



АЛРОСА  ALROSA

Investor Presentation - FY 2011 Results

17 May 2012



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Highlights of 2011



RUB mln	2011	2010	Change
Production, mln cts	34.6	34.3	1%
Revenue	137,732	113,394	21%
EBITDA¹	65,217	34,814	87%
<i>EBITDA margin</i>	<i>47%</i>	31%	
Net profit	26,658	11,788	2.3x
Cash and cash equivalents	12,014	4,136	2.9x
Total debt	95,553	101,965	(6%)
<i>Total debt / EBITDA</i>	<i>1.5x</i>	2.9x	

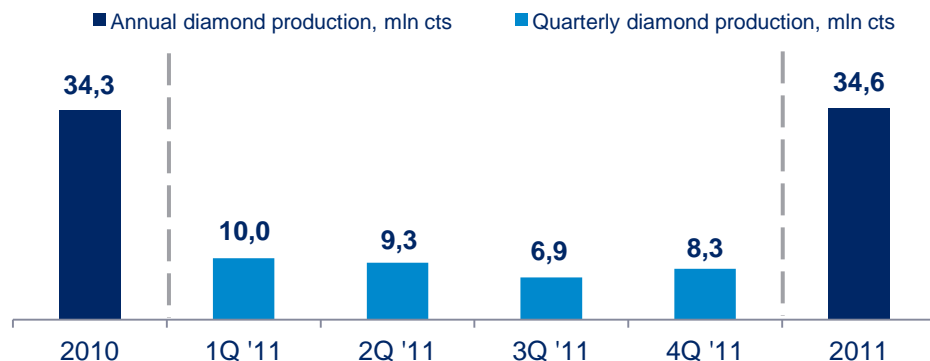
- ◆ Record performance on the back of strong demand and pricing environment
- ◆ Strong financial position with ample liquidity and lowered leverage
- ◆ Enhanced public profile and transparency

Note: ¹ EBITDA represents reported EBITDA adjusted for loss on disposal of property plant and equipment, impairment / (reversal of impairment) of property, plant and equipment, net (gain) / loss from cross currency interest rate swap contracts, (gain) / loss from change of fair value of put options granted by the Group to the buyers of ZAO Geotransgaz and OOO Urengoykaya Gazovaya Company, net (gain) / loss from foreign exchange forward contracts

Operational Overview



Diamond production



Diamond production by mine (deposit), '000 cts

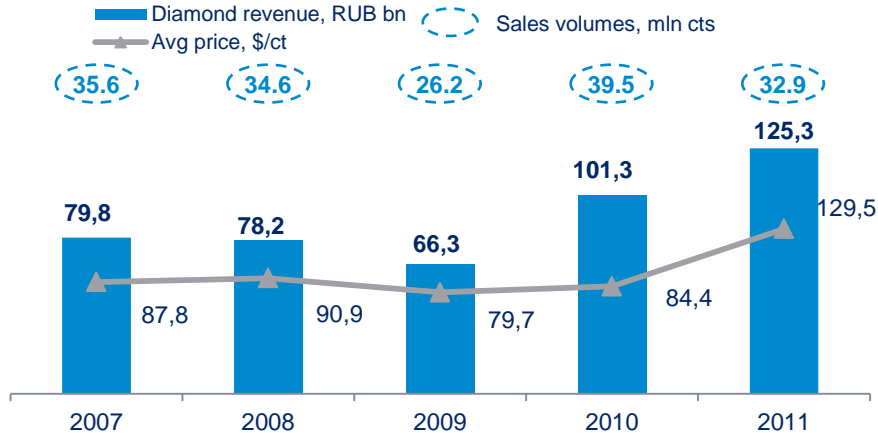
	2011	2010	Change
1 Udachniy pipe	10,374	13,139	(21%)
2 Nyurbinskaya pipe	6,950	7,837	(11%)
3 International underground mine	5,912	4,091	45%
4 Jubilee pipe	3,589	3,421	5%
5 Mir underground mine	1,321	1,082	22%
6 Aikhal underground mine	1,306	998	31%
7 Arkhangelskaya pipe	557	504	11%
8 Komsomolskaya pipe	367	484	(24%)
9 Zarnitsa pipe	209	167	25%
10 Alluvial placers and tailings	3,967	2,609	52%
Total	34,552	34,331	1%

- ◆ Diamond production increased by 1% in 2011, reaching 34.6 mln cts
- ◆ Stable quarterly production throughout 2011
- ◆ Production is concentrated in 6 open pit mines, 3 underground mines and several alluvial placers
- ◆ Production decreased at Udachniy pipe due to gradual phasing out of open pit operations and transformation into an underground mine
- ◆ Production decrease at Nyurbinskaya pipe in 2011 was planned in accordance with ALROSA's mining calendar and is expected to get back to 2010 levels in 2012
- ◆ We expect the long-term production at International pipe to be closer to 2010 levels, and the increase in 2011 was a one-off explained by the processing of ore mined in the previous periods
- ◆ Production increases at Mir and Aikhal pipes were driven by planned expansions of underground operations

Sales Overview

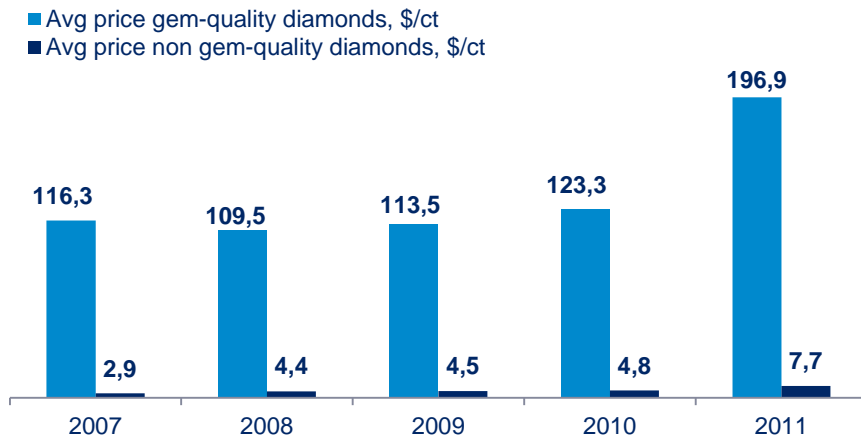


Diamond Revenue and Sales Volumes



- ◆ Record diamond revenue of RUB 125.3 bn (+24% y-o-y) in 2011 driven by continuous increase in diamond prices
- ◆ Average diamond price per carat increased 53% y-o-y to 129.5 \$/ct in 2011
- ◆ In 2011 sales volumes decreased as compared to 2010, when ALROSA sold diamonds from inventories accumulated in 2009

Diamond price dynamics



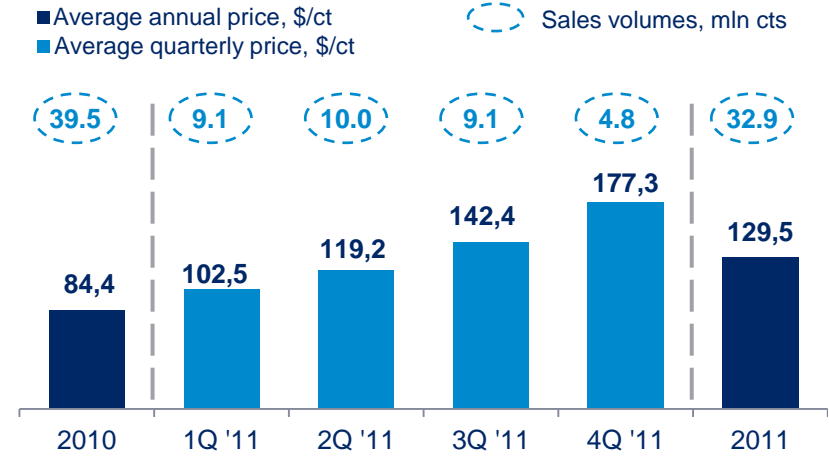
- ◆ ALROSA sells two categories of diamonds: gem and non gem-quality diamonds
- ◆ Gem diamonds accounted for 65% of the total volume sold in 2011 (in terms of carats) and for 99% of diamond revenue
- ◆ In 2011 prices for gem and non gem-quality diamonds reached 196.9 \$/ct and 7.7 \$/ct, respectively

Evolution of Sales throughout 2011

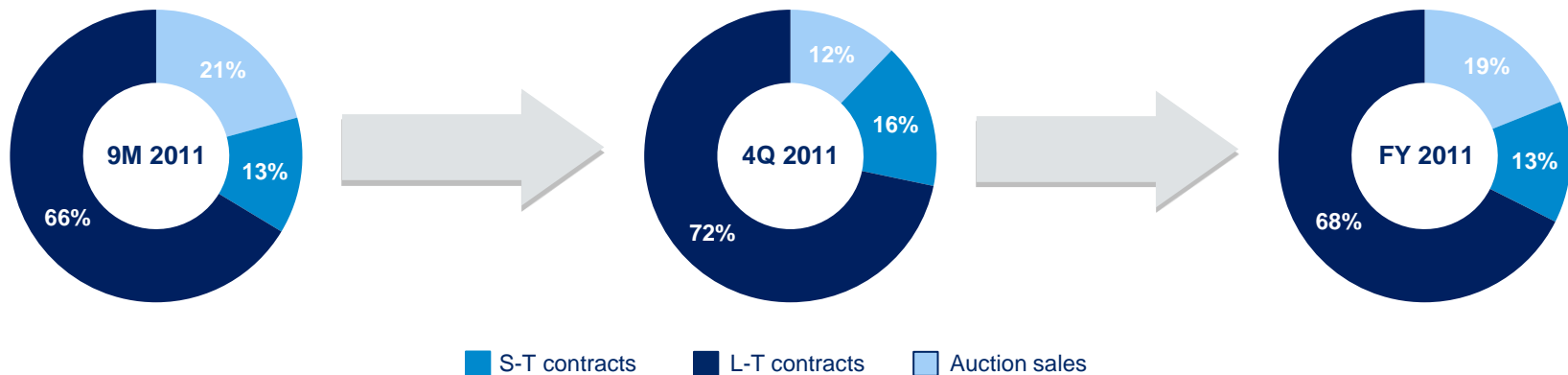


- 2011 was characterized by strong demand in the first nine months and a period of lower demand in 4Q
- To sustain average selling prices in 4Q 2011, ALROSA reduced auction sales and offered diamonds of better quality to its clients under long-term agreements
- These measures resulted in an increase in ALROSA's average selling prices in 4Q 2011 and helped to partially compensate for lower sales volumes

Price Dynamics and Sales Volumes



Diamond Revenue Structure



Financial Results



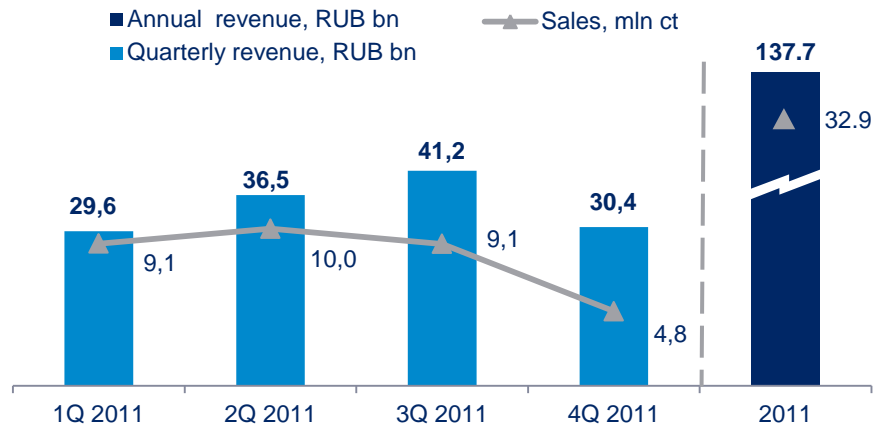
RUB mln	2011	2010	Change
Operational Figures			(2010-2011)
Production, mln cts	34.6	34.3	1%
Sales, mln cts	32.9	39.5	(17%)
IFRS Income Statements			
Revenue	137,732	113,394	21%
Cost of sales	(56,005)	(63,669)	(12%)
EBITDA	65,217	34,814	87%
<i>EBITDA margin</i>	47%	31%	
Net profit	26,658	11,788	2.3x
<i>Net profit margin</i>	19%	10%	
IFRS Balance Sheets			
Cash and cash equivalents	12,014	4,136	2.9x
Total debt	95,553	101,965	(6%)
<i>Total debt / EBITDA</i>	1.5x	2.9x	
Total equity	113,097	92,610	22%
IFRS Cash Flow Statements			
Net cash inflow from operating activity	49,182	37,800	30%
Purchase of PP&E	(21,420)	(11,968)	79%

- ◆ Revenue grew by 21% over 2010 driven by strong pricing
- ◆ Continued strong profitability with EBITDA margin at c. 47% in 2011. Net profit increased compared to 2010 and reached RUB 26,658 mln, while net profit margin increased to 19%
- ◆ Stronger balance sheet with total debt decreasing by 6% to RUB 95,553 mln
- ◆ Leverage down to 1.5x EBITDA from 2.9x in 2010

Financial Results Evolution in 2011



Sales and Revenue Evolution in 2011

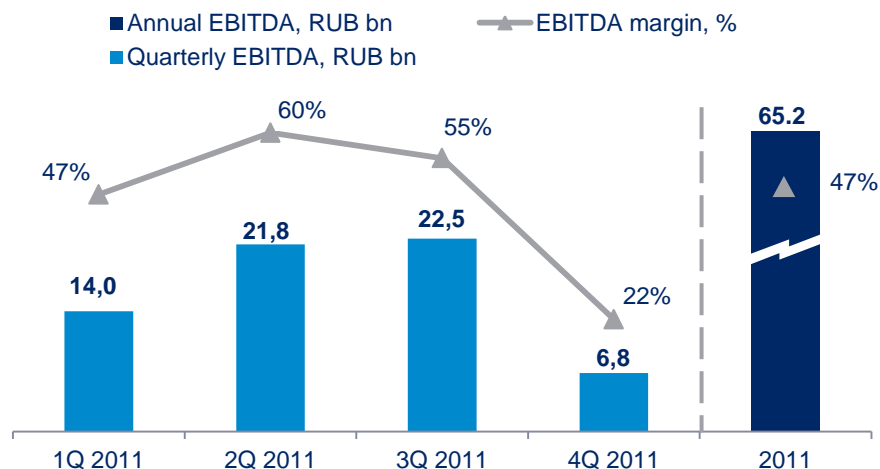


◆ Record revenue of RUB 137.7 bn for the full-year 2011 on the back of solid diamond sales and strong prices

◆ Record EBITDA of RUB 65.2 bn and margin of 47% in 2011

◆ Reduction in revenue, EBITDA and EBITDA margin in 4Q 2011 was due to lower diamond sales volume as ALROSA proactively managed pricing over volume

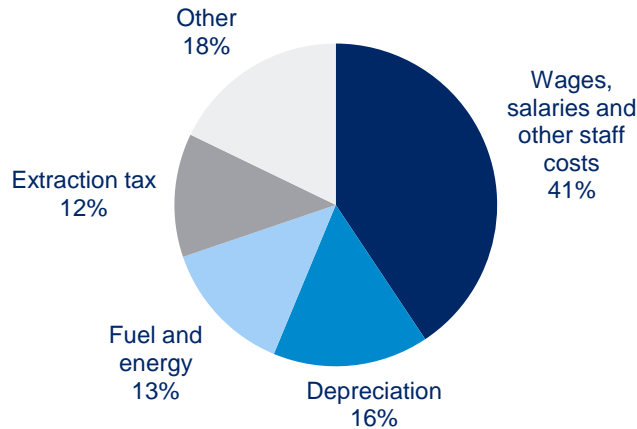
EBITDA and EBITDA Margin Evolution in 2011



Cost of Sales Overview



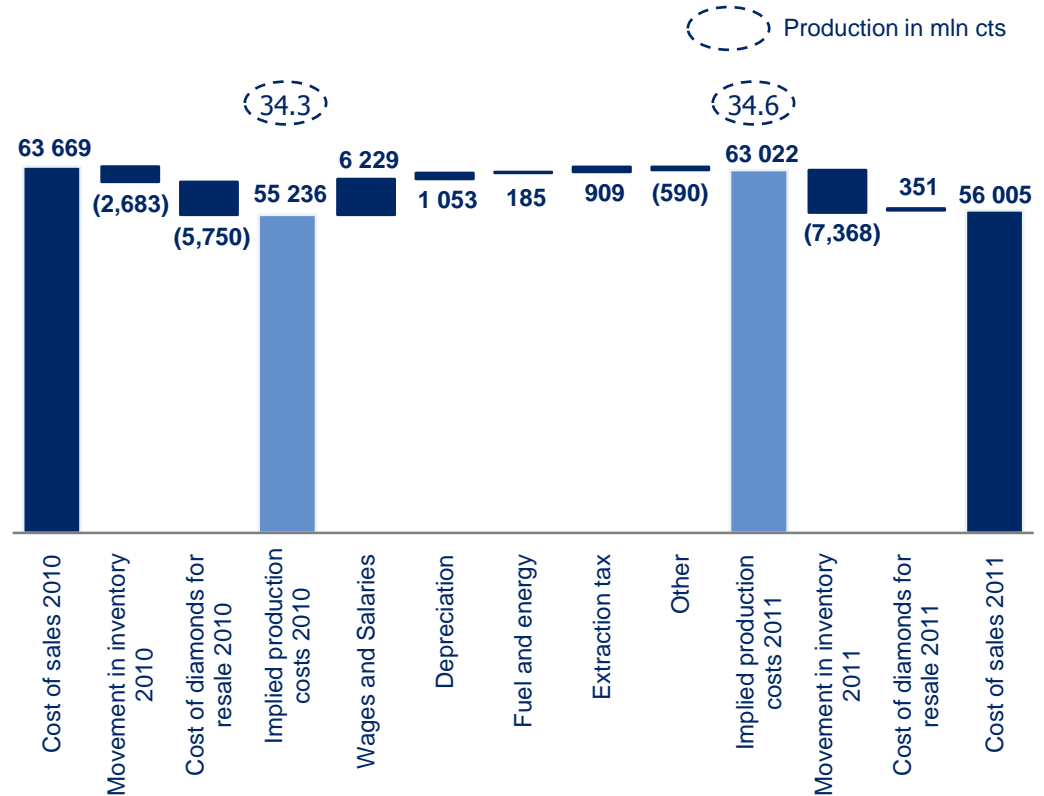
2011 Production Costs Structure



2011 Production Costs: RUB 63.0 bn¹

Note: ¹ Cost of sales before adjustment for movement in inventory of diamonds, ore and concentrate (-RUB 7.368bn) and cost of diamonds for resale (RUB 0.351bn)

Cost of Sales Dynamics, RUB mln

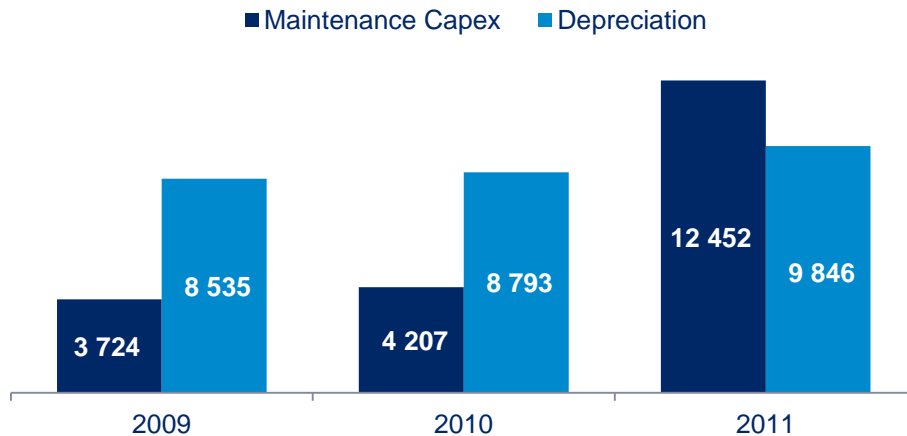


◆ Total implied cost of production increased by 14% in 2011 vs. 2010 mainly driven by planned growth of compensation expenses of personnel following record diamond sales

Investment Program and CAPEX



Maintenance Capex and Depreciation, RUB mln



- ALROSA kept maintenance expenses below normalized levels in 2009 and 2010 as a result of the implementation of a cash flow optimization program during difficult macroeconomic conditions
- Strong cash flow generation in 2011 provided the Company with an opportunity to compensate for the under-investment of the previous two years

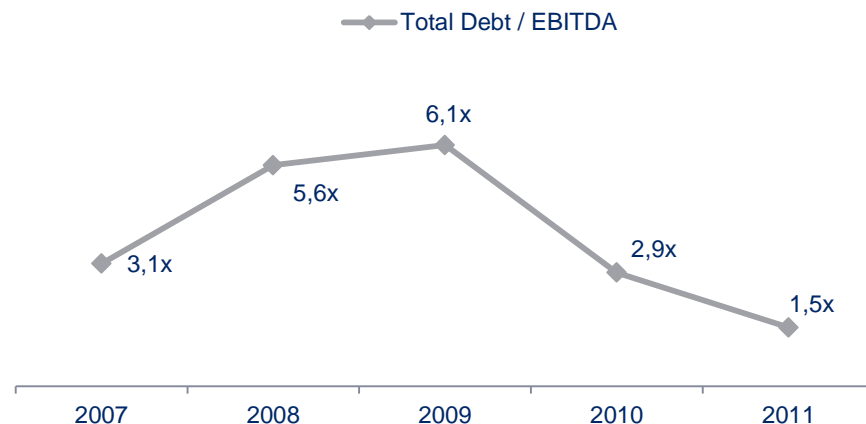
RUB mln	2009	2010	2011
Total Capex (purchase of PPE)	12,536	11,968	21,420
incl.:			
Expansion total:	8,812	7,761	8,968
incl.:			
Underground mine "Mir"	4,124	1,720	1,425
Underground mine "Aikhal"	2,020	1,767	2,004
Underground mine "Udachniy"	1,555	2,798	3,512
Open-pit mines at "Severalmaz"	1,114	1,477	2,027
Maintenance	3,724	4,207	12,452

Debt Portfolio Structure



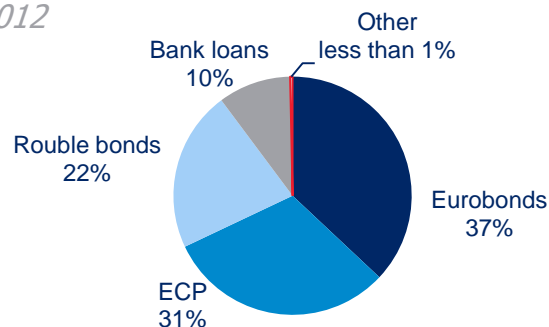
- ◆ Total Debt / EBITDA reduced to 1.5x as of 31 December 2011 from 2.9x as of 31 December 2010
- ◆ Debt portfolio structure is weighted towards public debt instruments, accounting for 90% of the portfolio
- ◆ As of today, 59% of ALROSA's debt portfolio has mid- and long-term maturities

Leverage Evolution



Debt Portfolio Structure

As of May 2012

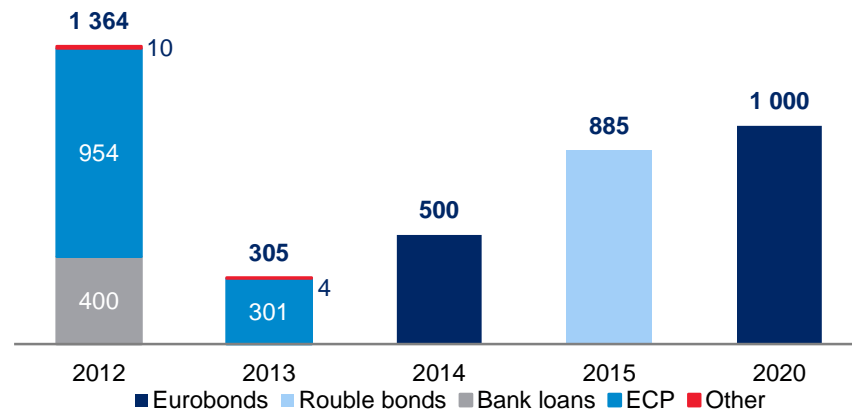


**Total debt as of May 2012: \$ 4,054 mln,
with average debt interest rate – 6.57%**

Note: FX RUB/US\$ rate = 29.3627 used for RUB bonds

Debt Maturity Profile, \$ mln

As of May 2012

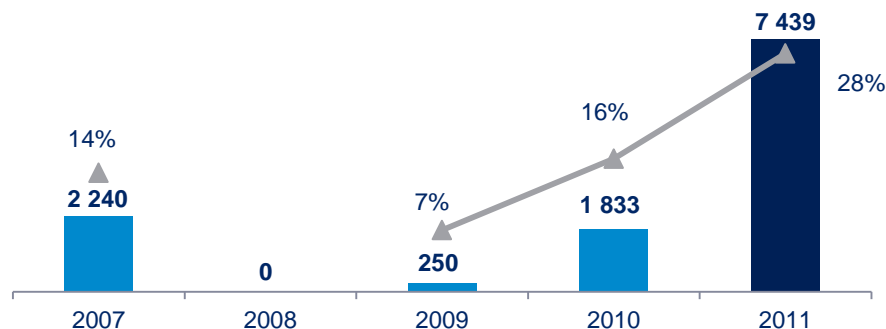


Dividends



Dividends and Payout Ratio¹

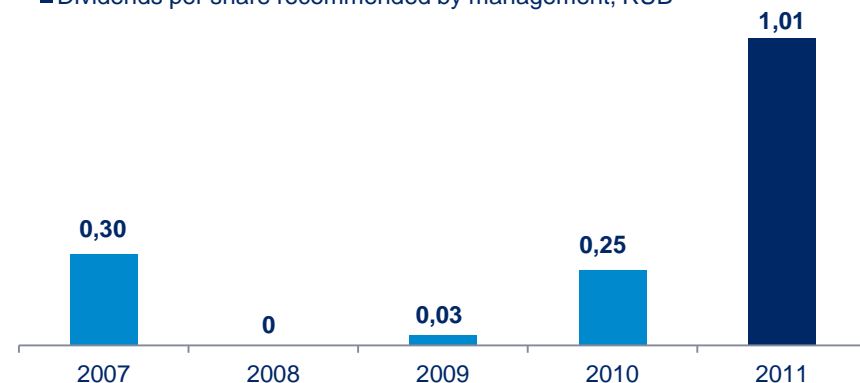
■ Dividends, RUB mln ▲ Payout ratio, %
 ■ Dividends recommended by management, RUB mln



Note: ¹ Payout ratio was calculated as approved dividends for the respective year divided by profit attributable to owners of ALROSA (based on IFRS)

Dividends Per Share²

■ Dividends per share, RUB
 ■ Dividends per share recommended by management, RUB



Note: ² Rebased to account for the share split which occurred in 2011

- ◆ In accordance with the dividend policy approved on 20 December 2011, the total amount of dividends is set to be not less than 10% of ALROSA net income (based on RAS accounts) for the respective year
- ◆ ALROSA is planning to pay record dividends for 2011 financial year – RUB 7,439 mln, which corresponds to a payout ratio of 25% based on RAS, or 28% payout ratio based on IFRS



Thank you!