



ALROSA

**Investor Presentation –
Q2 and H1 2014 Results**

29 August, 2014

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H1 2014 Key Financial Highlights

Revenue	104.8 RUB bn +27% H1 2013: RUB 82.2 bn	Diamond sales	21.1 mln cts +10% H1 2013: 19.1 mln cts
EBITDA	47.3 RUB bn +34% H1 2013: RUB 35.2 bn	Net profit	23.1 RUB bn +58% H1 2013: RUB 14.6 bn
EBITDA margin	45% H1 2013: 43%	Free cash flow	20.6 RUB bn Growth by 2.3 times H1 2013: RUB 9.1 bn

H1 2014 financial results were driven by the ruble weakening, supplemented with diamond sales from inventories and diamond prices growth

Financial Results

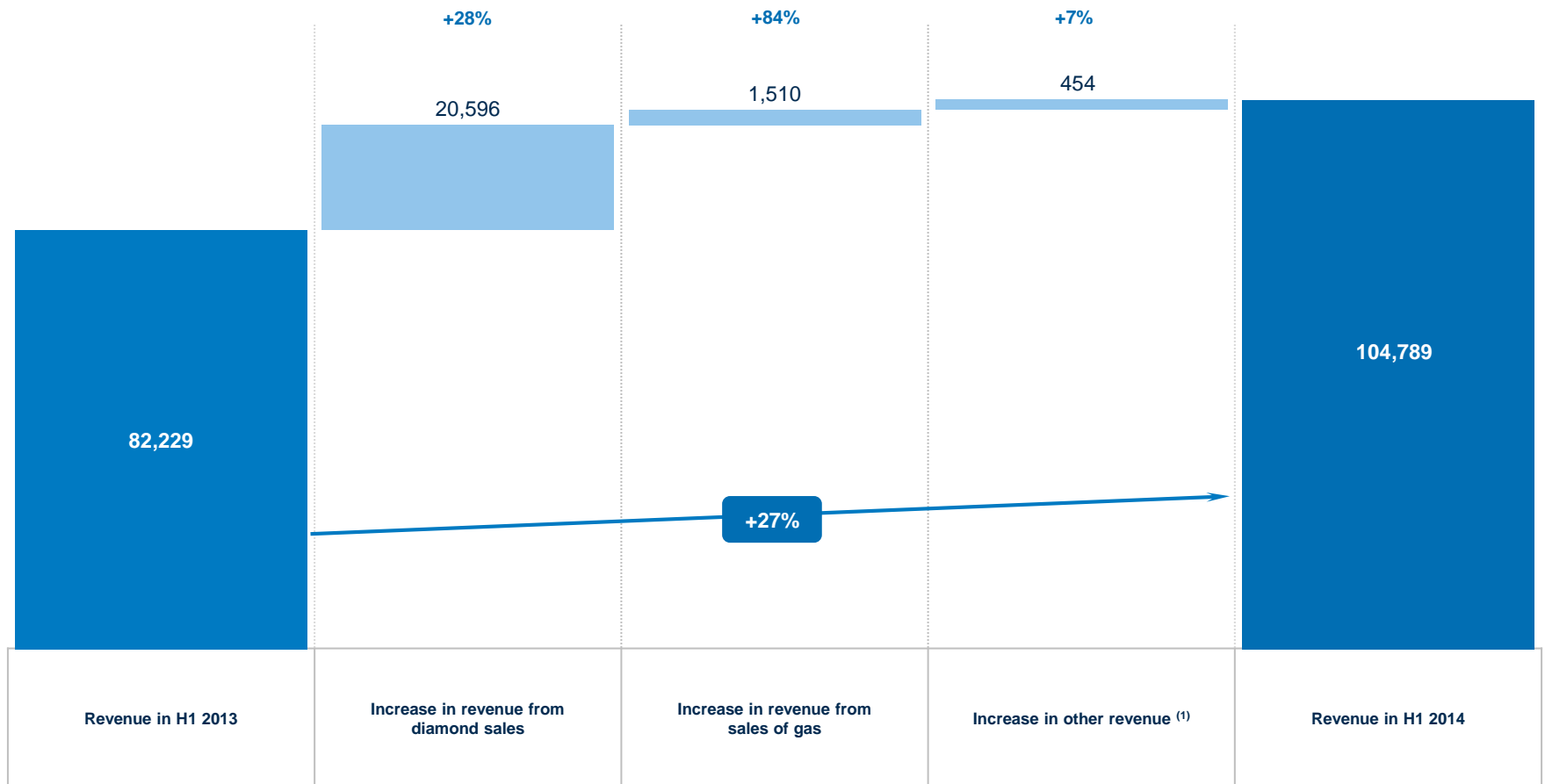
RUB mln	Q2 2014	Q1 2014	Q2 2014 vs. Q1 2014	H1 2014	H1 2013	H1 2014 vs. H1 2013
Operational Figures						
Production, mln cts	8.0	7.9	1%	15.9	17.1	(7%)
Sales, mln cts	8.4	12.7	(34%)	21.1	19.1	10%
IFRS Income Statement						
Revenue	47,939	56,850	(16%)	104,789	82,229	27%
Cost of sales	(22,181)	(27,906)	(21%)	(50,087)	(39,211)	28%
EBITDA ⁽¹⁾	21 267	26 022	(18%)	47 289	35 245	34%
EBITDA margin	44%	46%	-	45%	43%	-
Net profit	17,134	5,983	2.9x	23,117	14,616	58%
Net profit margin	36%	11%	-	22%	18%	-
EPS, RUB	2.31	0.77	3.0x	3.07	1.95	57%
IFRS Balance Sheet						
Cash and cash equivalents				31,406	12,844	2.4x
Total debt				144,082	141,611	2%
Net debt				112,676	128,767	(12%)
Net debt / EBITDA				1.4x	2.1x	-
Equity attributable to owners of OJSC ALROSA				172,392	141,111	22%
IFRS Cash Flow Statement						
Cash inflow from operating activities before changes in working capital				45,936	34,946	31%
Income tax paid				(9,724)	(6,225)	56%
Changes in working capital				(625)	(4,692)	(87%)
Net cash inflow from operating activities				35,587	24,029	48%
Purchase of property, plant and equipment				(15,027)	(14,928)	1%
Free cash flow ⁽²⁾				20,560	9,101	2.3x

Note: (1) as used in this presentation, EBITDA is defined as operating profit adjusted for depreciation, disposal of subsidiaries, 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

H1 2014 revenue growth was mainly driven by increased diamond sales and sales of gas

Revenue analysis

RUB mln

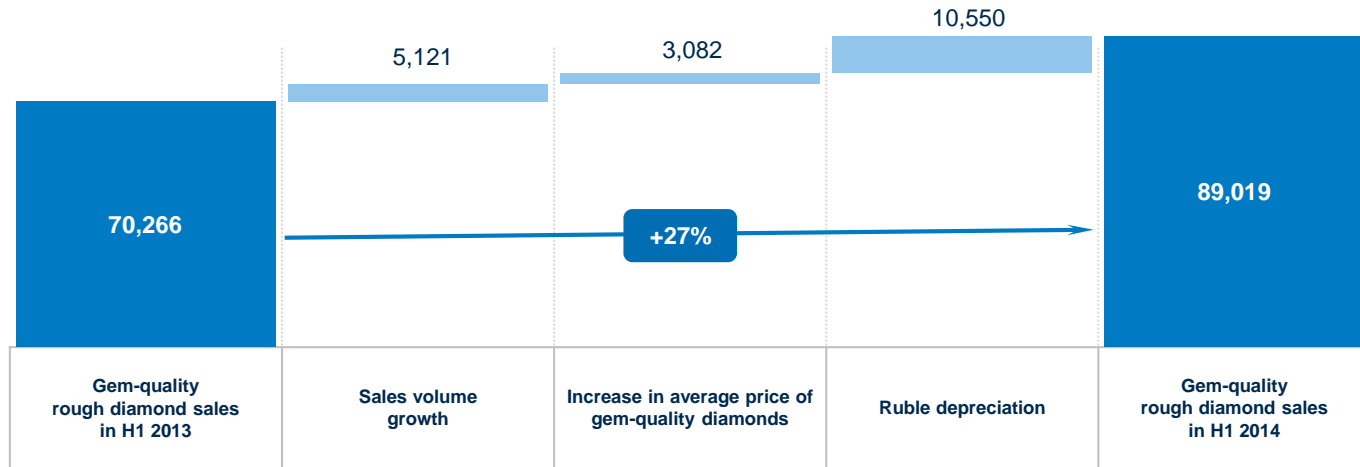


Note: (1) other revenue includes: transportation, social infrastructure, trading, construction, other activities

Ruble depreciation, as well as higher diamond sales volume and average price growth due to changes in sales product mix resulted in an increase in gem-quality rough diamond revenue in H1 2014

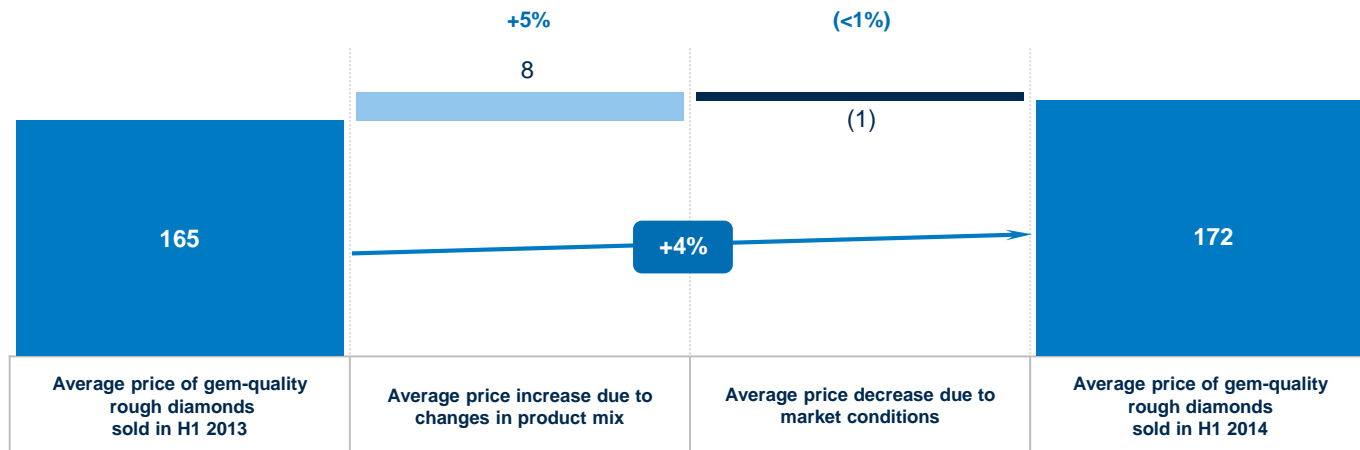
Gem-quality rough diamond revenue analysis

RUB mln



Gem-quality rough diamond average price analysis

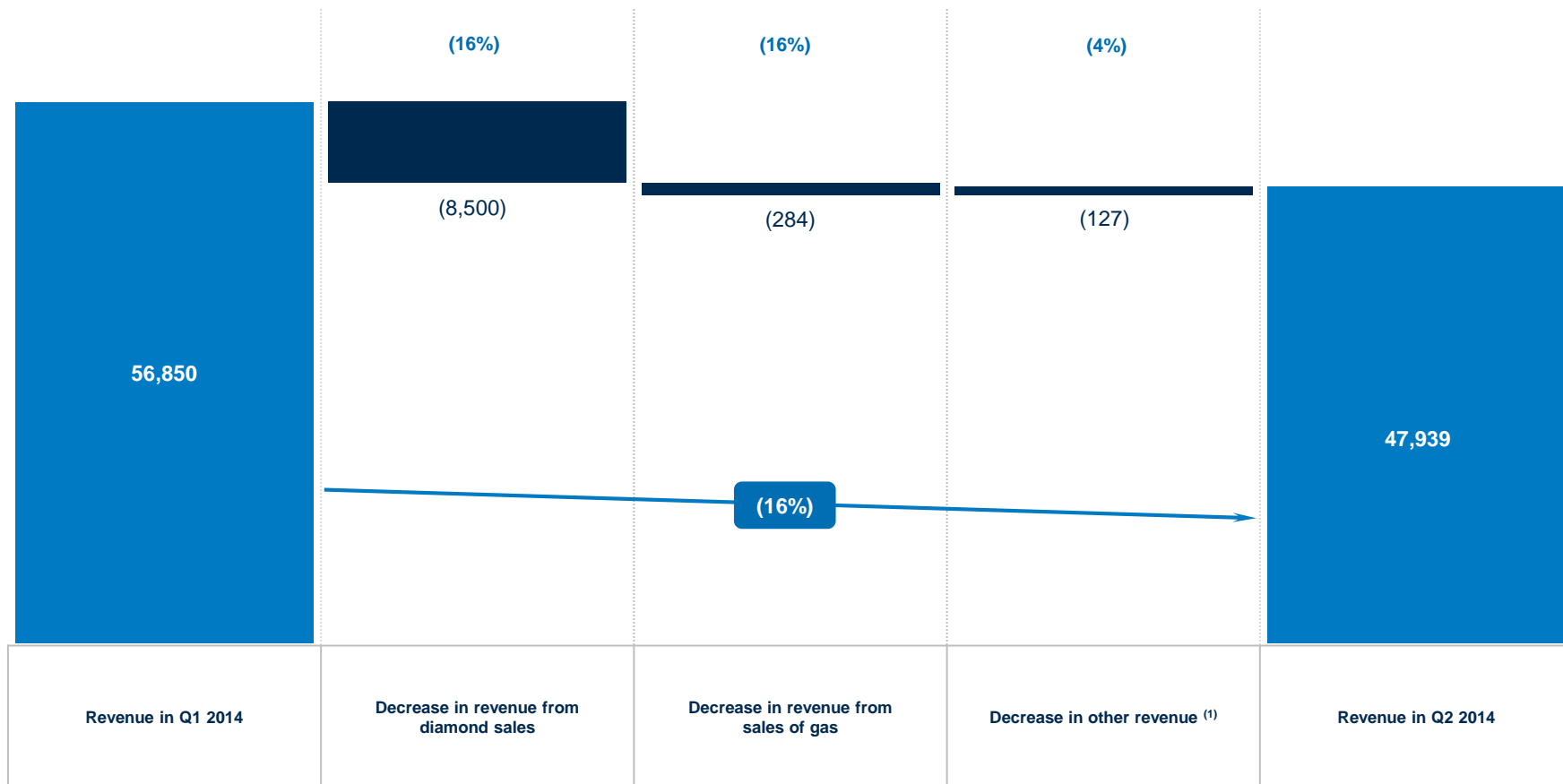
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Q2 2014 revenue decline was mainly driven by decreased diamond sales and sales of gas

Revenue analysis

RUB mln

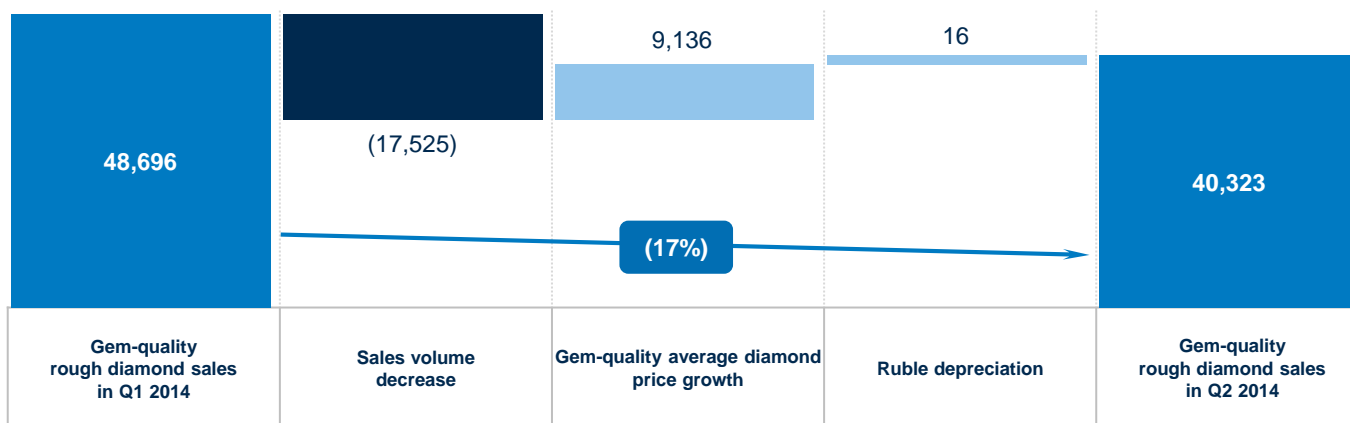


Note: (1) other revenue includes: transportation, social infrastructure, trading, construction activity, other activities

Lower diamond sales volume caused a decrease in gem-quality rough diamond revenue in Q2 2014. Average price growth was driven by changes in sales product mix and increased demand

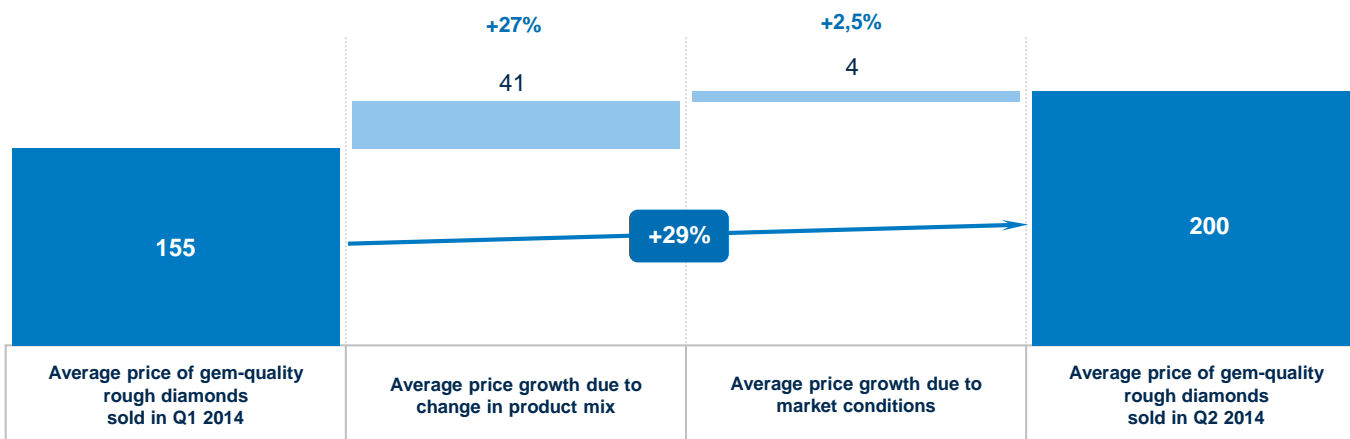
Gem-quality rough diamond revenue analysis

RUB mln



Gem-quality rough diamond average price analysis

\$/carat



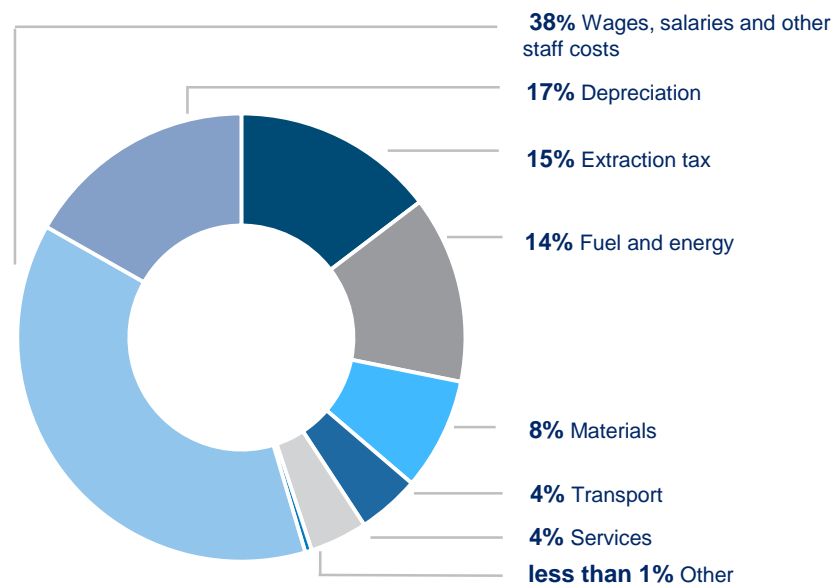
Cost of production growth was mainly influenced by extraction tax, wages and salaries and transportation costs

Cost of sales

RUB mln

	H1 2014	H1 2013	H1 2014 vs. H1 2013
Wages, salaries and other staff costs	16,818	15,601	8%
Depreciation	7,459	6,759	10%
Extraction tax	6,515	4,919	32%
Fuel and energy	6,008	6,278	(4%)
Transport	2,000	1,050	90%
Materials	3,599	3,947	(9%)
Services	1,847	1,173	57%
Other	214	142	51%
Cost of production	44,460	39,869	12%
Movement in inventory of diamonds, ores and concentrates	5,128	(941)	-
Cost of diamonds for resale	499	283	76%
Cost of sales	50,087	39,211	28%

Production costs in H1 2014

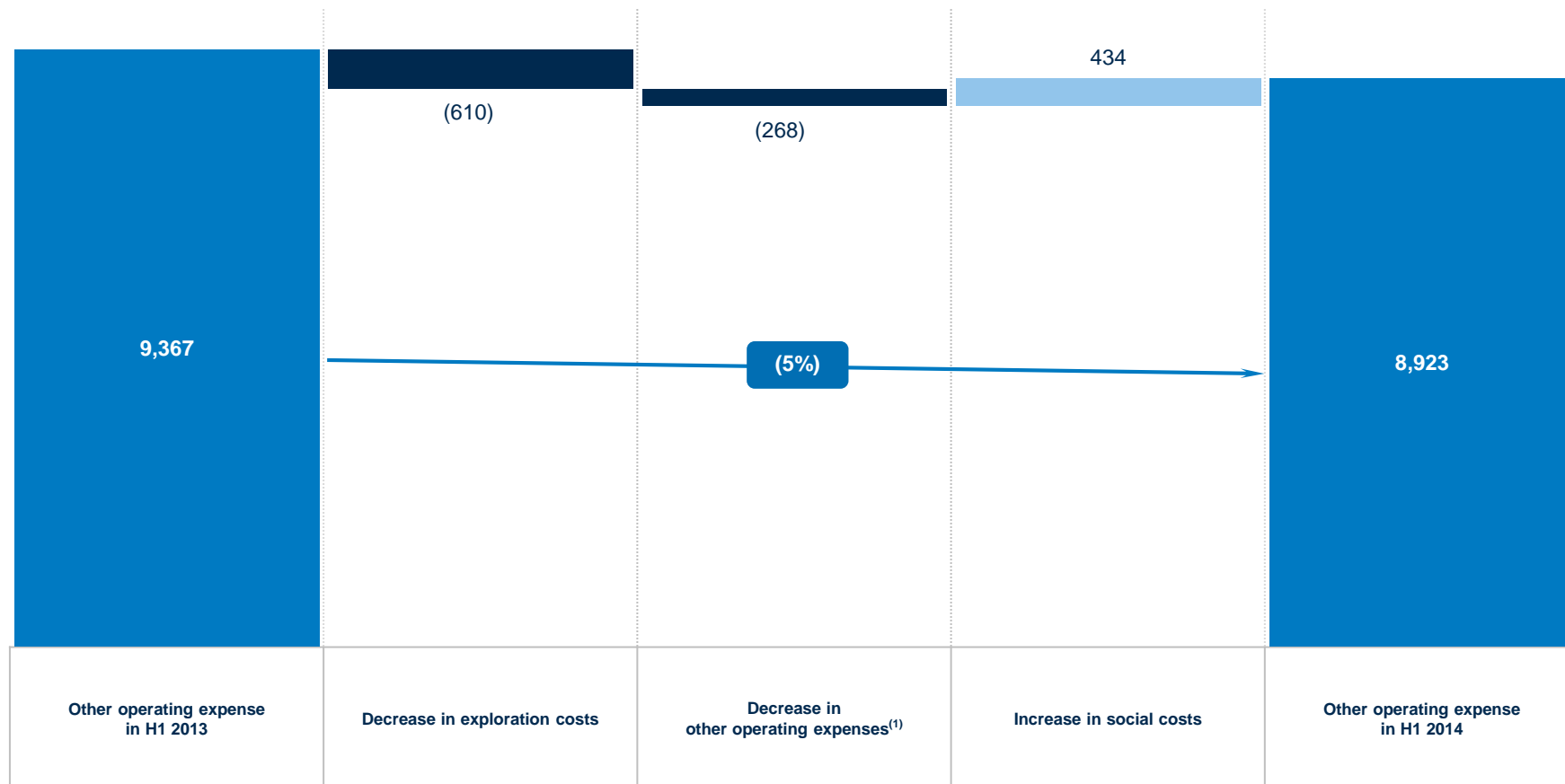


- ⚡ H1 2014 cost of sales growth of +28% y-o-y was driven by increased diamond sales volume by +10%, higher depreciation, transport costs and extraction tax, as well as sales in other business areas, including sales of gas
- ⚡ Extraction tax (MET) hike in H1 2014 by +32% resulted from the new Ministry of Finance's diamond pricelist for MET calculation coming into force on 15 March 2014, ruble depreciation and increased production by our gas asset
- ⚡ Wages, salaries and other staff costs rose by +8% as a result quarterly indexation of wages at the inflation rate
- ⚡ H1 2014 transportation costs increased by +90% y-o-y 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 H1 2014 was triggered mainly by increased gas production, new equipment commissioning at Severalmaz, acquiring and commissioning new equipment for alluvials at Almazy Anabara and Nizhne Lenskoye

Other operating expenses decreased in H1 2014 mostly due to reduced exploration costs

Analysis of other operating expenses

RUB mln



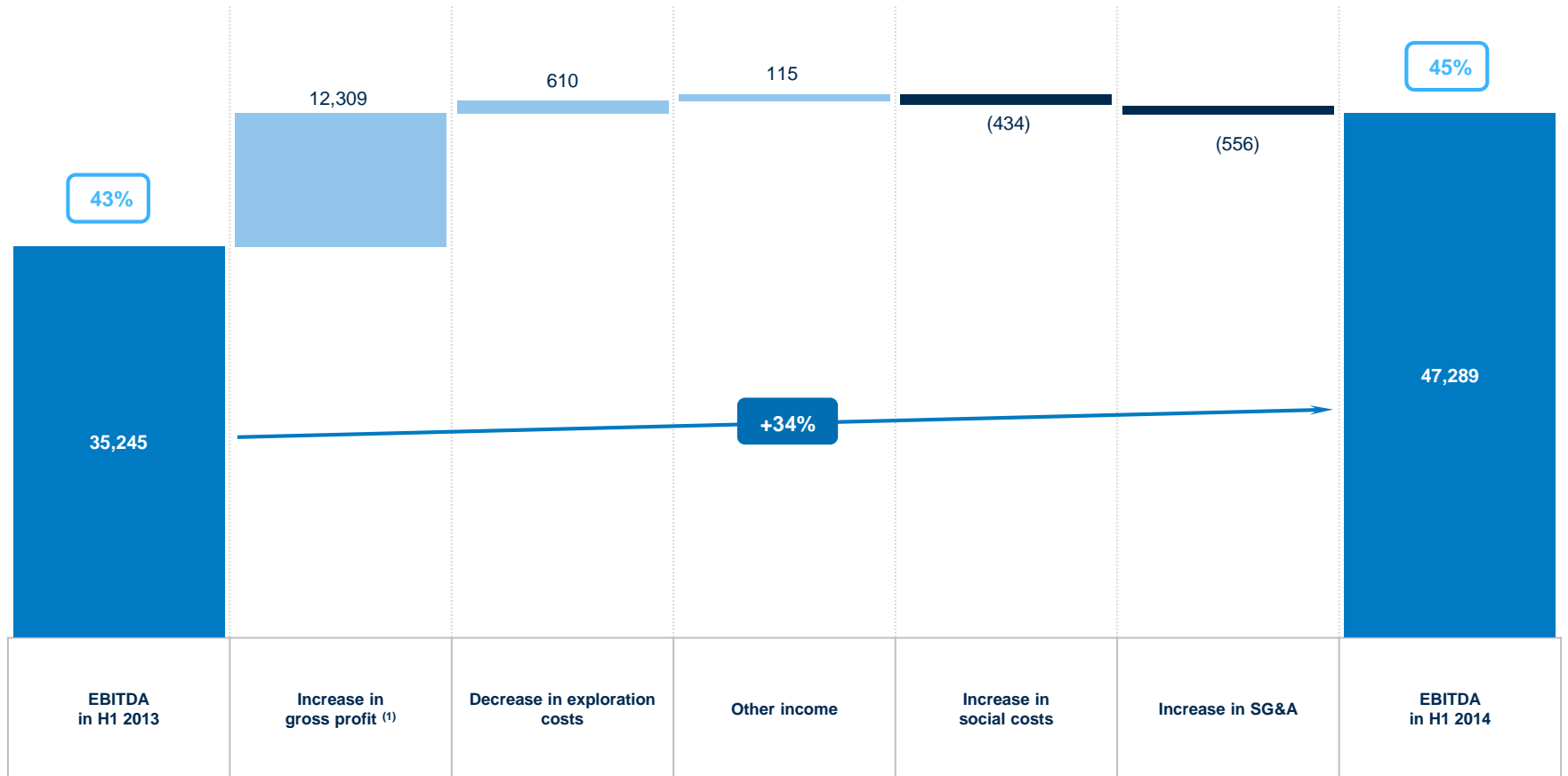
Note: (1) other operating expenses include taxes other than income tax, extraction tax and payments to social security funds, loss on disposal of property, plant and equipment, other operating expenses

EBITDA in H1 2014 increased due to a growth in gross profit from diamond sales

EBITDA analysis

RUB mln

EBITDA margin

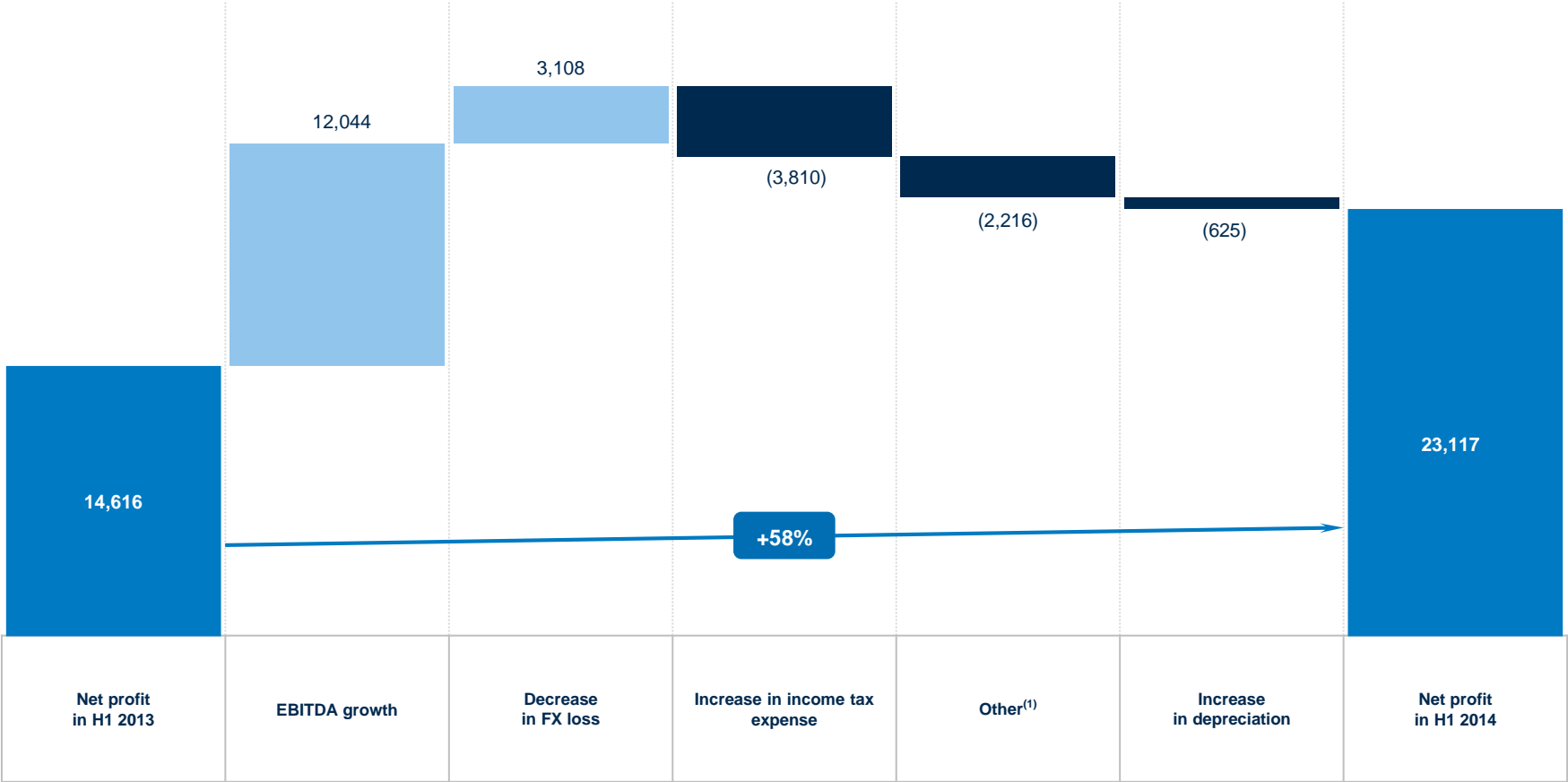


Note: (1) gross profit net of depreciation

Net profit increased in H1 2014 y-o-y due to EBITDA growth and decline in FX losses

Net profit analysis

RUB mln

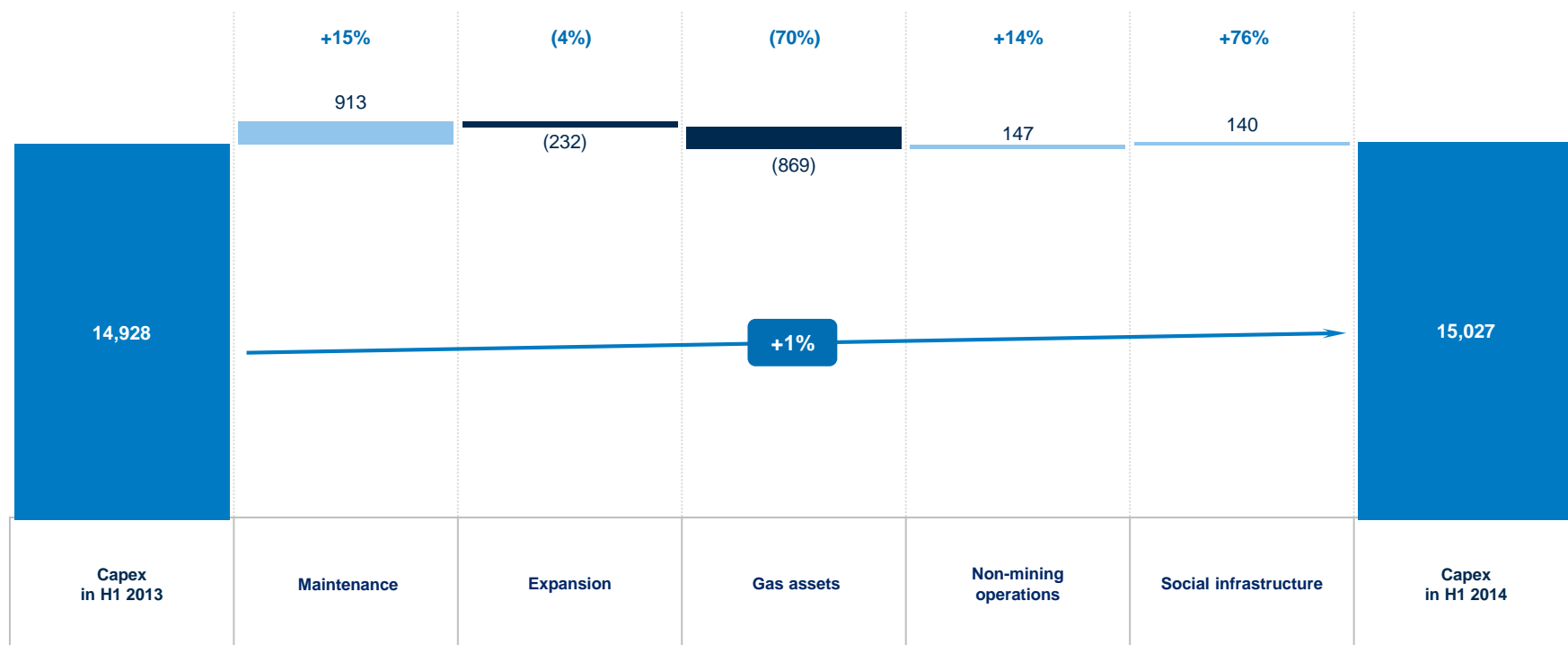


Note: (1) other includes increase in loss on disposal of property, plant and equipment, higher income from associates, decrease in interest expenses and in other income

H1 2014 Capex is in line with H1 2013

Capital expenditure dynamics

RUB mln



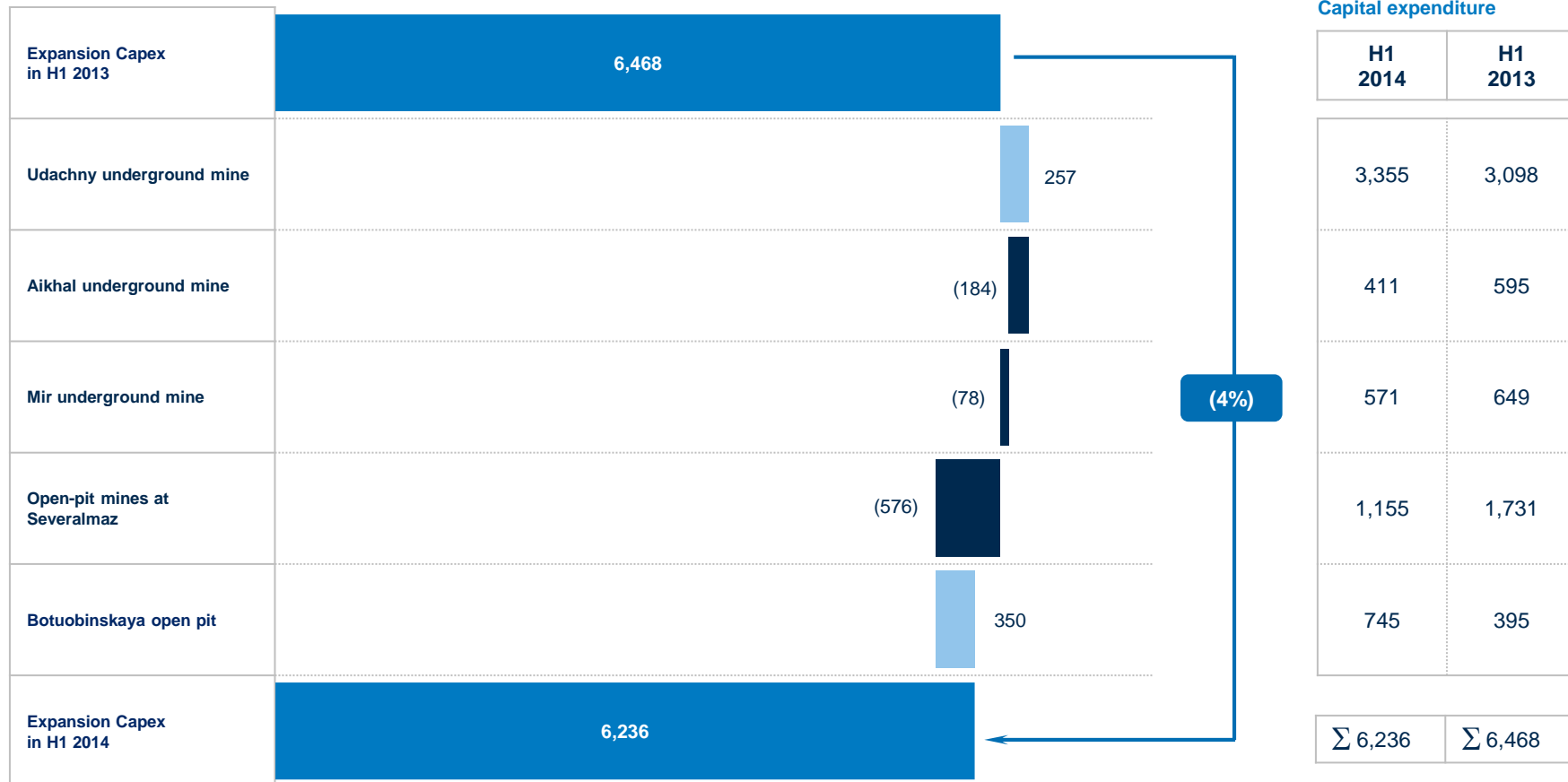
Capital expenditure

	Maintenance	Expansion	Gas assets	Non-mining operations	Social infrastructure	Σ
H1 2014	6,900	6,236	373	1,193	325	Σ 15,027
H1 2013	5,987	6,468	1,242	1,046	185	Σ 14,928

Expansion Capex decreased due to the completion of the second module of the processing plant at Severalmaz

Expansion Capex dynamics

RUB mln



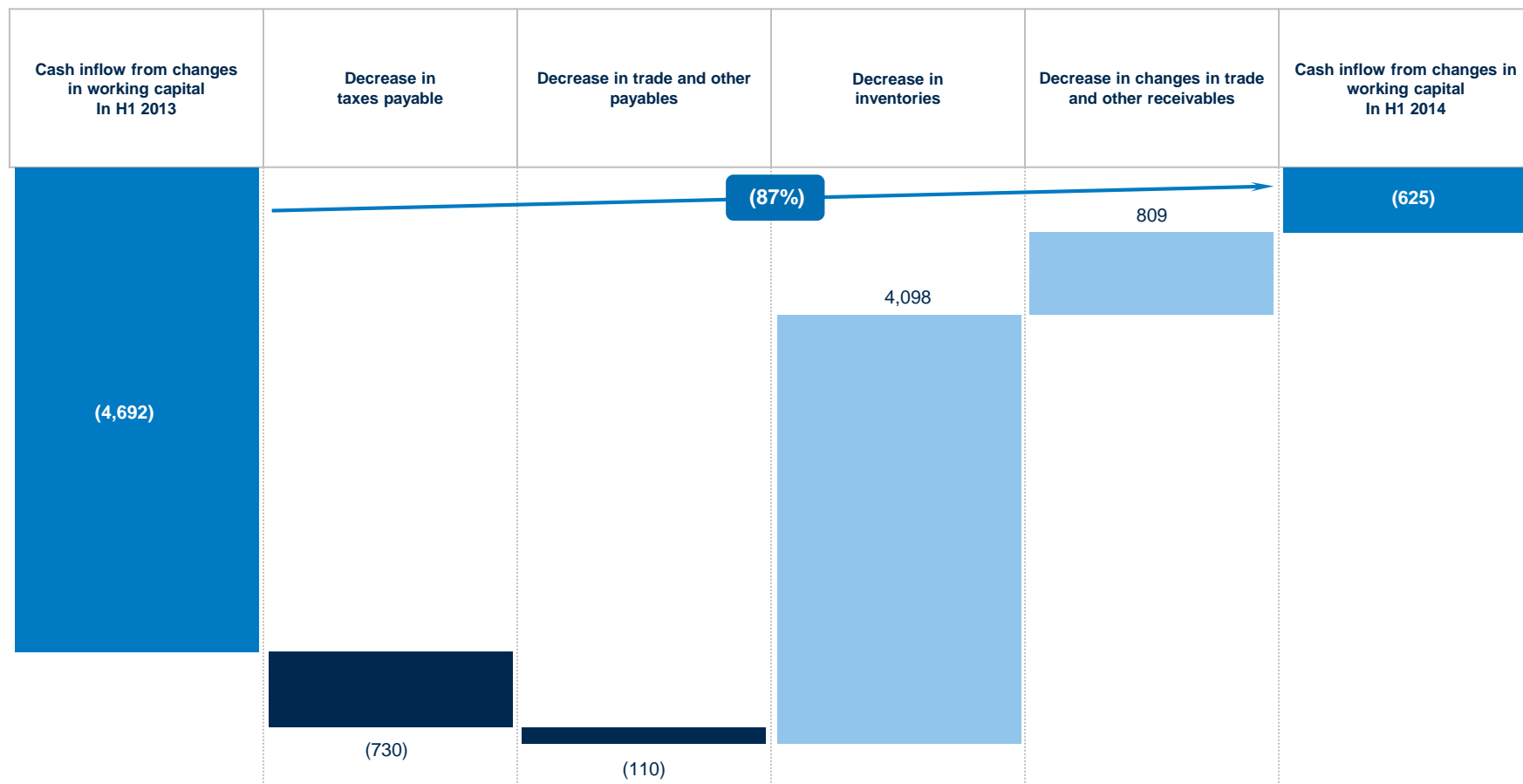
Capital expenditure

	H1 2014	H1 2013
	3,355	3,098
	411	595
	571	649
	1,155	1,731
	745	395
Σ	6,236	6,468

Cash inflow from changes in working capital in H1 2014 was mainly driven by decrease in inventories

Changes in working capital

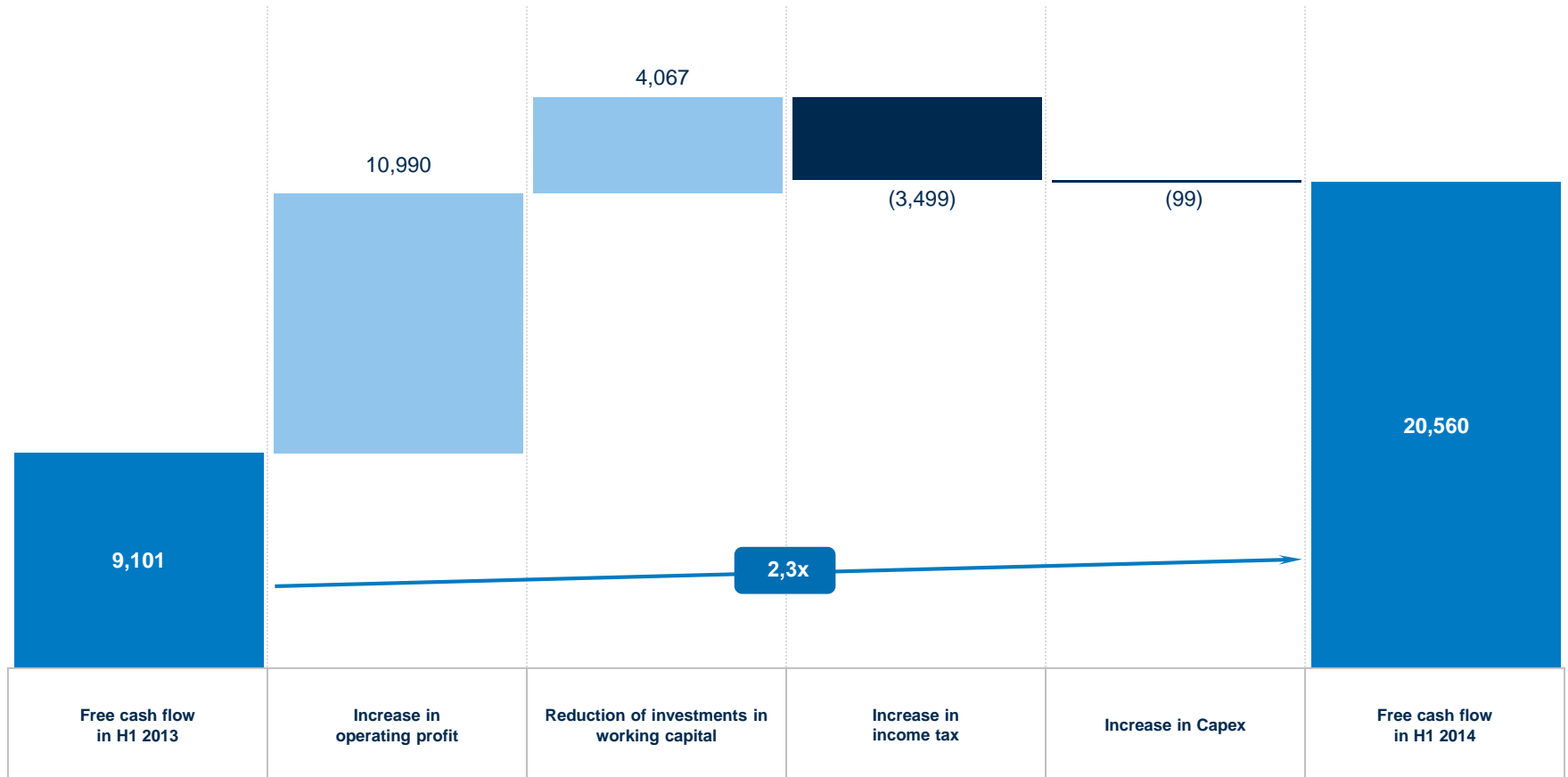
RUB mln



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

Free cash flow

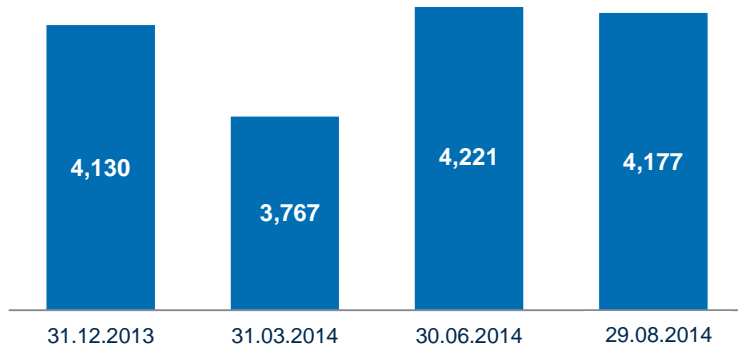
RUB mln



The share of long-term debt is 81%, debt increased to create a liquidity source for upcoming Eurobond repayment in 2014

Dynamics of bank loans and public debt instruments

\$ mln



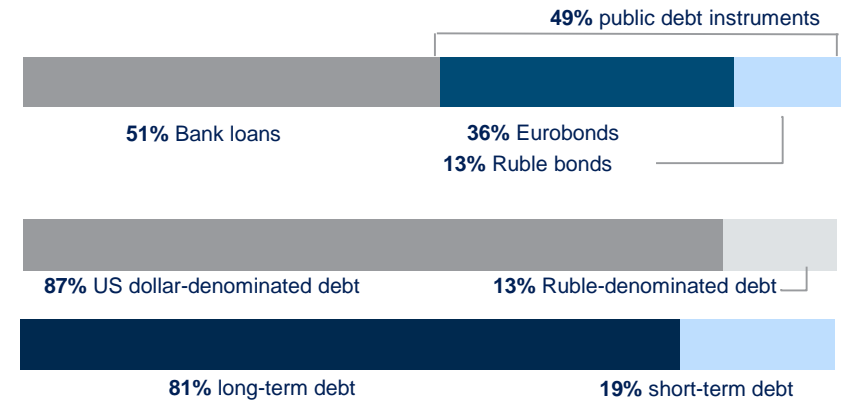
For reference: ALROSA net debt

RUB mln

129,321	120,788	112,676
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Bank loans and public debt instruments breakdown

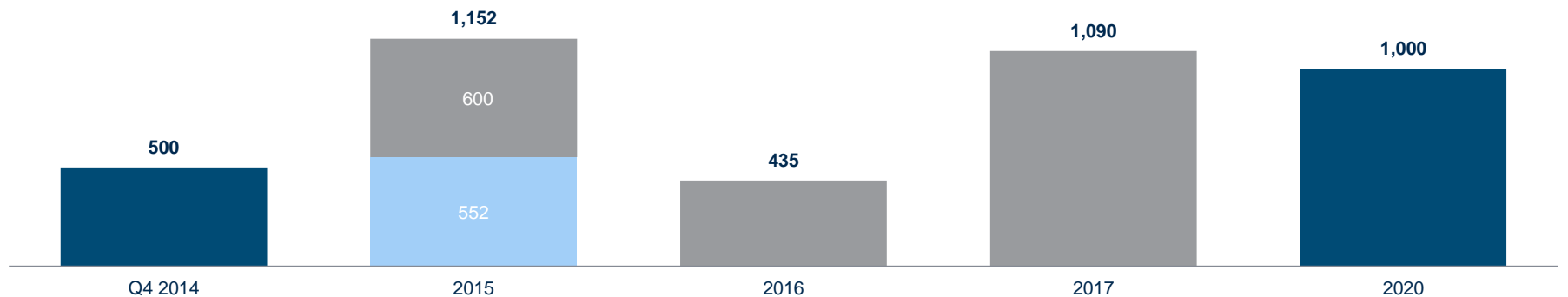
As of 29 August 2014



Debt maturity profile of bank loans and public debt instruments

As of 29 August 2014, \$ mln

■ Bank loans ■ Ruble 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	Q2 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	43.0
diamond revenue	130.4	144.2	33.0	34.1	21.9	41.5	35.0	36.3	31.7	41.0	50.1	41.4
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	40.3
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	1.1
polished diamonds	4.6	4.5	1.2	1.3	0.8	1.3	0.9	1.2	1.2	1.2	1.1	1.5
resale of diamonds	1.4	0.6	0.3	0.6	0.5	-	0.3	0.1	0.2	-	0.4	0.1
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	8.4
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	6.1
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	2.4
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	147.2
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	199.8
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	11.4

Thank you!



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