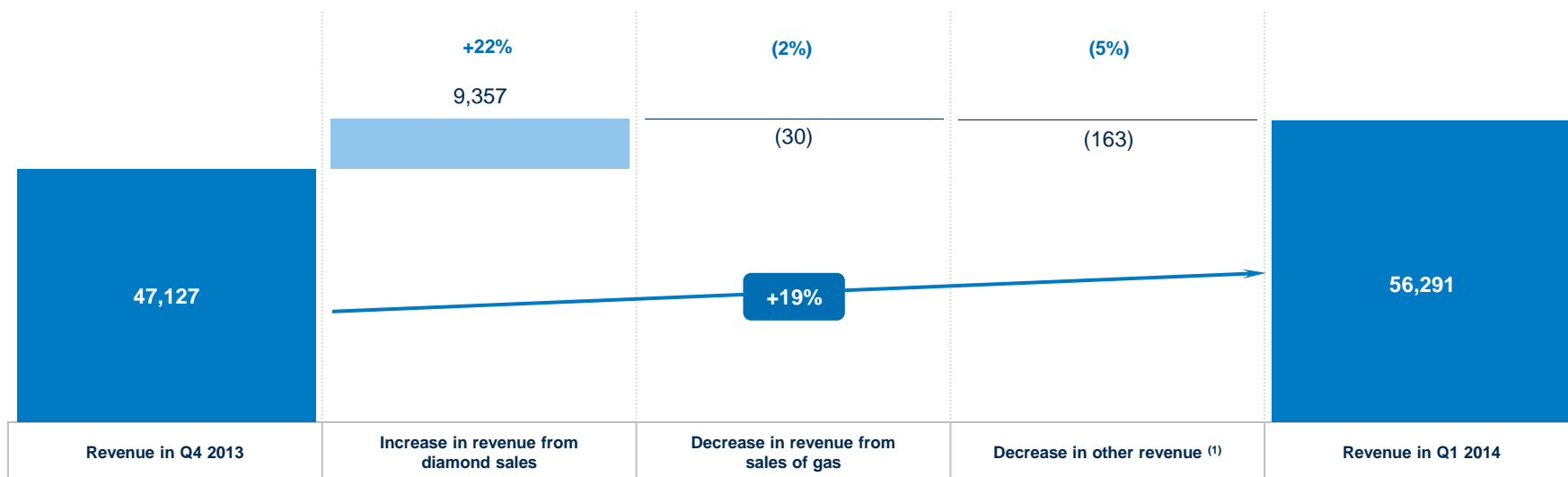
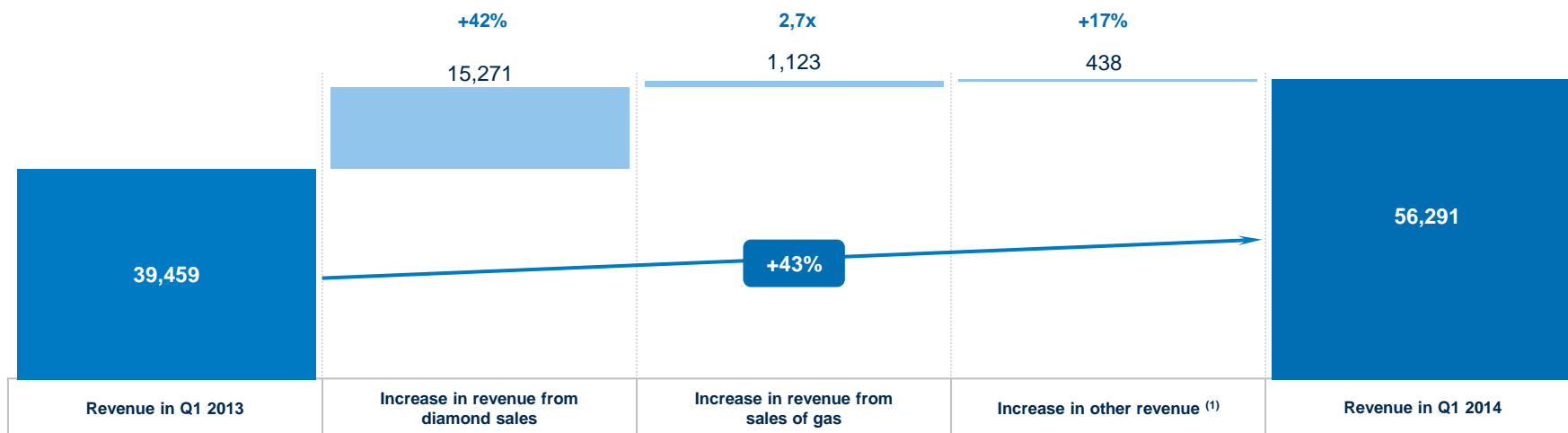
RUB mln	Q1 2014	Q4 2013	Q1 2013	Q1 2014 vs. Q4 2013	Q1 2014 vs. Q1 2013
Operational Figures					
Production, mln cts	7.9	9.9	7.5	(20%)	5%
Sales, mln cts	12.7	10.8	10.3	18%	23%
IFRS Income Statement					
Revenue	56,291	47,127	39,459	19%	43%
Cost of sales	(27,881)	(22,072)	(19,935)	27%	40%
EBITDA ⁽¹⁾	26,098	17,831	15,825	46%	1.6x
EBITDA margin	46%	38%	40%	-	-
Net profit	6,059	8,802	6,258	(31%)	(3%)
Net profit margin	11%	19%	16%	-	-
EPS, RUB	0.77	1.18	0.79	(35%)	(3%)
IFRS Balance Sheet					
Cash and cash equivalents	16,143	9,270	12,387	1.7x	30%
Total debt	136,931	138,591	132,298	(1%)	4%
Net debt	120,788	129,321	119,911	(7%)	1%
Net debt / EBITDA	1.5x	1.9x	1.9x	-	-
Equity attributable to owners of OJSC ALROSA	167,606	159,800	137,486	5%	22%
IFRS Cash Flow Statement					
Cash inflow from operating activities before changes in working capital	25,783	17,952	15,022	44%	1.7x
Income tax paid	(3,456)	(2,030)	(2,903)	1.7x	19%
Changes in working capital	6,098	9,839	2,427	(38%)	2.5x
Net cash inflow from operating activities	28,425	25,761	14,546	10%	2.0x
Purchase of property, plant and equipment	(8,338)	(14,414)	(6,579)	(42%)	27%
Free cash flow ⁽²⁾	20,087	11,347	7,967	1.8x	2.5x

Note: (1) As used in this presentation, EBITDA is defined as operating profit adjusted for depreciation, loss on disposal of property, plant and equipment
(2) As used in this presentation, Free cash flow is defined as net cash inflow from operating activities less purchase of property plant and equipment

Q1 2014 revenue increase was mainly driven by increased diamond sales

Revenue dynamics

RUB mln

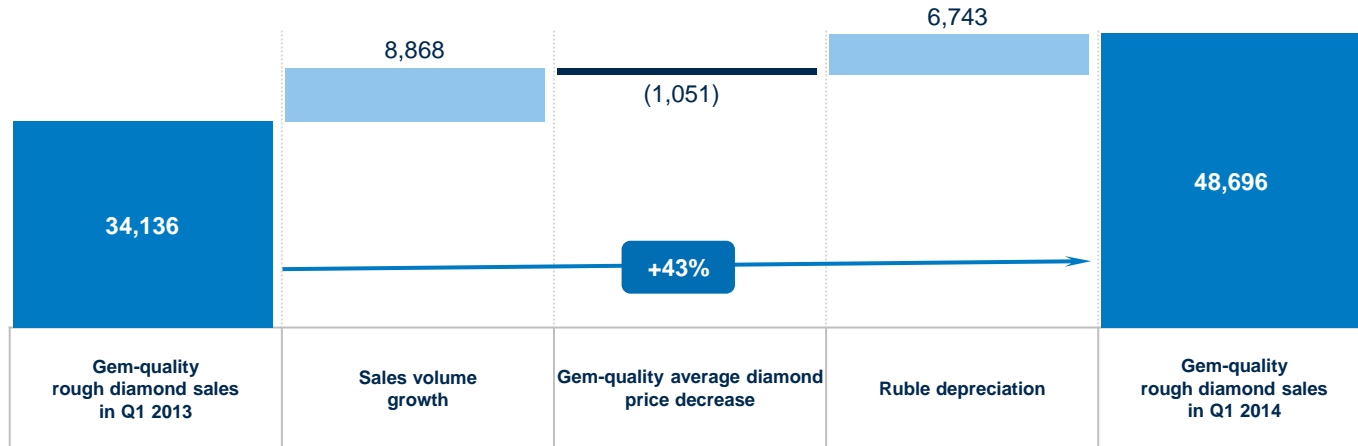


Note: (1) Other revenue includes: transportation, social infrastructure, trading, construction activity, other activities

Higher diamond sales volume and ruble depreciation caused an increase in gem-quality rough diamond revenue in Q1 2014 compared to the same period of the previous year

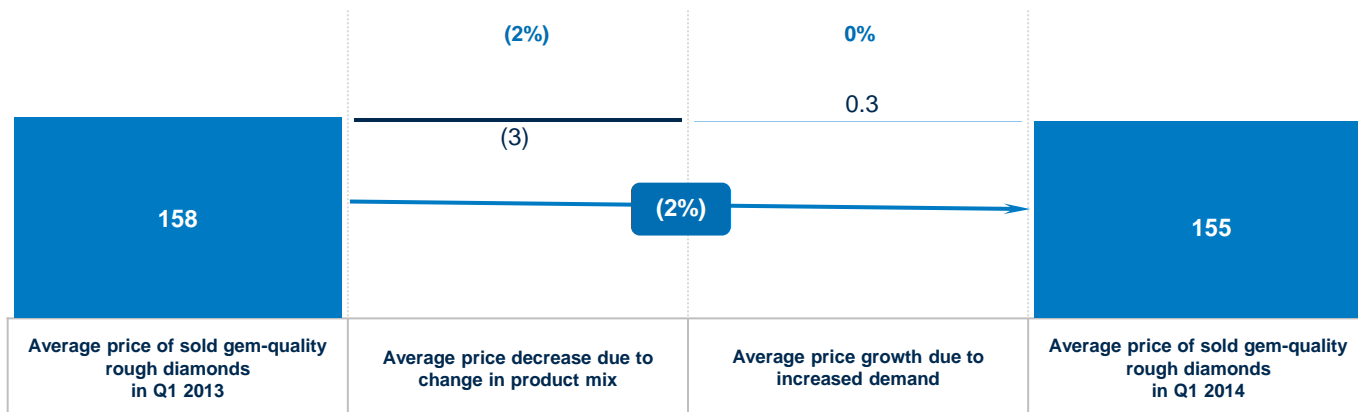
Gem-quality rough diamond revenue dynamics

RUB mln



Gem-quality rough diamond average price dynamics

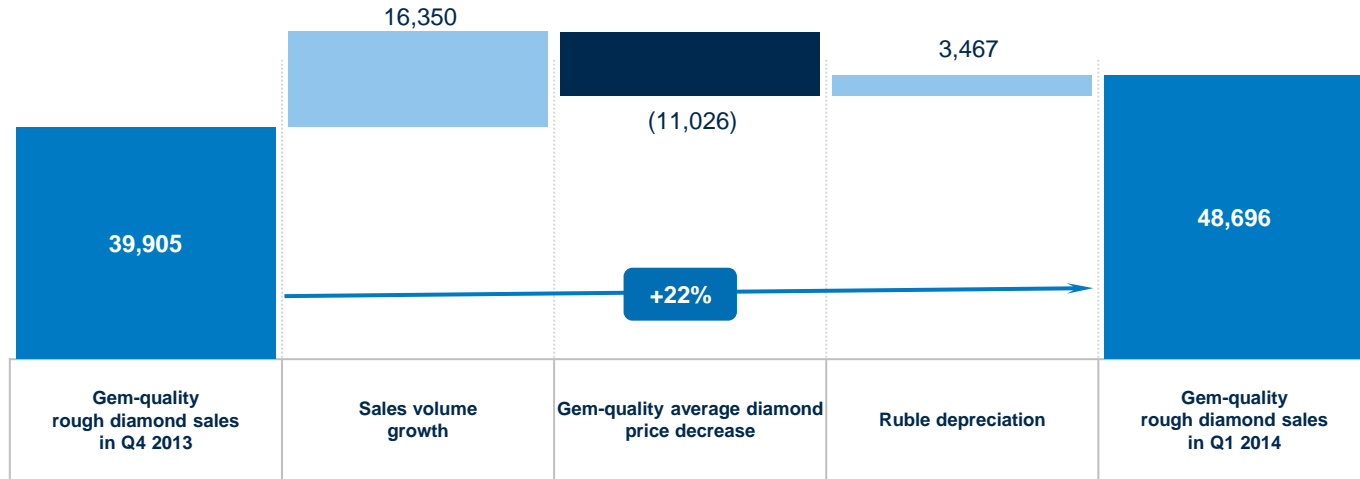
\$/carat



Higher diamond sales volume and ruble depreciation caused an increase in gem-quality rough diamond revenue in Q1 2014 compared to Q4 2013.
Average price decrease was driven by changes in sales product mix

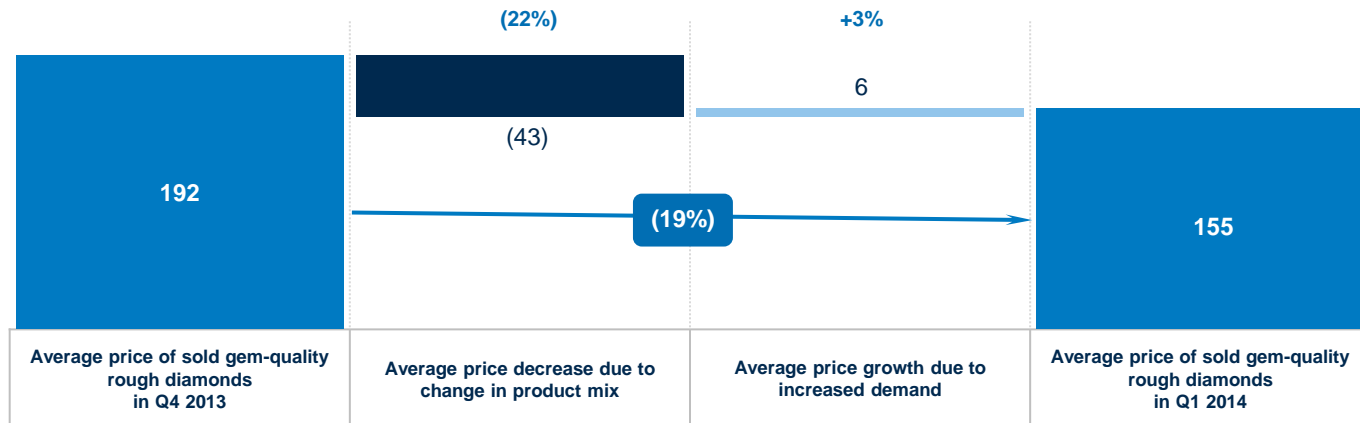
Gem-quality rough diamond revenue dynamics

RUB mln



Gem-quality rough diamond average price dynamics

\$/carat



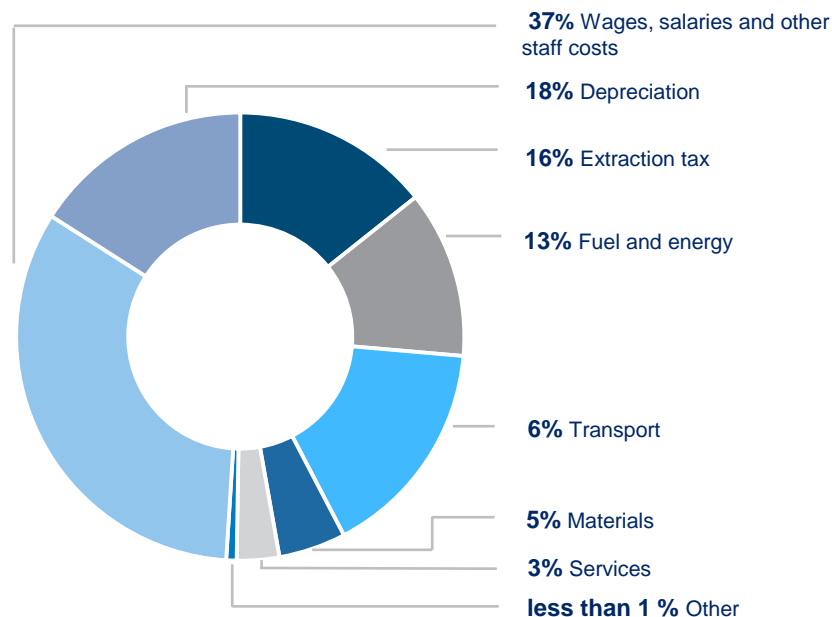
Cost of production growth was mainly influenced by extraction tax, transportation costs and depreciation

Cost of sales

RUB mln

	Q1 2014	Q4 2014	Q1 2013	Q1 2014 vs. Q4 2013	Q1 2014 vs. Q1 2013
Wages, salaries and other staff costs	7,876	8,475	7,642	(7%)	3%
Depreciation	3,806	3,322	3,211	15%	19%
Extraction tax	3,411	2,823	2,431	21%	40%
Fuel and energy	2,879	2,153	3,175	34%	(9%)
Transport	1,368	979	460	40%	3,0x
Materials	1,157	2,019	1,035	(43%)	12%
Services	686	1,223	650	(44%)	6%
Other	178	33	109	5,4x	63%
Cost of production	21,361	21,027	18,713	2%	14%
Movement in inventory of diamonds, ores and concentrates	6,163	909	955	6,8x	6,5x
Cost of diamonds for resale	357	136	267	2,6x	34%
Cost of sales	27,881	22,072	19,935	26%	40%

Production costs in Q1 2014

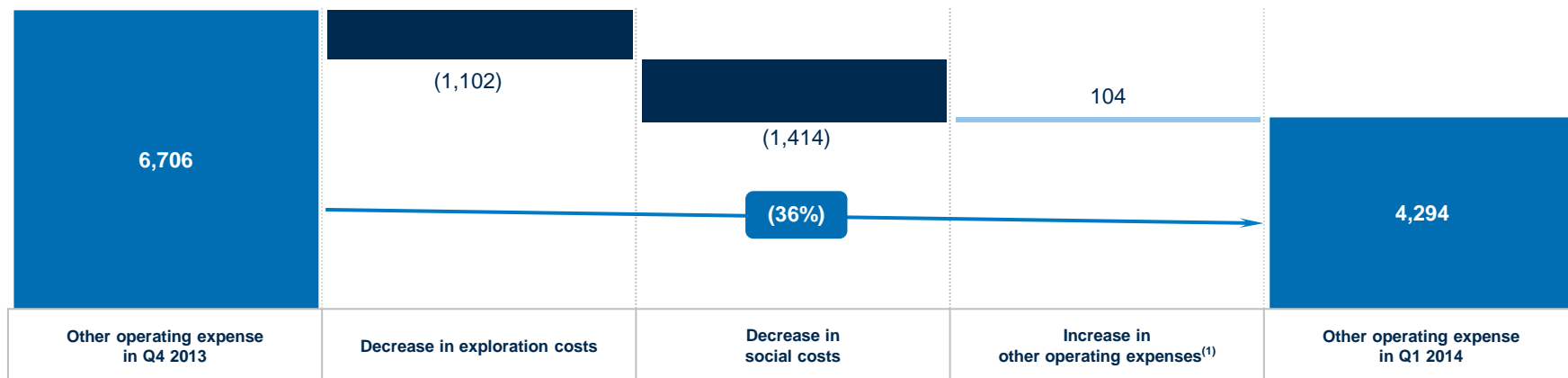
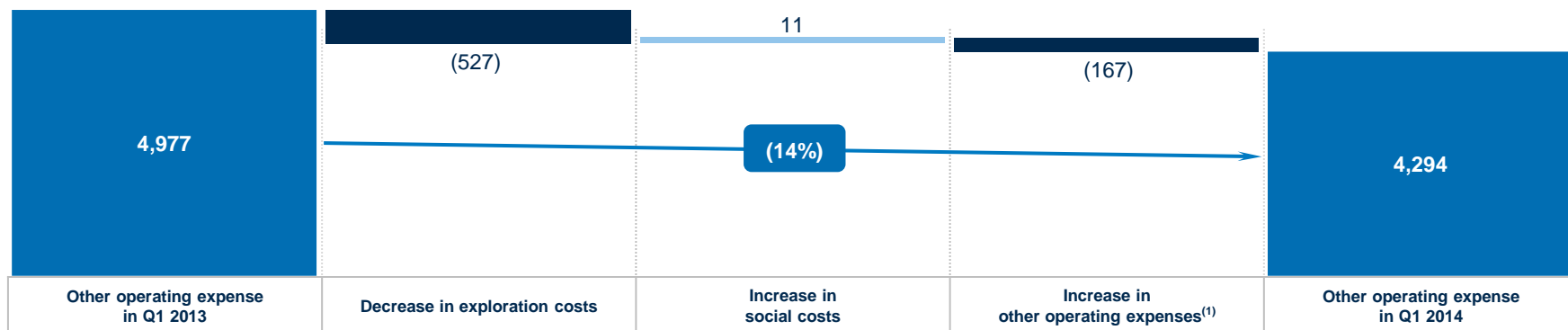


- Q1 2014 cost of sales growth of +26% and +40% compared to Q4 2013 and Q1 2013 was driven by increased diamond sales volume by +18% and +23% respectively, as well as increased sales volumes in other operations, including sales of gas
- Extraction tax costs increase in Q1 2014 was due to increased volume of diamonds evaluated for MET calculation, as well as its value growth as a result of ruble weakening. Extraction tax costs increase was also influenced by increased sales volumes in other operations, including gas assets
- Q1 2014 transportation costs increased by +40% compared to Q4 2013 and 3 times compared to Q1 2013 as a result of additional expenses of goods transportation by trucks in winter due to reduced period of navigation on the Lena River in 2013
- Depreciation growth in Q1 2014 occurred mainly due to increased gas production volumes, acquiring of Nizhne-Lenskoye, new equipment commissioning at Severalmaz and increased charges at other diamond mining facilities

Other operating expenses decreased in Q1 2014 due to reduced exploration costs and social costs

Analysis of other operating expenses

RUB mln



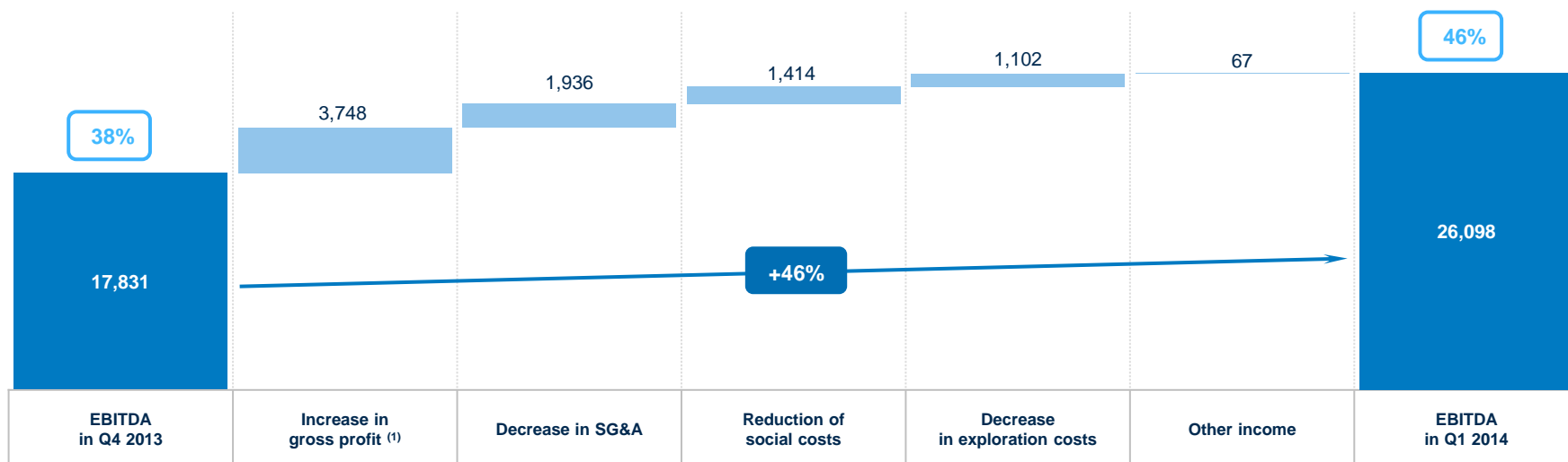
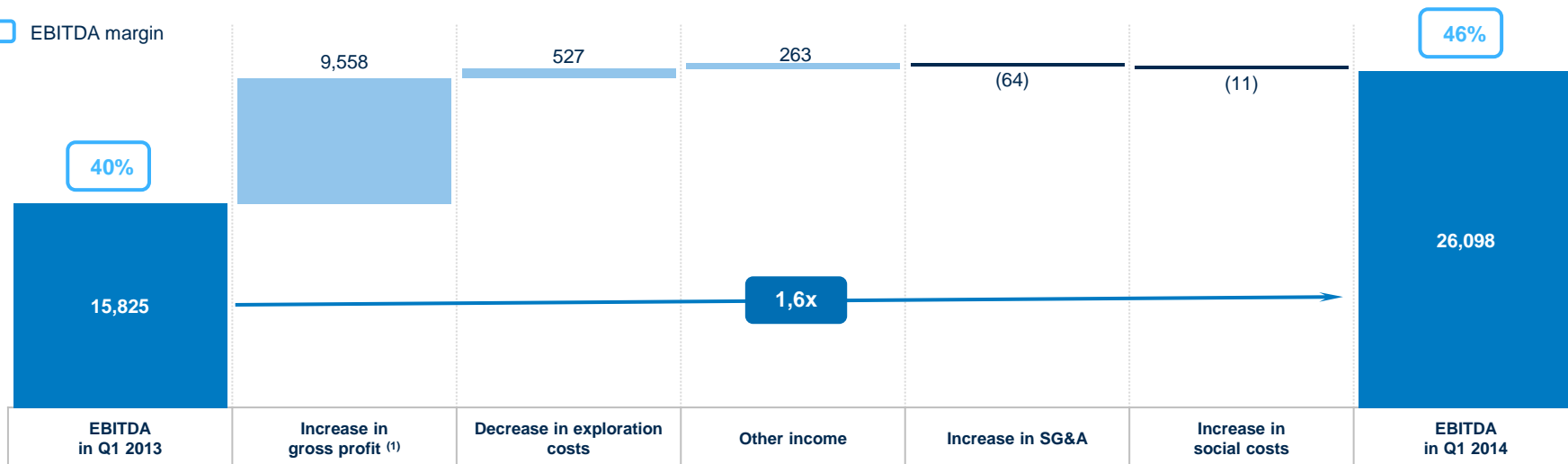
Note: (1) Other operating expenses include taxes other than income tax, extraction tax and payments to social funds, loss on disposal of property, plant and equipment, other operating expenses

EBITDA in Q1 2014 increased due to a growth in gross profit from diamond sales

EBITDA factor analysis

RUB mln

EBITDA margin

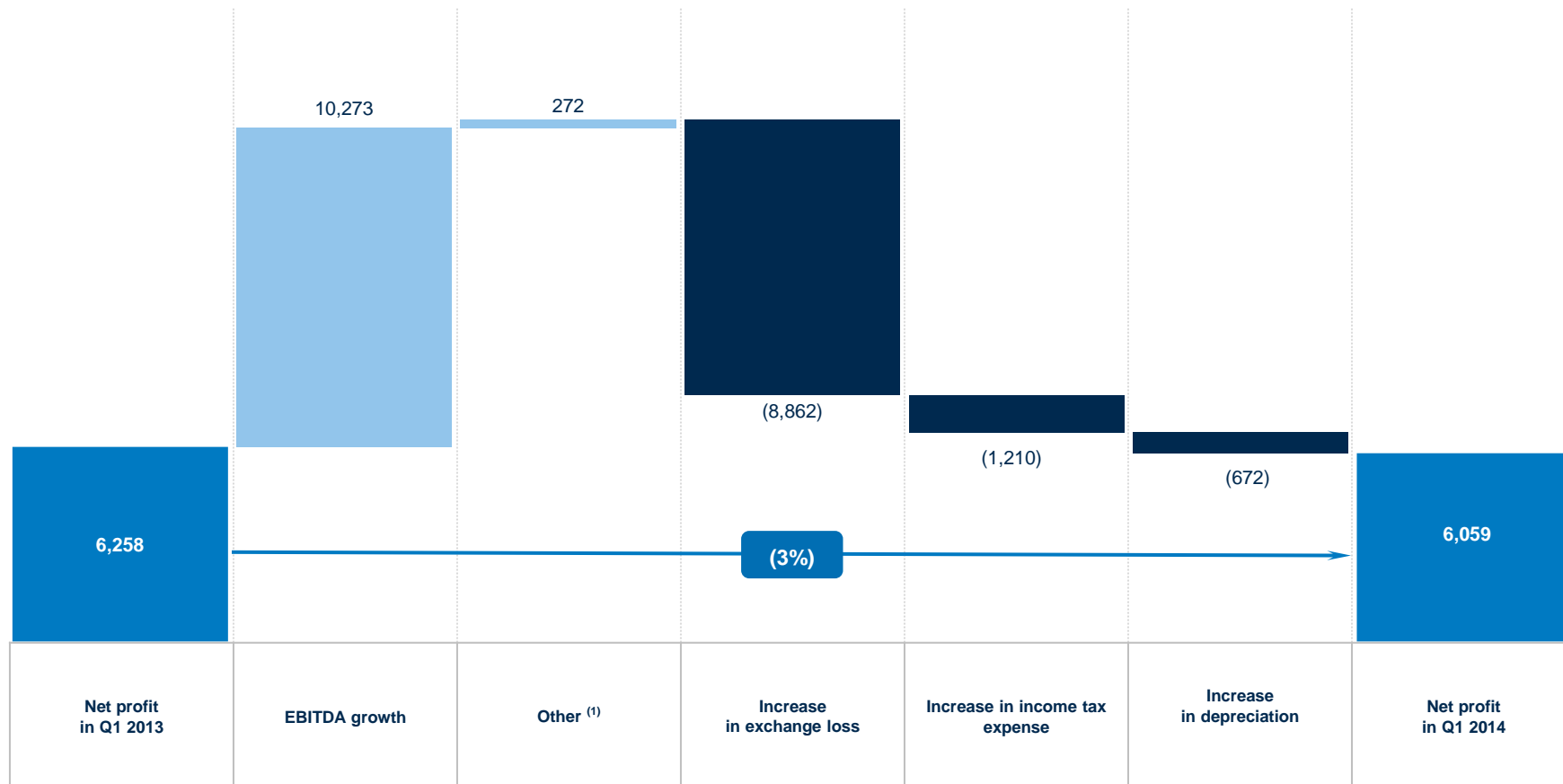


Note: (1) Gross profit excluding depreciation

Net profit decreased in Q1 2014 vs Q1 2013 due to increased exchange loss

Net profit factor analysis

RUB mln

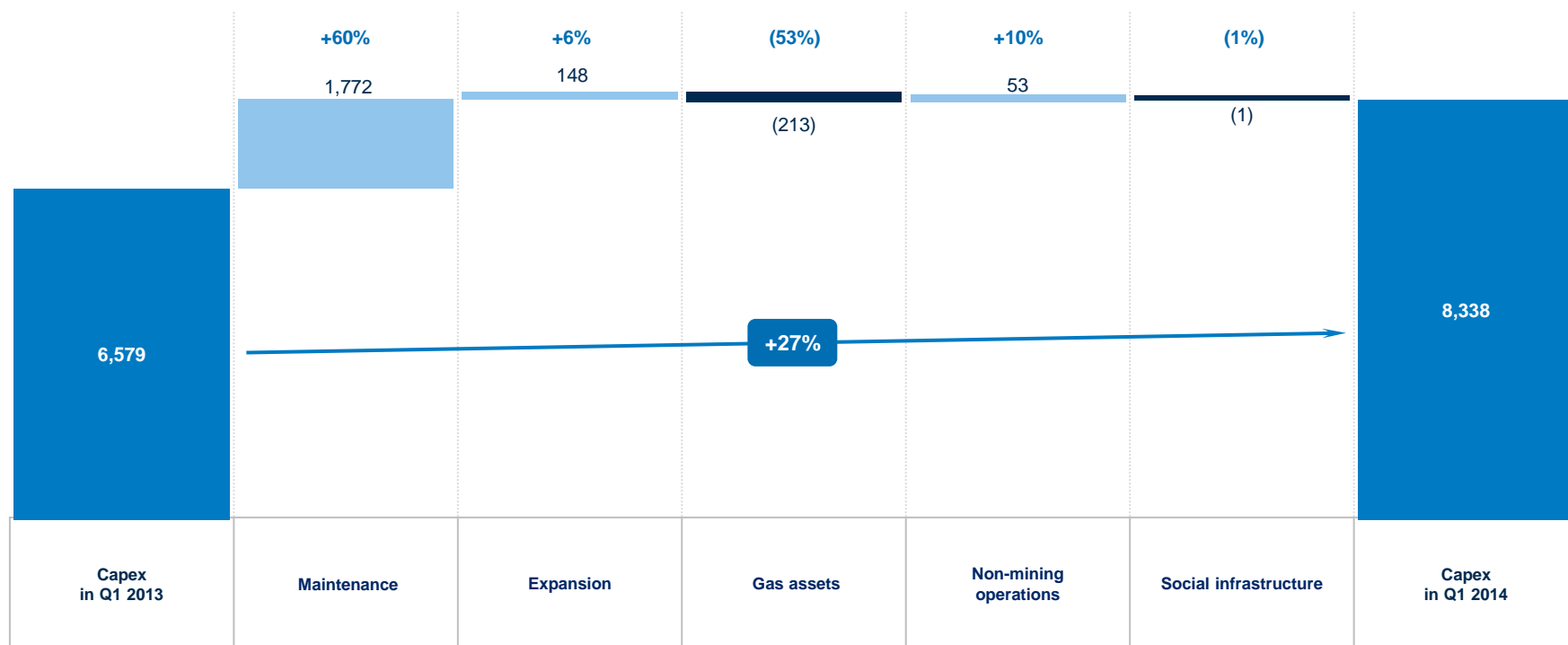


Note: (1) Other include decrease in loss on disposal of property, plant and equipment, higher income from associates, increase in interest expenses

Total Capex grew y-o-y mainly due to increase in maintenance expenses

Capital expenditure dynamics

RUB mln



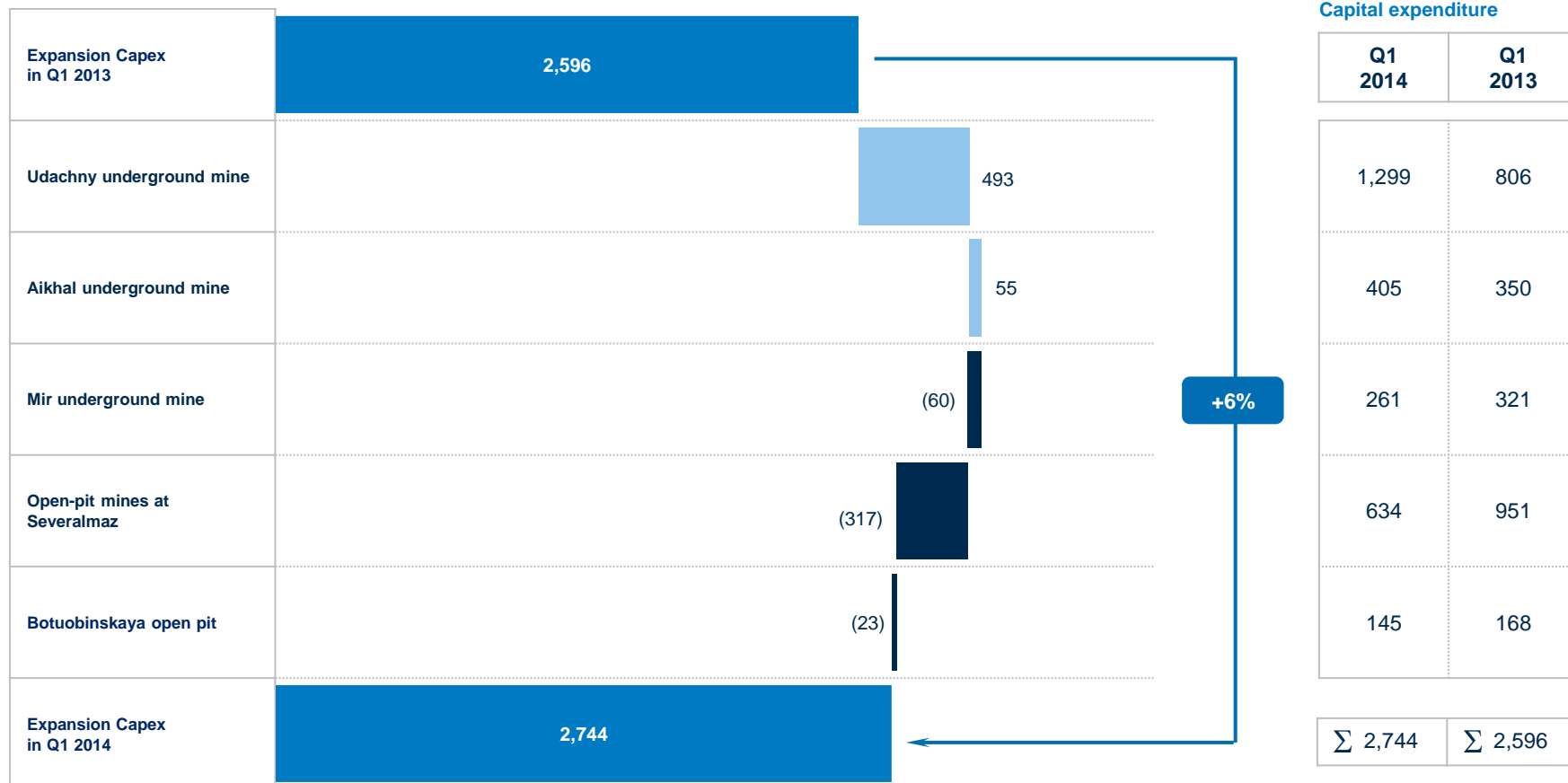
Capital expenditure

	Maintenance	Expansion	Gas assets	Non-mining operations	Social infrastructure	Σ
Q1 2014	4,732	2,744	190	588	84	Σ 8,338
Q1 2013	2,960	2,596	403	535	85	Σ 6,579

Expansion Capex grew mainly due to continued construction of the Udachny underground mine

Expansion Capex dynamics

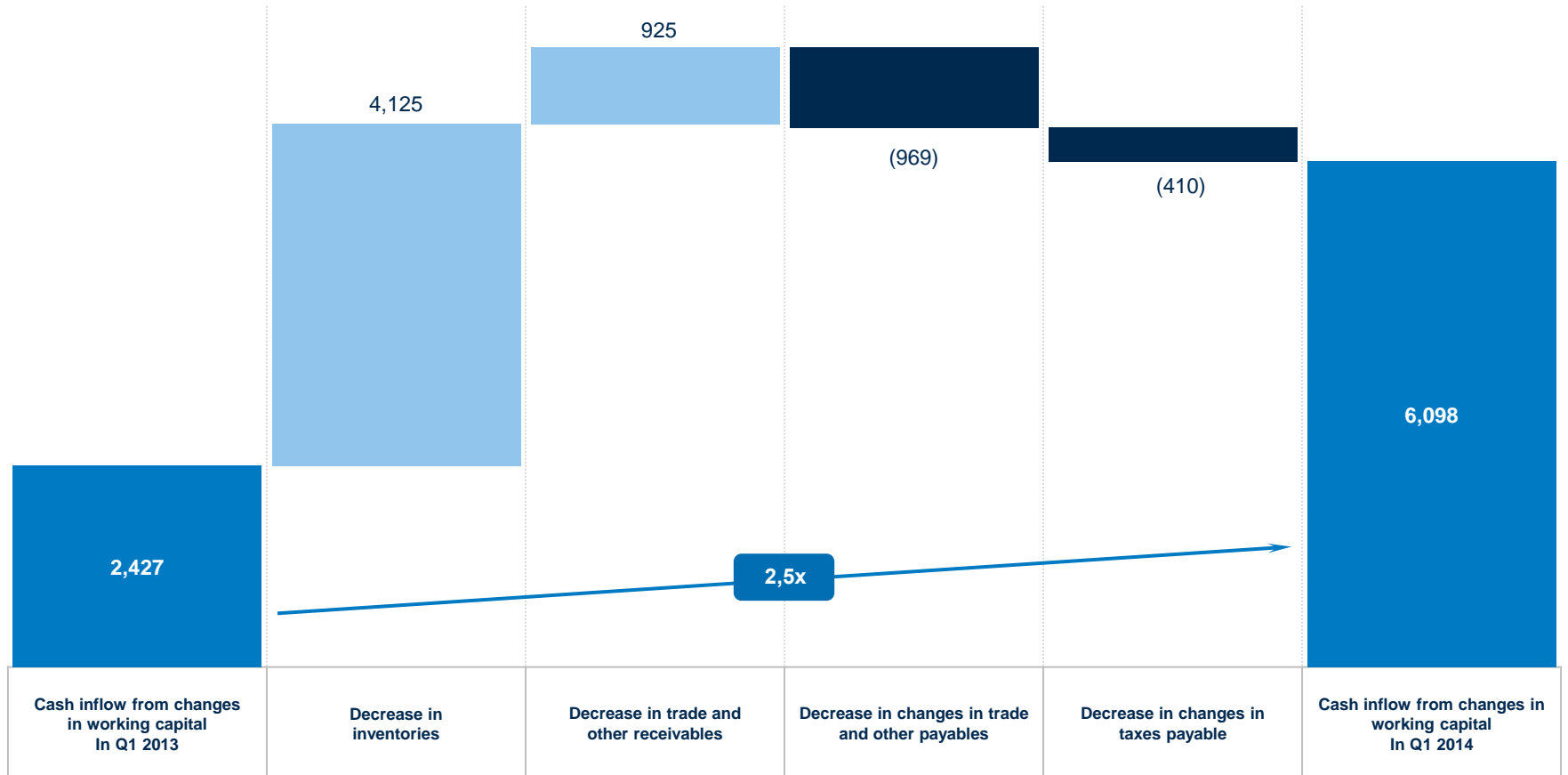
RUB mln



Cash inflow from changes in working capital was driven by decrease in inventories

Changes in working capital

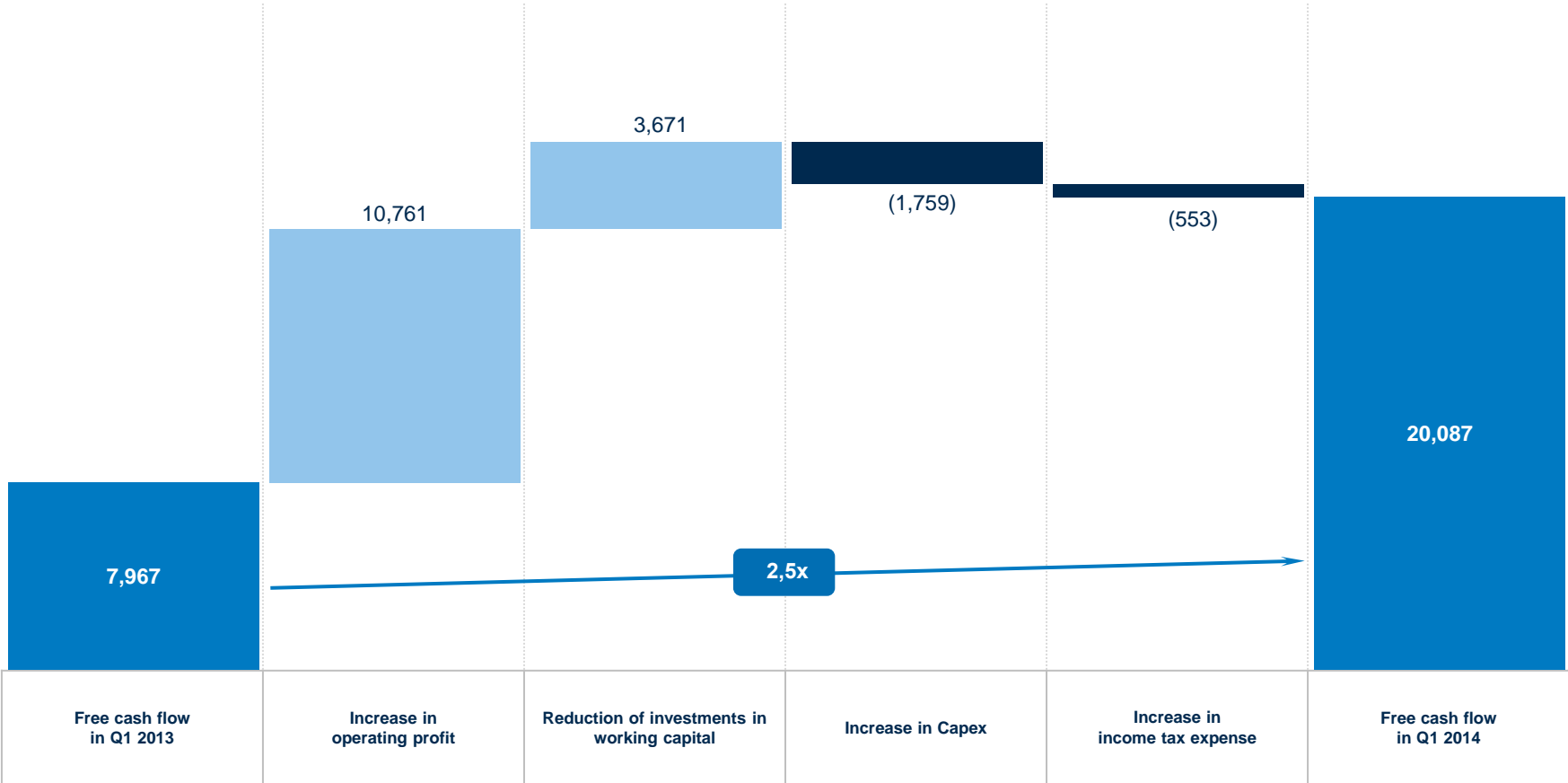
RUB mln



Free cash flow increased due to a growth in operating profit and reduction in investments in working capital

Free cash flow

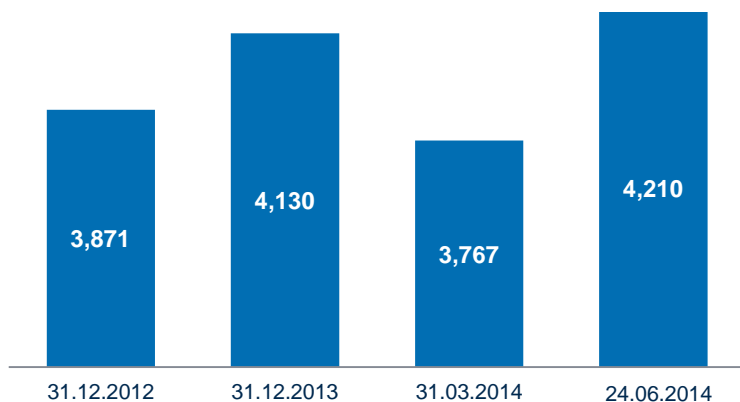
RUB mln



The share of long-term debt is 88%, debt increased to create a liquidity source for upcoming in 2014 Eurobond repayment

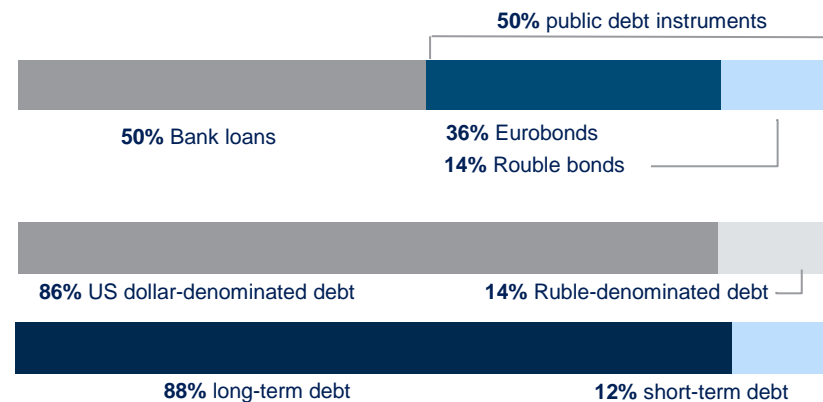
Dynamics of bank loans and public debt instruments

\$ mln



Structure of bank loans and public debt instruments

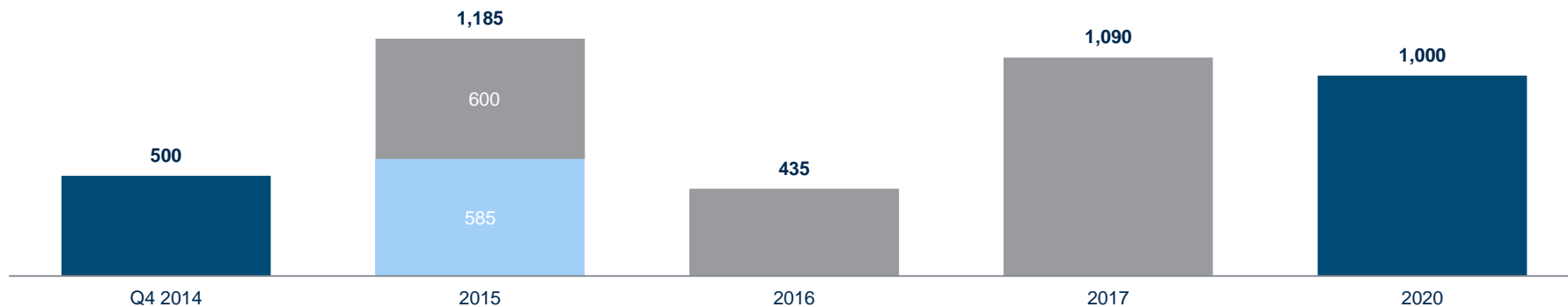
As of 24 June 2014



Debt maturity profile of bank loans and public debt instruments

As of 24 June 2014, \$ mln

■ Bank loans ■ Rouble bonds ■ Eurobonds



Appendix

Diamond sales overview

	2012	2013	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Revenue from the diamond segment, RUB bn, incl.:	136.4	149.3	34.5	36.0	23.3	42.6	36.3	37.7	33.1	42.2	51.5
diamond revenue	130.4	144.2	33.0	34.1	21.9	41.5	35.0	36.3	31.7	41.0	50.1
gem-quality rough diamonds	127.2	140.5	32.2	33.3	21.0	40.7	34.3	35.9	30.3	39.9	48.7
industrial rough diamonds	3.2	3.7	0.8	0.8	0.9	0.8	0.7	0.4	1.4	1.1	1.4
polished diamonds	4.6	4.5	1.2	1.3	0.8	1.3	0.9	1.2	1.2	1.2	1.1
resale of diamonds	1.4	0.6	0.3	0.6	0.5	-	0.3	0.1	0.2	-	0.4
Rough diamond sales volume, mln cts, incl.:	33.2	38.0	9.5	7.7	5.1	10.8	10.3	8.8	8.0	10.8	12.7
gem-quality rough diamonds	22.4	26.7	6.1	5.5	3.4	7.4	7.6	6.9	5.4	6.7	9.5
industrial rough diamonds	10.8	11.3	3.4	2.2	1.7	3.4	2.7	1.9	2.6	4.1	3.2
Average selling price, \$/ct, incl.:	134.3	126.1	121.6	152.4	142.8	128.4	117.9	138.0	129.1	121.7	118.5
gem-quality rough diamonds	193.9	175.9	183.9	207.8	212.4	183.3	157.7	173.0	185.0	191.7	154.6
industrial rough diamonds	10.1	9.0	8.8	12.0	8.8	11.0	9.1	8.0	12.8	7.0	12.0

Thank you!



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