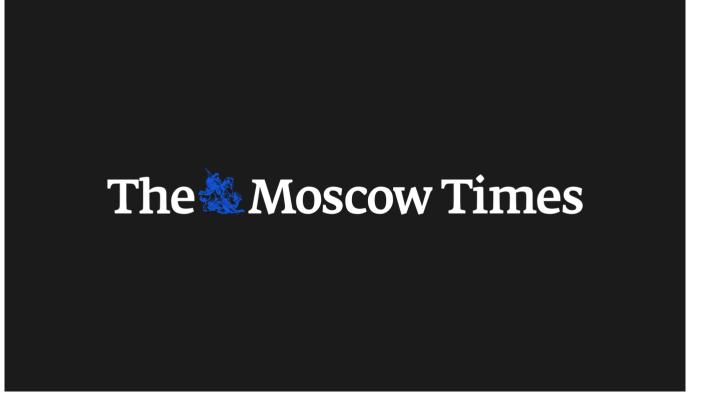


Alrosa Mulls Auctioning Diamonds Through Sotheby's

By The Moscow Times

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State diamond producer Alrosa is considering signing a deal to sell its premium diamonds through the Sotheby's auction house, Kommersant reported Thursday.

But, experts say Alrosa has hurdles to overcome because exporting precious stones of unique sizes and shapes from Russia is illegal.

Sotheby's refused to comment on the deal, and Alrosa did not confirm it either but said it is "certainly interested in the premium segment of the diamond market."

A source familiar with the negotiations said the deal might be sealed in April or May.

A source close to Alrosa said that recently Alrosa performed a test transaction through Sotheby's jewelry division, selling two "fairly large stones with very average characteristics" in New York for \$500,000.

The source said the auction was successful. Alrosa received more than what it expected to be paid if it had sold the diamonds independently, Kommersant reported.

The source said the next transaction through Sotheby's might take place in New York, Geneva or Hong Kong in the middle of this year. The company will offer some of its more expensive diamonds for sale; the possible candidates include one weighing more than 40 carats and another weighing about 60 carats.

The company is also considering selling diamond-encrusted jewelry through Sotheby's.

Currently, Alrosa sells diamonds either to its regular customers in Belgium, Israel, the U.S., India and Hong Kong, or through its own auctions.

According to preliminary data, the company sold \$100 million worth of diamonds in 2012.

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