



ALROSA

**Investor Presentation –
FY 2014 Results**

23 March 2015

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FY 2014 key financial highlights

Revenue	207.2 RUB bn +23% 2013: RUB 168.5 bn	Diamond sales	39.6 mln cts +4% 2013: 38.0 mln cts
EBITDA	93.9 RUB bn +36% 2013: RUB 69.1 bn	Net profit (loss)	(16.8) RUB bn 2013: RUB 31.8 bn
EBITDA margin	45% 2013: 41%	Free cash flow	44.8 RUB bn 2.6X growth 2013: RUB 17.5 bn

2014 financial results were driven by the ruble depreciation, coupled with additional diamond sales from inventories and rough diamond price growth in like for like sales

Financial results

RUB mln	2014	2013	2014 vs. 2013
Operating performance			
Production, mln cts	36.2	36.9	(2%)
Sales, mln cts	39.6	38.0	4%
IFRS income statement of profit or loss and other comprehensive income			
Revenue	207,159	168,505	23%
Cost of sales	(98,936)	(82,232)	20%
EBITDA ⁽¹⁾	93,857	69,100	36%
EBITDA margin	45%	41%	-
Net profit / (loss)	(16,832)	31,837	-
Net profit margin	-	19%	-
EPS, RUB	(2.44)	4.26	-
IFRS statement of financial position			
Cash and cash equivalents	21,693	9,270	2.3x
Total debt	197,160	138,591	42%
Net debt	175,467	129,321	36%
Net debt / EBITDA	1.9x	1.9x	-
Equity attributable to owners of OJSC ALROSA	137,051	159,800	(14%)
IFRS statement of cash flows			
Cash inflow from operating activities before changes in working capital	94,840	69,745	36%
Income tax paid	(12,379)	(10,715)	16%
Changes in working capital	(4,346)	(3,391)	(28%)
Net cash inflow from operating activities	78,115	55,639	40%
Purchase of property, plant and equipment	(33,291)	(38,165)	(13%)
Free cash flow ⁽²⁾	44,824	17,474	2.6x

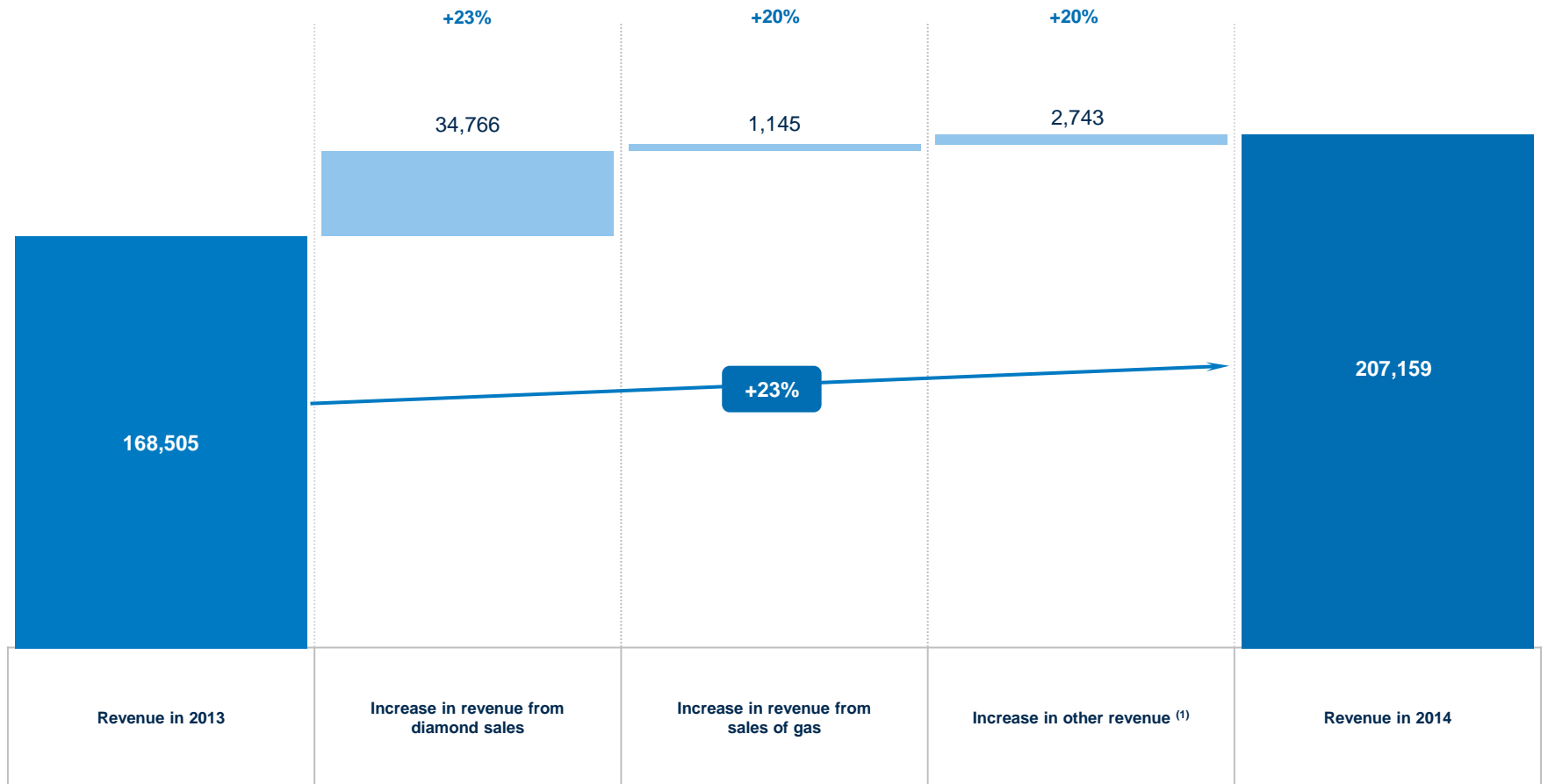
Note:

- (1) as used in this presentation, EBITDA is defined as operating profit adjusted for depreciation and amortisation, profit/loss on disposal of subsidiaries, loss on disposal and write-off of property, plant and equipment, foreign exchange differences attributable to operating activity
- (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

FY 2014 revenue growth was mainly driven by higher diamond sales

Revenue analysis

RUB mln

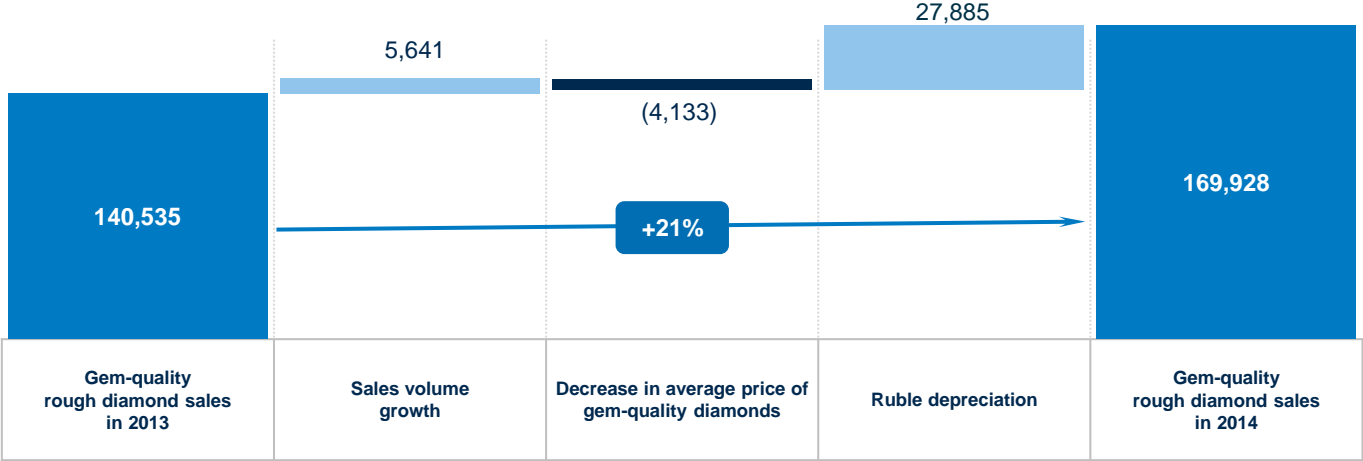


Note: (1) other revenue includes: transportation, social infrastructure, trading, construction, other activities

Ruble depreciation against the US dollar as well as higher diamond sales resulted in growth of gem-quality rough diamond sales in 2014

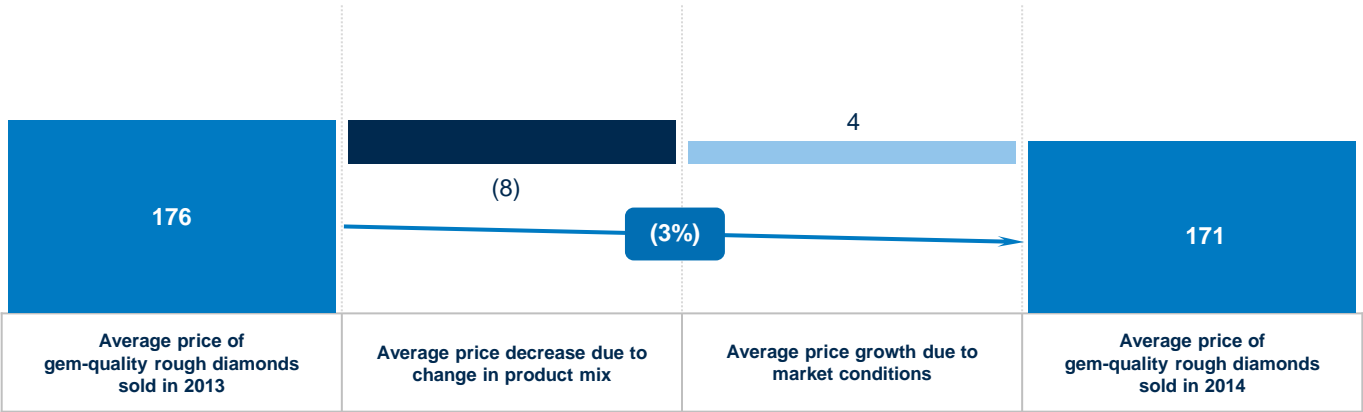
Gem-quality rough diamond revenue analysis

RUB mln



Gem-quality rough diamond average price analysis

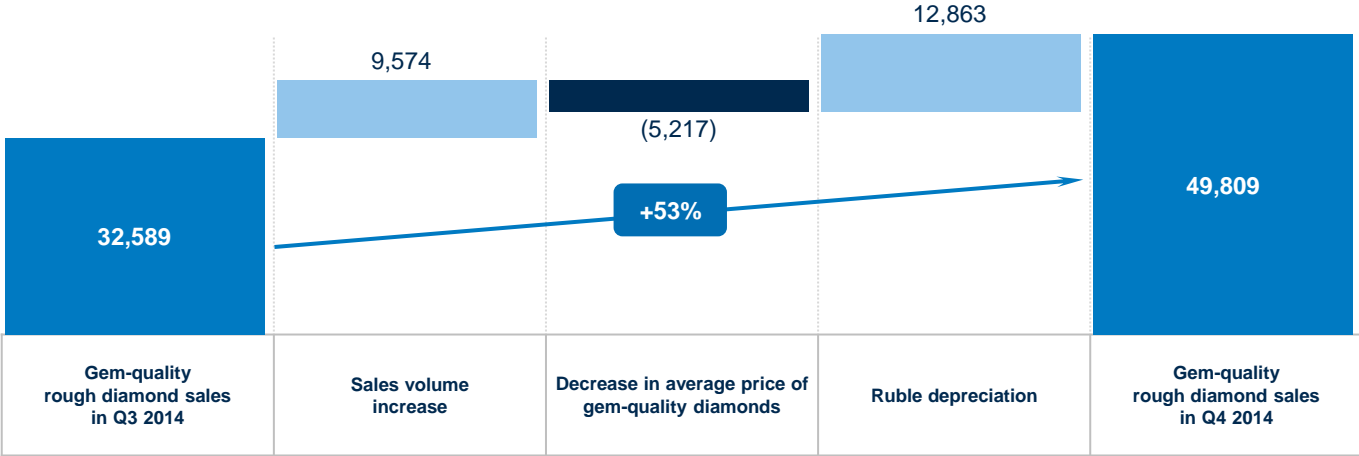
\$/carat



Growth in gem-quality rough diamond sales in Q4 2014 q-o-q was driven by higher sales volume and rouble depreciation

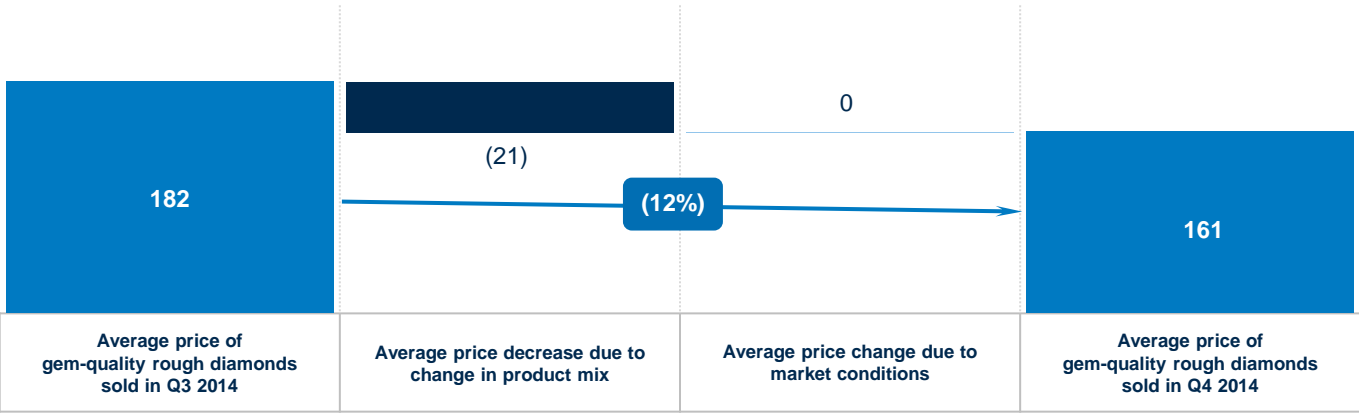
Gem-quality rough diamond revenue analysis

RUB mln



Gem-quality rough diamond average price analysis

\$/carat



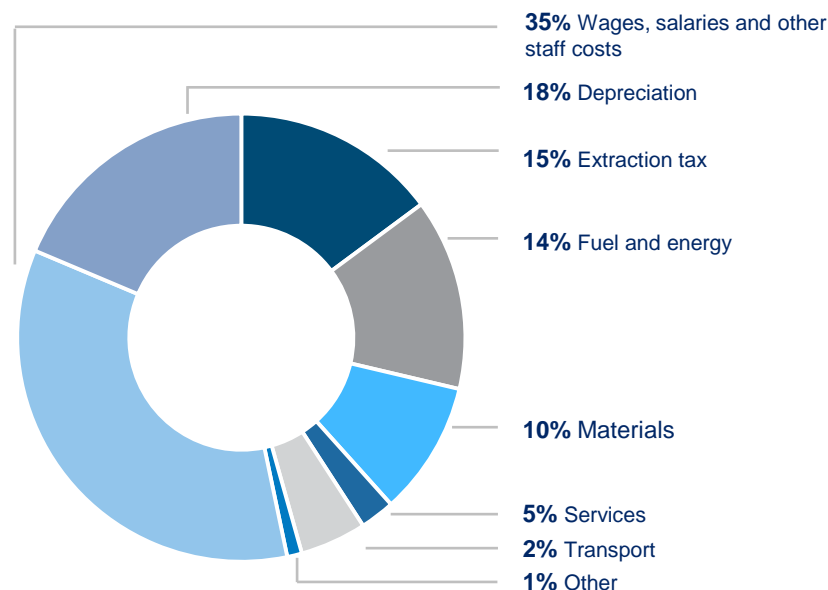
Growth of cost of production was triggered by depreciation, extraction tax, fuel and energy costs and wages, salaries and other staff costs

Cost of sales

RUB mln

	2014	2013	2014 vs. 2013
Wages, salaries and other staff costs	34,279	32,764	5%
Depreciation	18,452	13,815	34%
Extraction tax	14,697	10,509	40%
Fuel and energy	13,686	11,016	24%
Materials	9,569	8,845	8%
Services	4,740	3,865	23%
Transport	2,474	2,559	(3%)
Other	1,058	282	3.8x
Cost of production	98,955	83,655	18%
Movement in inventory of diamonds, ores and concentrates	(898)	(2,020)	(56%)
Cost of diamonds for resale	879	597	47%
Cost of sales	98,936	82,232	20%

Production costs in 2014



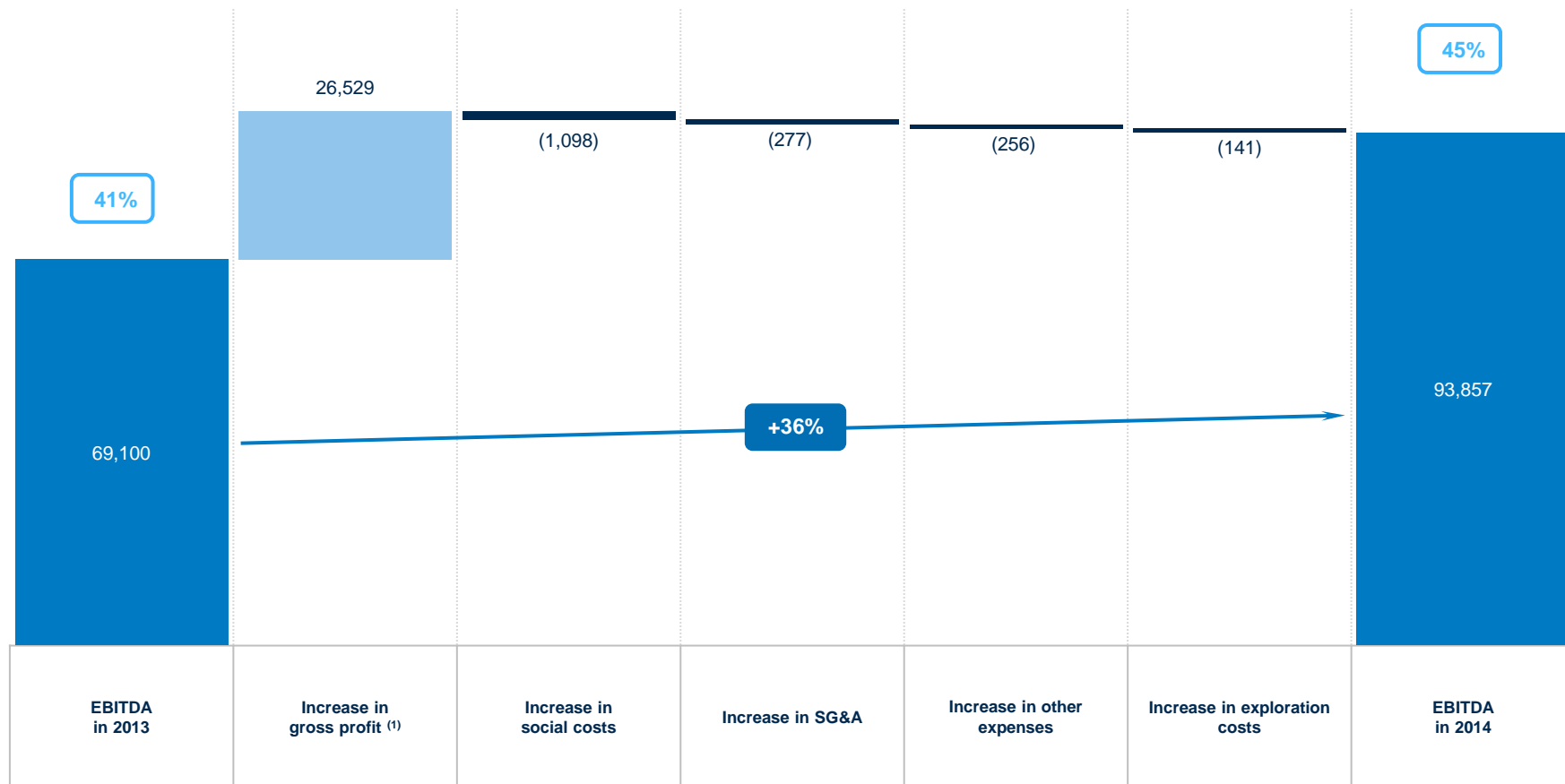
- Cost of sales growth in 2014 by +20% y-o-y was driven by increased diamond sales volume, higher depreciation, extraction tax, fuel and energy, services, wages, salaries and other staff costs as well as sales in other business areas, including gas sales
- Depreciation growth in 2014 by 34% was triggered by amortization charges on production licenses, increased gas production, new equipment commissioning at Severalmaz and Almazy Anabara
- Extraction tax (MET) increase in 2014 by +40% resulted from ruble depreciation against the US dollar and the new Ministry of Finance's diamond pricelist for MET calculation coming into force on 15 March 2014
- Fuel and energy costs in 2014 increased by +24% as a result of higher tariff costs and increased production volumes at Severalmaz and Almazy Anabara
- Wages, salaries and other staff costs rose by +5% as a result of indexation at the inflation rate

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

EBITDA analysis

RUB mln

EBITDA margin

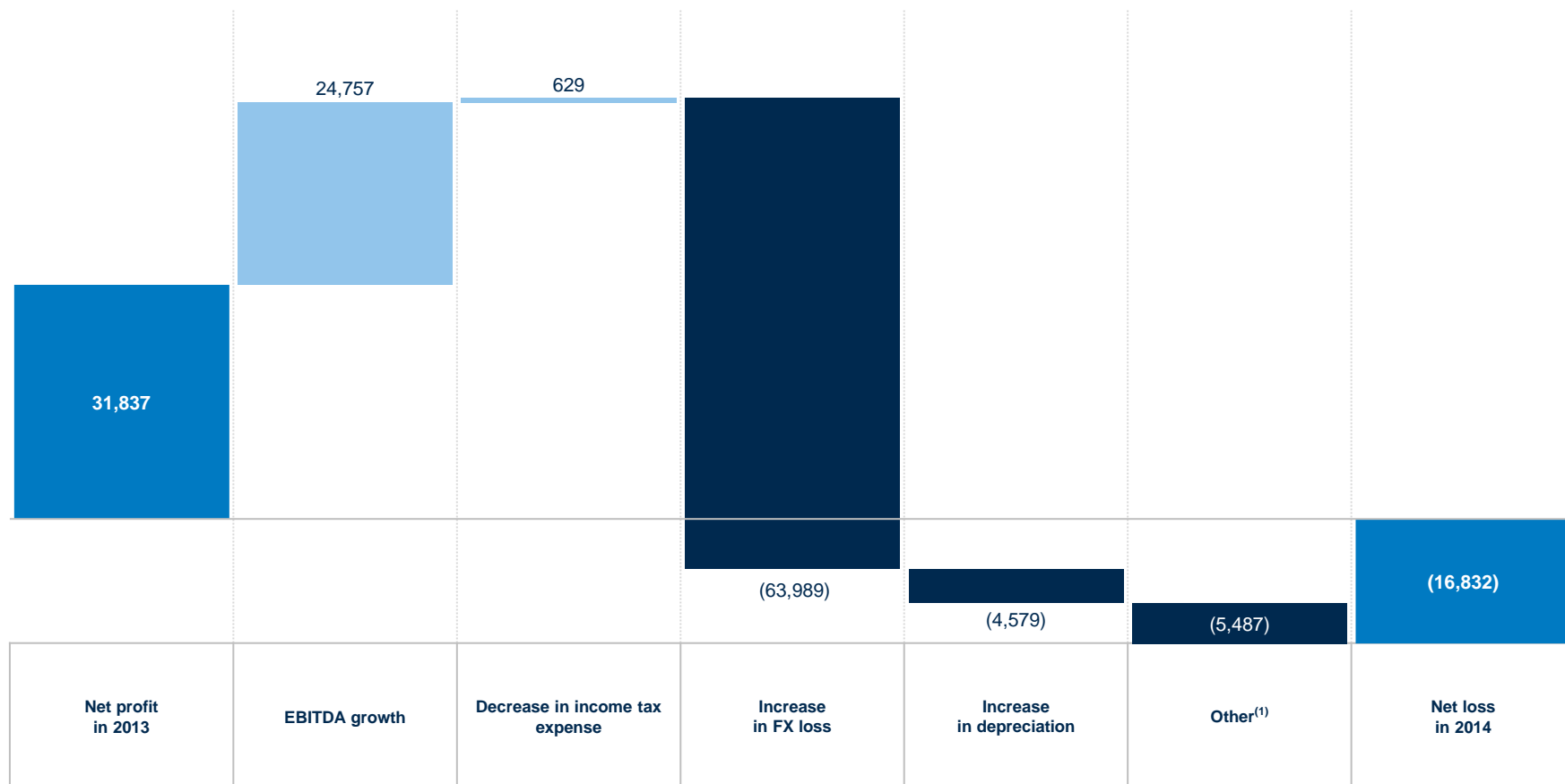


Note: (1) gross profit net of depreciation

Net loss in 2014 was due to lower financial results as a consequence of revaluation of US dollar denominated debt associated with ruble depreciation against the US dollar

Net profit analysis

RUB mln

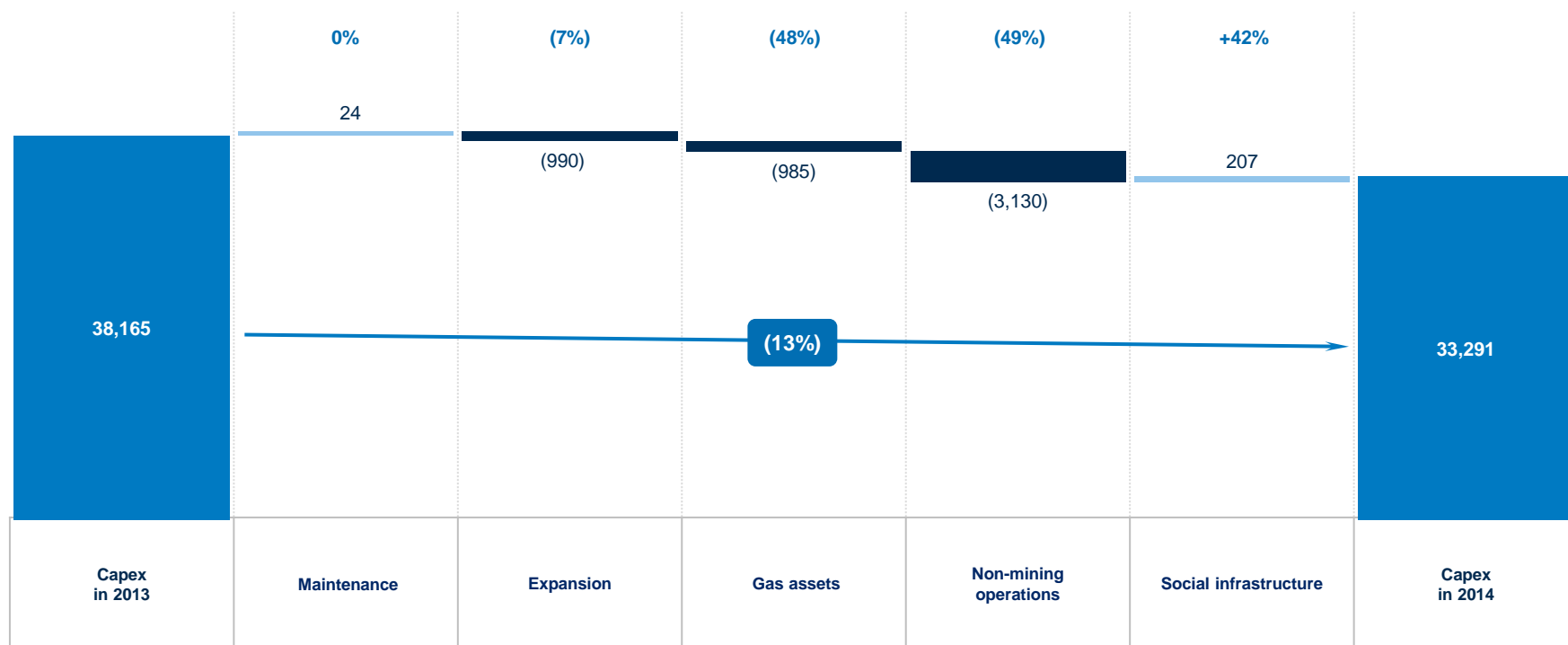


Note: (1) other includes increase in loss on disposal and write-off of property, plant and equipment, higher income from associates, increase in interest expenses and decrease in other income

2014 total capex decreased mainly due to reduction of investments in expansion, gas assets and decrease of investments in non-mining operations

Capital expenditure analysis

RUB mln



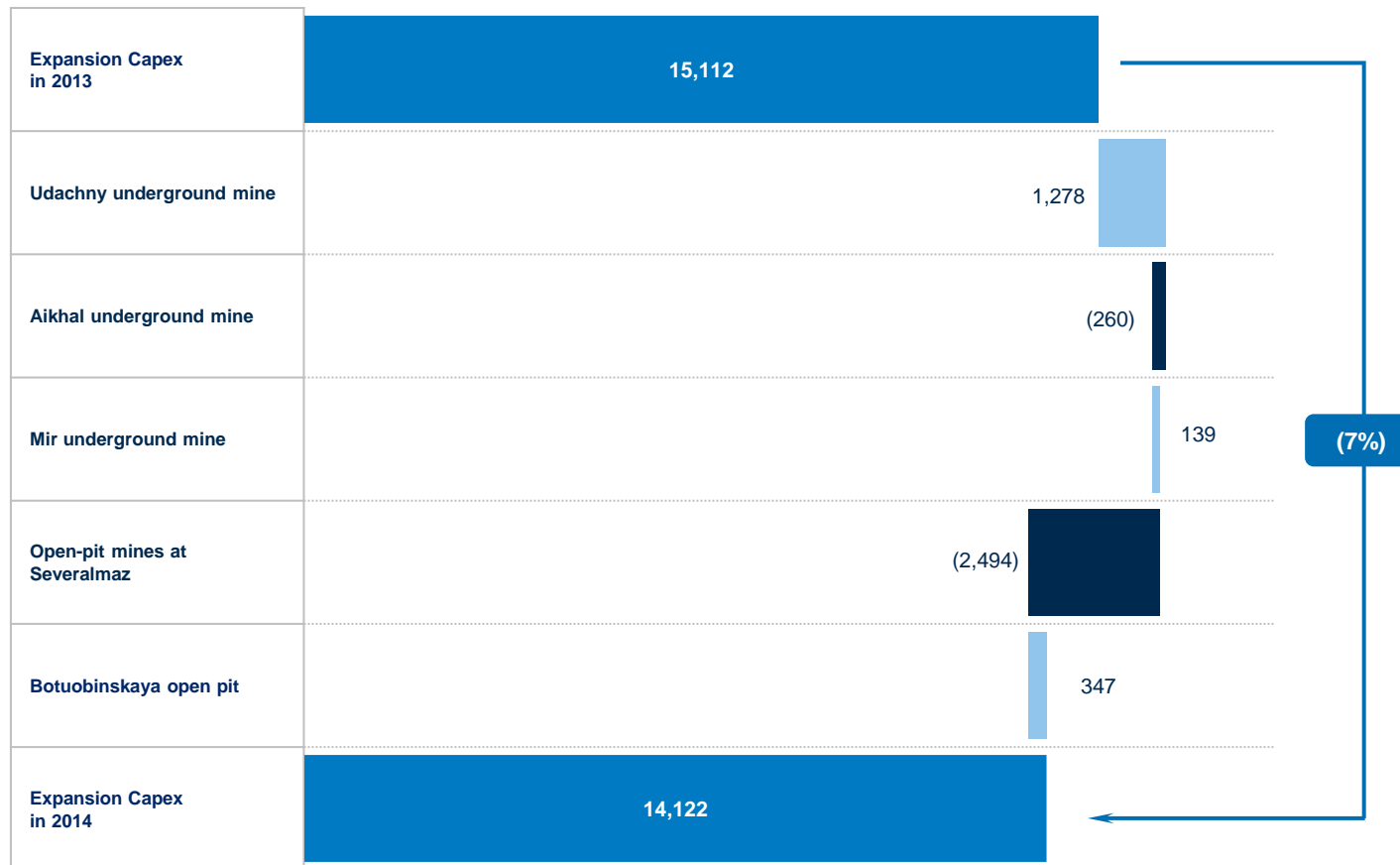
Capital expenditure

Year	Maintenance	Expansion	Gas assets	Non-mining operations	Social infrastructure	Total
2014	14,119	14,122	1,068	3,284	698	Σ 33,291
2013	14,095	15,112	2,053	6,413	491	Σ 38,165

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

Expansion capex analysis

RUB mln



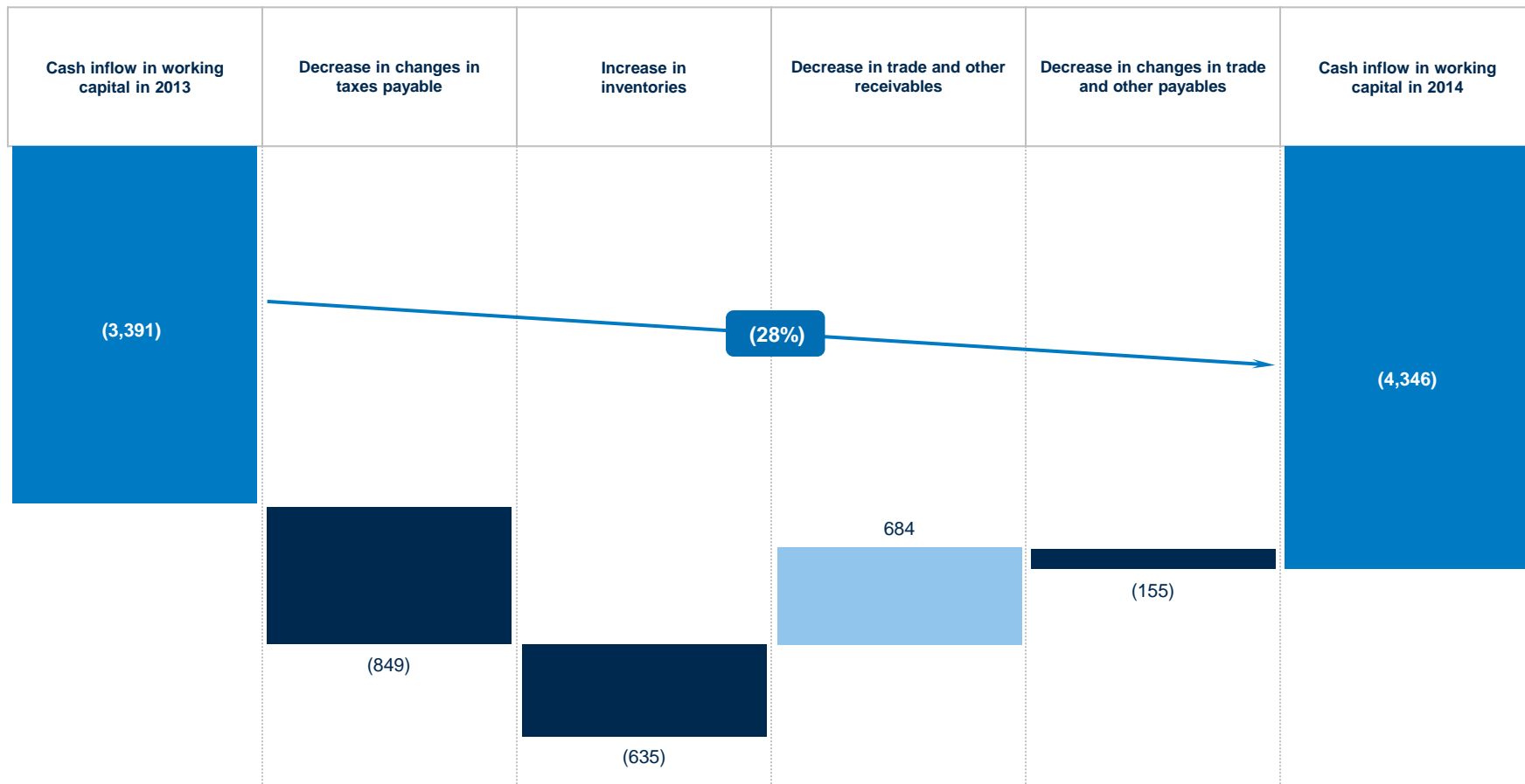
Capital expenditure

	2014	2013
	7,852	6,574
	767	1,027
	1,356	1,218
	2,634	5,128
	1,512	1,165
Σ	14,122	15,112

Cash outflow from changes in working capital in 2014 was driven by an increase in inventories and taxes payable

Analysis of cash flows in working capital

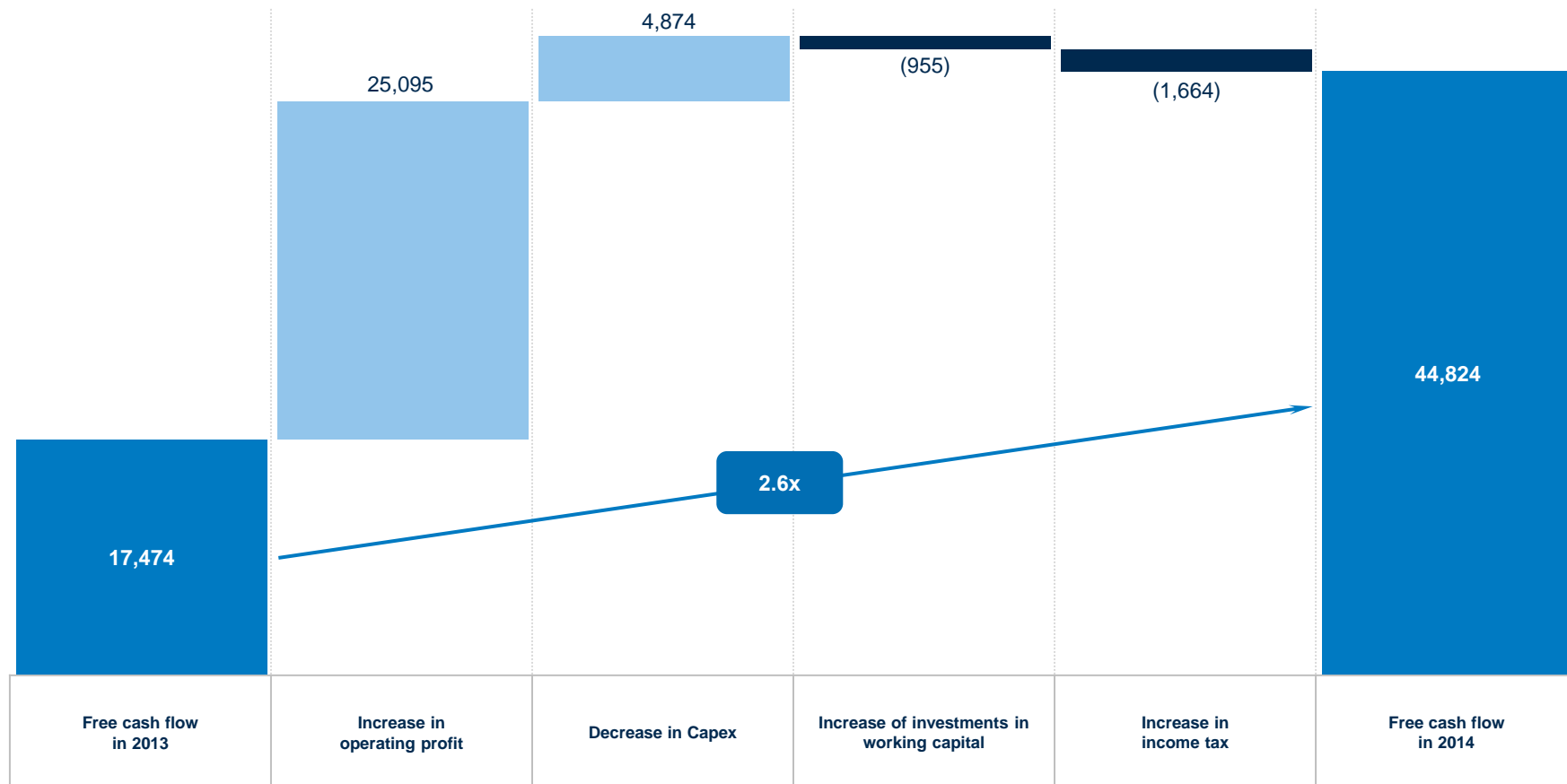
RUB mln



Free cash flow increased in 2014 due to growth in operating profit and capex reduction

Free cash flow analysis

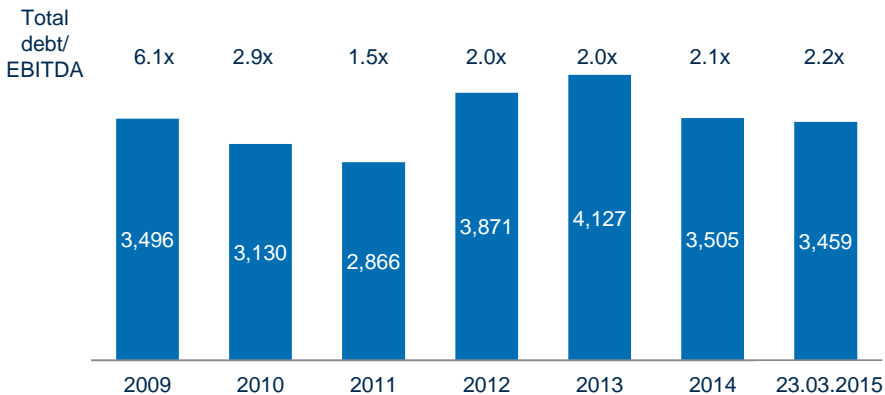
RUB mln



Following a number of steps to increase liquidity in December 2014, share of long-term debt achieved 90%

Dynamics of loans and borrowings

\$ mln



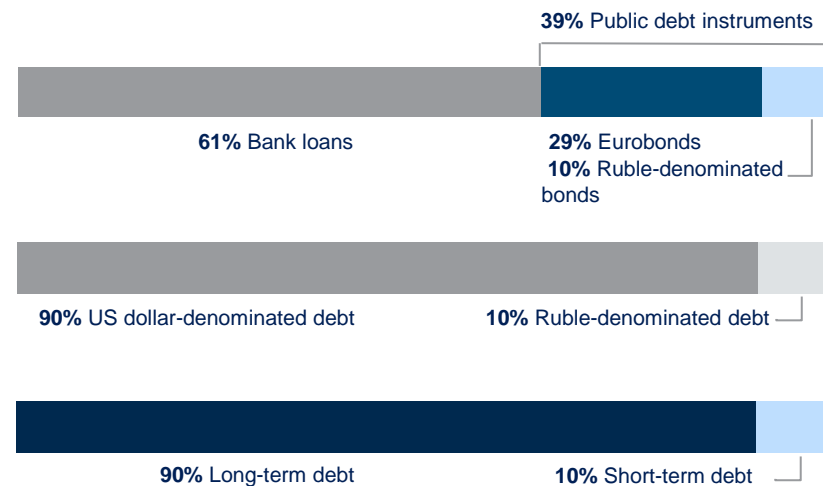
For reference: ALROSA net debt

\$ mln

2009	2010	2011	2012	2013	2014
3,732	3,210	2,595	3,834	3,951	3,119

Loans and borrowings breakdown

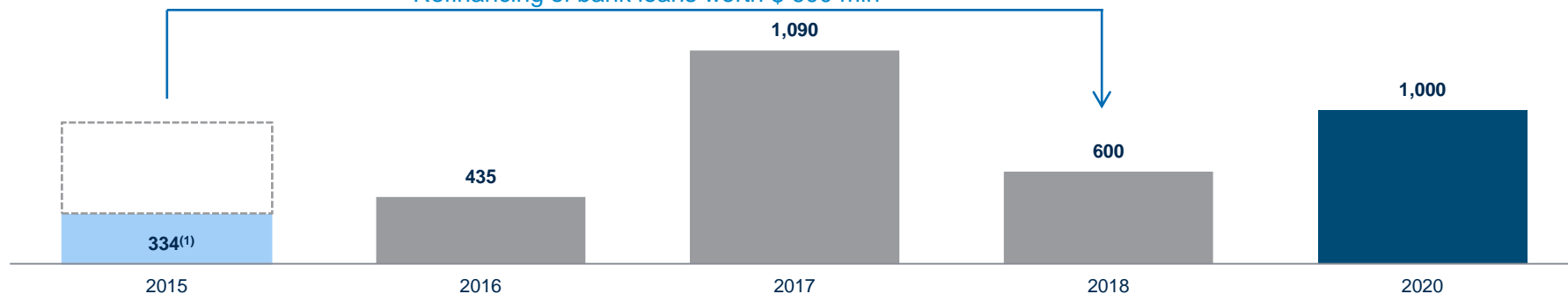
As at 23 March 2015



Maturity profile of loans and borrowings

\$ mln

Refinancing of bank loans worth \$ 600 mln



Note: (1) converted at 60.0341 RUB/USD exchange rate

Appendix

Diamond sales overview

	Q1 2013	Q2 2013	H1 2013	Q3 2013	Q4 2013	2013	Q1 2014	Q2 2014	H1 2014	Q3 2014	Q4 2014	2014
Revenue from the diamond segment, RUB bn, incl.:	36.3	37.6	74.0	33.2	42.2	149.3	51.6	43.0	94.6	36.0	53.5	184.1
diamond revenue	35.0	36.3	71.4	31.8	41.0	144.2	50.1	41.4	91.5	33.8	52.5	177.7
gem-quality rough diamonds	34.1	35.9	70.3	30.4	39.9	140.5	47.8	39.7	87.5	32.6	49.8	169.9
industrial rough diamonds	0.9	0.4	1.2	1.4	1.1	3.7	2.3	1.7	4.0	1.2	2.6	7.8
polished diamonds	1.0	1.2	2.1	1.2	1.2	4.5	1.0	1.5	2.5	1.9	1.0	5.4
resale of diamonds	0.3	0.1	0.4	0.2	-	0.6	0.4	0.1	0.5	0.3	0.1	0.9
Rough diamond sales volume, mln cts, incl.:	10.3	8.8	19.2	8.0	10.8	38.0	12.7	8.4	21.1	7.6	10.8	39.6
gem-quality rough diamonds	7.5	7.0	14.5	5.4	6.7	26.7	9.5	6.1	15.6	5.3	6.9	27.7
industrial rough diamonds	2.8	1.9	4.6	2.6	4.1	11.3	3.2	2.4	5.6	2.3	3.9	11.8
Average selling price, \$/ct, incl.:	117.9	138.0	127.2	129.1	121.7	126.1	118.6	147.2	130.0	131.8	106.2	123.8
gem-quality rough diamonds	157.7	173.0	165.1	185.0	191.7	175.9	154.7	199.8	172.3	182.4	160.7	171.4
industrial rough diamonds	9.1	8.0	8.7	12.8	7.0	9.0	12.0	11.4	11.8	15.6	11.1	12.3

Thank you!



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