



ALROSA

**Investor Presentation –
Q3 and 9M 2014 Results**

26 November 2014

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9M 2014 Key Financial Highlights

Revenue	146.9 RUB bn +21% 9M 2013: RUB 121.4 bn	Diamond sales	28.8 mln cts +6% 9M 2013: 27.2 mln cts
EBITDA	65.8 RUB bn +28% 9M 2013: RUB 51.3 bn	Net profit	12.8 RUB bn (44%) 9M 2013: RUB 22.9 bn
EBITDA margin	45% 9M 2013: 42%	Free cash flow	22.6 RUB bn 5.6 times growth 9M 2013: RUB 4.0 bn

9M 2014 financial results were driven by the ruble depreciation, coupled with diamond sales from inventories and rough diamond price growth

Financial Results

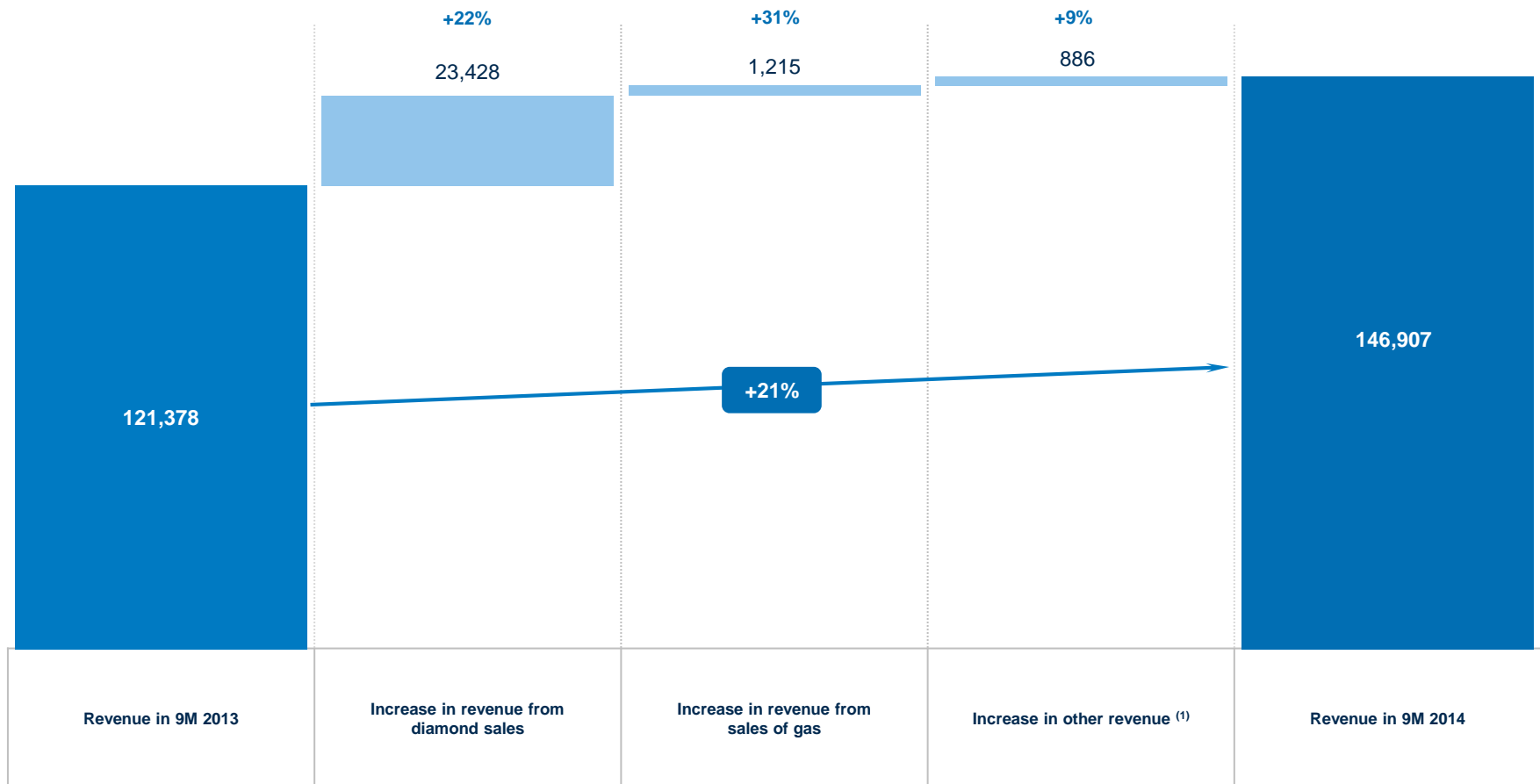
RUB mln	Q3 2014	Q2 2014	Q3 2014 vs. Q2 2014	9M 2014	9M 2013	9M 2014 vs. 9M 2013
Operating performance						
Production, mln cts	9.7	8.0	21%	25.7	27.1	(5%)
Sales, mln cts	7.6	8.4	(9%)	28.8	27.2	6%
IFRS Income Statement						
Revenue	42,118	47,939	(12%)	146,907	121,378	21%
Cost of sales	(21,845)	(22,181)	(2%)	(71,932)	(59,335)	21%
EBITDA ⁽¹⁾	18,552	21,267	(13%)	65,841	51,269	28%
EBITDA margin	44%	44%	-	45%	42%	-
Net profit / (loss)	(10,333)	17,134	-	12,784	22,936	(44%)
Net profit margin	-	36%	-	9%	19%	-
EPS, RUB	(1.42)	2.31		1.64	3.08	(47%)
IFRS Balance Sheet						
Cash and cash equivalents				23,424	7,304	3.2x
Total debt				164,439	148,078	11%
Net debt				141,015	140,774	0%
Net debt / EBITDA				1.7x	2.2x	-
Equity attributable to owners of OJSC ALROSA				165,438	148,467	11%
IFRS Cash Flow Statement						
Cash inflow from operating activities before changes in working capital				64,365	49,471	30%
Income tax paid				(11,241)	(8,685)	29%
Changes in working capital				(8,288)	(13,014)	(36%)
Net cash inflow from operating activities				44,836	27,772	61%
Purchase of property, plant and equipment				(22,260)	(23,751)	(6%)
Free cash flow ⁽²⁾				22,576	4,021	5,6x

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

9M 2014 revenue growth was driven by increased diamond sales and sales of gas

Revenue analysis

RUB mln

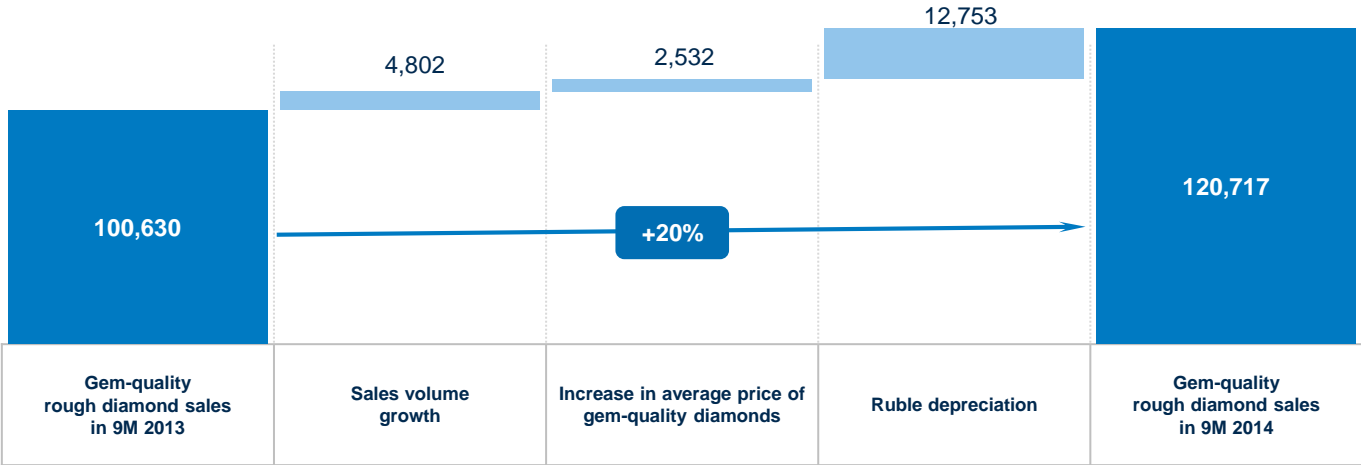


Note: (1) other revenue includes: transportation, social infrastructure, trading, construction, other activities

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 9M 2014

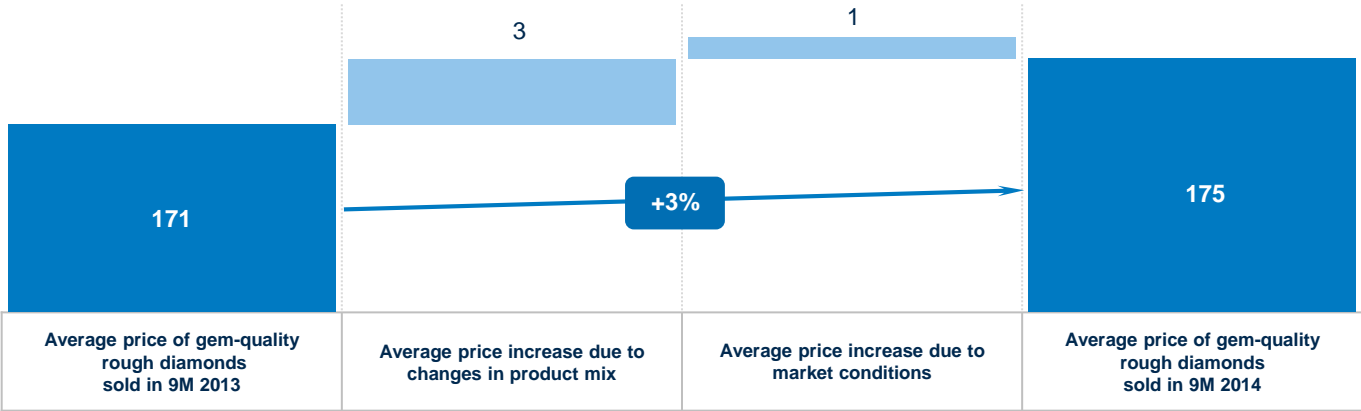
Gem-quality rough diamond revenue analysis

RUB mln



Gem-quality rough diamond average price analysis

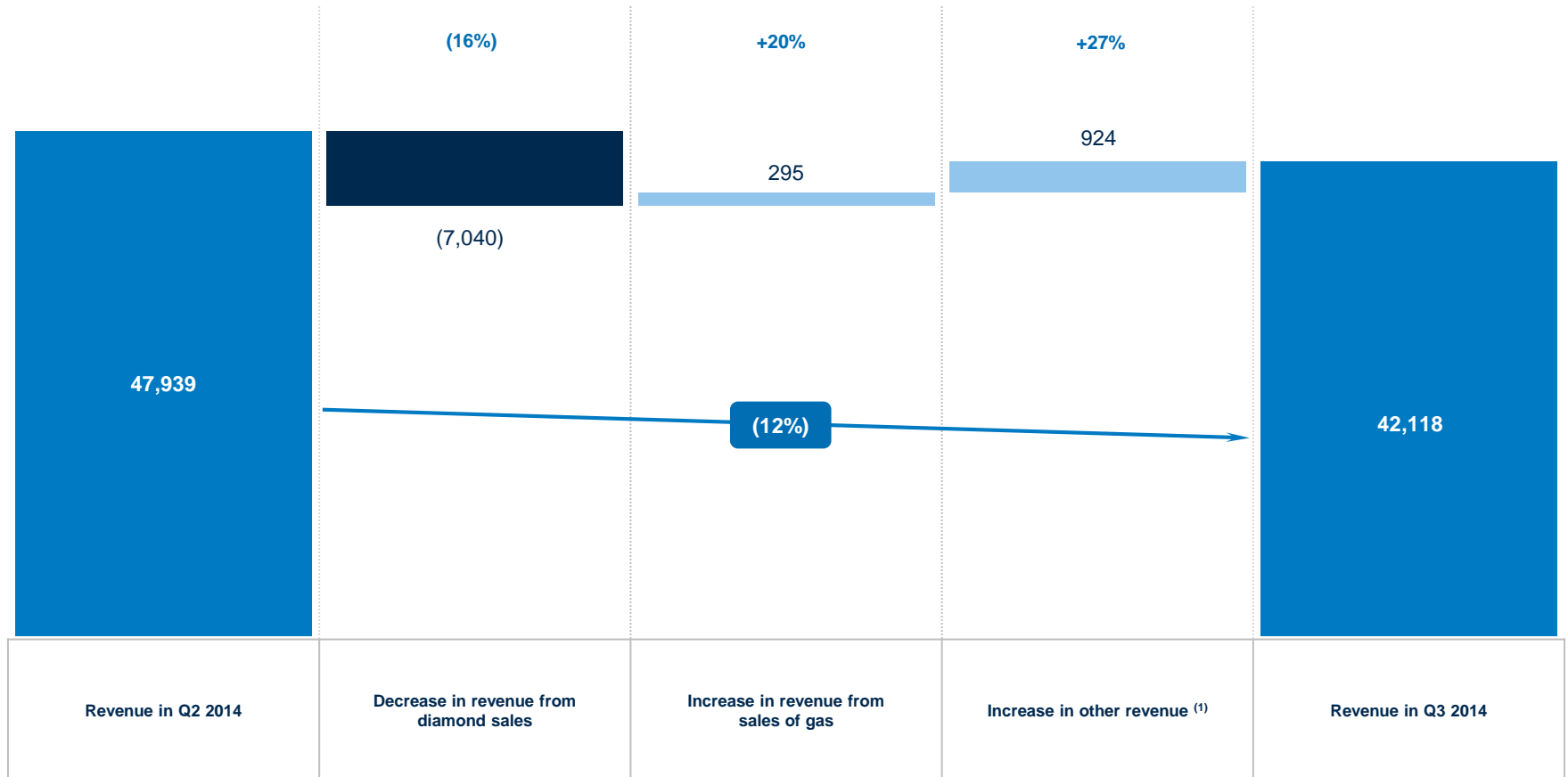
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Q3 2014 revenue decline q-o-q was mainly driven by decreased diamond sales

Revenue analysis

RUB mln

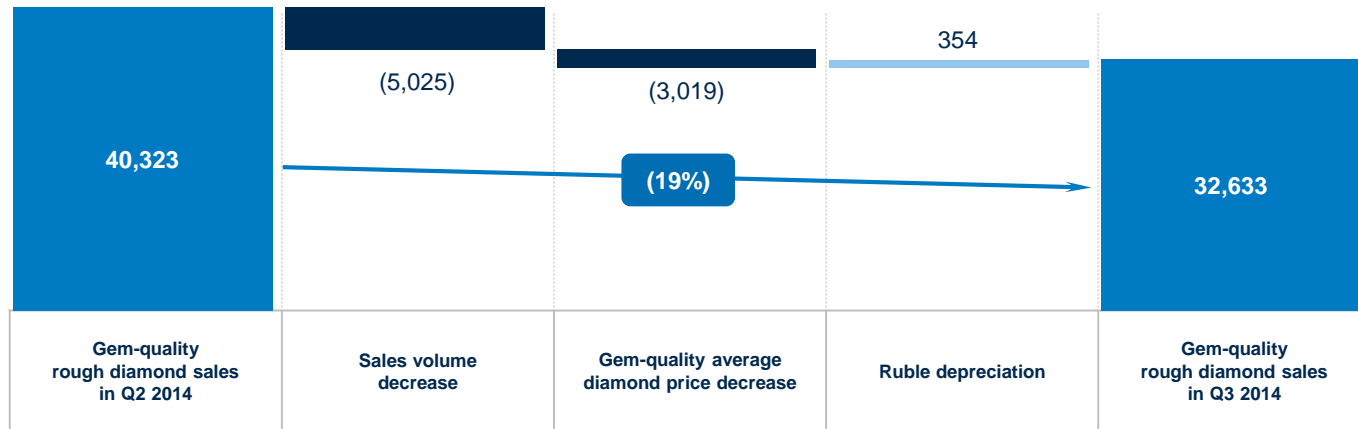


Note: (1) other revenue includes: transportation, social infrastructure, trading, construction activity, other activities

Lower diamond sales volume and average price decrease driven by changes in sales product mix resulted in gem-quality rough diamond revenue decrease in Q3 2014 q-o-q

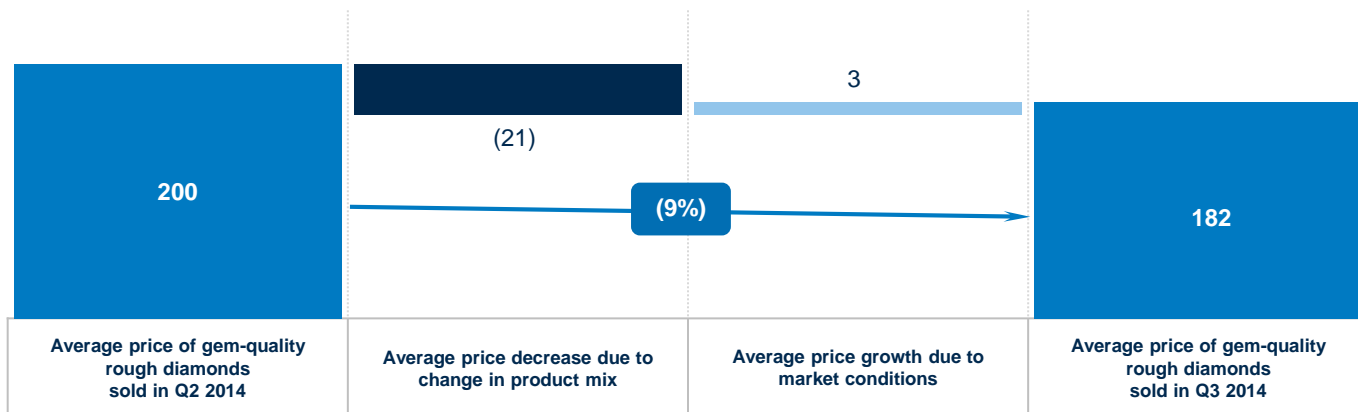
Gem-quality rough diamond revenue analysis

RUB mln



Gem-quality rough diamond average price analysis

\$/carat



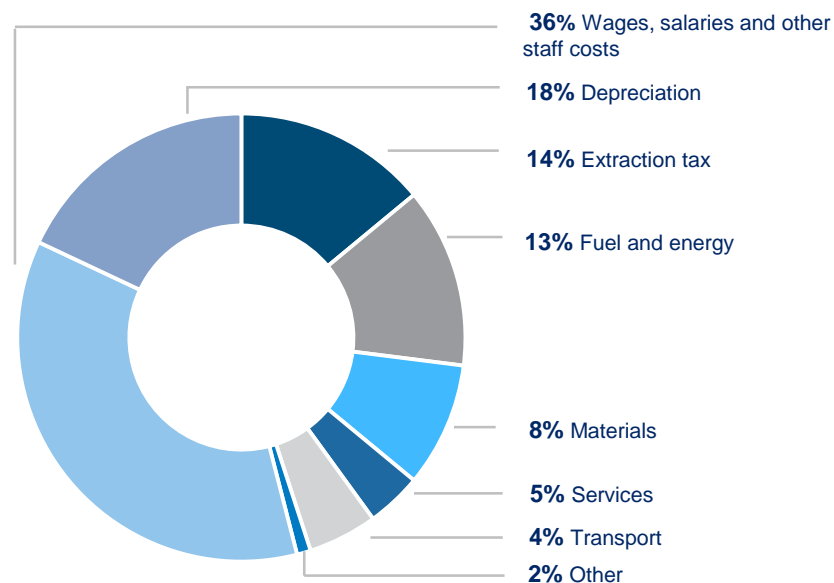
Cost of production growth was mainly triggered by depreciation, extraction tax, transportation costs and wages and salaries

Cost of sales

RUB mln

	9M 2014	9M 2013	9M 2014 vs. 9M 2013
Wages, salaries and other staff costs	25,363	23,859	6%
Depreciation	13,094	10,493	25%
Extraction tax	10,157	7,686	32%
Fuel and energy	9,511	8,863	7%
Materials	5,995	6,826	(12%)
Services	3,488	2,147	62%
Transport	2,899	1,580	83%
Other	469	349	34%
Cost of production	70,976	61,803	15%
Movement in inventory of diamonds, ores and concentrates	180	(2,929)	-
Cost of diamonds for resale	776	461	68%
Cost of sales	71,932	59,335	21%

Production costs in 9M 2014



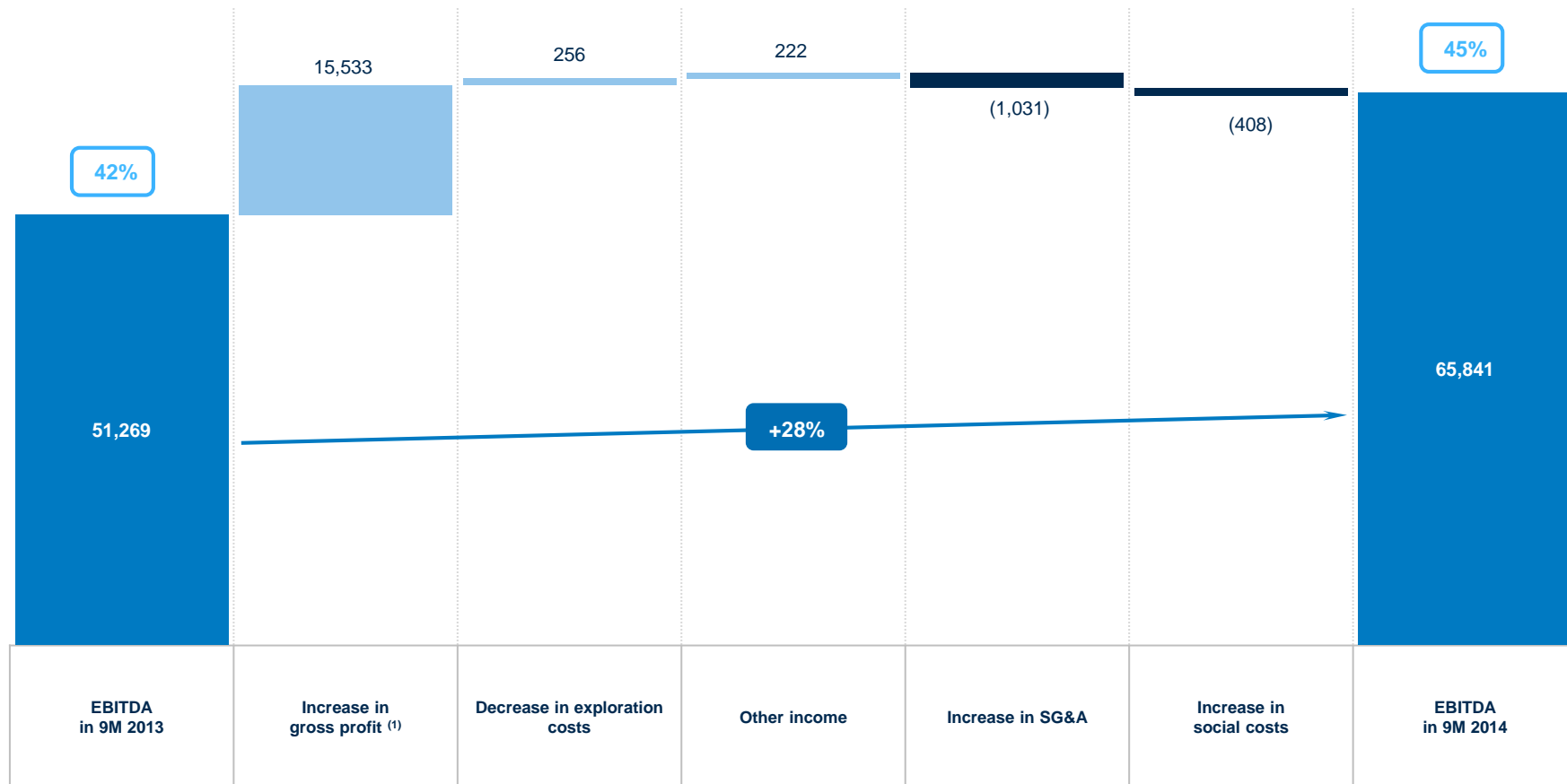
- 9M 2014 cost of sales growth of +21% y-o-y was driven by increased diamond sales volume by +6%, higher depreciation, extraction tax, transport costs, as well as sales in other business areas, including sales of gas
- Depreciation growth in 9M 2014 by +25% was triggered by amortisation charges on production licenses, increased gas production, new equipment commissioning at Severalmaz, Udachny and Aikhal divisions.
- Extraction tax (MET) hike in 9M 2014 by +32% resulted from ruble depreciation and the new Ministry of Finance's diamond pricelist for MET calculation coming into force on 15 March 2014
- 9M 2014 transportation costs increased by +83% 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 and increased goods transportation by river due to early start of navigation at Lena River in 2014
- Wages, salaries and other staff costs rose by +6% as a result quarterly indexation of wages at the inflation rate

EBITDA in 9M 2014 increased due to a growth in gross profit from diamond sales

EBITDA analysis

RUB mln

EBITDA margin

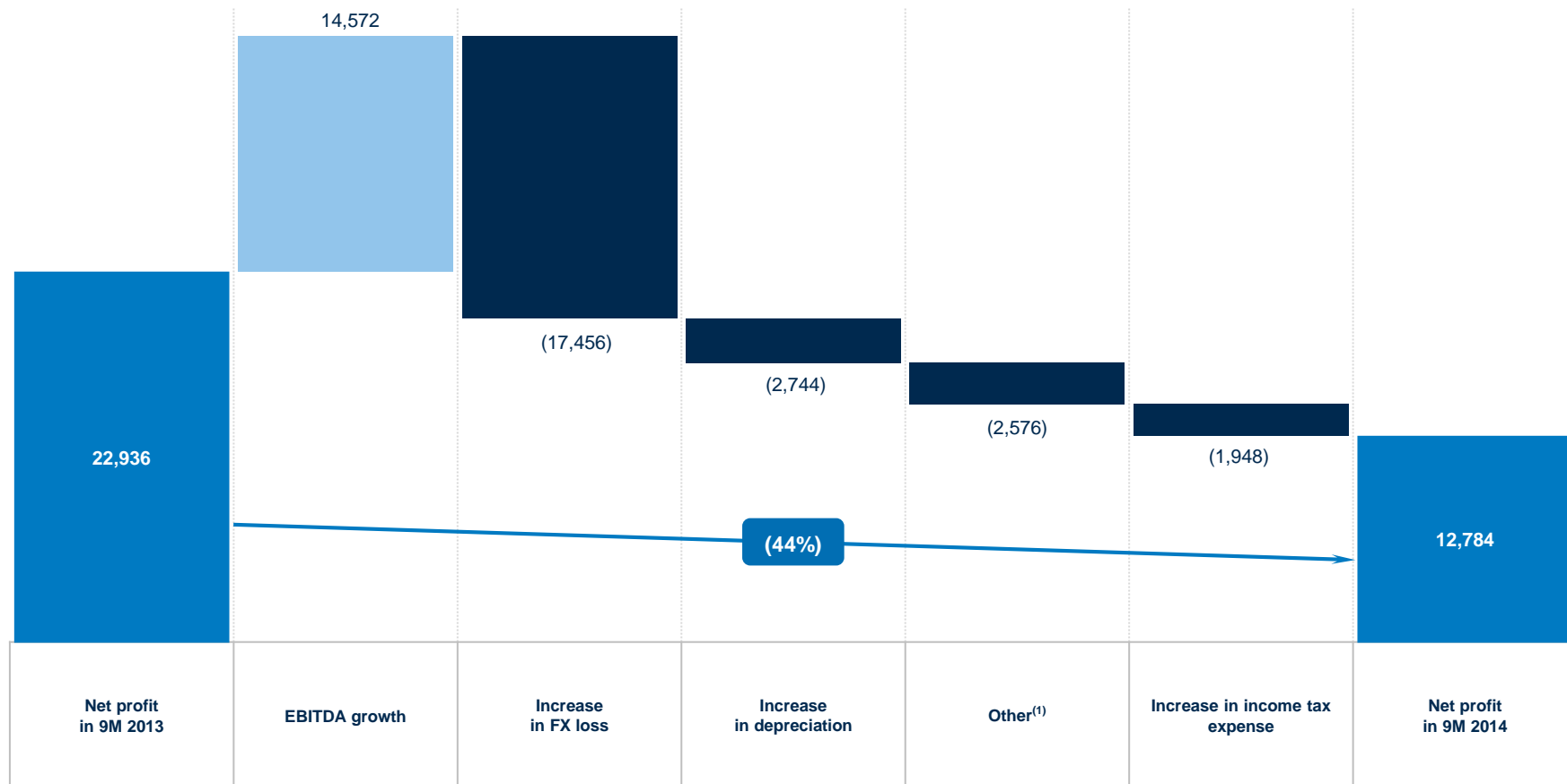


Note: (1) gross profit net of depreciation

Net profit decreased in 9M 2014 y-o-y due to increase in FX losses

Net profit analysis

RUB mln

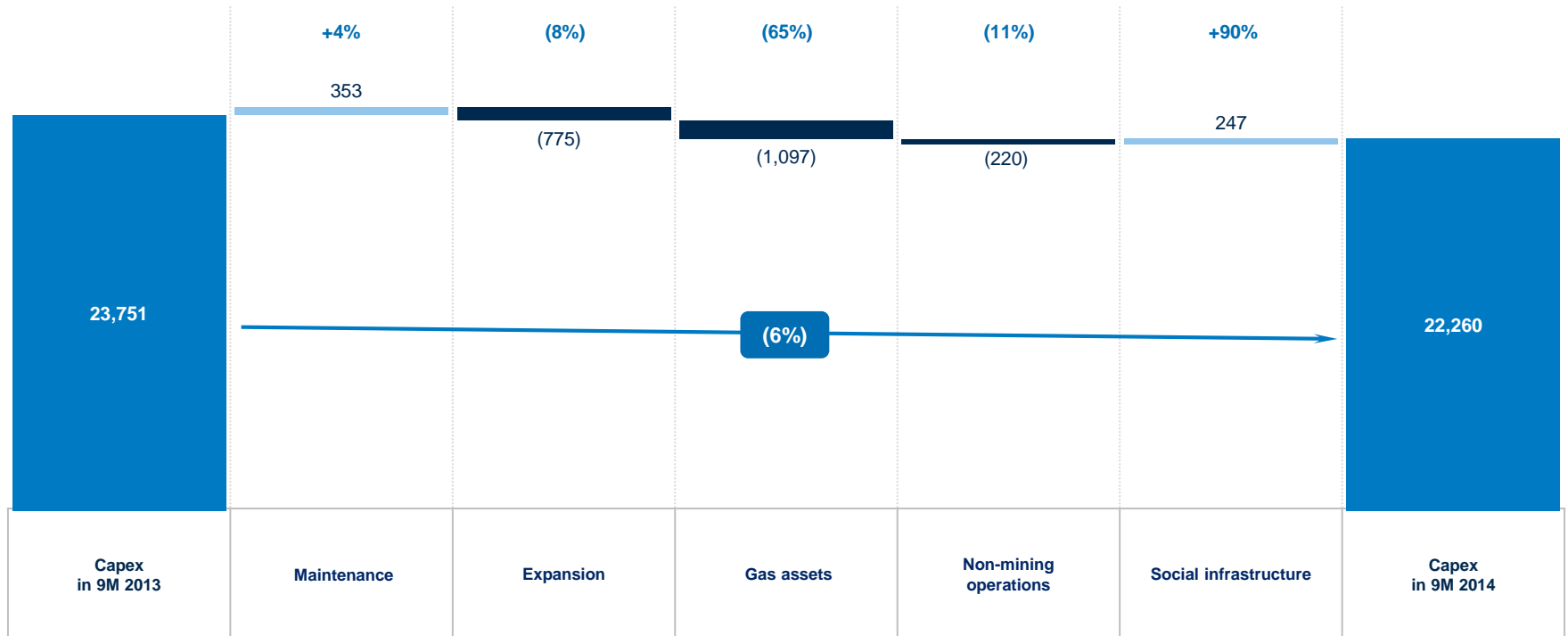


Note: (1) other includes increase in loss on disposal of property, plant and equipment, higher income from associates, decrease in interest expenses and in other income

9M 2014 total capex decreased mainly due to reduction of investments in gas assets and decrease in expansion capex

Capital expenditure analysis

RUB mln



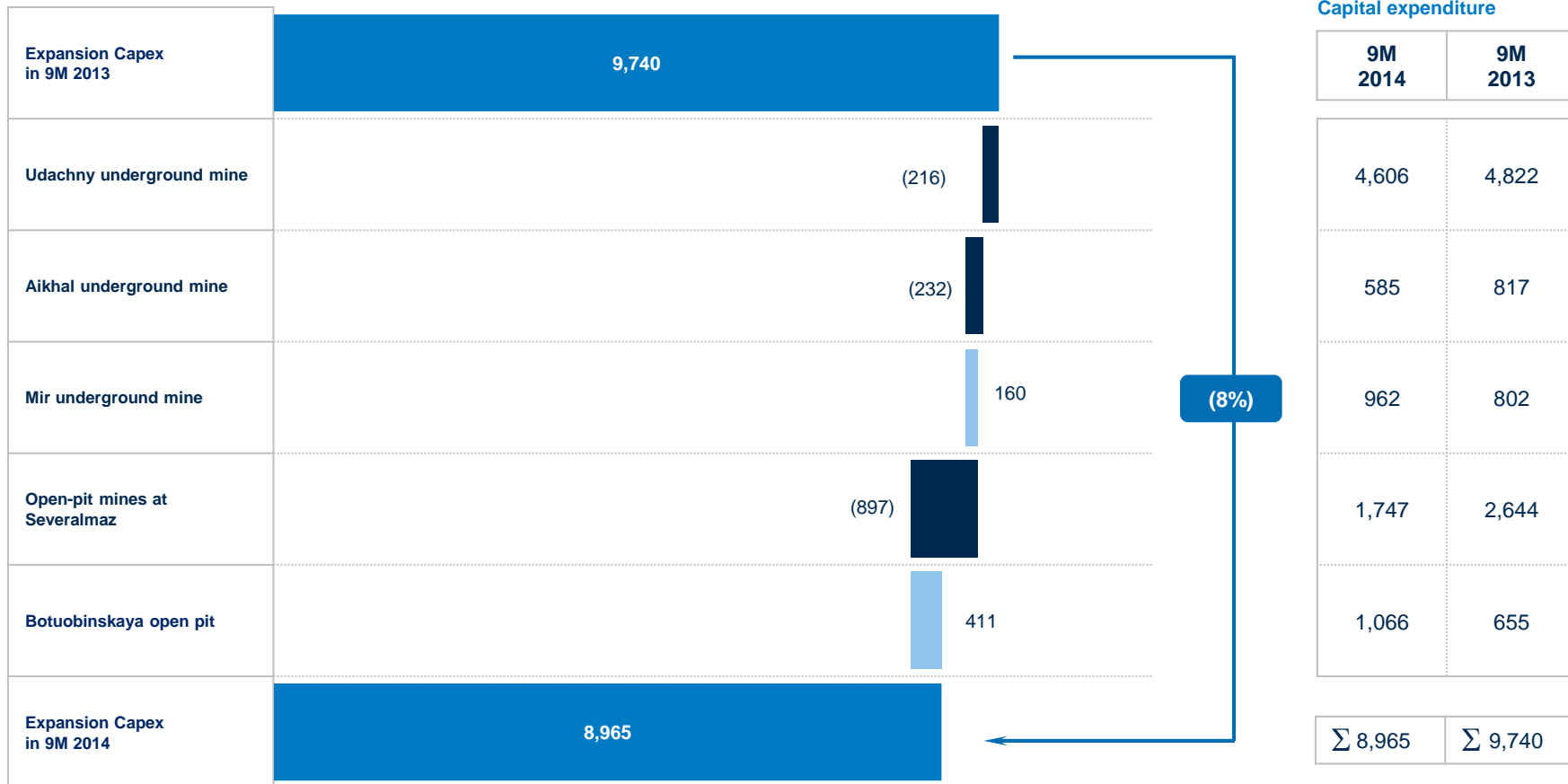
Capital expenditure

	Maintenance	Expansion	Gas assets	Non-mining operations	Social infrastructure	Σ
9M 2014	10,308	8,965	594	1,870	522	Σ 22,260
9M 2013	9,955	9,740	1,691	2,090	275	Σ 23,751

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

Expansion capex analysis

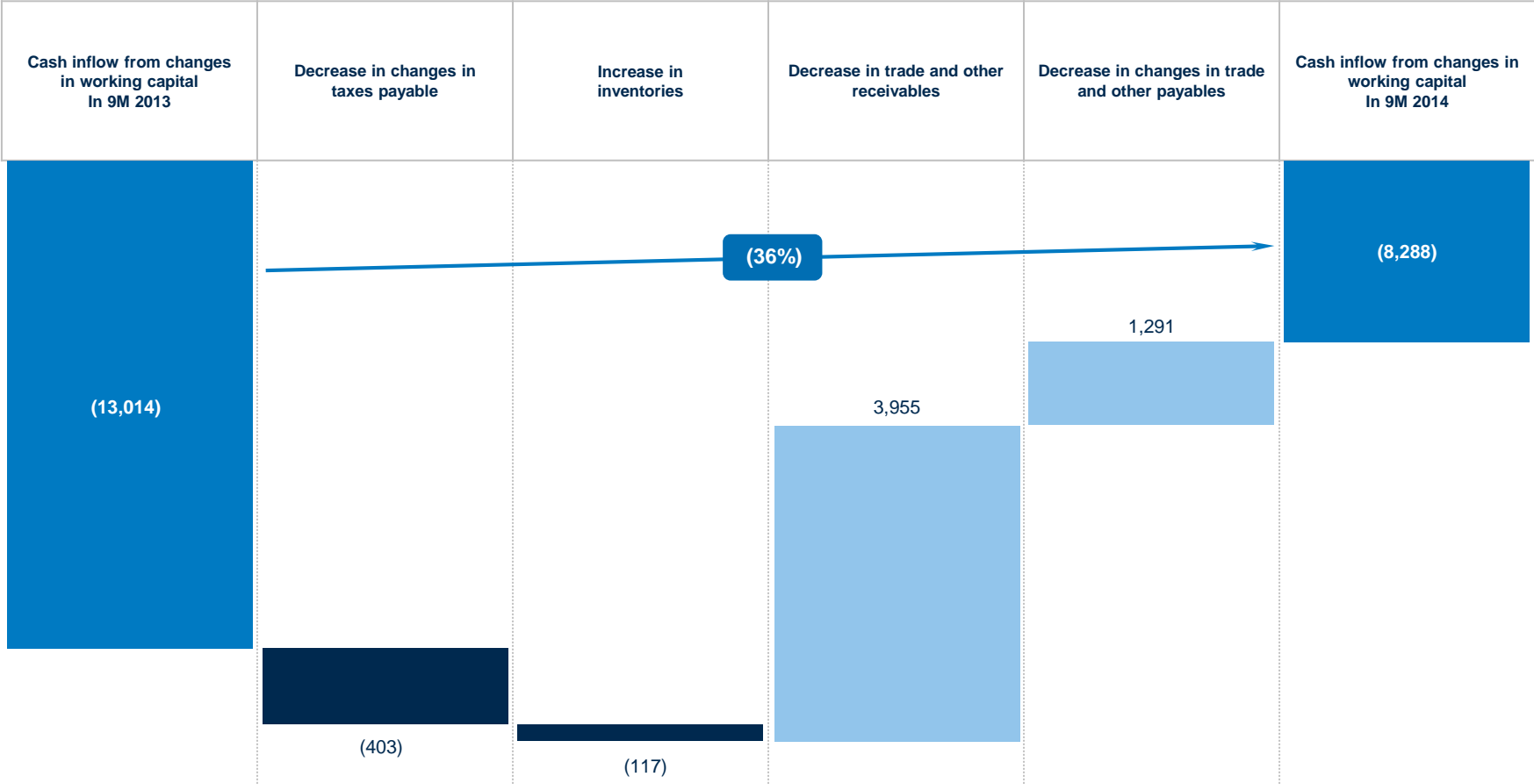
RUB mln



Cash inflow from changes in working capital in 9M 2014 was mainly driven by decrease in receivables and increase in payables

Changes in working capital

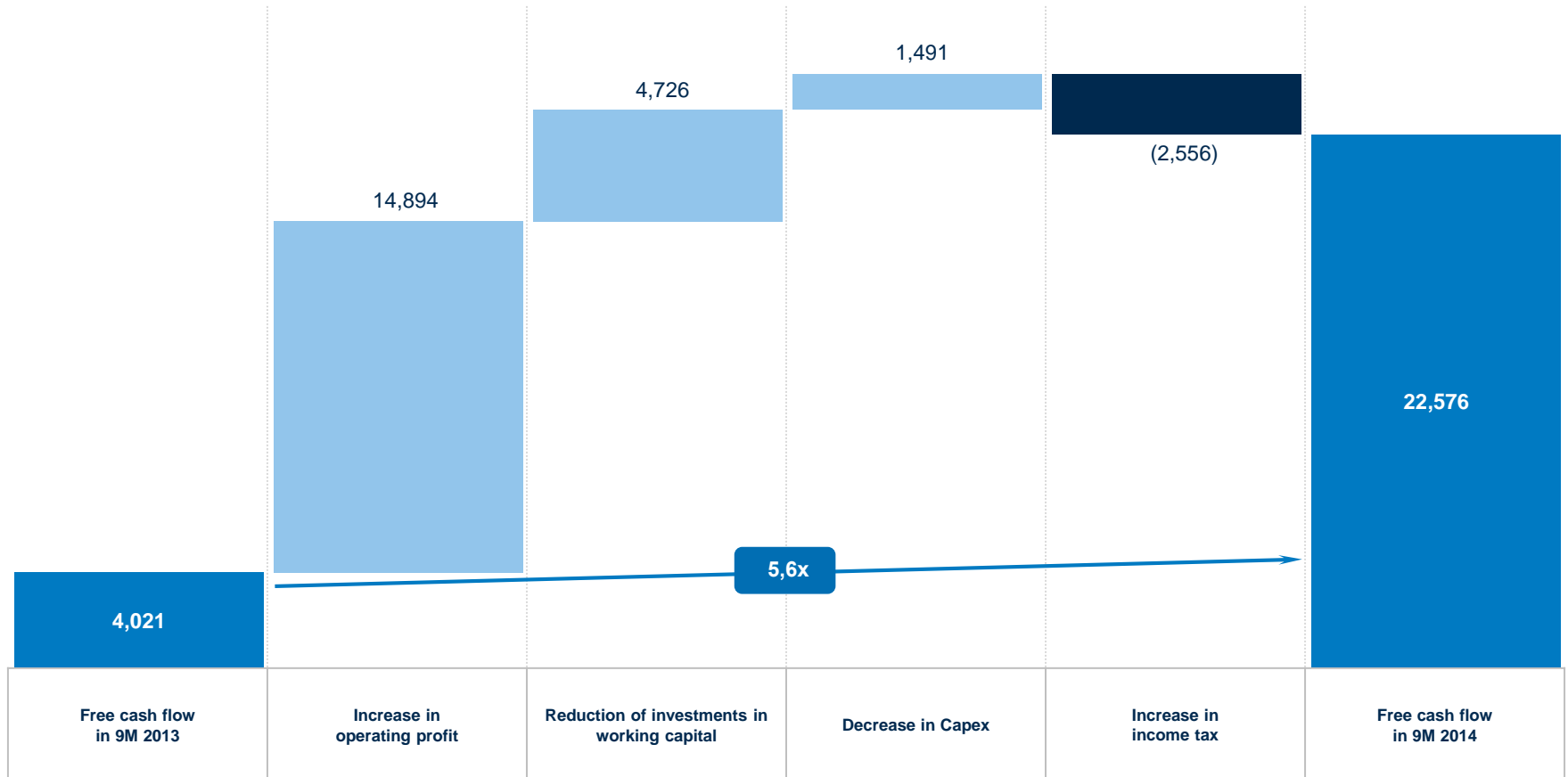
RUB mln



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

Free cash flow analysis

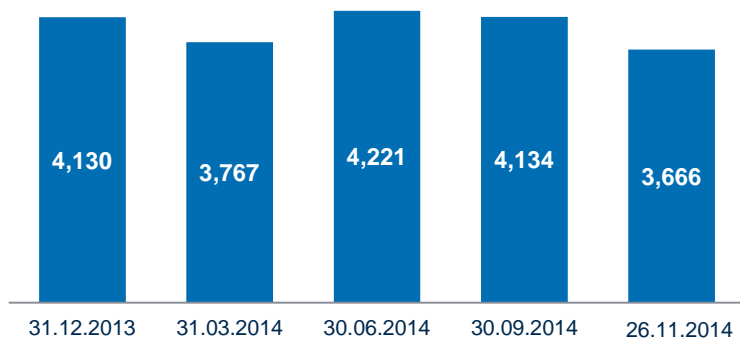
RUB mln



After \$500 mln Eurobond repayment from cash flow from operating activities loans and borrowings decreased to \$3.7 bn

Dynamics of loans and borrowings

\$ mln



For reference: ALROSA net debt

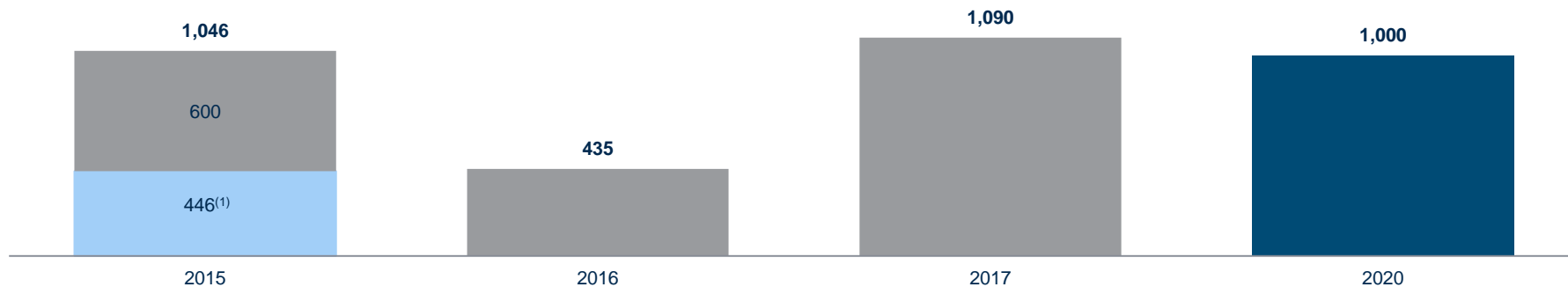
RUB mln

129,321 120,788 112,676 141,015

Maturity profile of loans and borrowings

\$ mln

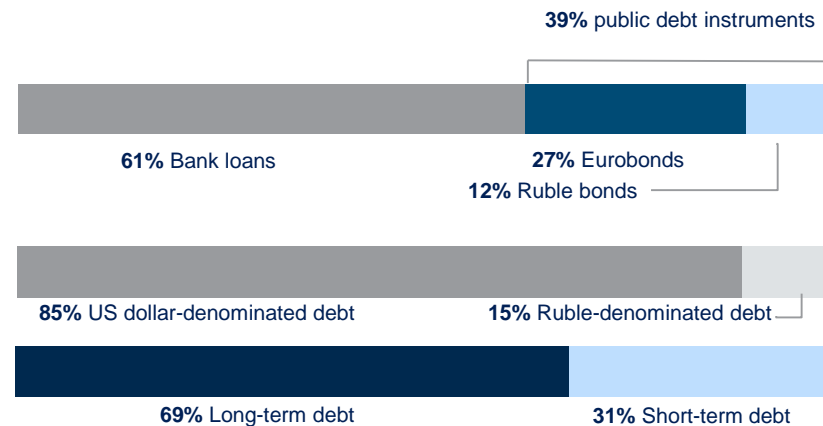
■ Bank loans ■ Ruble bonds ■ Eurobonds



Note: (1) converted at 44.9758 RUB/USD exchange rate

Loans and borrowings breakdown

As of 26 November 2014



Appendix

Diamond sales overview

	Q1 2013	Q2 2013	H1 2013	Q3 2013	9M 2013	Q4 2013	2013	Q1 2014	Q2 2014	H1 2014	Q3 2014	9M 2014
Revenue from the diamond segment, RUB bn, incl.:	36.3	37.6	74.0	33.2	107.1	42.2	149.3	51.6	43.0	94.6	36.0	130.6
diamond revenue	35.0	36.3	71.4	31.8	103.3	41.0	144.2	49.4	41.4	90.8	34.5	125.3
gem-quality rough diamonds	34.1	35.9	70.3	30.4	100.6	39.9	140.5	47.8	40.3	88.1	32.6	120.7
industrial rough diamonds	0.9	0.4	1.2	1.4	2.6	1.1	3.7	1.6	1.1	2.7	1.9	4.6
polished diamonds	1.0	1.2	2.1	1.2	3.3	1.2	4.5	1.8	1.5	3.3	1.2	4.5
resale of diamonds	0.3	0.1	0.4	0.2	0.6	-	0.6	0.4	0.1	0.5	0.3	0.8
Rough diamond sales volume, mln cts, incl.:	10.3	8.8	19.2	8.0	27.2	10.8	38.0	12.7	8.4	21.1	7.6	28.8
gem-quality rough diamonds	7.5	7.0	14.5	5.4	19.9	6.7	26.7	9.5	6.1	15.6	5.3	20.9
industrial rough diamonds	2.8	1.9	4.6	2.6	7.2	4.1	11.3	3.2	2.4	5.6	2.3	7.9
Average selling price, \$/ct, incl.:	117.9	138.0	127.2	129.1	127.8	121.7	126.1	118.6	147.2	130.0	131.8	130.5
gem-quality rough diamonds	157.7	173.0	165.1	185.0	170.5	191.7	175.9	154.7	199.8	172.3	182.4	174.9
industrial rough diamonds	9.1	8.0	8.7	12.8	10.1	7.0	9.0	12.0	11.4	11.8	15.6	12.9

Thank you!



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