OJSC ALROSA

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

CONTENTS

(in millions of Russian roubles, unless otherwise stated)

Condensed Consolidated Interim Statement of Financial Position (unaudited)

	Notes	30 September 2013	31 December 2012
Assets			
Non-current Assets			
Goodwill		1,439	1,439
Property, plant and equipment	6	203,423	224,746
Investments in associates and joint ventures	4	4,228	2,115
Available-for-sale investments		312	104
Long-term accounts receivable	8	3,677	2,328
Restricted cash		275	286
Total Non-current Assets		**213,354**	**231,018**
Current Assets			
Inventories	7	63,793	54,670
Prepaid income tax		274	55
Current accounts receivable	8	19,655	12,724
Cash and cash equivalents	5	7,304	6,242
		91,026	**73,691**
Assets of disposal group classified as held for sale	4.1	42,818	-
Total Current Assets		**133,844**	**73,691**
Total Assets		**347,198**	**304,709**
Equity			
Share capital	9	12,473	12,473
Share premium		10,431	10,431
Treasury shares	9	(255)	(254)
Retained earnings and other reserves	9	125,818	109,299
Equity attributable to owners of OJSC ALROSA		**148,467**	**131,949**
Non-Controlling Interest in Subsidiaries		**(56)**	**(448)**
Total Equity		**148,411**	**131,501**
Liabilities			
Non-current Liabilities			
Long-term debt	10	98,080	90,357
Provision for pension obligations	14	10,478	13,043
Other provisions		4,823	5,232
Deferred tax liabilities		4,126	7,346
Total Non-current Liabilities		**117,507**	**115,978**
Current Liabilities			
Short-term debt and current portion of long-term debt	11	49,998	32,344
Trade and other payables	12	20,432	19,130
Income tax payable		568	1,331
Other taxes payable	13	3,919	3,883
Dividends payable		102	542
		75,019	**57,230**
Liabilities of disposal group classified as held for sale	4.1	6,261	-
Total Current Liabilities		**81,280**	**57,230**
Total Liabilities		**198,787**	**173,208**
Total Equity and Liabilities		**347,198**	**304,709**

Signed on 26 November 2013 by the following members of management:

Fedor B. Andreev
President

Elena L. Timonina
Chief accountant

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

(in millions of Russian roubles, unless otherwise stated)

Condensed Consolidated Interim Statement of Profit and Loss and Other Comprehensive Income (unaudited)

		Three months ended		Nine months ended	
	Notes	**30 September 2013**	**30 September 2012**	**30 September 2013**	**30 September 2012**
Revenue	15	39,149	27,791	121,378	104,319
Cost of sales	16	(20,124)	(13,257)	(59,765)	(47,208)
Royalty	13	(302)	(302)	(907)	(907)
Gross profit		**18,723**	**14,232**	**60,706**	**56,204**
General and administrative expenses	17	(1,989)	(1,426)	(6,182)	(5,588)
Selling and marketing expenses	18	(396)	(458)	(1,536)	(1,420)
Other operating income	19	114	96	3,267	2,611
Other operating expenses	20	(4,342)	(3,540)	(13,709)	(12,410)
Operating profit		**12,110**	**8,904**	**42,546**	**39,397**
Finance income	21	1,261	7,178	484	1,444
Finance costs	22	(2,865)	(4,103)	(13,124)	(7,262)
Share of net profit of associates and joint ventures	4	280	276	673	822
Profit before income tax		**10,786**	**12,255**	**30,579**	**34,401**
Income tax	13	(2,466)	(3,632)	(7,643)	(9,562)
Profit for the period		**8,320**	**8,623**	**22,936**	**24,839**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit obligations, net of tax		(444)	73	1,425	(104)
Total items that will not be reclassified to profit or loss		**(444)**	**73**	**1,425**	**(104)**
Items that will be reclassified to profit or loss:					
Currency translation differences, net of tax		(68)	243	610	95
Total items that will be reclassified to profit or loss		**(68)**	**243**	**610**	**95**
Other comprehensive income / (loss) for the period		**(512)**	**316**	**2,035**	**(9)**
Total comprehensive income for the period		**7,808**	**8,939**	**24,971**	**24,830**
Profit attributable to:					
Owners of OJSC ALROSA		8,155	8,605	22,242	24,373
Non-controlling interest		165	18	694	466
Profit for the period		**8,320**	**8,623**	**22,936**	**24,839**
Total comprehensive income attributable to:					
Owners of OJSC ALROSA		7,643	8,921	24,277	24,364
Non-controlling interest		165	18	694	466
Total comprehensive income for the period		**7,808**	**8,939**	**24,971**	**24,830**
Basic and diluted earnings per share for profit attributable to the owners of OJSC ALROSA (in Roubles)		1.13	1.20	3.08	3.38

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 Cash Flows (unaudited)

	Notes	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Net Cash Inflow from Operating Activities	23	**27,772**	**19,328**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(23,751)	(21,152)
Proceeds from sales of property, plant and equipment		98	280
Acquisition of available-for-sale investments		-	(42)
Interest received		137	225
Acquisition of CJSC Geotransgaz and Urengoy Gaz Company Ltd., net of cash acquired	4.1	-	(32,756)
Dividends received from associates		317	-
Net proceeds from disposal of subsidiaries		2,108	-
Reclassification to assets held-for-sale	4.1	(532)	-
Acquisition of OJSC Nizhne-Lenskoe, net of cash acquired	4.2	(3,659)	-
Net Cash Outflow from Investing Activities		**(25,282)**	**(53,445)**
Cash Flows from Financing Activities			
Repayments of loans		(38,912)	(16,133)
Loans received		55,667	61,442
Acquisition of non-controlling interest in OJSC Nizhne-Lenskoe	4.2	(3,330)	-
Net proceeds from sale of non-controlling interest in subsidiary		238	-
Purchase of treasury shares		(85)	(9)
Interest paid		(6,185)	(4,205)
Dividends paid		(8,861)	(8,035)
Net Cash (Outflow) / Inflow from Financing Activities		**(1,468)**	**33,060**
Net Increase / (Decrease) in Cash and Cash Equivalents		**1,022**	**(1,057)**
Cash and cash equivalents at the beginning of the period		6,242	12,014
Exchange gains / (losses) on cash and cash equivalents		40	(436)
Cash and Cash Equivalents at the End of the Period		**7,304**	**10,521**

(in millions of Russian roubles, unless otherwise stated)

Condensed Consolidated Interim Statement of Changes in Equity (unaudited)

		Attributable to owners of OJSC ALROSA							
	Number of shares outstanding	**Share capital**	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Previously reported balance at 31 December 2011	**7,216,276,100**	**12,473**	**10,431**	**(249)**	**(646)**	**91,805**	**113,814**	**(717)**	**113,097**
Effect of adoption of Amended IAS 19 (net of tax)		-	-	-	(3,290)	(91)	(3,381)	-	(3,381)
Adjusted as at 1 January 2012	**7,216,276,100**	**12,473**	**10,431**	**(249)**	**(3,936)**	**91,714**	**110,433**	**(717)**	**109,716**
Comprehensive income									
Profit for the period		-	-	-	-	24,373	24,373	466	24,839
Other comprehensive income									
Actuarial loss on post employment benefit obligations, net of tax		-	-	-	(104)	-	(104)	-	(104)
Currency translation differences		-	-	-	95	-	95	-	95
Total other comprehensive income		-	-	-	(9)	-	(9)	-	(9)
Total comprehensive income for the period		**-**	**-**	**-**	**(9)**	**24,373**	**24,364**	**466**	**24,830**
Transactions with owners									
Dividends (Note 9)		-	-	-	-	(7,439)	(7,439)	-	(7,439)
Non-controlling interest in disposed subsidiaries		-	-	-	-	-	-	(4)	(4)
Purchase of own shares	(485,500)	-	-	(1)	-	(8)	(9)	-	(9)
Dividends paid by subsidiary to the owners of non-controlling interest		-	-	-	-	-	-	(131)	(131)
Total transactions with owners		**-**	**-**	**(1)**	**-**	**(7,447)**	**(7,448)**	**(135)**	**(7,583)**
Previously reported balance at 30 September 2012	**7,215,790,600**	**12,473**	**10,431**	**(250)**	**(551)**	**108,731**	**130,834**	**(386)**	**130,448**
Effect of adoption of Amended IAS 19 (net of tax)		-	-	-	(3,394)	(91)	(3,485)	-	(3,485)
Adjusted as at 1 October 2012	**7,215,790,600**	**12,473**	**10,431**	**(250)**	**(3,945)**	**108,640**	**127,349**	**(386)**	**126,963**
Previously reported balance at 31 December 2012	**7,213,444,600**	**12,473**	**10,431**	**(254)**	**(1,429)**	**117,076**	**138,297**	**(448)**	**137,849**
Effect of adoption of Amended IAS 19 (net of tax)		-	-	-	(6,286)	(62)	(6,348)	-	(6,348)
Adjusted as at 1 January 2013	**7,213,444,600**	**12,473**	**10,431**	**(254)**	**(7,715)**	**117,014**	**131,949**	**(448)**	**131,501**
Comprehensive income									
Profit for the period		-	-	-	-	22,242	22,242	694	22,936
Other comprehensive income									
Actuarial gain on post employment benefit obligations,net of tax		-	-	-	1,425	-	1,425	-	1,425
Currency translation differences		-	-	-	610	-	610	-	610
Total other comprehensive income		-	-	-	2,035	-	2,035	-	2,035
Total comprehensive income for the period		**-**	**-**	**-**	**2,035**	**22,242**	**24,277**	**694**	**24,971**
Transactions with owners									
Dividends (Note 9)		-	-	-	-	(8,017)	(8,017)	-	(8,017)
Acquisition of OJSC Nizhne-Lenskoe (Note 4.2)		-	-	-	-	-	-	3,527	3,527
Purchase of non-controlling interest		-	-	-	342	-	342	(3,425)	(3,083)
Purchase of own shares	(1,048,025)	-	-	(1)	-	(83)	(84)	-	(84)
Dividends paid by subsidiary to the owners of non-controlling interest		-	-	-	-	-	-	(404)	(404)
Total transactions with owners		**-**	**-**	**(1)**	**342**	**(8,100)**	**(7,759)**	**(302)**	**(8,061)**
Balance at 30 September 2013	**7,212,396,575**	**12,473**	**10,431**	**(255)**	**(5,338)**	**131,156**	**148,467**	**(56)**	**148,411**

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

1. ACTIVITIES

The core activities of Open 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 as a closed joint stock company in the Republic of Sakha (Yakutia), which is located within the Russian Federation. On 5 April 2011, the extraordinary shareholders' meeting approved reorganisation of the Company from closed joint-stock company to open joint-stock company.

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 2022. Management believes the Group will be able to extend the licenses' terms after they expire.

As at 30 September 2013 and 31 December 2012 the Company's principal shareholders are the governments of the Russian Federation (50.9 per cent. of shares) and the Republic of Sakha (Yakutia) (32.0 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 2012 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, 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 32.35 and 30.37 as at 30 September 2013 and 31 December 2012, respectively. The official Euro to RR exchange rates as determined by the Central bank of the Russian Federation were 43.65 and 40.23 as at 30 September 2013 and 31 December 2012, respectively.

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 2012, except as described below.

Profit tax in the interim periods is accrued using a tax rate that would be applicable to expected total annual earnings.

New accounting developments

In 2013 the Group has adopted all IFRS, amendments and interpretations which are effective as at 1 January 2013 and which are relevant to its operations.

The Group adopted a set of standards on consolidation: IFRS 10 "Consolidated Financial Statements" ("IFRS 10"), IFRS 11 "Joint Arrangements" ("IFRS 11"), IFRS 12 "Disclosure of Interests in Other Entities" ("IFRS 12"). The set of new standards introduces the new model of control and treatment of joint arrangements and also new disclosure requirements. The adoption of these standards did not impact the condensed consolidated interim financial information of the Group. The application of IFRS 12 will result in additional disclosures in the annual consolidated financial statements.

Amendments to IAS 1 "Presentation of financial statements" ("IAS 1") introduce grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no material impact on the Group's financial position or results of operations.

IFRS 13 "Fair Value Measurement" ("IFRS 13") establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements of the Group. IFRS 13 also requires specific disclosures of fair values. Some of these disclosures are specifically required for the interim condensed consolidated financial statements. The Company made these disclosures in Note 27.

IAS 19 (revised) "Employee Benefits" makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The nature and the impact of revised standard are described below.

Several other new standards and amendments adopted in 2013 are amended IFRS 7 "Financial Instruments: Disclosure" ("IFRS 7"), and IAS 32 "Financial Instrument: Presentation" ("IAS 32"), amendments resulting from Annual Improvements 2009-2011 cycle to IAS 1, IAS 16 "Property, Plant and Equipment" ("IAS 16"), IAS 32, IAS 34. Application of these standards and amendments had no significant impact on the Group's financial position or results of operations.

IAS 19 (revised) "Employee Benefits" ("IAS 19 Revised")

From 1 January 2013 the Group has applied the amendments to *IAS 19 "Employee benefits"* retrospectively in accordance with the transition provisions of the standard. IAS 19 Revised makes significant changes to the recognition and measurement of defined benefit pension expenses and to disclosures of all employee benefits.

The material impacts of IAS 19 Revised on the Group's condensed consolidated interim financial information are as follows:

- "Actuarial gains and losses" are renamed "remeasurements"; remeasurements related to post-employment benefits are now recognised immediately in "other comprehensive income" and thus, will no longer be deferred using the corridor approach or recognised in profit or loss. As the result, unrecognised actuarial losses at 1 January 2012 in the amount of RR'mln 3,381 (31 December 2012: RR'mln 6,348) were recorded within Retained earnings and other reserves. Correspondingly, the net defined benefit assets / liabilities have changed for those amounts;
- Past-services costs are now recognised immediately through profit or loss when they occur, in the period of a plan amendment. This is resulted in unrecognised past-service costs (net of tax) at 1 January 2012 of RR'mln 91 (31 December 2012: RR'mln 62) being expensed within Retained earnings;
- The standard replaces the interest cost on the defined benefit obligations and the expected return on plan assets with a net interest expense or income based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year. For the nine months ended at 30 September 2013 and 30 September 2012, net interest expense totalled RR'mln 684 and RR'mln 542, respectively.

The total effect of the adoption of IAS 19 (revised) on the consolidated financial statements is shown below. All changes in the accounting policies have been made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" ("IAS 8") which requires retrospective application unless the new standard requires otherwise.

(in millions of Russian roubles, unless otherwise stated)

The financial effects of the change in the accounting of employee benefits are shown below:

Reconciliation of condensed consolidated interim statement of financial position as at 1 January 2012	**Notes**	**Previously reported**	**Adjustment due to change in accounting policy**	**Restated**
Assets				
Non-current Assets				
Goodwill		1,439	-	1,439
Property, plant and equipment	6	169,534	-	169,534
Investments in associates and joint ventures		2,350	-	2,350
Available-for-sale investments		157	-	157
Long-term accounts receivable		1,833	-	1,833
Restricted cash		237	-	237
Total Non-current Assets		**175,550**	**-**	**175,550**
Current Assets				
Inventories		44,429	-	44,429
Prepaid income tax		213	-	213
Current accounts receivable		8,758	-	8,758
Cash and cash equivalents		12,014	-	12,014
Total Current Assets		**65,414**	**-**	**65,414**
Total Assets		**240,964**	**-**	**240,964**
Equity				
Share capital		12,473	-	12,473
Share premium		10,431	-	10,431
Treasury shares		(249)	-	(249)
Retained earnings and other reserves		91,159	(3,381)	87,778
Equity attributable to owners of OJSC ALROSA		**113,814**	**(3,381)**	**110,433**
Non-Controlling Interest in Subsidiaries		**(717)**	**-**	**(717)**
Total Equity		**113,097**	**(3,381)**	**109,716**
Liabilities				
Non-current Liabilities				
Long-term debt		75,529	-	75,529
Provision for pension obligations	14	5,028	4,226	9,254
Other provisions		522	-	522
Deferred tax liabilities		3,478	(845)	2,633
Total Non-current Liabilities		**84,557**	**3,381**	**87,938**
Current Liabilities				
Short-term debt and current portion of long-term debt		20,024	-	20,024
Derivative financial instruments		1,995	-	1,995
Trade and other payables		15,591	-	15,591
Income tax payable		1,851	-	1,851
Other taxes payable		3,364	-	3,364
Dividends payable		485	-	485
Total Current Liabilities		**43,310**	**-**	**43,310**
Total Liabilities		**127,867**	**3,381**	**131,248**
Total Equity and Liabilities		**240,964**	**-**	**240,964**

(in millions of Russian roubles, unless otherwise stated)

Reconciliation of condensed consolidated interim statement of financial position as at 31 December 2012	Notes	Previously reported	Adjustment due to change in accounting policy	Restated
Assets				
Non-current Assets				
Goodwill		1,439	-	1,439
Property, plant and equipment	6	224,746	-	224,746
Investments in associates and joint ventures	4	2,115	-	2,115
Available-for-sale investments		104	-	104
Long-term accounts receivable	8	2,328	-	2,328
Restricted cash		286	-	286
Total Non-current Assets		**231,018**	**-**	**231,018**
Current Assets				
Inventories	7	54,670	-	54,670
Prepaid income tax		55	-	55
Current accounts receivable	8	12,724	-	12,724
Cash and cash equivalents	5	6,242	-	6,242
Total Current Assets		**73,691**	**-**	**73,691**
Total Assets		**304,709**	**-**	**304,709**
Equity				
Share capital	9	12,473	-	12,473
Share premium		10,431	-	10,431
Treasury shares	9	(254)	-	(254)
Retained earnings and other reserves	9	115,647	(6,348)	109,299
Equity attributable to owners of OJSC ALROSA		**138,297**	**(6,348)**	**131,949**
Non-Controlling Interest in Subsidiaries		**(448)**	**-**	**(448)**
Total Equity		**137,849**	**(6,348)**	**131,501**
Liabilities				
Non-current Liabilities				
Long-term debt	10	90,357	-	90,357
Provision for pension obligations	14	5,108	7,935	13,043
Other provisions		5,232	-	5,232
Deferred tax liabilities		8,933	(1,587)	7,346
Total Non-current Liabilities		**109,630**	**6,348**	**115,978**
Current Liabilities				
Short-term debt and current portion of long-term debt	11	32,344	-	32,344
Trade and other payables	12	19,130	-	19,130
Income tax payable		1,331	-	1,331
Other taxes payable	13	3,883	-	3,883
Dividends payable		542	-	542
Total Current Liabilities		**57,230**	**-**	**57,230**
Total Liabilities		**166,860**	**6,348**	**173,208**
Total Equity and Liabilities		**304,709**	**-**	**304,709**

(in millions of Russian roubles, unless otherwise stated)

Reconciliation of condensed consolidated interim statement of profit and loss and other comprehensive income for the nine months ended 30 September 2012	Notes	Previously reported	Adjustment due to change in accounting policy	Restated
Revenue	15	104,319	-	104,319
Cost of sales	16	(47,208)	-	(47,208)
Royalty	13	(907)	-	(907)
Gross profit		**56,204**	**-**	**56,204**
General and administrative expenses	17	(5,588)	-	(5,588)
Selling and marketing expenses	18	(1,420)	-	(1,420)
Other operating income	19	2,611	-	2,611
Other operating expenses	20	(12,410)	-	(12,410)
Operating profit		**39,397**	**-**	**39,397**
Finance income	21	1,444	-	1,444
Finance costs	22	(7,262)	-	(7,262)
Share of net profit of associates	4	822	-	822
Profit before income tax		**34,401**	**-**	**34,401**
Income tax	13	(9,562)	-	(9,562)
Profit for the period		**24,839**	**-**	**24,839**
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement of post-employment benefit obligations, net of tax		-	(104)	(104)
Total items that will not be reclassified to profit or loss		**-**	**(104)**	**(104)**
Items that will be reclassified to profit or loss:				
Currency translation differences, net of tax		95	-	95
Total items that will be reclassified to profit or loss		**95**	**-**	**95**
Other comprehensive income / (loss) for the period		**95**	**(104)**	**(9)**
Total comprehensive income for the period		**24,934**	**(104)**	**24,830**
Profit attributable to:				
Owners of OJSC ALROSA		24,373	-	24,373
Non-controlling interest		466	-	466
Profit for the period		**24,839**	**-**	**24,839**
Total comprehensive income attributable to:				
Owners of OJSC ALROSA		24,468	(104)	24,364
Non-controlling interest		466	-	466
Total comprehensive income for the period		**24,934**	**(104)**	**24,830**

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the consolidated financial statements for the year ended 31 December 2012, 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 by the Group.

(in millions of Russian roubles, unless otherwise stated)

4. GROUP STRUCTURE AND INVESTMENTS

The Company's significant consolidated subsidiaries are as follows:

Name	Principal activity	Country of Incorporation	Notes	Percentage of ownership interest held	
				30 September 2013	**31 December 2012**
ALROSA Finance S.A.	Financial services	Luxembourg		100.0	100.0
Sunland Trading S.A.	Diamonds trading	Switzerland		100.0	100.0
CJSC Irelyakhneft	Oil production	Russia		100.0	100.0
OJSC ALROSA-Gaz	Gas production	Russia		100.0	100.0
ALROSA-VGS LLC	Capital construction	Russia		100.0	100.0
OJSC Almazy Anabara	Diamonds production	Russia		100.0	100.0
CJSC Geotransgaz	Gas production	Russia	4.1	100.0	100.0
Urengoy Gaz Company Ltd.	Gas production	Russia	4.1	100.0	100.0
OJSC Nizhne-Lenskoe	Diamonds production	Russia	4.2	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		87.6	88.1
MAK Bank LLC	Banking activity	Russia		84.7	84.7
OJSC MMC Timir	Iron ore production	Russia	4.3	49.0	100.0

As at 30 September 2013 and 31 December 2012 the percentage of ownership interest of the Group in subsidiaries is equal to the percentage of voting interest.

4.1. CJSC Geotransgaz and Urengoy Gaz Company Ltd.

In March 2012 the Group and the companies affiliated with OJSC Bank VTB agreed to early terminate put-option agreements and signed share purchase agreements in accordance to which the Group purchased back a 90.0 per cent. interest in CJSC Geotransgaz and Urengoy Gaz Company Ltd. (the "Gas companies") for a total cash consideration of RR'mln 30,145 (US$'mln 1,036). Also in March 2012 the Group acquired an additional 10.0 per cent. interest in the Gas companies from their minority shareholders for a total cash consideration of RR'mln 2,908 (US$'mln 100).

As a result of these transactions (which were considered as a one single transaction) the Group acquired 100.0 per cent. ownership interest and full control over the Gas companies. These entities hold production licenses for certain gas deposits located in the Tyumen region of the Russian Federation (which expire in 2020 and 2024 with the option to extend the license period) and currently perform construction of production infrastructure at their licensed areas.

The fair values of assets and liabilities of the Gas companies at the date of acquisition are as follows:

Property, plant and equipment	37,364
Inventories	719
Trade and other receivables	499
Cash	297
Deferred tax liability	(5,518)
Trade and other payables	(308)
Fair value of acquired net assets	**33,053**
Cash consideration paid	**33,053**
Fair value of terminated put option	**(1,995)**
Negative goodwill on acquisition of the Gas companies	**1,995**

Negative goodwill was recognised in the amount of the fair-value of put-options, which were early terminated as part of the purchase and not exercised. The entire amount of negative goodwill was recorded as other operating income (see note 19).

As at 30 September 2013 the assets and liabilities related to the Gas companies have been presented as held for sale following Supervisory Council approval of the decision to dispose of these operations. The completion date of the transaction is expected to be before the year end. The Gas companies assets and liabilities are a disposal group. However, the Gas companies are not discontinued operations at 30 September 2013, as they do not represent a major line of business of the Group.

For the three and nine months ended 30 September 2013 the Gas companies generated revenue of RR'mln 2,043 and

(in millions of Russian roubles, unless otherwise stated)

RR'mln 3,831, respectively. For the three and nine months ended 30 September 2013 the Gas companies generated net profit of RR'mln 790 and RR'mln 752, respectively. The gas companies contributed revenue of RR'mln 205 and net loss of RR'mln 983 to the Group for the period from the date of acquisition in March 2012 to 30 September 2012.

The major classes of assets and liabilities of the Gas companies disposal group are as follows:

	30 September 2013
Assets classified as held for sale	
Property, plant and equipment	41,518
Inventories	289
Trade and other receivables	479
Cash and cash equivalents	532
Total assets of the disposal group classified as held for sale	**42,818**
Liabilities classified as held for sale	
Trade and other payables	769
Deferred tax liability	5,484
Other current liabilities	8
Total liabilities of the disposal group classified as held for sale	**6,261**
Total net assets of the disposal group classified as held for sale	**36,557**

On 27 September 2013, the Group signed an agreement with Rosneft Oil Company and certain of its affiliates (together "Rosneft") for the sale of the Gas companies, CJSC Irelyakhneft, OJSC ALROSA-Gaz and related assets to Rosneft for an aggregate sale price of approximately US$1.38 billion. The disposal of the Gas companies is expected to be completed in the fourth quarter of 2013, and the disposal of CJSC Irelyakhneft and OJSC ALROSA-Gaz is expected to be completed in 2014. Rosneft's obligations to acquire CJSC Irelyakhneft and OJSC ALROSA-Gaz are contingent on the completion of the acquisition of Gas Companies. While management believes that the completion of the Gas companies disposal within set period of time is probable, there is still a number of uncertainties related to possible disposal of CJSC Irelyakhneft and OJSC ALROSA-Gaz, accordingly their assets and liabilities were not classified as held for sale in this condensed consolidated interim financial information.

4.2. Acquisition of OJSC Nizhne-Lenskoe

On 22 January 2013 the Group acquired a 51.0 per cent. interest in OJSC Nizhne-Lenskoe from the Government of the Republic of Sakha (Yakutia) for a total cash consideration of RR'mln 3,670. As a result of this transaction the Group acquired control over OJSC Nizhne-Lenskoe. The core activity of OJSC Nizhne-Lenskoe is exploration and extraction of alluvial diamond reserves and distribution of raw diamonds.

The fair values of assets and liabilities of OJSC Nizhne-Lenskoe at the date of acquisition are as follows:

Property, plant and equipment	12,687
Inventories	2,868
Available-for-sale investments	109
Investments in associates	262
Trade and other receivables	712
Cash	11
Deferred tax liability	(1,737)
Borrowings	(3,999)
Trade and other payables	(3,716)
Fair value of acquired net assets	**7,197**
Non-controlling interest measured as proportionate share of acquired net assets	**(3,527)**
Total purchase consideration	**3,670**

On 5 June 2013 the Group acquired an additional 49.0 per cent. interest in OJSC Nizhne-Lenskoe for a total cash consideration of RR'mln 3,330. As a result of this transaction the Group acquired 100.0 per cent. ownership in OJSC Nizhne-Lenskoe.

OJSC Nizhne-Lenskoe contributed revenue of RR'mln 2,057 and net profit of RR'mln 334 to the Group for the period from the date of acquisition to 30 September 2013.

As at the date of acquisition the gross contractual amounts receivable in OJSC Nizhne-Lenskoe are equal to the fair value of accounts receivable recognised in this condensed consolidated interim financial information.

The fair values of the acquired assets and liabilities were determined on a provisional basis in this condensed consolidated interim financial information as the process of determining fair values of certain assets and liabilities has not been finalised yet. Management is required to finalise the accounting within 12 months of the acquisition date. Any revisions to the provisional values will be reflected retrospectively from the acquisition date.

(in millions of Russian roubles, unless otherwise stated)

4.3. Disposal of controlling interest in OJSC MMC Timir

On 2 April 2013 the Group and Evraz plc signed an agreement to sell a controlling 51.0 per cent. interest in OJSC MMC Timir to Evraz plc for a total cash consideration of RR'mln 4,950 to be paid in several installments within 16 months after the transaction. As a result of the transaction, Evraz plc holds 51.0 per cent. interest in OJSC MMC Timir, the Group holds 49.0 per cent. interest minus one share and State corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) holds one share.

As a result of the transaction the Company lost an ability to control financial and operating activity of OJSC MMC Timir. Accordingly OJSC MMC Timir was deconsolidated since 2 April 2013. The details of assets and liabilities of OJSC MMC Timir at the date of deconsolidation were as follows:

Property, plant and equipment	5,443
Available-for-sale investments	22
Trade and other receivables	67
Cash	57
Deferred tax asset	103
Trade and other payables	(6)
Net assets of deconsolidated subsidiary	**5,686**
Investment in joint venture recognised at fair value	**2,237**
Consideration receivable	**6,001**
Gain on disposal	**2,552**

Consideration receivable includes cash consideration of RR'mln 4,950 as described above and outstanding loans in the amount of RR'mln 1,122 issued by the Group to OJSC MMC Timir before disposal of controlling interest. Consideration receivable was reduced by the amount of transaction costs incurred by the Group in the amount of RR'mln 71.

The remaining 49.0 per cent. interest investment in OJSC MMC Timir was recorded at fair value as an investment in joint venture.

Associates and joint ventures

Name	Country of Incorporation	Percentage of ownership interest held at		Carrying value of investment at	
		30 September 2013	**31 December 2012**	**30 September 2013**	**31 December 2012**
OJSC MMC Timir	Russia	49.0	-	2,220	-
Catoca Mining Company Ltd	Angola	32.8	32.8	1,484	1,898
OJSC Almazergienbank	Russia	22.8	-	308	-
OJSC Almazny Mir	Russia	47.4	47.4	186	184
Other	Russia	20-50	20-50	30	33
Total carrying value of investment				**4,228**	**2,115**

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

The investment in OJSC Almazergienbank was acquired as part of the acquisition of OJSC Nizhne-Lenskoe.

As at 30 September 2013 and 31 December 2012 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)

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

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Catoca Mining Company Ltd.	271	271	679	816
OJSC Almazergienbank	5	-	19	-
OJSC Almazny Mir	(1)	4	2	5
OJSC MMC Timir	(1)	-	(17)	-
Other	6	1	(10)	1
Total Group's share of net profit of associates and joint ventures	**280**	**276**	**673**	**822**

Catoca Mining Company Ltd. ("Catoca") is a diamond-mining venture located in Angola. In May 2013 Catoca declared dividends for the year ended 31 December 2012; the Group's share of these dividends amounted to RR'mln 1,216. Currency translation gain recognised in the condensed consolidated interim statement of profit and loss and other comprehensive income for the nine months ended 30 September 2013 in respect of investment in Catoca totalled RR'mln 123. In May 2012 Catoca declared dividends for the year ended 31 December 2011; the Group's share of these dividends amounted to RR'mln 1,244. Currency translation gain recognised in the condensed consolidated interim statement of profit and loss and other comprehensive income for the nine months ended 30 September 2012 in respect of investment in Catoca totalled RR'mln 84.

5. CASH AND CASH EQUIVALENTS

	30 September 2013	**31 December 2012**
Cash in banks and on hand	7,084	6,018
Deposit accounts	220	224
Total cash and cash equivalents	**7,304**	**6,242**

At 30 September 2013 the weighted average interest rate on the cash balances of the Group was 0.11 per cent. (31 December 2012: 0.13 per cent.).

(in millions of Russian roubles, unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Assets under construction	TOTAL
As at 31 December 2011			
Cost	230,820	36,168	266,988
Accumulated depreciation and impairment losses	(96,429)	(1,025)	(97,454)
Net book value as at 31 December 2011	**134,391**	**35,143**	**169,534**
Nine months ended 30 September 2012			
Net book value as at 31 December 2011	134,391	35,143	169,534
Foreign exchange differences	(205)	-	(205)
Additions	5,573	20,740	26,313
Additions through acquisition of the Gas companies (note 4.1)	31,074	6,290	37,364
Transfers	8,691	(8,691)	-
Disposals – at cost	(3,014)	(342)	(3,356)
Disposals – accumulated depreciation	1,778	-	1,778
Change in estimate of provision for land recultivation	(6)	-	(6)
Impairment of porpoerty, plant and equipment	-	(48)	(48)
Depreciation charge for the period	(11,504)	-	(11,504)
Net book value as at 30 September 2012	**166,778**	**53,092**	**219,870**
As at 31 December 2012			
Cost	284,745	48,631	333,376
Accumulated depreciation and impairment losses	(107,602)	(1,028)	(108,630)
Net book value as at 31 December 2012	**177,143**	**47,603**	**224,746**
Nine months ended 30 September 2013			
Net book value as at 31 December 2012	177,143	47,603	224,746
Foreign exchange differences	206	-	206
Additions	7,586	19,664	27,250
Additions through acquisition of OJSC Nizhne-Lenskoe (note 4.2)	12,677	10	12,687
Transfers	9,974	(9,974)	-
Reclassification to assets held for sale – at cost (note 4.1)	(38,457)	(4,059)	(42,516)
Reclassification to assets held for sale – accumulated depreciation (note 4.1)	998	-	998
Disposal of subsidiaries – at cost	(7,064)	(6)	(7,070)
Disposal of subsidiaries – accumulated depreciation	356	-	356
Other disposals – at cost	(2,601)	(433)	(3,034)
Other disposals – accumulated depreciation	1,768	-	1,768
Change in estimate of provision for land recultivation	(106)	-	(106)
Depreciation charge for the period	(11,862)	-	(11,862)
Net book value as at 30 September 2013	**150,618**	**52,805**	**203,423**
As at 30 September 2013			
Cost	266,960	53,833	320,793
Accumulated depreciation and impairment losses	(116,342)	(1,028)	(117,370)
Net book value as at 30 September 2013	**150,618**	**52,805**	**203,423**

Capitalised borrowing costs

As at 30 September 2013 borrowing costs totalling RR'mln 165 (as at 30 September 2012: RR'mln 146) were capitalised in property, plant and equipment. For the nine months ended 30 September 2013 the capitalisation rate applied to qualifying assets totalling RR'mln 2,434 (nine months ended 30 September 2012: RR'mln 2,062) was 6.78 per cent. (30 September 2012: 7.09 per cent.). In accordance with transitional rules of revised IAS 23 "Borrowing costs", borrowing costs are capitalised for projects commencing after 1 January 2009.

7. INVENTORIES

	30 September 2013	31 December 2012
Diamonds	27,696	27,147
Ores and concentrates	14,442	10,825
Mining and construction materials	18,187	13,842
Consumable supplies	3,468	2,856
Total inventories	**63,793**	**54,670**

(in millions of Russian roubles, unless otherwise stated)

8. TRADE AND OTHER RECEIVABLES

Long-term accounts receivable	30 September 2013	31 December 2012
Loans issued	3,222	2,248
Receivables from associates and joint ventures (note 25)	284	-
Notes receivable	106	-
Long-term advances to suppliers	36	-
Long-term VAT recoverable	28	79
Other long-term receivables	1	1
Total long-term accounts receivable	**3,677**	**2,328**

Current accounts receivable	30 September 2013	31 December 2012
Prepaid taxes, other than income tax	3,111	1,975
Consideration receivable for disposed controlling interest in OJSC MMC Timir (note 4.3)	2,970	-
Loans issued	2,676	2,662
Receivables from associates and joint ventures (note 25)	2,250	411
VAT recoverable	2,125	1,657
Advances to suppliers	1,924	2,406
Trade receivables for supplied diamonds	935	812
Other trade receivables	3,664	2,801
Total current accounts receivable	**19,655**	**12,724**

Trade and other receivables are presented net of impairment provision of RR'mln 5,278 and RR'mln 4,925 as at 30 September 2013 and 31 December 2012, respectively.

9. SHAREHOLDERS' EQUITY

Share capital

Share capital authorised, issued and paid in totals RR'mln 12,473 as at 30 September 2013 and 31 December 2012 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 2013 and 31 December 2012 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. For the nine months ended 30 September 2013 the statutory profit of the Company as reported in the published statutory reporting forms was RR'mln 22,833 (for the nine months ended 30 September 2012 – RR'mln 22,209). 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.

Treasury shares

As at 30 September 2013 and 31 December 2012 subsidiaries of the Group held 152,569,055 and 151,521,030 ordinary shares of the Company, respectively. The Group 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 OJSC ALROSA by the weighted average number of shares outstanding during the year, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares. There were 7,217,298,665 and 7,217,246,159 weighted average shares outstanding for the three and nine months ended 30 September 2013, respectively (for the three and nine months ended 30 September 2012 – 7,215,790,600 and 7,216,059,928, respectively). There are no dilutive financial instruments outstanding.

(in millions of Russian roubles, unless otherwise stated)

Other reserves

	Currency translation	Purchase of non-controlling interest	Available-for-sale investments	Recognition of accumulated actuarial (loss) / gain	Total other reverves
Balance at 31 December 2011	**(145)**	**(542)**	**41**	**-**	**(646)**
Effect of adoption of IAS 19 Revised (net of tax)	-	-	-	(3,290)	(3,290)
Balance at 1 January 2012	**(145)**	**(542)**	**41**	**(3,290)**	**(3,936)**
Actuarial loss on post employment benefit obligations	-	-	-	(104)	(104)
Currency translation differences	95	-	-	-	95
Balance at 30 September 2012	**(50)**	**(542)**	**41**	**(3,394)**	**(3,945)**
Balance at 31 December 2012	**(929)**	**(542)**	**42**	**-**	**(1,429)**
Effect of adoption of IAS 19 Revised (net of tax)	-	-	-	(6,286)	(6,286)
Balance at 1 January 2013	**(929)**	**(542)**	**42**	**(6,286)**	**(7,715)**
Actuarial gain on post employment benefit obligations	-	-	-	1,425	1,425
Purchase of non-controlling interest	-	342	-	-	342
Currency translation differences	610	-	-	-	610
Balance at 30 September 2013	**(319)**	**(200)**	**42**	**(4,861)**	**(5,338)**

Dividends

On 29 June 2013 the Company's annual shareholders' meeting approved dividends for the year ended 31 December 2012 totalling RR'mln 8,175, including dividends on shares held by subsidiaries of the Group totalling RR'mln 158. Dividends per share amounted to RR 1.11.

On 30 June 2012 the Company's annual shareholders' meeting approved dividends for the year ended 31 December 2011 totalling RR'mln 7,439, including dividends on shares held by subsidiaries of the Group totalling RR'mln 135. Dividends per share amounted to RR 1.01.

10. LONG-TERM DEBT

	30 September 2013	31 December 2012
Bank loans:		
US$ denominated floating rate	19,407	18,224
US$ denominated fixed rate	9,218	6,075
RR denominated fixed rate	108	8
	28,733	**24,307**
Eurobonds	48,509	45,548
RR denominated non-convertible bonds	20,114	36,000
Finance lease obligation	337	454
Other RR denominated fixed rate loans	1,756	1,822
	99,449	**108,131**
Less: current portion of long-term debt (see note 11)	(1,369)	(17,774)
Total long-term debt	**98,080**	**90,357**

As at 30 September 2013 and at 31 December 2012 there were no long-term loans secured with the assets of the Group.

(in millions of Russian roubles, unless otherwise stated)

The average effective interest rates were as follows:

	30 September 2013	31 December 2012
Bank loans:		
US$ denominated floating rate	4.0%	4.0%
US$ denominated fixed rate	4.9%	4.9%
RR denominated fixed rate	10.4%	14.9%
Eurobonds	8.1%	8.1%
RR denominated non-convertible bonds	8.8%	8.6%
Finance lease obligation	15.9%	7.6%
Other RR denominated fixed rate loans	6.5%	6.8%

Eurobonds

	Nine months ended	
	30 September 2013	30 September 2012
Balance at the beginning of the period	**45,548**	**48,278**
Amortisation of discount	3	2
Exchange losses / (gains)	2,958	(1,918)
Balance at the end of the period	**48,509**	**46,362**

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

	30 September 2013	31 December 2012
Bank loans:		
US$ denominated floating rate	19,407	-
US$ denominated fixed rate	4,205	2,582
RR denominated fixed rate	13,793	-
	37,405	**2,582**
European commercial paper	8,677	9,138
Other US$ denominated fixed rate loans	-	9
Other RR denominated fixed rate loans	2,547	2,841
	48,629	**14,570**
Add: current portion of long-term debt (note 10)	1,369	17,774
Total short-term debt and current portion of long-term debt	**49,998**	**32,344**

The average effective interest rates were as follows:

	30 September 2013	31 December 2012
Banks loans:		
US$ denominated floating rate	1.2%	-
US$ denominated fixed rate	1.9%	4.0%
RR denominated fixed rate	7.8%	-
European commercial paper	2.5%	4.7%
Other US$ denominated fixed rate loans	-	6.1%
Other RR denominated fixed rate loans	7.6%	1.1%

As at 30 September 2013 and 31 December 2012 there were no short-term loans secured with the assets of the Group.

12. TRADE AND OTHER PAYABLES

	30 September 2013	31 December 2012
Accrual for employee flights and holidays	6,773	6,494
Trade payables	5,846	4,114
Interest payable	2,098	1,313
Wages and salaries	2,040	4,142
Current accounts of third parties in MAK Bank LLC	1,354	1,622
Advances from customers	1,212	364
Payables to associates and joint ventures	3	57
Other payables and accruals	1,106	1,024
Total trade and other payables	**20,432**	**19,130**

(in millions of Russian roubles, unless otherwise stated)

13. INCOME TAX AND OTHER TAX ASSETS AND LIABILITIES

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

	30 September 2013	31 December 2012
Payments to social funds	1,157	1,338
Extraction tax	968	753
Property tax	958	878
Value added tax	362	355
Personal income tax (employees)	314	499
Tax penalties	-	1
Other taxes and accruals	160	59
Total taxes payable, other than income tax	**3,919**	**3,883**

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 2013	30 September 2012	30 September 2013	30 September 2012
Property tax	869	849	2,714	2,509
Other taxes and accruals	94	70	311	298
Total taxes other than income tax expense	**963**	**919**	**3,025**	**2,807**

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 (see 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 2013	30 September 2012	30 September 2013	30 September 2012
Current tax expense	2,235	1,438	7,553	7,455
Adjustments recognised in the period for current tax of prior periods	-	-	-	53
Deferred tax expense	231	2,194	90	2,054
Total income tax expense	**2,466**	**3,632**	**7,643**	**9,562**

14. PROVISION FOR PENSION OBLIGATION

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

	30 September 2013	31 December 2012
Present value of funded obligations	18,984	19,175
Fair value of plan assets	(8,506)	(7,188)
Deficit of the funded plans	10,478	11,987
Present value of unfunded obligation	-	1,056
Liability in the condensed consolidated interim statement of financial position	**10,478**	**13,043**

(in millions of Russian roubles, unless otherwise stated)

The movement in the net defined benefit obligation over three months ended 30 September 2012 and three months ended 30 September 2013 is as follows:

	Present value of obligation	Fair value of plan assets	Total
As at 30 June 2012	**15,570**	**(6,830)**	**8,740**
Current service cost	63	-	63
Interest expense / (income)	305	(125)	180
	368	**(125)**	**243**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense / (income)	-	(91)	(91)
	-	**(91)**	**(91)**
Contributions paid by employer	-	(45)	(45)
Benefit payments	(310)	310	-
	(310)	**265**	**(45)**
As at 30 September 2012	**15,628**	**(6,781)**	**8,847**

	Present value of obligation	Fair value of plan assets	Total
As at 30 June 2013	**18,406**	**(8,671)**	**9,735**
Current service cost	107	-	107
Interest expense / (income)	349	(128)	221
	456	**(128)**	**328**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense / (income)	494	62	556
	494	**62**	**556**
Contributions paid by employer	-	(141)	(141)
Benefit payments	(372)	372	-
	(372)	**231**	**(141)**
As at 30 September 2013	**18,984**	**(8,506)**	**10,478**

The movement in the net defined benefit obligation over nine months ended 30 September 2012 and nine months ended 30 September 2013 is as follows:

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2012	**15,241**	**(5,987)**	**9,254**
Current service cost	189	-	189
Interest expense / (income)	915	(373)	542
	1,104	**(373)**	**731**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense / (income)	-	130	130
	-	**130**	**130**
Contributions paid by employer	-	(1,268)	(1,268)
Benefit payments	(717)	717	-
	(717)	**(551)**	**(1,268)**
As at 30 September 2012	**15,628**	**(6,781)**	**8,847**

(in millions of Russian roubles, unless otherwise stated)

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2013	**20,231**	**(7,188)**	**13,043**
Current service cost	320	-	320
Interest expense / (income)	1,067	(383)	684
	1,387	**(383)**	**1,004**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense / (income)	-	32	32
Gain from change in financial assumptions	(1,813)	-	(1,813)
	(1,813)	**32**	**(1,781)**
Contributions paid by employer	-	(1,788)	(1,788)
Benefit payments	(821)	821	-
	(821)	**(967)**	**(1,788)**
As at 30 September 2013	**18,984**	**(8,506)**	**10,478**

The significant actuarial assumptions are as follows:

	30 September 2013	31 December 2012
Discount rate (nominal)	7.8%	7.1%
Future salary increases (nominal)	7.0%	7.0%
Future pension increases (nominal)	5.5%	5.5%

15. REVENUE

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Revenue from diamond sales:				
Export	28,831	18,028	91,891	70,813
Domestic	4,150	4,557	14,673	21,421
Revenue from diamonds for resale	178	688	561	1,558
Total revenue from diamond sales	**33,159**	**23,273**	**107,125**	**93,792**
Other revenue:				
Transport	1,355	1,890	3,405	4,180
Social infrastructure	635	885	2,124	2,287
Trading	738	846	1,525	1,339
Construction	195	169	350	310
Other	3,067	728	6,849	2,411
Total revenue	**39,149**	**27,791**	**121,378**	**104,319**

Export duties totalling RR'mln 1,942 and RR'mln 6,166 for the three and nine months ended 30 September 2013, respectively (three and nine months ended 30 September 2012: RR'mln 1,258 and RR'mln 4,754, respectively) were netted against revenue from diamond export sales.

(in millions of Russian roubles, unless otherwise stated)

16. COST OF SALES

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Wages, salaries and other staff costs	8,258	5,999	24,289	20,868
Depreciation	3,734	3,608	10,493	10,414
Fuel and energy	2,585	2,708	8,863	7,697
Extraction tax	2,767	2,105	7,686	6,321
Materials	2,879	2,484	6,826	5,626
Services	974	1,005	2,147	2,728
Transport	530	593	1,580	1,528
Cost of diamonds for resale	178	471	461	1,311
Impairment / (reversal of impairment) of inventories	(11)	(323)	100	(73)
Other	218	105	249	274
Movement in inventory of diamonds, ores and concentrates	(1,988)	(5,498)	(2,929)	(9,486)
Total cost of sales	**20,124**	**13,257**	**59,765**	**47,208**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 1,162 and RR'mln 4,740 for the three and nine months ended 30 September 2013, respectively (for the three and nine months ended 30 September 2012 in the amount of RR'mln 1,560 and RR'mln 4,430, respectively).

Depreciation totalling RR'mln 364 and RR'mln 1,101 for the three and nine months ended 30 September 2013, respectively (for the three and nine months ended 30 September 2012: RR'mln 357 and RR'mln 1,090, respectively) and wages,salaries and other staff costs totalling RR'mln 363 and RR'mln 1,628 for the three and nine months ended 30 September 2013, respectively (for the three and nine months ended 30 September 2012: RR'mln 677 and RR'mln 2,161, respectively) were incurred by the Group's construction divisions and were capitalised in the respective periods.

17. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Services and other administrative expenses	966	497	3,002	2,082
Wages, salaries and other staff costs	1,026	906	2,970	3,296
Impairment / (reversal of impairment) of accounts receivable	(3)	23	210	210
Total general and administrative expenses	**1,989**	**1,426**	**6,182**	**5,588**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 41 and RR'mln 350 for the three and nine months ended 30 September 2013, respectively (for the three and nine months ended 30 September 2012 in the amount of RR'mln 100 and RR'mln 347, respectively).

18. SELLING AND MARKETING EXPENSES

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Wages, salaries and other staff costs	273	280	856	834
Services and other selling and marketing expenses	123	178	680	586
Total selling and marketing expenses	**396**	**458**	**1,536**	**1,420**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 32 and RR'mln 173 for the three and nine months ended 30 September 2013, respectively (for the three and nine months ended 30 September 2012 in the amount of RR'mln 35 and RR'mln 156, respectively).

(in millions of Russian roubles, unless otherwise stated)

19. OTHER OPERATING INCOME

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Gain on disposal of OJSC MMC Timir (note 4.3)	-	-	2,552	-
Negative goodwill on acquisition of the Gas companies (note 4.1)	-	-	-	1,995
Other	114	96	715	616
Total other operating income	**114**	**96**	**3,267**	**2,611**

20. OTHER OPERATING EXPENSES

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Exploration expenses	2,125	1,359	6,170	4,873
Taxes other than income tax, extraction tax and payments to social funds (note 13)	963	919	3,025	2,807
Social costs	827	722	2,516	3,590
Loss on disposal of property, plant and equipment	69	113	609	332
Impairment of property, plant and equipment	-	48	-	48
Other	358	379	1,389	760
Total other operating expenses	**4,342**	**3,540**	**13,709**	**12,410**

Social costs consist of:

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Charity	578	158	1,265	1,635
Maintenance of local infrastructure	43	442	751	1,591
Hospital expenses	76	24	146	98
Education	32	16	76	53
Other	98	82	278	213
Total social costs	**827**	**722**	**2,516**	**3,590**

21. FINANCE INCOME

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Exchange gains	1,228	7,095	347	1,219
Interest income	33	83	137	225
Total finance income	**1,261**	**7,178**	**484**	**1,444**

22. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Interest expense:				
Eurobonds	959	933	2,836	2,771
RR denominated non-convertible bonds	423	534	1,908	1,622
Bank loans	745	161	1,721	708
European commercial paper	53	490	195	941
Other	66	10	219	29
Unwinding of discount of future provisions	58	11	201	34
Exchange losses	561	1,964	6,044	1,157
Total finance costs	**2,865**	**4,103**	**13,124**	**7,262**

(in millions of Russian roubles, unless otherwise stated)

23. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash flows from operations:

	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Profit before income tax	30,579	34,401
Adjustments for:		
Share of net profit of associates and joint ventures (note 4)	(673)	(822)
Interest income (note 21)	(137)	(225)
Interest expense (note 22)	7,080	6,105
Loss on disposal of property, plant and equipment (note 20)	609	332
Impairment of property, plant and equipement (note 20)	-	48
Negative goodwill on acquisition of the Gas companies (note 19)	-	(1,995)
Depreciation	10,760	10,414
Gain on disposal of OJSC MMC Timir (note 19)	(2,552)	-
Adjustment for inventory used in construction	(1,296)	(1,419)
Adjustment for non-cash financing activity	-	75
Proceeds from / (payments to) restricted cash account	11	(57)
Unrealised foreign exchange effect on non-operating items	5,090	(130)
Net operating cash flows before changes in working capital	49,471	46,727
Net increase in inventories	(6,085)	(13,827)
Net increase in receivables, excluding dividends receivable and consideration receivable for disposed controlling interest in OJSC MMC Timir	(2,116)	(4,914)
Net decrease in provisions, trade and other payables, excluding interest payable and payables for acquired property, plant and equipment	(4,951)	(829)
Net increase in taxes payable, excluding income tax	138	351
Cash inflows from operating activity	**36,457**	**27,508**
Income tax paid	(8,685)	(8,180)
Net cash inflows from operating activities	**27,772**	**19,328**

24. CONTINGENCIES, COMMITMENTS AND OTHER RISKS

(a) Operating environment of the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation.

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Russian financial and corporate sectors.

(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 new 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.

As at 30 September 2013 and 31 December 2012 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 related 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 2013 and 31 December 2012 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 2013.

(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, very few assets and operations of the Group are insured and, in the instances where assets are insured, the amounts generally are not sufficient to cover all costs associated with replacing the assets.

(e) Capital commitments

As at 30 September 2013 the Group has contractual commitments for capital expenditures of RR'mln 5,920 (31 December 2012: RR'mln 7,602).

(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. The Group recognised a provision for these future expenses in the amount of RR'mln 2,448 as at 30 September 2013 (RR'mln 2,416 as at 31 December 2012).

25. 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)

Governments of the Russian Federation and the Republic of Sakha (Yakutia) are the ultimate controlling parties of the Company. As at 30 September 2013 83.0 per cent. of the Company's issued shares were directly owned by the Governments of the Russian Federation and the Republic of Sakha (Yakutia). Also as at 30 September 2013 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 2013, the 15 seats on the Supervisory Council include 11 representatives of the Russian Federation and the Republic of Sakha (Yakutia), including 4 independent directors nominated by the Government of the Russian Federation, 2 management representatives and 1 representative of districts of the Republic of Sakha (Yakutia). As at 30 September 2013 2 seats out of 15 remain vacant. 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 and loss and other comprehensive income, the condensed consolidated interim statement of cash flows and in notes 13, 15, 16 and 23.

(in millions of Russian roubles, unless otherwise stated)

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.

As at 30 September 2013 the accounts payable to the parties under Governmental control totalled RR'mln 703 (31 December 2012: RR'mln 1,239). As at 30 September 2013 the accounts receivable from the parties under Governmental control (excluding loans issued) totalled RR'mln 2 085 (31 December 2012: RR'mln 1,832). As at 30 September 2013 and 31 December 2012 the accounts receivable from the parties under Governmental control and accounts payable to the parties under Governmental control were non-interest bearing, had a maturity within one year and were denominated in Russian Roubles.

During the three and nine months ended 30 September 2013 and 30 September 2012 the Group had the following significant transactions with the parties under Governmental control:

	Three months ended		**Nine months ended**	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Sales of diamonds	1,503	2,950	5,485	12,208
Electricity and heating expenses	1,052	959	3,177	3,288
Other sales	102	649	2,321	1,949
Other purchases	133	376	1,978	1,044

As at 30 September 2013 and 31 December 2012 the Group has no contractual commitments to sell goods or services to the parties under control of the Government. As at 30 September 2013 the Group has contractual commitments to purchase goods and services from the parties under control of the Government in the amount of approximately RR'mln 1,393 (31 December 2012: RR'mln 4,290).

As at 30 September 2013 the amount of loans received by the Group from the entities under Governmental control totalled RR'mln 24,744 (31 December 2012: RR'mln 20,806). During the three and nine months ended 30 September 2013 interest expense accrued in respect to the loans received by the Group from the entities under Governmental control totalled RR'mln 287 and RR'mln 727, respectively (three and nine months ended 30 September 2012: RR'mln 48 and RR'mln 404, respectively).

As at 30 September 2013 the amount of loans issued by the Group to the entities under Governmental control totalled RR'mln 636 (31 December 2012: RR'mln 1,256). During the three and nine months ended 30 September 2013 interest income earned by the Group in respect to the loans issued to the entities under Governmental control totalled RR'mln 13 and RR'mln 50, respectively (three and nine months ended 30 September 2012: RR'mln 29 and RR'mln 86, respectively).

Acquisitions of Gas companies from the entities affiliated with OJSC Bank VTB and OJSC Nizhne-Lenskoe from the Government of Republic of Sakha (Yakutia) are disclosed in note 4.

Key management compensation

The Supervisory Council of the Company consists of 15 members, including state and management representatives. 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. Representatives of management in the Supervisory Council of the Company are entitled to compensation for serving as members of the Management Board of the Company.

Before 25 April 2013 the Management Board consisted of 20 members. On 25 April 2013 the Company's Supervisory Council made a decision to reduce the number of Management Board members to 13. As at 30 September 2013 and 31 December 2012 two of the Management Board members are also members 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" approved by the Company's Supervisory Council on 18 March 2012.

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 participate in certain post-retirement benefit programs. The programs include pension benefits provided by the Non-state pension fund Almaznaya Osen and a one-time payment from the Group at their retirement date.

Key management received short-term benefits for the three and nine months ended 30 September 2013 totalling RR'mln 133 and RR' mln 652, respectively (three and nine months ended 30 September 2012: RR'mln 112 and RR' mln 744, respectively).

(in millions of Russian roubles, unless otherwise stated)

Associates and joint ventures

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

Long-term accounts receivable	**30 September 2013**	**31 December 2012**
OJSC MMC Timir, loans issued (note 4.3)	284	-
Total long-term accounts receivable	**284**	**-**

Current accounts receivable	**30 September 2013**	**31 December 2012**
Catoca, dividends and other receivables	1,391	403
OJSC MMC Timir, loans issued (note 4.3)	838	-
Other	21	8
Total current accounts receivable	**2,250**	**411**

In May 2013 Catoca declared dividends for the year ended 31 December 2012; the Group's share of these dividends amounted to RR'mln 1,216. In May 2012 Catoca declared dividends for the year ended 31 December 2011; the Group's share of these dividends amounted to RR'mln 1,244. During the nine months year ended 30 September 2013 Catoca paid dividends for the Group in cash in the amount of RR'mln 317. During the nine months 30 September 2012 Catoca did not pay any dividends. The Group recognised exchange gain related to dividends receivable from Catoca in the amount of RR'mln 42 for the nine months ended 30 September 2013 (for the nine months ended 30 September 2012 in the amount of RR'mln 48).

As at 30 September 2013 and 31 December 2012 the Group has no any contractual commitments to sell or purchase goods and services to / from its associates and joint ventures.

26. 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 and 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 cost;
- 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:

- Diamonds segment - production and sales of diamonds;
- Transportation;
- Social infrastructure;
- Construction activity;
- Trading;
- Electricity production; and
- Other activities.

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.

(in millions of Russian roubles, unless otherwise stated)

Three months ended 30 September 2013	Diamonds segment	Transportation	Social infrastructure	Construction activity	Trading	Electricity production	Other activities	Total
Revenue	35,101	2,304	726	1,018	738	534	4,065	44,486
Intersegment revenue	-	(948)	(81)	(823)	-	(433)	(1,229)	(3,514)
Cost of sales, incl.	12,944	2,039	1,364	1,308	(35)	590	2,303	20,513
depreciation	2,592	142	17	69	(1)	128	333	3,280
Gross margin	**22,157**	**265**	**(638)**	**(290)**	**773**	**(56)**	**1,762**	**23,973**
Three months ended 30 September 2012								
Revenue	24,531	2,032	885	169	846	367	657	29,487
Intersegment revenue	-	(142)	-	-	-	(272)	(92)	(506)
Cost of sales, incl.	6,316	1,671	1,705	97	18	428	1,172	11,407
depreciation	2,296	93	22	14	2	128	117	2,672
Gross margin	**18,215**	**361**	**(820)**	**72**	**828**	**(61)**	**(515)**	**18,080**
Nine months ended 30 September 2013								
Revenue	113,291	5,558	2,230	2,720	1,525	2,286	8,819	136,429
Intersegment revenue	-	(2,152)	(106)	(2,370)	-	(1,930)	(2,801)	(9,359)
Cost of sales, incl.	40,089	5,844	3,897	3,069	28	1,694	5,735	60,356
depreciation	7,723	430	37	169	-	377	926	9,662
Gross margin	**73,202**	**(286)**	**(1,667)**	**(349)**	**1,497**	**592**	**3,084**	**76,073**
Nine months ended 30 September 2012								
Revenue	98,546	4,397	2,287	310	1,483	1,659	2,736	111,418
Intersegment revenue	-	(217)	-	-	(144)	(1,341)	(684)	(2,386)
Cost of sales, incl.	27,238	4,540	5,317	212	202	1,368	2,836	41,713
depreciation	6,911	341	262	62	5	382	296	8,259
Gross margin	**71,308**	**(143)**	**(3,030)**	**98**	**1,281**	**291**	**(100)**	**69,705**

Reconciliation of revenue is presented below:

	Three months ended		**Nine months ended**	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Segment revenue	**44,486**	**29,487**	**136,429**	**111,418**
Elimination of intersegment revenue	(3,514)	(506)	(9,359)	(2,386)
Reclassification of export duties [1]	(1,942)	(1,258)	(6,166)	(4,754)
Other adjustments and reclassifications	119	68	474	41
Revenue as per statement of profit and loss and other comprehensive income	**39,149**	**27,791**	**121,378**	**104,319**

[1] Reclassification of export duties – export duties netted against revenues from export of diamonds

(in millions of Russian roubles, unless otherwise stated)

Reconciliation of cost of sales including depreciation is presented below:

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Segment cost of sales	**20,513**	**11,407**	**60,356**	**41,713**
Adjustment for depreciation of property, plant and equipment [1]	454	936	831	2,155
Elimination of intersegment purchases	(3,514)	(506)	(9,359)	(2,386)
Accrued provision for pension obligation [2]	(29)	256	(1,294)	(258)
Reclassification of extraction tax [3]	2,610	1,965	7,737	5,734
Adjustment for inventories [4]	952	366	3,906	965
Accrual for employee flights and holidays [5]	61	(423)	137	(359)
Other adjustments	416	185	576	219
Reclassification of exploration expenses [6]	(780)	(1,219)	(1,797)	(2,173)
Other reclassifications	(559)	290	(1,328)	1,598
Cost of sales as per statement of profit and loss and other comprehensive income	**20,124**	**13,257**	**59,765**	**47,208**

[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 employee flights and holidays – recognition of employee flights and holidays reserve under collective labour agreement of the Company

[6] Reclassification of exploration expenses – reclassification to other operating expenses

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

	Three months ended		Nine months ended	
	30 September 2013	**30 September 2012**	**30 September 2013**	**30 September 2012**
Belgium	18,059	10,939	57,233	43,592
Russian Federation	10,187	9,548	29,039	33,158
India	4,627	3,728	16,392	14,813
Israel	3,505	2,119	10,746	7,092
China	1,320	665	3,448	2,219
United Arab Emirates	699	136	2,573	1,594
United States of America	533	198	905	477
Angola	96	92	344	311
Armenia	82	14	304	137
Belarus	-	56	181	445
Other countries	41	296	213	481
Total revenue	**39,149**	**27,791**	**121,378**	**104,319**

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

	30 September 2013	**31 December 2012**
Russian Federation	206,270	225,755
Angola	2,877	2,351
Other countries	283	273
Total non-current assets (other than financial instruments)	**209,430**	**228,379**

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows: quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1), inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2), inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

(in millions of Russian roubles, unless otherwise stated)

As at 30 September 2013 the Group had the following assets and liabilities that are measured at fair value:

	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Available-for-sale investments				
Equity securities	-	-	312	312
Total assets	**-**	**-**	**312**	**312**
Loans from banks	-	28,733	-	28,733
Eurobonds	48,509	-	-	48,509
RR denominated non-convertible bonds	20,114	-	-	20,114
Finance lease obligation	-	-	337	337
RR denominated fixed rate loans	-	1,756	-	1,756
Total non-current liabilities	**68,623**	**30,489**	**337**	**99,449**
Short-term debt				
Loans from banks	-	37,405	-	37,405
European commercial paper	8,677	-	-	8,677
RR denominated fixed rate loans	-	2,547	-	2,547
Total current liabilities	**8,677**	**39,952**	**-**	**48,629**
Total liabilities	**77,300**	**70,441**	**337**	**148,078**

As at 31 December 2012 the Group had the following assets and liabilities that are measured at fair value:

	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Available-for-sale investments				
Equity securities	-	-	104	104
Total assets	**-**	**-**	**104**	**104**
Long-term debt				
Loans from banks	-	24,307	-	24,307
Eurobonds	45,548	-	-	45,548
RR denominated non-convertible bonds	36,000	-	-	36,000
Finance lease obligation	-	-	454	454
RR denominated fixed rate loans	-	1,822	-	1,822
Total non-current liabilities	**81,548**	**26,129**	**454**	**108,131**
Short-term debt				
Loans from banks	-	2,582	-	2,582
European commercial paper	9,138	-	-	9,138
Other US$ denominated fixed rate loans	-	9	-	9
RR denominated fixed rate loans	-	2,841	-	2,841
Total current liabilities	**9,138**	**5,432**	**-**	**14,570**
Total liabilities	**90,686**	**31,561**	**454**	**122,701**

There were no transfers between Levels 1, 2 and 3 during the period. There were no reclasses of available-for-sale investments' losses from other comprehensive income into the profit and loss.

28. SUBSEQUENT EVENTS

On 28 October 2013, as a result of the international offering of the Company's 1,181,332,741 existing ordinary shares Governments of the Russian Federation and the Republic of Sakha (Yakutia) each sold 515,547,593 Company's shares, as a result of this transaction their shares in the Company reduced to 43.9 per cent. and 25.0 per cent., respectively. In addition, in the course of this transaction one of the Group's subsidiaries sold 150,237,555 of the Company's shares which were previously recognised in the Group's consolidated financial statements as treasury shares.