PJSC ALROSA

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2015

CONTENTS

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	30 September 2015	31 December 2014
Assets			
Non-current assets			
Goodwill		1,439	1,439
Property, plant and equipment	6	279,587	271,618
Investments in associates and joint ventures	4	5,479	6,219
Deferred tax asset		1,636	1,912
Available-for-sale investments		84	379
Long-term accounts receivable	8	3,579	2,489
Restricted cash		-	100
Total non-current assets		**291,804**	**284,156**
Current assets			
Inventories	7	85,840	63,488
Prepaid income tax		5,804	3,716
Current accounts receivable	8	13,810	15,196
Cash and cash equivalents	5	28,583	21,693
Total current assets		**134,037**	**104,093**
Total assets		**425,841**	**388,249**
Equity			
Share capital	9	12,473	12,473
Share premium		10,431	10,431
Treasury shares	9	(15)	-
Retained earnings and other reserves	9	130,563	114,147
Equity attributable to owners of PJSC ALROSA		**153,452**	**137,051**
Non-Controlling Interest in Subsidiaries		653	123
Total equity		**154,105**	**137,174**
Liabilities			
Non-current liabilities			
Long-term debt	10	178,408	176,358
Provision for pension obligations	14	8,715	5,793
Other provisions		5,330	4,347
Deferred tax liabilities		11,326	11,301
Total non-current liabilities		**203,779**	**197,799**
Current liabilities			
Short-term debt and current portion of long-term debt	11	33,597	20,802
Trade and other payables	12	27,390	24,003
Income tax payable		645	2,716
Other taxes payable	13	6,240	5,287
Dividends payable	9	85	468
Total current liabilities		**67,957**	**53,276**
Total liabilities		**271,736**	**251,075**
Total equity and liabilities		**425,841**	**388,249**

Signed on 24 November 2015 by the following members of management:

Andrey V. Zharkov
President

Svetlana V. Linnik
Chief accountant

РЕСПУБЛИКА САХА (ЯКУТИЯ), г. МИРНЫЙ * Акционерная компания «АЛРОСА» (публичное акционерное общество) * РОССИЙСКАЯ ФЕДЕРАЦИЯ *

The accompanying notes form an integral part of this condensed consolidated interim financial information.

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

		Three months ended		Nine months ended	
	Notes	**30 September 2015**	**30 September 2014**	**30 September 2015**	**30 September 2014**
Revenue	15	40,628	42,118	172,496	146,907
Cost of sales	16	(18,700)	(21,661)	(73,580)	(71,932)
Royalty	13	(302)	(302)	(907)	(907)
Gross profit		**21,626**	**20,155**	**98,009**	**74,068**
General and administrative expenses	17	(2,190)	(2,823)	(7,403)	(7,786)
Selling and marketing expenses	18	(709)	(346)	(2,195)	(1,702)
Other operating income	19	1,983	1,742	1,879	2,058
Other operating expenses	20	(5,973)	(5,648)	(15,770)	(14,387)
Operating profit		**14,737**	**13,080**	**74,520**	**52,251**
Finance (costs)/income, net	21	(35,323)	(23,453)	(36,736)	(31,113)
Share of net profit of associates and joint ventures	4	104	644	1,267	1,237
Profit/(loss)before income tax		**(20,482)**	**(9,729)**	**39,051**	**22,375**
Income tax	13	5,304	(604)	(6,831)	(9,591)
Profit/(loss) for the period		**(15,178)**	**(10,333)**	**32,220**	**12,784**
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit obligations, net of tax	9	(214)	2,000	(3,091)	2,670
Total items that will not be reclassified to profit or loss		**(214)**	**2,000**	**(3,091)**	**2,670**
Items that will be reclassified to profit or loss:					
Currency translation differences, net of tax	9	(27)	1,286	(307)	1,498
Change in fair value of available for sale investments	9	16	-	16	-
Total items that will be reclassified to profit or loss		**(11)**	**1,286**	**(291)**	**1,498**
Other comprehensive income/(loss) for the period		**(225)**	**3,286**	**(3,382)**	**4,168**
Total comprehensive income/(loss) for the period		**(15,403)**	**(7,047)**	**28,838**	**16,952**
Profit/(loss) attributable to:					
Owners of PJSC ALROSA		(15,430)	(10,468)	31,138	12,099
Non-controlling interest		252	135	1,082	685
Profit/(loss) for the period		**(15,178)**	**(10,333)**	**32,220**	**12,784**
Total comprehensive income/(loss) attributable to:					
Owners of PJSC ALROSA		(15,655)	(7,182)	27,756	16,267
Non-controlling interest		252	135	1,082	685
Total comprehensive income/(loss) for the period		**(15,403)**	**(7,047)**	**28,838**	**16,952**
Basic and diluted earnings per share for profit/(loss) attributable to the owners of PJSC ALROSA (in Roubles)	9	(2.10)	(1.42)	4.23	1.64

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

	Notes	Nine months ended 30 September 2015	Nine months ended 30 September 2014
Net cash inflow from operating activities	22	**60,509**	**46,524**
Cash Flows from investing activities			
Purchase of property, plant and equipment		(24,690)	(23,948)
Proceeds from sales of property, plant and equipment		221	1,045
Interest received	21	2,520	772
Proceeds from sale of available-for-sale investments		198	(7)
Dividends received from associates and joint ventures		1,663	668
Proceeds from disposal of subsidiaries, net of cash disposed of		(425)	1,585
Net cash outflow from investing activities		**(20,513)**	**(19,885)**
Cash flows from financing activities			
Repayments of loans		(33,981)	(84,668)
Loans received		20,252	86,177
Purchase of treasury shares		(616)	126
Proceeds from sale of non-controlling interest in subsidiary		-	72
Interest paid		(7,137)	(5,290)
Dividends paid		(11,675)	(11,208)
Net cash outflow from financing activities		**(33,157)**	**(14,791)**
Net increase in cash and cash equivalents		**6,839**	**11,848**
Cash and cash equivalents at the beginning of the period	5	21,693	10,408
Exchange gains on cash and cash equivalents		51	1,168
Cash and cash equivalents at the end of the period	5	**28,583**	**23,424**

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

		Attributable to owners of PJSC ALROSA							
	Number of shares outstanding	Share capital	Share premium	Treasury shares	Other reserves (note 9)	Retained earnings	Total	Non-control-ling interest	Total equity
Balance at 1 January 2014	**7,360,112,830**	**12,473**	**10,431**	**(5)**	**(7,241)**	**144,142**	**159,800**	**(339)**	**159,461**
Comprehensive income									
Profit for the period		-	-	-	-	12,099	12,099	685	12,784
Other comprehensive income		-	-	-	4,168	-	4,168	-	4,168
Total comprehensive income for the period		**-**	**-**	**-**	**4,168**	**12,099**	**16,267**	**685**	**16,952**
Transactions with owners									
Sale of non-controlling interest		-	-	-	63	-	63	7	70
Dividends paid (Note 9)		-	-	-	-	(10,818)	(10,818)	-	(10,818)
Sale of own shares	3,106,800	-	-	2	-	124	126	-	126
Dividends paid to the owners of non-controlling interest		-	-	-	-	-	-	(179)	(179)
Total transactions with owners		**-**	**-**	**2**	**63**	**(10,694)**	**(10,629)**	**(172)**	**(10,801)**
Balance at 30 September 2014	**7,363,219,630**	**12,473**	**10,431**	**(3)**	**(3,010)**	**145,547**	**165,438**	**174**	**165,612**
Balance at 1 January 2015	**7,364,965,630**	**12,473**	**10,431**	**-**	**(1,419)**	**115,566**	**137,051**	**123**	**137,174**
Comprehensive income/(loss)									
Profit for the period		-	-	-	-	31,138	31,138	1,082	32,220
Other comprehensive income/(loss)		-	-	-	(3,382)	-	(3,382)	-	(3,382)
Total comprehensive income/(loss) for the period		**-**	**-**	**-**	**(3,382)**	**31,138**	**27,756**	**1,082**	**28,838**
Transactions with owners									
Dividends (note 9)		-	-	-	-	(10,816)	(10,816)	-	(10,816)
Purchase of own shares	(8,565,300)	-	-	(15)	-	(601)	(616)	-	(616)
Change of non-controlling interest		-	-	-	77	-	77	(77)	-
Dividends of subsidiaries to non-controlling shareholders		-	-	-	-	-	-	(475)	(475)
Total transactions with owners	**(8,565,300)**	**-**	**-**	**(15)**	**77**	**(11,417)**	**(11,355)**	**(552)**	**(11,907)**
Balance at 30 September 2015	**7,356,400,330**	**12,473**	**10,431**	**(15)**	**(4,724)**	**135,287**	**153,452**	**653**	**154,105**

1. ACTIVITIES

The core activities of Public Joint Stock Company ALROSA ("the Company") and its subsidiaries ("the Group") are the exploration and extraction of diamond reserves and the marketing and distribution of raw and cut diamonds.

The Company was registered on 13 August 1992 in the Republic of Sakha (Yakutia), which is located within the Russian Federation. In 2011 the Company was reorganized to Open Joint Stock Company. On 25 June 2015 the Company's annual shareholders' meeting approved reorganisation of the Company from Open Joint Stock Company to Public Joint Stock Company due to change in legislation.

The Group operates mining facilities in Mirny, Udachny, Aikhal, Nyurba and Anabar (located in Eastern Siberia) and Arkhangelsk. Licenses for the Group's major diamond deposits expire between 2015 and 2031. Management believes the Group will be able to extend the licenses' terms after they expire.

As at 30 September 2015 and 31 December 2014 Company's principal shareholders are Federal Agency for State Property Management on behalf of the government of the Russian Federation (43.9 per cent of shares) and the Ministry of the property and land relations of the Republic of Sakha (Yakutia) on behalf of the Republic of Sakha (Yakutia) (25.0 per cent of shares).

The Company is registered and its principal operating office is situated at 6, Lenin Street, Mirny, 678170, Republic of Sakha (Yakutia), Russia.

The Group has seasonal working capital requirements as most of a year's supplies must be purchased in the second quarter and transported to their destination prior to the end of September as a result of the remote location of, and extreme climatic conditions at the Group's mining operations in the Republic of Sakha (Yakutia). The Group's major areas of operations can be reached by water only during a relatively short navigation period (May to September). During that time the Group accumulates stocks of consumables and production materials for production needs to last until the next navigation period. Additional factors contributing to the seasonality of the Group's operations include a decrease in ore processing capacity in summer as a result of routine maintenance of certain ore treatment plants.

2. BASIS OF PRESENTATION

The condensed consolidated interim financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). This condensed consolidated interim financial information should be read together with the consolidated financial statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group companies incorporated in Russia maintain their statutory accounting records and prepare statutory financial reports in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR") and their functional currency is the Russian Rouble ("RR"). The Group companies incorporated in other countries maintain their statutory accounting records in accordance with relevant legislation and in the appropriate functional currency. The Group's condensed consolidated interim financial information is based on the statutory accounting records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IAS 34.

The preparation of condensed consolidated interim financial information in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The most significant estimates relate to valuation of inventories, investments, allowance for bad and doubtful accounts receivable, deferred taxation, useful life of property, plant and equipment, reserve estimates used to calculate depreciation, pension and other post-retirement benefit costs. Actual results could differ from these estimates.

The official US dollar ("US$") to RR exchange rates as determined by the Central Bank of the Russian Federation were 66.24 and 56.26 as at 30 September 2015 and 31 December 2014 respectively. The official Euro to RR exchange rates as determined by the Central bank of the Russian Federation were 74.58 and 68.34 as at 30 September 2015 and 31 December 2014, respectively.

(in millions of Russian roubles, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014 with the exception of income tax expense, which is recognised based on management's best estimate of the annual effective income tax rate expected for the full financial year.

New accounting developments

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2015:

- Amendment to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below).
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

These standards, amendments to standards and interpretations did not have a material impact on this condensed consolidated interim financial information.

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the consolidated financial statements for the year ended 31 December 2014, have been issued but are not yet effective and have not been early adopted by the Group. The Group is currently considering the implications of these new accounting pronouncements, their impact on its consolidated financial statements and the timing of their adoption. No new standards, amendments and interpretations to existing standards were issued during the nine months ended 30 September 2015.

4. GROUP STRUCTURE AND INVESTMENTS

The Company's significant consolidated subsidiaries are as follows:

				Percentage of ownership interest held	
Name	**Principal activity**	**Place of business**	**Notes**	**30 September 2015**	**31 December 2014**
ALROSA Finance S.A.	Financial services	Luxembourg		100.0	100.0
OJSC ALROSA-Gaz	Gas production	Russia		100.0	100.0
ALROSA-VGS LLC	Capital construction	Russia		-	100.0
OJSC Almazy Anabara	Diamonds production	Russia		100.0	100.0
CJSC Geotransgaz	Gas production	Russia		100.0	100.0
Urengoy Gaz Company Ltd.	Gas production	Russia		100.0	100.0
OJSC Nizhne-Lenskoe	Diamonds production	Russia		100.0	100.0
OJSC Viluyskaya GES-3	Electricity production	Russia		99.7	99.7
OJSC Severalmaz	Diamonds production	Russia		99.6	99.6
Arcos Belgium N.V.	Diamonds trading	Belgium		99.6	99.6
OJSC ALROSA-Nyurba	Diamonds production	Russia		87.5	87.5
Hydroshikapa S.A.R.L	Electricity production	Angola		55.0	55.0
MAK Bank LLC	Banking activity	Russia	4.1	-	84.7

As at 30 September 2015 and 31 December 2014 the percentage of ownership interest of the Group in subsidiaries is equal to the percentage of voting interest.

4.1. Disposal of MAK Bank LLC

In February 2015, the Group sold 84.7 per cent interest in MAK Bank LLC for a total cash consideration of RR'mln 201.

(in millions of Russian roubles, unless otherwise stated)

4. GROUP STRUCTURE AND INVESTMENTS (CONTINUED)

As a result of the transaction the Group lost an ability to control financial and operating activities of MAK Bank LLC. The details of assets and liabilities related to MAK Bank LLC at the date of disposal were as follows:

Property, plant and equipment	681
Trade and other receivables	1,234
Cash	645
Borrowings	(1,658)
Trade and other payables	(546)
Net assets at the date of disposal	**356**
Consideration receivable	**201**
Loss on disposal	**(155)**

4.2. Disposal of CJSC Irelyakhneft

In June 2014, the Group sold a 100 per cent. interest in CJSC Irelyakhneft for a total cash consideration of RR'mln 1,600. As a result of the transaction the Group lost an ability to control financial and operating activities of CJSC Irelyakhneft.

The details of assets and liabilities related to CJSC Irelyakhneft at the date of disposal were as follows:

Property, plant and equipment	1,324
Inventories	90
Trade and other receivables	381
Cash	15
Trade and other payables	(352)
Net assets at the date of disposal	**1,458**
Consideration receivable	**1,600**
Gain on disposal	**142**

4.3. Associates and joint ventures

			Percentage of ownership interest held at		**Carrying value of investment at**	
Name	**Principal activity**	**Place of business**	**30 September 2015**	**31 December 2014**	**30 September 2015**	**31 December 2014**
CJSC MMC Timir	Iron-ore production	Russia	49.0	49.0	2,165	2,179
Catoca Mining Company Ltd.	Diamonds production	Angola	32.8	32.8	2,637	3,413
OJSC Almazergienbank	Banking	Russia	20.0	20.0	425	425
Other		Russia	20-50	20-50	252	202
Total carrying value of investment					**5,479**	**6,219**

All of the above entities are associates except for CJSC MMC Timir which is a joint venture.

As at 30 September 2015 and 31 December 2014 the percentage of ownership interest of the Group in its associates is equal to the percentage of voting interest.

(in millions of Russian roubles, unless otherwise stated)

4. GROUP STRUCTURE AND INVESTMENTS (CONTINUED)

The Group's share of net profit/(loss) of associates and joint ventures is as follows:

	Three months ended		Nine months ended	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Catoca Mining Company Ltd.	89	683	1,231	1,302
CJSC MMC Timir	12	(35)	(14)	(63)
Other	3	(4)	50	(2)
Total Group's share of net profit of associates and joint ventures	**104**	**644**	**1,267**	**1,237**

Catoca Mining Company Ltd. ("Catoca") is a diamond-mining venture located in Angola. In May 2015 Catoca declared dividends for the year ended 31 December 2014; the Group's share of these dividends amounted to RR'mln 2,068 before taxation in the amount of RR'mln 207. Currency translation gain recognised in the other comprehensive income for the nine months ended 30 September 2015 in respect of investment in Catoca totalled RR'mln 61. In May 2014 Catoca declared dividends for the year ended 31 December 2013; the Group's share of these dividends amounted to RR'mln 1,139 before taxation in the amount of RR'mln 114. Currency translation gain recognised in the other comprehensive income for the nine months ended 30 September 2014 in respect of investment in Catoca totalled RR'mln 193.

5. CASH AND CASH EQUIVALENTS

	30 September 2015	**31 December 2014**
Deposit accounts	23,009	14,302
Cash in banks and on hand	5,574	7,391
Total cash and cash equivalents	**28,583**	**21,693**

Deposit accounts at 30 September 2015 and 31 December 2014 are mainly held to meet short-term cash needs and have various original maturities but can be withdrawn on request without restrictions.

(in millions of Russian roubles, unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Assets under construction	TOTAL
As at 1 January 2014			
Cost	276,340	58,191	334,531
Accumulated depreciation and impairment losses	(118,226)	(1,028)	(119,254)
Net book value at 1 January 2014	**158,114**	**57,163**	**215,277**
Changes during nine months ended 30 September 2014:			
Foreign exchange differences	655	-	655
Additions	7,829	18,742	26,571
Transfers	24,454	(24,454)	-
Reclassification from assets held for sale – at cost	40,211	2,540	42,751
Reclassification from assets held for sale – accumulated depreciation	(1,199)	-	(1,199)
Disposal of subsidiaries – at cost (note 4.2)	(1,498)	(725)	(2,223)
Disposal of subsidiaries – accumulated depreciation (note 4.2)	899	-	899
Other disposals – at cost	(4,170)	(1,163)	(5,333)
Other disposals – accumulated depreciation	2,778	-	2,778
Change in estimate of provision for land recultivation	60	-	60
Depreciation charge for the period	(15,336)	-	(15,336)
As at 30 September 2014	**212,797**	**52,103**	**264,900**
Cost	343,881	53,131	397,012
Accumulated depreciation and impairment losses	(131,084)	(1,028)	(132,112)
Net book value at 30 September 2014	**212,797**	**52,103**	**264,900**
As at 1 January 2015			
Cost	355,100	51,545	406,645
Accumulated depreciation and impairment losses	(133,999)	(1,028)	(135,027)
Net book value at 1 January 2015	**221,101**	**50,517**	**271,618**
Changes during nine months ended 30 September 2015:			
Foreign exchange differences	709	(2)	707
Additions	8,235	17,606	25,841
Transfers	9,584	(9,584)	-
Disposal of subsidiaries – at cost (note 4.1)	(1,157)	(5)	(1,162)
Disposal of subsidiaries – accumulated depreciation (note 4.1)	367	-	367
Other disposals – at cost	(8,110)	(2,449)	(10,559)
Other disposals – accumulated depreciation	7,108	-	7,108
Change in estimate of provision for land recultivation	789	-	789
Depreciation charge for the period	(15,122)	-	(15,122)
As at 30 September 2015	**223,504**	**56,083**	**279,587**
Cost	365,150	57,111	422,261
Accumulated depreciation and impairment losses	(141,646)	(1,028)	(142,674)
Net book value at 30 September 2015	**223,504**	**56,083**	**279,587**

Capitalised borrowing costs

During nine months ended 30 September 2015 borrowing costs totalling RR'mln 206 (nine months ended 30 September 2014: RR'mln 140) were capitalised in property, plant and equipment. For the nine months ended 30 September 2015 the capitalisation rate applied to qualifying assets was 6.02 per cent per annum (nine months ended 30 September 2014: 6.21 per cent per annum). In accordance with transitional rules of revised IAS 23 "Borrowing costs", borrowing costs are capitalised for projects commencing after 1 January 2009.

(in millions of Russian roubles, unless otherwise stated)

7. INVENTORIES

	30 September 2015	31 December 2014
Diamonds	47,473	32,100
Ores and sands mined	12,037	10,004
Mining and repair materials	23,207	18,452
Consumable supplies	3,123	2,932
Total inventories	**85,840**	**63,488**

8. TRADE AND OTHER RECEIVABLES

Long-term accounts receivable	30 September 2015	31 December 2014
Consideration receivable for disposed controlling interest in CJSC MMC Timir	1,388	773
Loans issued	1,057	1,319
Receivables from related parties (note 24)	701	-
Advances to suppliers	209	157
VAT recoverable	11	15
Other receivables	213	225
Total long-term accounts receivable	**3,579**	**2,489**

Current accounts receivable	30 September 2015	31 December 2014
VAT recoverable	3,742	4,027
Receivables from related parties (note 24)	2,691	3,278
Trade receivables for supplied diamonds	1,140	157
Advances to suppliers	1,090	1,184
Consideration receivable for disposed controlling interest in CJSC MMC Timir	577	991
Loans issued	360	1,236
Prepaid taxes, other than income tax	122	1,010
Other trade receivables	4,088	3,313
Total current accounts receivable	**13,810**	**15,196**

Trade and other receivables are presented net of impairment provision of RR'mln 995 and RR'mln 1,113 as at 30 September 2015 and 31 December 2014, respectively.

9. SHAREHOLDERS' EQUITY

Share capital

Share capital authorised, issued and paid in totals RR'mln 12,473 as at 30 September 2015 and 31 December 2014 and consists of 7,364,965,630 ordinary shares, including treasury shares, at RR 0.5 par value share. In addition as at 30 September 2015 and 31 December 2014 share capital includes hyperinflation adjustment totalling RR'mln 8,790, which was calculated in accordance with requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies" and relates to the reporting periods prior to 1 January 2003.

Distributable profits

The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. In accordance with the dividend policy approved by the Supervisory Council of the Company at least 35% of the net profit as reported in the IFRS consolidated financial statement of the Group is distributed for dividends payment. However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation, and accordingly, management believes that at present it would not be appropriate to disclose an amount for the distributable reserves in this condensed consolidated interim financial information.

(in millions of Russian roubles, unless otherwise stated)

9. SHAREHOLDERS' EQUITY (CONTINUED)

Treasury shares

As at 30 September 2015 subsidiaries of the Group held 8,565,300 ordinary shares of the Company (31 December 2014: nil). The Group's management controls the voting rights of these shares.

Earnings per share

Earnings per share have been calculated by dividing the profit attributable to owners of PJSC ALROSA by the weighted average number of shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares. There were 7,356,910,462 and 7,360,127,121 weighted average shares outstanding for the three and nine months ended 30 September 2015, respectively (for the three and nine months ended 30 September 2014: 7,361,064,419 and 7,359,444,491 shares respectively). There are no dilutive financial instruments outstanding.

Other reserves

	Currency translation	Purchase of non-controlling interest	Available-for-sale investments	Recognition of accumulated actuarial (loss)/gain	Total other reverves
Balance as at 1 January 2014	**88**	**(169)**	**41**	**(7,201)**	**(7,241)**
Actuarial gain on post employment benefit obligations	-	-	-	2,670	2,670
Sale of non-controlling interest	-	63	-	-	63
Currency translation differences	1,498	-	-	-	1,498
Balance as at 30 September 2014	**1,586**	**(106)**	**41**	**(4,531)**	**(3,010)**
Balance as at 1 January 2015	**395**	**(87)**	**41**	**(1,768)**	**(1,419)**
Actuarial loss on post employment benefit obligations	-	-	-	(3,091)	(3,091)
Sale of non-controlling interest	-	77	-	-	77
Change in fair value of available for sale investments	-	-	16	-	16
Currency translation differences	(307)	-	-	-	(307)
Balance as at 30 September 2015	**88**	**(10)**	**57**	**(4,859)**	**(4,724)**

Dividends

On 25 June 2015 the Company's annual shareholders' meeting approved dividends for the year ended 31 December 2014 totalling RR'mln 10,826, including dividends on shares held by subsidiaries of the Group totalling RR'mln 10. Dividends per share amounted to RR 1.47.

On 28 June 2014 the Company's annual shareholders' meeting approved dividends for the year ended 31 December 2013 totalling RR'mln 10,827, including dividends on shares held by subsidiaries of the Group totalling RR'mln 9. Dividends per share amounted to RR 1.47.

(in millions of Russian roubles, unless otherwise stated)

10. LONG-TERM DEBT

	30 September 2015	31 December 2014
Bank loans:		
US$ denominated fixed rate	95,381	85,794
US$ denominated floating rate	39,742	33,755
RR denominated fixed rate	5	36
	135,128	**119,585**
US$ denominated Eurobonds	66,237	56,258
RR denominated non-convertible bonds	10,000	20,044
Finance lease obligation	359	488
Other RR denominated fixed rate loans	13	348
	211,737	**196,723**
Less: current portion of long-term debt (note 11)	(33,329)	(20,365)
Total long-term debt	**178,408**	**176,358**

As at 30 September 2015 the fair value of long-term bank loans, finance lease obligation and other loans comprised RR'mln 134,117 (31 December 2014: RR'mln 114,028).

As at 30 September 2015 and 31 December 2014 there were no long-term loans or bonds secured with the assets of the Group.

The average effective annual interest rates on long-term borrowings were as follows:

	30 September 2015	31 December 2014
Bank loans:		
US$ denominated fixed rate	4.1%	4.2%
US$ denominated floating rate	6.4%	6.3%
RR denominated fixed rate	14.9%	9.2%
US$ denominated Eurobonds	7.8%	7.8%
RR denominated non-convertible bonds	8.9%	8.9%
Finance lease obligation	11.5%	11.5%

Bonds

On 23 June 2015 the Group repaid Series 20-23 Russian Ruble denominated non-convertible bonds in the amount of RR'mln 10,000 placed at Moscow Exchange on June 2010.

Movements of issued Eurobonds during nine months ended 30 September 2015 and 30 September 2014 were as follows:

	Nine months ended	
	30 September 2015	30 September 2014
Balance at the beginning of the period	**56,258**	**49,088**
Amortisation of discount	2	3
Exchange /loss	9,976	9,985
Balance at the end of the period	**66,236**	**59,076**

As at 30 September 2015 the fair value of Eurobonds and RR denominated non-convertibe bonds comprised RR'mln 69,507 and RR'mln 9,977, respectively (31 December 2014: RR'mln 53,235 and RR'mln 19,637, respectively).

(in millions of Russian roubles, unless otherwise stated)

11. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT

	30 September 2015	**31 December 2014**
Bank loans:		
RR denominated fixed rate	207	100
	207	**100**
Other RR denominated fixed rate loans	61	337
	268	**437**
Add: current portion of long-term debt (note 10)	33,329	20,365
Total short-term debt and current portion of long-term debt	**33,597**	**20,802**

On 13 January 2015 the Group obtained a short-term loan the US$'mln 300 from AO UniCreditBank, that was repaid in full on 16 March 2015.

The average effective annual interest rates on short-term loans were as follows:

	30 September 2015	**31 December 2014**
Banks loans:		
RR denominated fixed rate	13.5%	12.4%

As at 30 September 2015 the fair value of short-term bank and other loans was not materially different from their carrying value. As at 30 September 2015 and 31 December 2014 there were no short-term loans secured with the assets of the Group.

12. TRADE AND OTHER PAYABLES

	30 September 2015	**31 December 2014**
Accrual for employee flights and holidays	7,627	7,427
Trade payables	5,560	5,508
Wages and salaries	5,243	5,954
Interest payable	3,468	1,324
Advances from customers	3,418	753
Current portion of provision for social obligation	687	996
Payables to associates	7	19
Current accounts of third parties in MAK Bank LLC	-	847
Other payables and accruals	1,380	1,175
Total trade and other payables	**27,390**	**24,003**

In accordance with Russian legislation, the most Group's entities are required to pay for the holiday entitlement and the cost of travel for employees and their family members to an agreed-upon destination and back.

13. INCOME TAX AND OTHER TAX ASSETS AND LIABILITIES

Taxes payable, other than income tax, comprise the following:

	30 September 2015	**31 December 2014**
Payments to social funds	2,074	1,897
Extraction tax	1,773	648
Property tax	1,131	1,134
Personal income tax (employees)	344	830
Value added tax	216	245
Other taxes and accruals	702	533
Total taxes payable, other than income tax	**6,240**	**5,287**

(in millions of Russian roubles, unless otherwise stated)

13. INCOME TAX AND OTHER TAX ASSETS AND LIABILITIES (CONTINUED)

Taxes other than income tax, extraction tax and payments to social funds included into other operating expenses comprise the following:

	Three months ended		**Nine months ended**	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Property tax	947	796	2,849	2,586
Other taxes and accruals	57	136	521	431
Total	**1,004**	**932**	**3,370**	**3,017**

In accordance with Resolution № 795 of the Government of the Russian Federation dated 23 December 2006, in addition to the taxes noted above, the Group is obliged to pay 6.5 per cent on the value of diamonds sold for export in the form of an export duty (note 15).

In accordance with the amendment to the license agreement registered in May 2007, OJSC ALROSA-Nyurba, a subsidiary of the Group, is obliged to make annual fixed royalty payments to the Republic of Sakha (Yakutia) in the amount of RR’mln 1,209 per annum.

Income tax expense comprises the following:

	Three months ended		**Nine months ended**	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Current tax expense	(4,360)	(59)	7,635	9,204
Adjustments recognised in the period for current tax of prior periods	(1,324)	-	(1,263)	647
Deferred tax expense/(benefit)	380	663	459	(260)
Total income tax expense	**(5,304)**	**604**	**6,831**	**9,591**

14. PROVISION FOR PENSION OBLIGATION

The amounts recognised in the consolidated statement of financial position in respect of pension obligations associated with the defined benefit plan operated by the Group are as follows:

	30 September 2015	**31 December 2014**
Present value of funded obligations	17,322	14,547
Fair value of plan assets	(9,538)	(9,510)
Pension obligations for the funded plan	7,784	5,037
Present value of unfunded obligation	931	756
Net liability	**8,715**	**5,793**

(in millions of Russian roubles, unless otherwise stated)

14. PROVISION FOR PENSION OBLIGATION (CONTINUED)

Changes in the present value of funded and unfunded pension obligations and plan assets for the three months ended 30 September 2014 and three months ended 30 September 2015 are as follows:

	Present value of obligation	Fair value of plan assets	Total
As at 30 June 2014	**20,363**	**(9,249)**	**11,114**
Current service cost	104	-	104
Past service cost	-	-	-
Interest expense/(income)	412	(180)	232
	516	**(180)**	**336**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense	-	180	180
Gain from change in financial assumptions	(2,356)	-	(2,356)
	(2,356)	**180**	**(2,176)**
Contributions paid by employer	-	(152)	(152)
Benefit payments	(381)	381	-
	(381)	**229**	**(152)**
As at 30 September 2014	**18,142**	**(9,020)**	**9,122**

	Present value of obligation	Fair value of plan assets	Total
As at 30 June 2015	**18,286**	**(9,835)**	**8,451**
Current service cost	50	-	50
Past service cost	-	-	-
Interest expense/(income)	468	(308)	160
	518	**(308)**	**210**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense	-	307	307
Loss from change in financial assumptions	(96)	-	(96)
	(96)	**307**	**211**
Contributions paid by employer	-	(113)	(113)
Benefit payments	(455)	411	(44)
	(455)	**298**	**(157)**
As at 30 September 2015	**18,253**	**(9,538)**	**8,715**

(in millions of Russian roubles, unless otherwise stated)

14. PROVISION FOR PENSION OBLIGATION (CONTINUED)

Changes in the present value of funded and unfunded pension obligations and plan assets for the nine months ended 30 September 2014 and Nine months ended 30 September 2015 are as follows:

	Present value of obligation	**Fair value of plan assets**	**Total**
As at 1 January 2014	**21,174**	**(9,017)**	**12,157**
Current service cost	313	-	313
Past service cost	(123)	-	(123)
Interest expense/(income)	1,258	(541)	717
	1,448	**(541)**	**907**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense	-	591	591
Gain from change in financial assumptions	(3,637)	-	(3,637)
	(3,637)	**591**	**(3,046)**
Contributions paid by employer	-	(890)	(890)
Benefit payments	(837)	837	-
	(837)	**(53)**	**(890)**
Disposal of subsidiaries	(6)	-	(6)
As at 30 September 2014	**18,142**	**(9,020)**	**9,122**

	Present value of obligation	**Fair value of plan assets**	**Total**
As at 1 January 2015	**15,303**	**(9,510)**	**5,793**
Current service cost	153	-	153
Past service cost	(2)	-	(2)
Interest expense/(income)	1,454	(923)	531
	1,605	**(923)**	**682**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense	-	959	959
Loss from change in financial assumptions	2,309	-	2,309
	2,309	**959**	**3,268**
Contributions paid by employer	-	(976)	(976)
Benefit payments	(964)	912	(52)
	(964)	**(64)**	**(1,028)**
As at 30 September 2015	**18,253**	**(9,538)**	**8,715**

The significant actuarial assumptions are as follows:

	30 September 2015	**31 December 2014**
Discount rate (nominal)	11,0%	13.0%
Future salary increases (nominal)	8,3%	8.3%
Future pension increases (nominal)	6,5%	6.5%

(in millions of Russian roubles, unless otherwise stated)

15. REVENUE

	Three months ended		Nine months ended	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Revenue from diamond sales:				
Export	29,756	31,005	139,058	114,492
Domestic	4,194	4,709	15,499	15,276
Revenue from diamonds for resale	439	277	953	785
Total revenue from diamond sales	**34,389**	**35,991**	**155 510**	**130,553**
Other revenue:				
Gas	1,788	1,802	4,756	5,100
Social infrastructure	806	891	3,141	3,047
Transport	2,029	1,666	4,272	3,777
Other	1,616	1,768	4,817	4,430
Total revenue	**40,628**	**42,118**	**172,496**	**146,907**

Export duties totalling RR'mln 2,099 and RR'mln 9,424 for the three and nine months ended 30 September 2015, respectively (three and тine months ended 30 September 2014: RR'mln 2,071 and RR'mln 7,636, respectively) were netted against revenue from diamond export sales.

16. COST OF SALES

	Three months ended		Nine months ended	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Wages, salaries and other staff costs	10,356	8,545	31,266	25,363
Extraction tax	6,316	3,642	17,340	10,157
Depreciation	4,529	5,635	13,988	13,094
Fuel and energy	3,834	3,503	12,390	9,511
Materials	3,633	2,732	8,300	6,820
Services	1,903	1,457	3,977	3,488
Transport	415	563	1,484	2,074
Cost of diamonds for resale	427	277	942	776
Provision for obsolete inventory	181	-	421	-
Other	376	255	878	469
Movement in inventory of diamonds, ores and sands	(13,270)	(4,948)	(17,406)	180
Total cost of sales	**18,700**	**21,661**	**73,580**	**71,932**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 1,980 and RR'mln 6,476 for the three and nine months ended 30 September 2015, respectively (for the three and nine months ended 30 September 2014: RR'mln 970 and RR'mln 5,400, respectively).

Depreciation totalling RR'mln 301 and RR'mln 1,024 for the three and nine months ended 30 September 2015, respectively (for the three and nine months ended 30 September 2014: RR'mln 515 and RR'mln 1,828, respectively) and wages, salaries and other staff costs totalling RR'mln 825 and RR'mln 2,759 for the three and nine months ended 30 September 2015, respectively (for the three and nine months ended 30 September 2014: RR'mln 1,057 and RR'mln 4,126, respectively) were capitalised in the respective periods.

(in millions of Russian roubles, unless otherwise stated)

17. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Nine months ended	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Wages, salaries and other staff costs	1,291	1,444	4,550	4,405
Services and other administrative expenses	879	895	2,468	2,757
Impairment of accounts receivable	20	484	385	624
Total general and administrative expenses	**2,190**	**2,823**	**7,403**	**7,786**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 168 and RR'mln 728 for the three and nine months ended 30 September 2015, respectively (for the three and nine months ended 30 September 2014: RR'mln 129 and RR'mln 539, respectively).

18. SELLING AND MARKETING EXPENSES

	Three months ended		Nine months ended	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Wages, salaries and other staff costs	397	318	1,218	994
Services and other selling and marketing expenses	312	28	977	708
Total selling and marketing expenses	**709**	**346**	**2,195**	**1,702**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 79 and RR'mln 261 for the three and nine months ended 30 September 2015, respectively (for the three and nine months ended 30 September 2014 in the amount of RR'mln 53 and RR'mln 197, respectively).

19. OTHER OPERATING INCOME

	Three months ended		Nine months ended	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Gain on disposal of subsidiaries (note 4.2)	-	-	-	142
Foreign exchange gain	1,627	1,148	1,101	1,098
Other	356	594	778	818
Total other operating income	**1,983**	**1,742**	**1,879**	**2,058**

20. OTHER OPERATING EXPENSES

	Three months ended		Nine months ended	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Exploration expenses	1,695	2,380	5,700	5,631
Taxes other than income tax, extraction tax and payments to social funds (note 13)	1,004	932	3,370	3,017
Social costs	998	1,084	3,186	3,207
Loss on disposal and write-off of property, plant and equipment	1,603	656	2,071	1,326
Loss on disposal of subsidiaries (note 4.1)	66	-	221	-
Other	607	596	1,222	1,206
Total other operating expenses	**5,973**	**5,648**	**15,770**	**14,387**

(in millions of Russian roubles, unless otherwise stated)

20. OTHER OPERATING EXPENSES (CONTINUED)

Social costs consist of:

	Three months ended		Nine months ended	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Charity	358	630	1,329	1,511
Maintenance of local infrastructure	432	388	1,327	1,351
Hospital expenses	51	48	157	147
Education	25	18	106	69
Other	132	-	267	129
Total social costs	**998**	**1,084**	**3,186**	**3,207**

21. FINANCE INCOME AND COSTS

	Three months ended		Nine months ended	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Interest income	1,032	321	3,608	772
Interest expense:				
Eurobonds	(1,194)	(1,141)	(3,421)	(3,293)
Bank loans	(1,538)	(797)	(4,631)	(1,956)
RR denominated non-convertible bonds	(211)	(448)	(1,055)	(1,331)
Other	(267)	(270)	(742)	(849)
Unwinding of discount of future provisions	192	(81)	(274)	(205)
Exchange loss, net	(33,337)	(21,037)	(30,221)	(24,251)
Total finance costs, net	**(35,323)**	**(23,453)**	**(36,736)**	**(31,113)**

22. CASH GENERATED FROM OPERATING ACTIVITIES

	Nine months ended	
	30 September 2015	**30 September 2014**
Profit before income tax	**39,051**	**22,375**
Adjustments for:		
Share of net profit of associates and joint ventures (note 4)	(1,267)	(1,237)
Interest income (note 21)	(3,608)	(772)
Interest expense (note 21)	10,123	7,634
Loss on disposal and write-off of property, plant and equipment (note 20)	2,071	1,326
Depreciation (notes 6, 16)	14,113	13,504
Loss/(gain) on disposal of subsidiaries (notes 19, 20)	221	(142)
Adjustment for non-cash financing activity	1,455	(67)
Proceeds from restricted cash account	4	142
Unrealised foreign exchange effect on non-operating items	28,469	23,290
Net operating cash flows before changes in working capital	**90,632**	**66,053**
Net (increase)/decrease in inventories	(22,327)	(6,202)
Net increase in receivables, excluding dividends receivable and consideration receivable for disposed controlling interest in CJSC MMC Timir	917	1,839
Net decrease in provisions, trade and other payables, excluding interest payable and payables for acquired property, plant and equipment	901	(3,660)
Net decrease in taxes payable, excluding income tax	952	(265)
Cash inflows from operating activities	**71,075**	**57,765**
Income tax paid	(10,566)	(11,241)
Net cash inflows from operating activities	**60,509**	**46,524**

23. CONTINGENCIES, COMMITMENTS AND OTHER RISKS

(a) Operating environment of the Russian Federation

Whilst there have been improvements in economic trends in the country, the Russian Federation continues to display certain characteristics of an emerging market, including relatively high inflation and high interest rates. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory, and political developments.

The recent political and economic turmoil witnessed in the region, in particular the developments in Ukraine, have had and may continue to have a negative impact on the Russian economy, including weakening of the Russian Rouble, higher interest rates, reduced liquidity and making it harder to raise international funding. These events, including current and future possible international sanctions against Russian companies and individuals and the related uncertainty and volatility of the financial markets, may have a significant impact on the Group’s operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from management’s expectations.

Management believes it is taking all necessary measures to support the sustainability and development of the Group’s business in the current business and economic environment.

(b) Taxes

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that its pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group’s transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

In 2014, in Russia the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income is subject to income tax in accordance with Russian tax legislation.

As at 30 September 2015 and 31 December 2014 the Group had tax contingencies. These contingencies are estimates that result from uncertainties in interpretation of applicable legislation concerning deduction of certain expenses for income tax purposes and reimbursement of the input VAT. Management is not able to reliably estimate the range of possible outcomes, but believes that under certain circumstances the magnitude of these tax contingencies may be significant for the Group. Management of the Group believes that the exposure in respect of these tax risks is not probable, therefore as at 30 September 2015 and 31 December 2014 no provision for tax liabilities had been recorded.

(c) Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operations or financial position of the Group as at 30 September 2015.

(d) Insurance

The Group is assessing its policies for insuring assets and operations. At present, apart from the full insurance of movements of diamond inventory from the production location to the customers, assets and operations of the Group are partially insured.

(e) Capital commitments

As at 30 September 2015 the Group has contractual commitments for capital expenditures of RR'mln 7,692 (31 December 2014: RR'mln 7,243).

(f) Restoration, rehabilitation and environmental costs

Under its license agreements, the Group is not responsible for any significant restoration, rehabilitation and environmental expenditures that may be incurred subsequent to the cessation of production at each mine, apart from the obligation to perform recultivation of certain disturbed lands and tailing pits in the areas of its operating activity. As at 30 September 2015 the Group recognised a provision for these future expenses in the amount of RR'mln 4,768 (31 December 2014: RR'mln 3,722).

24. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Governments of the Russian Federation and the Republic of Sakha (Yakutia)

Federal Agency for State Property Management on behalf of the government of the Russian Federation and the Ministry of the property and land relations of the Republic of Sakha (Yakutia) on behalf of the Republic of Sakha (Yakutia) are the major shareholders of the Company.

Also as at 30 September 2015 8.0 per cent of the Company's shares were owned by administrations or 8 districts of the Republic of Sakha (Yakutia). Following the General Meeting of Shareholders in June 2015, the 15 seats on the Supervisory Board include 11 representatives of the Russian Federation and the Republic of Sakha (Yakutia) (including one – the Chair of the Management Board), three independent directors according to the Russian Corporate Law (two of them were nominated by the Government of the Russian Federation, one was nominated by foreign minority shareholders), and one representative of the discricts of the Republic of Sakha (Yakutia). Governmental, federal and local economic and social policies affect the Group's financial position, results of operations and cash flows.

Tax balances are disclosed in the condensed consolidated interim statement of financial position and in notes 8 and 13. Tax transactions are disclosed in the condensed consolidated interim statement of profit or loss and other comprehensive income, the condensed consolidated interim statement of cash flows and in notes 22 and 23.

(in millions of Russian roubles, unless otherwise stated)

24. RELATED PARTY TRANSACTIONS (CONTINUED)

Parties under control of the Government

In the normal course of business the Group enters into transactions with other entities under Governmental control. The principal forms of such transactions are diamond sales, electricity purchases and borrowings. Prices of diamonds sales are set by reference to price lists approved by the Ministry of Finance of the Russian Federation; electricity tariffs in Russia are partially regulated by the Federal Tariffs Service.

The amounts of balances and transactions with related parties under control of the Government are detailed below:

Consolidated Statement of Financial Position	**30 September 2015**	**31 December 2014**
Short-term accounts receivable	1,819	1,556
Short-term accounts payable	585	1,517
Loans received by the Group	39,954	38,674
Loans issued by the Group	3	183
Deposits, cash and cash equivalents	14,158	16,414

	Three months ended		**Nine months ended**	
Consolidated Statement of profit or loss and other comprehensive income	**30 September 2015**	**30 September 2014**	**30 September 2015**	**30 September 2014**
Sales of diamonds	655	1,245	4,862	4,200
Other sales	1,525	1,783	5,416	5,005
Electricity and heating purchases	(1,278)	(2,264)	(5,450)	(4,812)
Other purchases	(3,347)	(4,020)	(6,100)	(6,295)
Interest income	141	222	1,430	490
Interest expense	(637)	(264)	(1,858)	(798)

Key management compensation

The Supervisory Council of the Company consists of 15 members, including state representatives and the President of the Company. Representatives of Governments of the Russian Federation (except for independent directors) and the Republic of Sakha (Yakutia) in the Supervisory Council of the Company are not entitled to compensation for serving as members of the Supervisory Council. The President of the Company is entitled to compensation for serving as a Chairman of the Management Board of the Company.

As at 30 September 2015 and 31 December 2014 the Management Board consisted of 12 members. As at 30 September 2015 one of the Management Board members was also a member of the Supervisory Council. Management Board members are entitled to salary, bonuses, voluntary medical insurance and other short-term employee benefits. Salary and bonus compensation paid to members of the Management Board is determined by the terms of “Remuneration Policy for the members of the Management Board of PJSC ALROSA” approved by the Company’s Supervisory Council on 10 November 2015.

According to Russian legislation, the Group makes contributions to the Russian Federation State pension fund for all of its employees including key management personnel. Key management personnel also could be eligible for non-state pension after retirement according to the Policy on “Non-state pension provisions of the employees of PJSC ALROSA”.

Key management received short-term benefits for the three and nine months ended 30 September 2015 totalling RR’mln 113 and RR’ mln 643, respectively (three and nine months ended 30 September 2014: RR’mln 128 and RR’ mln 724, respectively).

(in millions of Russian roubles, unless otherwise stated)

24. RELATED PARTY TRANSACTIONS (CONTINUED)

Associates and joint ventures

Significant balances with associates and joint ventures are summarised as follows:

Long-term accounts receivable	**30 September 2015**	**31 December 2014**
CJSC MMC Timir, loans issued and other receivable	701	-
Total long-term accounts receivable	**701**	**-**

Current accounts receivable	**30 September 2015**	**31 December 2014**
Catoca, dividends and other receivable	2,671	2,067
CJSC MMC Timir, other receivable	8	1,124
Other	12	87
Total current accounts receivable	**2,691**	**3,278**

Transactions with the Group’s pension plan are disclosed in note 14.

25. SEGMENT INFORMATION

The Management Board of the Company has been determined as the Group’s Chief Operating Decision-Maker (CODM).

The Group’s primary activity is the production and sales of diamonds. The internal management reporting system is mainly focused on the analysis of information relating to production and sales of Diamond segment, however information relating to other activities (represented by several subdivisions of the Company and separate legal entities of the Group`s all other business) is also regularly reviewed by the CODM. The Management Board regularly evaluates and analyses financial information derived from statutory accounting data net of intersegment operations between subdivisions of the Company, but including intercompany transactions between the legal entities included in the Group.

The Management Board evaluates performance and makes investment and strategic decisions based upon review of operating activity results (i.e. meeting production targets and monitoring of actual expenditures against budget allocated by production and sales of diamonds and other activities) as it believes that such information is the most relevant in evaluating the results. No specific measure of profit or loss is analysed by the CODM on entity by entity basis. The following items are analysed on the Group level and are not allocated between segments for the purposes of the analysis:

- finance income;
- finance costs;
- other operating income and expense;
- share of net profit of associates and joint ventures;
- income tax expense or benefit;
- non-cash items other than depreciation;
- total assets and liabilities; and
- capital expenditure.

The following reportable segments were identified by the Management Board:

- Diamonds segment - production and sales of diamonds;
- Transportation;
- Social infrastructure;
- Gas;
- Other activities, including segments fall below the quantitative threshold to be reportable.

(in millions of Russian roubles, unless otherwise stated)

25 SEGMENT INFORMATION (CONTINUED)

Information regarding the results of the reportable segments is presented below. Segment items are based on financial information reported in statutory accounts and can differ significantly from those for financial statements prepared under IFRS. Reconciliation of items measured as reported to the Management Board with similar items in these condensed consolidated interim financial information include those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Three months ended 30 September 2015	**Diamonds segment**	**Transpor-tation**	**Social infra-structure**	**Gas**	**Other activities**	**Total**
Revenue	36,488	2,436	80	1,879	2,345	43,228
Intersegment revenue	-	(410)	(118)	(92)	(971)	(1,591)
Cost of sales, including	7,378	2,189	1,984	1,259	2,330	15,140
depreciation	3,170	121	201	326	439	4,257
Gross margin	**29,110**	**247**	**(1,904)**	**620**	**15**	**28,088**

Three months ended 30 September 2014	**Diamonds segment**	**Transpor-tation**	**Social infra-structure**	**Gas**	**Other activities**	**Total**
Revenue	38,062	1,982	894	1,759	2,683	45,380
Intersegment revenue	-	(317)	(28)	(84)	(1,142)	(1,571)
Cost of sales, including	12,673	1,536	1,093	960	3,001	19,263
depreciation	2,803	155	246	208	238	3,650
Gross margin	**25,389**	**446**	**(199)**	**799**	**(318)**	**26,117**

Nine months ended 30 September 2015	**Diamonds segment**	**Transpor-tation**	**Social infra-structure**	**Gas**	**Other activities**	**Total**
Revenue	164,934	5,189	2,702	5,343	6,229	184,397
Intersegment revenue	-	(920)	(405)	(587)	(2,347)	(4,259)
Cost of sales, including	39,920	5,380	5,906	3,523	5,988	60,717
depreciation	9,392	386	493	682	1,259	12,212
Gross margin	**125,014**	**(191)**	**(3,204)**	**1,820**	**241**	**123,680**

Nine months ended 30 September 2014	**Diamonds segment**	**Transpor-tation**	**Social infra-structure**	**Gas**	**Other activities**	**Total**
Revenue	138,189	4,514	3,441	5,739	9,078	160,961
Intersegment revenue	-	(738)	(390)	(642)	(5,371)	(7,141)
Cost of sales, including	44,516	4,404	4,539	2,612	9,471	65,542
depreciation	7,863	416	282	695	1,302	10,558
Gross margin	**93,673**	**110**	**(1,098)**	**3,127**	**(393)**	**95,419**

Reconciliation of revenue is presented below:

	Three months ended		**Nine months ended**	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Segment revenue	**43,228**	**45,380**	**184,397**	**160,961**
Elimination of intersegment revenue	(1,593)	(1,570)	(4,260)	(7,141)
Reclassification of export duties [1]	(2,099)	(2,071)	(9,424)	(7,636)
Other adjustments and reclassifications	1,092	379	1,783	723
Revenue as per statement of profit or loss and other comprehensive income	**40,628**	**42,118**	**172,496**	**146,907**

[1] Reclassification of export duties – export duties are netted against revenues from export of diamonds (note 15).

(in millions of Russian roubles, unless otherwise stated)

25 SEGMENT INFORMATION (CONTINUED)

Reconciliation of cost of sales including depreciation is presented below:

	Three months ended		Nine months ended	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Segment cost of sales	**15,140**	**19,263**	**60,717**	**65 542**
Adjustment for depreciation of property, plant and equipment [1]	272	1,985	1,776	2,536
Elimination of intersegment purchases	(1,157)	(1,427)	(3,207)	(5,931)
Accrued provision for pension obligation [2]	(134)	(99)	(925)	(745)
Reclassification of extraction tax [3]	4,857	3,642	14,502	10,157
Adjustment for inventories [4]	900	(756)	2,378	3,212
Accrual for employee flights and holidays [5]	(12)	(163)	(97)	(64)
Accrual for the part of expected annual bonus	890	411	2,561	1,133
Other adjustments	131	352	(42)	270
Reclassification of exploration expenses [6]	(1,472)	(849)	(2,683)	(2,834)
Other reclassifications	(715)	(698)	(1,400)	(1,344)
Cost of sales as per statement of profit or loss and other comprehensive income	**18,700**	**21,661**	**73,580**	**71,932**

[1] Adjustment for depreciation - adjustment of depreciation figure recognised in statutory financial statements which is different from that in IFRS financial statements due to the differences in book values of property, plant and equipment and methods of depreciation calculation
[2] Accrued provision for pension obligation – recognition of pension obligation in accordance with IAS 19
[3] Reclassification of extraction tax – reclassification from general and administrative expenses
[4] Adjustment for inventories – treatment of extraction tax as direct expenses for financial statements prepared under IFRS, with a corresponding record in inventory figure and other adjustments
[5] Accrual for employees' flights and holidays – recognition of employees' flights and holidays provision under collective labour agreements of the Group's entities
[6] Reclassification of exploration expenses – reclassification part of exploration expenses to other operating expenses

Revenue from sales by geographical location of the customer is as follows:

	Three months ended		Nine months ended	
	30 September 2015	**30 September 2014**	**30 September 2015**	**30 September 2014**
Belgium	15,249	19,760	77,177	71,846
Russian Federation	10,234	10,680	31,836	31,116
India	6,115	5,026	24,992	18,747
Israel	4,575	4,100	19,420	14,583
China	1,567	1,067	8,431	3,917
United Arab Emirates	1,646	807	6,098	4,398
USA	422	272	1,206	922
UK	296	33	1,606	71
Belarus	176	148	626	444
Angola	192	114	638	386
Armenia	154	35	394	102
Other countries	2	76	72	375
Total revenue	**40,628**	**42,118**	**172,496**	**146,907**

Non-current assets (other than financial instruments), including investments in associates and joint ventures, by their geographical location are as follows:

	30 September 2015	**31 December 2014**
Russian Federation	282,089	276,513
Angola	5,006	4,796
Other countries	1,350	430
Total non-current assets (other than financial instruments)	**288,445**	**281,739**

(in millions of Russian roubles, unless otherwise stated)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2014. There have been no changes in any risk management policies since the year end.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The estimated fair values of financial instruments are determined with reference to various market information and other valuation techniques as considered appropriate.

The different levels of fair value hierarchy have been defined as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to assess at the measurement date. For the Group, Level 1 inputs include debt instruments that are actively traded on the European and Russian domestic markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. For the Group, Level 2 inputs include observable market value measures applied to loans and borrowings.
- Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Recurring fair value measurements

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	30 September 2015				31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments	16	-	68	**84**	188	-	191	**379**
Total	**16**	**-**	**68**	**84**	**188**	**-**	**191**	**379**

Assets and liabilities not measured at fair value but for which fair value is disclosed

As at 30 September 2015 the Group had the following assets and liabilities not measured at fair value but for which fair value is disclosed, classified by the levels of the fair value hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total**
Current and non-current financial assets				
Current and non-current accounts receivable	-	11,007	-	11,007
Loans issued	-	-	1,417	1,417
Cash and cash equivalents	-	28,583	-	28,583
Total financial assets	**-**	**39,590**	**1,417**	**41,007**
Current and non-current financial liabilities				
Loans from banks	-	135,335	-	135,335
Eurobonds	66,237	-	-	66,237
RR denominated non-convertible bonds	10,000	-	-	10,000
Financial accounts payable	-	10,415	-	10,415
Dividends payable	-	85	-	85
Finance lease obligation	-	-	359	359
Other RR denominated fixed rate loans	-	74	-	74
Total financial liabilities	**76,237**	**145,909**	**359**	**222,505**

(in millions of Russian roubles, unless otherwise stated)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 2014 the Group had the following assets and liabilities not measured at fair value but for which fair value is disclosed, classified by the levels of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Current and non-current financial assets				
Current and non-current accounts receivable	-	8,894	-	8,894
Loans issued	-	-	2,555	2,555
Cash and cash equivalents	-	21,693	100	21,793
Total financial assets	**-**	**30,587**	**2,655**	**33,242**
Current and non-current financial liabilities				
Loans from banks	-	119,685	-	119,685
Eurobonds	56,258	-	-	56,258
RR denominated non-convertible bonds	20,044	-	-	20,044
Financial accounts payable	-	8,873	-	8,873
Finance lease obligation	-	-	488	488
Dividends payable	-	468	-	468
RR denominated fixed rate loans	-	685	-	685
Total financial liabilities	**76,302**	**129,711**	**488**	**206,501**

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Cash and cash equivalents, including restricted cash;
- Trade and other financial receivables;
- Other current financial assets;
- Trade and other financial liabilities;
- Finance lease obligation;
- Dividends payable.

The fair value of other financial assets and liabilities disclosed in the notes.

The fair values in Level 2 and Level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

There were no transfers between Levels 1, 2 and 3 during the period.

27. EVENTS AFTER THE REPORTING PERIOD

On 30 October 2015 the Group repaid series BO-01 and BO-02 exchange-traded bonds totaling RR'mln 10,000 that were placed on Moscow Exchange in October 2012.