



АЛРОСА  ALROSA

# Investor Presentation – FY 2012 Results

26<sup>th</sup> April, 2013



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# Highlights of 2012

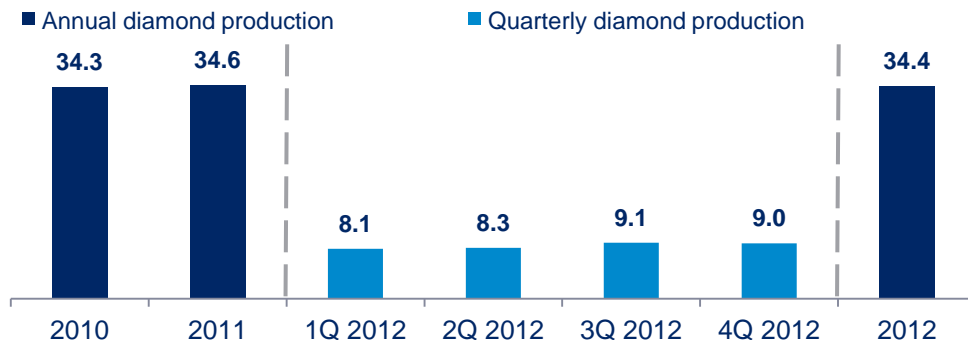


- ◆ Sustainable production of 34.4 mln cts
- ◆ Stable sales volumes of 33.2 mln cts driven by strong demand
- ◆ Record revenue of RUB 150.9 bn in 2012 underlined by stable diamond prices
- ◆ EBITDA margin remains high at 41% in 2012 despite a decline to 2011 caused by grown cost of sales mainly due to increased salaries and higher expenses on fuel and materials
- ◆ Maintenance capex in line with depreciation and doubled expansion capex for 2012 due to construction of infrastructure at underground mine “Udachniy” and processing plant and tailings facilities at Seversalmaz
- ◆ Achieved target range of Total debt / EBITDA ratio at the level of 2.0x
- ◆ The Supervisory Board recommended record dividends of RUB 1.11 per share for 2012

# Operational Overview



## Diamond production, mln cts



## Diamond production by mine (deposit), '000 cts

|                                  | 2010          | 2011          | 2012          | 2012 vs 2011 |
|----------------------------------|---------------|---------------|---------------|--------------|
| 1 Nyurbinskaya pipe              | 7,837         | 6,950         | 7,276         | 5%           |
| 2 Jubilee pipe                   | 3,421         | 3,589         | 6,272         | 75%          |
| 3 International underground mine | 4,091         | 5,912         | 5,916         | 0%           |
| 4 Udachniy pipe                  | 13,139        | 10,374        | 5,642         | (46%)        |
| 5 Aikhal underground mine        | 998           | 1,306         | 2,520         | 93%          |
| 6 Mir underground mine           | 1,082         | 1,321         | 1,855         | 40%          |
| 7 Arkhangelskaya pipe            | 504           | 557           | 559           | 0%           |
| 8 Zarnitsa pipe                  | 167           | 209           | 203           | (3%)         |
| 9 Komsomolskaya pipe             | 484           | 367           | 153           | (58%)        |
| 10 Alluvial placers and tailings | 2,609         | 3,967         | 4,024         | 1%           |
| <b>Total</b>                     | <b>34,331</b> | <b>34,552</b> | <b>34,420</b> | <b>0%</b>    |

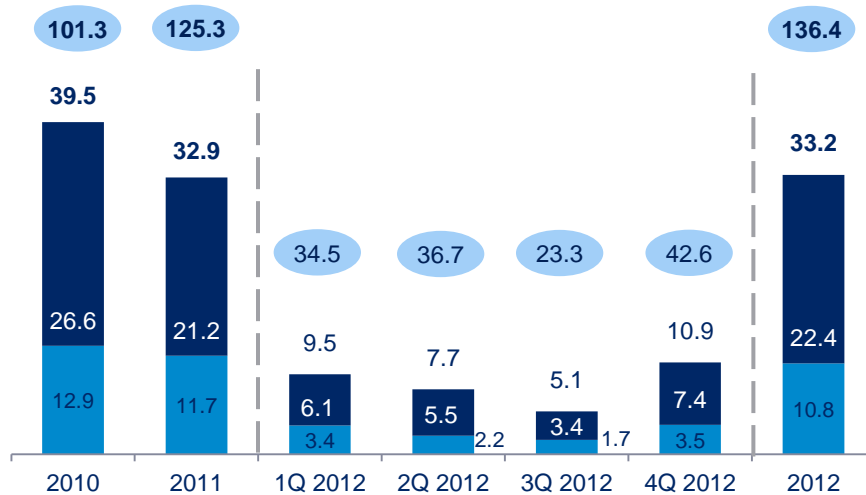
- ◈ In 2012, ALROSA maintained stable production at the level of 34.4 mln cts
- ◈ Production at Jubilee pipe continued to grow due to planned processing of higher quality ore
- ◈ Continuous transition of open-pit operations to underground mining at Udachniy pipe resulted in further production decline
- ◈ Production at Aikhal underground mine grew 93% in 2012 compared to 2011 reaching target production levels
- ◈ Production at Mir underground mine has been gradually increased to reach target production levels in 2015
- ◈ Planned reduction of production took place at Komsomolskaya pipe

# Sales Overview



## Diamond revenue and Sales volumes

■ Gem-quality diamonds sales volumes, mln cts  
■ Non gem-quality diamonds sales volumes, mln cts  
● Diamond revenue, RUB bn



## Diamond prices by segment, \$/ct

◆ Gem-quality diamonds  
◆ Non gem-quality diamonds



◆ In 2012, diamond revenue reached RUB 136.4 bn supported by stable sales volumes of 33.2 mln cts

◆ Diamond prices remained stable as well despite decline in 4Q 2012

# 2012 Financial Results



| RUB mln  | 2010     | 2011     | 2012     | 2012<br>vs<br>2011 |
|--|----------|----------|----------|--------------------|
| <b>Key Operational Metrics</b>                                       |          |          |          |                    |
| Diamond Production, mln cts  | 34.3     | 34.6     | 34.4     | 0%                 |
| Diamond Sales, mln cts   | 39.5     | 32.9     | 33.2     | 1%                 |
| <b>Key Earning Metrics</b>   |          |          |          |                    |
| Revenue  | 113,394  | 137,732  | 150,880  | 10%                |
| Cost of Sales  | (63,669) | (56,005) | (68,467) | 22%                |
| EBITDA   | 34,814   | 65,217   | 61,950   | (5%)               |
| <i>EBITDA Margin</i>   | 31%      | 47%      | 41%      | -                  |
| Net Profit   | 11,788   | 26,658   | 33,634   | 26%                |
| <i>Net Profit Margin</i>   | 10%      | 19%      | 22%      | -                  |
| <b>Financial Position</b>  |          |          |          |                    |
| Cash and Cash Equivalents  | 4,136    | 12,014   | 6,242    | (48%)              |
| Total Debt   | 101,965  | 95,553   | 122,701  | 28%                |
| <i>Total Debt/ EBITDA</i>  | 2.9x     | 1.5x     | 2.0x     | -                  |
| Net Debt   | 97,829   | 83,539   | 116,459  | 39%                |
| <i>Net Debt/ EBITDA</i>  | 2.8x     | 1.3x     | 1.9x     | -                  |
| Total Equity   | 92,610   | 113,097  | 137,849  | 22%                |
| <b>Cash Flow Metrics</b>   |          |          |          |                    |
| Cash Inflow from Operating Activities before changes in WC           | 29,982   | 62,189   | 61,830   | (1%)               |
| WC changes   | 12,067   | (3,775)  | (8,872)  | -                  |
| Cash Inflow from Operating Activities post WC changes and Income Tax | 37,800   | 49,182   | 42,007   | (15%)              |
| Capital Investments in PP&E  | (11,968) | (21,240) | (30,050) | 40%                |
| Free Cash Flow   | 25,832   | 27,762   | 11,957   | (57%)              |

## Operational activity

- Record revenue of RUB 150.9 bn in 2012 underlined by stable diamond prices
- EBITDA margin remains high at 41% in 2012 despite decline to 2011 caused by grown cost of sales mainly due to increased salaries and higher expenses on fuel and materials
- Record net profit of RUB 33.6 bn and net profit margin of 22%

## Debt position

- Total debt / EBITDA ratio for 2012 is at the target level of 2.0x in line with the strategy of continuous deleveraging

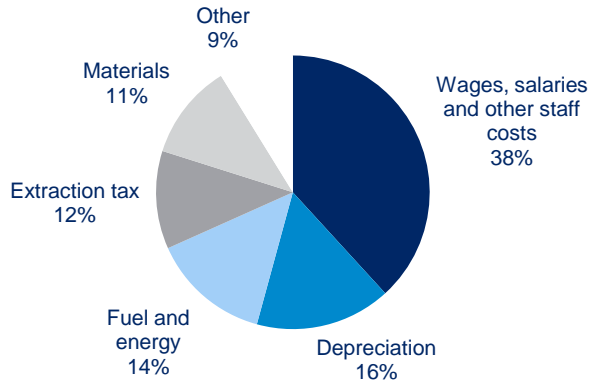
## Working capital

- During 2012 ALROSA increased its inventory base and trade and other receivables, which affected cash inflows from operating activities

# Cost of Sales Overview



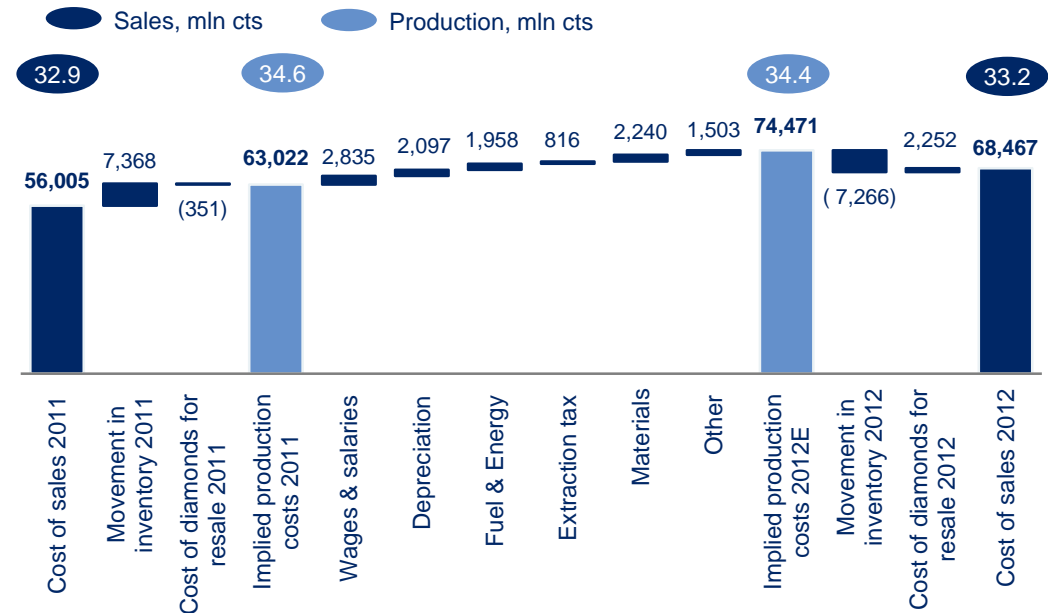
## 2012 production costs structure



### 2012 Production Costs: RUB 74.5 bn<sup>1</sup>

Note: <sup>1</sup> Cost of sales after adjustment for movement in inventory of diamonds, ore and concentrate (RUB 7,266 mln) and cost of diamonds for resale (-RUB 1,262 mln)

## Cost of sales dynamics, RUB mln



Note: Implied production costs calculated due to differences in produced and sold volumes

- Production costs in 2012 grew 18% compared to 2011 driven by planned indexation of salaries, which were frozen during crisis, and higher expenses on fuel and materials
- Fuel and material costs increased by 23% and 36% respectively due to construction of underground facilities

# Investment Program and Capex

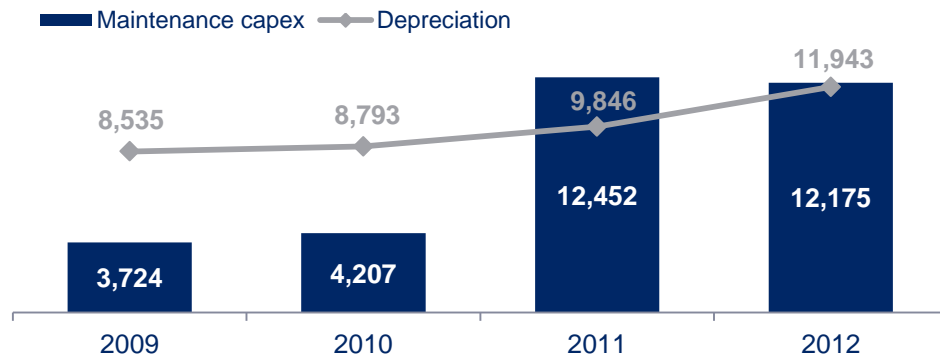


## Maintenance and expansion capex

| RUB mln                                   | 2010   | 2011   | 2012   | 2012 vs 2011 |
|---|--------|--------|--------|--------------|
| <b>Total capex (purchase of PP&amp;E)</b> | 11,968 | 21,420 | 30,050 | 40%          |
| incl.:                                    |        |        |        |              |
| <b>Expansion total:</b>                   | 7,761  | 8,968  | 17,875 | 2.0x         |
| incl.:                                    |        |        |        |              |
| Underground mine "Udachniy"               | 2,798  | 3,512  | 6,937  | 2.0x         |
| Open-pit mines at Seversalmaz             | 1,477  | 2,027  | 4,558  | 2.2x         |
| Gas assets                                | -      | -      | 3,309  | -            |
| Underground mine "Aikhal"                 | 1,767  | 2,004  | 1,999  | 0%           |
| Underground mine "Mir"                    | 1,720  | 1,425  | 1,073  | (25%)        |
| <b>Maintenance</b>                        | 4,207  | 12,452 | 12,175 | (2%)         |

- ◆ 2012 capex grew 40% to 2011 driven by doubled expansion capex
- ◆ Expansion capex doubling mainly relates to:
  - ◆ Underground mine "Udachniy" – construction of infrastructure;
  - ◆ Seversalmaz – processing plant and tailings facility;
  - ◆ Gas assets – integrated gas processing plant
- ◆ 2012 maintenance capex remained stable in accordance with the Company's plans
- ◆ Strong cash flow generation in 2011 and 2012 provided the Company with an opportunity to compensate for the under-investment of the previous two years

## Maintenance capex and Depreciation, RUB mln





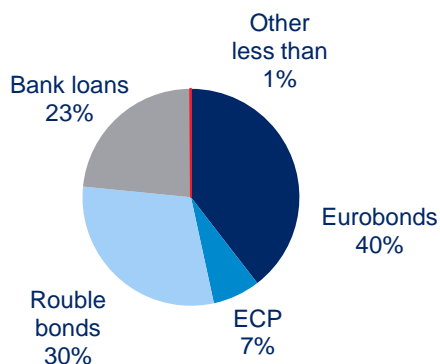
# Debt Portfolio Structure



- ◊ In 2012, total debt / EBITDA increased to 2.0x from 1.5x due to gas assets buyback
- ◊ Debt portfolio structure is weighted towards public debt instruments, which account for 77% of the portfolio
- ◊ c. 70% of total debt portfolio is US dollar denominated

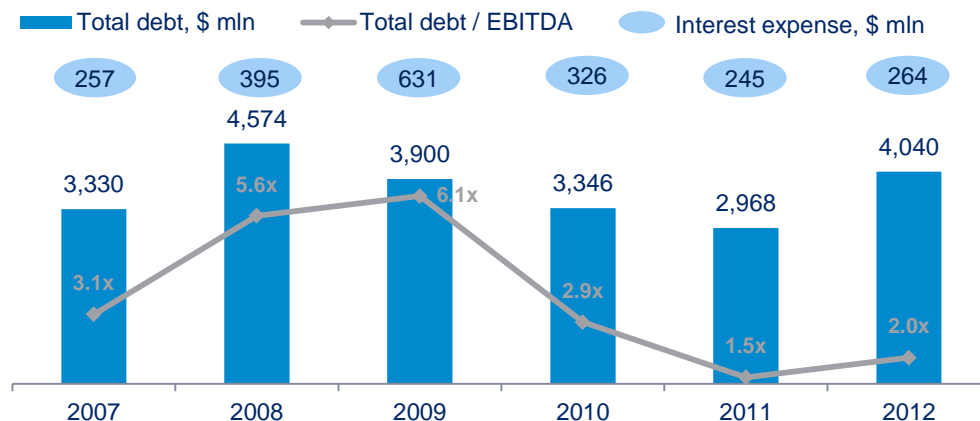
## Debt portfolio structure

As of 26<sup>th</sup> April, 2013



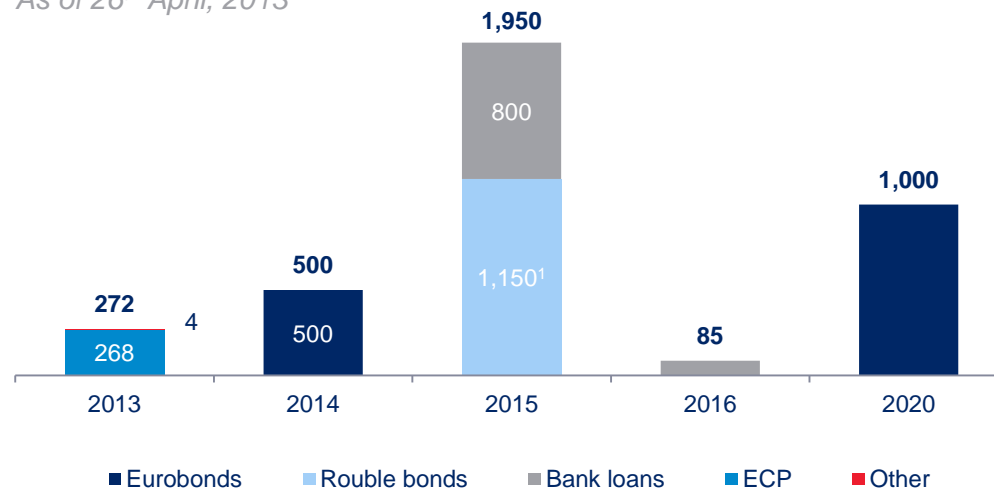
Total debt as of 26<sup>th</sup> April, 2013: \$3,807mln, with average interest rate – 6.2%

## Debt, leverage and interest expense evolution



## Debt maturity profile, \$ mln

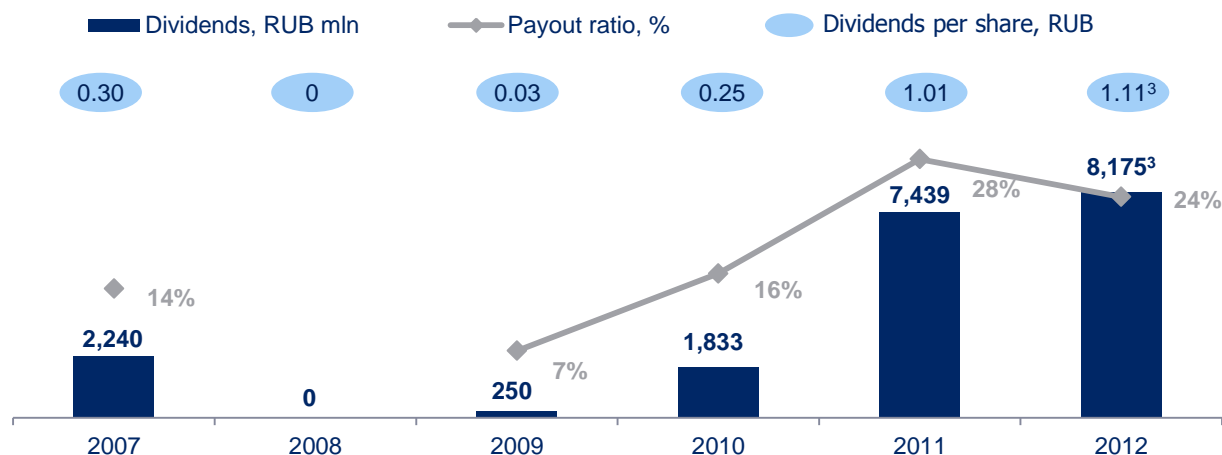
As of 26<sup>th</sup> April, 2013



Note: <sup>1</sup> Includes Rouble bonds with put options in June 2013 in the amount of \$511mln



## Dividends, Dividends per share<sup>1</sup> and Payout ratio<sup>2</sup>



Note: <sup>1</sup> Rebased to account for the share split which occurred in 2011

<sup>2</sup> Payout ratio was calculated as approved dividends for the respective year divided by profit attributable to owners of ALROSA (based on IFRS)

<sup>3</sup> Numbers to be approved by the General Meeting of Shareholders in June 2013

- ALROSA paid dividends of RUB 7,439 mln for 2011 financial year, which corresponds to a payout ratio of 28% based on IFRS or 25% based on RAS
- ALROSA remains committed to its dividend policy. The Supervisory Board recommended record dividends of RUB 8,175 mln for 2012 to the General Meeting of Shareholders. This amount corresponds to a payout ratio of 24% based on IFRS or 32.5% based on RAS



**Thank you**