OJSC ALROSA

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND REVIEW REPORT

CONTENTS

Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders and Supervisory Council of Open Joint Stock Company AK ALROSA

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Open Joint Stock Company AK ALROSA and its subsidiaries (the "Group") as of 30 June 2013, and the related condensed consolidated interim statements of profit and loss and other comprehensive income for the three-month and six-month periods then ended and condensed consolidated interim statements of cash flows and of changes in equity for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material aspects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

12 September 2013

Moscow, Russian Federation

(in millions of Russian roubles, unless otherwise stated)

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

		Three months ended		Six months ended	
	Notes	**30 June 2013**	**30 June 2012**	**30 June 2013**	**30 June 2012**
Revenue	15	42,770	39,329	82,229	76,529
Cost of sales	16	(19,706)	(15,880)	(39,641)	(33,789)
Royalty	13	(303)	(303)	(605)	(605)
Gross profit		**22,761**	**23,146**	**41,983**	**42,135**
General and administrative expenses	17	(2,288)	(2,560)	(4,193)	(4,162)
Selling and marketing expenses	18	(472)	(504)	(1,140)	(962)
Other operating income	19	2,840	415	3,153	2,515
Other operating expenses	20	(4,390)	(4,239)	(9,367)	(9,032)
Operating profit		**18,451**	**16,258**	**30,436**	**30,494**
Finance income	21	552	2,456	547	1,569
Finance costs	22	(8,150)	(14,007)	(11,583)	(10,488)
Share of net profit of associates and joint ventures	4	107	94	393	546
Profit before income tax		**10,960**	**4,801**	**19,793**	**22,121**
Income tax	13	(2,602)	(1,301)	(5,177)	(5,930)
Profit for the period		**8,358**	**3,500**	**14,616**	**16,191**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit obligations, net of tax		1,982	(100)	1,869	(177)
Total items that will not be reclassified to profit or loss		**1,982**	**(100)**	**1,869**	**(177)**
Items that will be reclassified to profit or loss:					
Currency translation differences, net of tax		1,583	(253)	678	(148)
Total items that will be reclassified to profit or loss		**1,583**	**(253)**	**678**	**(148)**
Other comprehensive income / (loss) for the period		**3,565**	**(353)**	**2,547**	**(325)**
Total comprehensive income for the period		**11,923**	**3,147**	**17,163**	**15,866**
Profit attributable to:					
Owners of OJSC ALROSA		7,993	3,296	14,087	15,743
Non-controlling interest		365	204	529	448
Profit for the period		**8,358**	**3,500**	**14,616**	**16,191**
Total comprehensive income attributable to:					
Owners of OJSC ALROSA		11,558	2,943	16,634	15,418
Non-controlling interest		365	204	529	448
Total comprehensive income for the period		**11,923**	**3,147**	**17,163**	**15,866**
Basic and diluted earnings per share for profit attributable to the owners of OJSC ALROSA (in Roubles)		1.11	0.46	1.95	2.18

(in millions of Russian roubles, unless otherwise stated)

Condensed Consolidated Interim Statement of Cash Flows (unaudited)

	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012
Net Cash Inflow from Operating Activities	23	**24,029**	**16,419**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(14,928)	(13,915)
Proceeds from sales of property, plant and equipment		64	851
Interest received		104	142
Acquisition of CJSC Geotransgaz and Urengoy Gaz Company Ltd., net of cash acquired	4.1	-	(32,262)
Dividends received from associates		317	-
Net proceeds from disposal of subsidiaries		623	-
Reclassification to assets held-for-sale	4.1	(99)	-
Acquisition of OJSC Nizhne-Lenskoe, net of cash acquired	4.2	(3,659)	-
Net Cash Outflow from Investing Activities		**(17,578)**	**(45,184)**
Cash Flows from Financing Activities			
Repayments of loans		(32,708)	(15,340)
Loans received		41,401	49,746
Proceeds from sale of treasury shares		185	-
Acquisition of non-controlling interest in OJSC Nizhne-Lenskoe	4.2	(3,330)	-
Proceeds from sale of non-controlling interest in subsidiary		256	-
Purchase of treasury shares		-	(9)
Interest paid		(4,912)	(3,378)
Dividends paid		(803)	(500)
Net Cash Inflow from Financing Activities		**89**	**30,519**
Net Increase in Cash and Cash Equivalents		**6,540**	**1,754**
Cash and cash equivalents at the beginning of the period		6,242	12,014
Exchange gains / (losses) on cash and cash equivalents		62	(238)
Cash and Cash Equivalents at the End of the Period		**12,844**	**13,530**

(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		-	-	-	-	15,743	15,743	448	16,191
Other comprehensive income									
Actuarial loss on post employment benefit obligations, net of tax		-	-	-	(177)	-	(177)	-	(177)
Currency translation differences		-	-	-	(148)	-	(148)	-	(148)
Total other comprehensive income		-	-	-	(325)	-	(325)	-	(325)
Total comprehensive income for the period		**-**	**-**	**-**	**(325)**	**15,743**	**15,418**	**448**	**15,866**
Transactions with owners									
Dividends (Note 9)		-	-	-	-	(7,439)	(7,439)	-	(7,439)
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	**(485,500)**	**-**	**-**	**(1)**	**-**	**(7,447)**	**(7,448)**	**(131)**	**(7,579)**
Previously reported balance at 30 June 2012	**7,215,790,600**	**12,473**	**10,431**	**(250)**	**(794)**	**100,101**	**121,961**	**(400)**	**121,561**
Effect of adoption of Amended IAS 19 (net of tax)		-	-	-	(3,467)	(91)	(3,558)	-	(3,558)
Adjusted as at 1 July 2012	**7,215,790,600**	**12,473**	**10,431**	**(250)**	**(4,261)**	**100, 010**	**118,403**	**(400)**	**118,003**
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		-	-	-	-	14,087	14,087	529	14,616
Other comprehensive income									
Actuarial gain on post employment benefit obligations,net of tax		-	-	-	1,869	-	1,869	-	1,869
Currency translation differences		-	-	-	678	-	678	-	678
Total other comprehensive income		-	-	-	2,547	-	2,547	-	2,547
Total comprehensive income for the period		**-**	**-**	**-**	**2,547**	**14,087**	**16,634**	**529**	**17,163**
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		-	-	-	360	-	360	(3,425)	(3,065)
Sale of own shares	6,116,700	-	-	11	-	174	185	-	185
Dividends paid by subsidiary to the owners of non-controlling interest		-	-	-	-	-	-	(404)	(404)
Total transactions with owners	**6,116,700**	**-**	**-**	**11**	**360**	**(7,843)**	**(7,472)**	**(302)**	**(7,774)**
Balance at 30 June 2013	**7,219,561,300**	**12,473**	**10,431**	**(243)**	**(4,808)**	**123,258**	**141,111**	**(221)**	**140,890**

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 June 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 32.71 and 30.37 as at 30 June 2013 and 31 December 2012, respectively. The official Euro to RR exchange rates as determined by the Central bank of the Russian Federation were 42.72 and 40.23 as at 30 June 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 Items of Other Comprehensive Income" – 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 6 months ended at 30 June 2013 and 30 June 2012, net interest expense totalled RR'mln 463 and RR'mln 362, 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 six months ended 30 June 2012	Notes	Previously reported	Adjustment due to change in accounting policy	Restated
Revenue	15	76,529	-	76,529
Cost of sales	16	(33,789)	-	(33,789)
Royalty	13	(605)	-	(605)
Gross profit		**42,135**	**-**	**42,135**
General and administrative expenses	17	(4,162)	-	(4,162)
Selling and marketing expenses	18	(962)	-	(962)
Other operating income	19	2,515	-	2,515
Other operating expenses	20	(9,032)	-	(9,032)
Operating profit		**30,494**	**-**	**30,494**
Finance income	21	1,569	-	1,569
Finance costs	22	(10,488)	-	(10,488)
Share of net profit of associates	4	546	-	546
Profit before income tax		**22,121**	**-**	**22,121**
Income tax	13	(5,930)	-	(5,930)
Profit for the period		**16,191**	**-**	**16,191**
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement of post-employment benefit obligations, net of tax		-	(177)	(177)
Total items that will not be reclassified to profit or loss		**-**	**(177)**	**(177)**
Items that will be reclassified to profit or loss:		-	(177)	(177)
Currency translation differences, net of tax		(148)	-	(148)
Total items that will be reclassified to profit or loss		**(148)**	**-**	**(148)**
Other comprehensive loss for the period		**(148)**	**(177)**	**(325)**
Total comprehensive income for the period		**16,043**	**(177)**	**15,866**
Profit attributable to:				
Owners of OJSC ALROSA		15,743	-	15,743
Non-controlling interest		448	-	448
Profit for the period		**16,191**	**-**	**16,191**
Total comprehensive income attributable to:				
Owners of OJSC ALROSA		15,595	(177)	15,418
Non-controlling interest		448	-	448
Total comprehensive income for the period		**16,043**	**(177)**	**15,866**

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 June 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 June 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 June 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 June 2013, as they do not represent a major line of business of the Group.

For the three and six months ended 30 June 2013 the Gas companies generated revenue of RR'mln 1,120 and RR'mln 1,788, respectively. For the three and six months ended 30 June 2013 the Gas companies generated net profit of

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RR'mln 180 and net loss of RR'mln 38, respectively. The gas companies contributed revenue of RR'mln 112 and net loss of RR'mln 370 to the Group for the period from the date of acquisition in March 2012 to 30 June 2012.

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

	30 June 2013
Assets classified as held for sale	
Property, plant and equipment	41,187
Inventories	381
Trade and other receivables	455
Cash and cash equivalents	99
Total assets of the disposal group classified as held for sale	**42,122**
Liabilities classified as held for sale	
Trade and other payables	(696)
Deferred tax liability	(5,502)
Other current liabilities	(12)
Total liabilities of the disposal group classified as held for sale	**(6,210)**
Total net assets of the disposal group classified as held for sale	**35,912**

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 1,524 and net profit of RR'mln 525 to the Group for the period from the date of acquisition to 30 June 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.

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

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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 June 2013	**31 December 2012**	**30 June 2013**	**31 December 2012**
Catoca Mining Company Ltd	Angola	32.8	32.8	1,236	1,898
OJSC MMC Timir	Russia	49.0	-	2,220	-
OJSC Almazny Mir	Russia	47.4	47.4	185	184
OJSC Almazergienbank	Russia	22.8	-	276	-
Other	Russia	20-50	20-50	18	33
Total carrying value of investment				**3,935**	**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 June 2013 and 31 December 2012 the percentage of ownership interest of the Group in its associates is equal to the percentage of voting interest.

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

	Three months ended		**Six months ended**	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Catoca Mining Company Ltd.	134	94	408	545
OJSC MMC Timir	(16)	-	(16)	-
OJSC Almazny Mir	(1)	-	3	1
OJSC Almazergienbank	9	-	14	-
Other	(19)	-	(16)	-
Total Group's share of net profit of associates and joint ventures	**107**	**94**	**393**	**546**

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 six months ended 30 June 2013 in respect of investment in Catoca totalled RR'mln 146. 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 six months ended 30 June 2012 in respect of investment in Catoca totalled RR'mln 49.

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5. CASH AND CASH EQUIVALENTS

	30 June 2013	31 December 2012
Cash in banks and on hand	12,552	6,018
Deposit accounts	292	224
Total cash and cash equivalents	**12,844**	**6,242**

At 30 June 2013 the weighted average interest rate on the cash balances of the Group was 0.15 per cent. (31 December 2012: 0.13 per cent.).

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**
Six months ended 30 June 2012			
Net book value as at 31 December 2011	134,391	35,143	169,534
Foreign exchange differences	79	-	79
Additions	1,832	12,668	14,500
Additions through acquisition of the Gas companies (note 4.1)	31,074	6,290	37,364
Transfers	7,498	(7,498)	-
Disposals – at cost	(2,237)	(114)	(2,351)
Disposals – accumulated depreciation	1,282	-	1,282
Change in estimate of provision for land recultivation	(6)	-	(6)
Depreciation charge for the period	(7,539)	-	(7,539)
Net book value as at 30 June 2012	**166,374**	**46,489**	**212,863**
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**
Six months ended 30 June 2013			
Net book value as at 31 December 2012	177,143	47,603	224,746
Foreign exchange differences	244	-	244
Additions	3,552	12,806	16,358
Additions through acquisition of OJSC Nizhne-Lenskoe (note 4.2)	12,677	10	12,687
Transfers	3,999	(3,999)	-
Reclassification to assets held for sale – at cost (note 4.1)	(33,532)	(8,434)	(41,966)
Reclassification to assets held for sale – accumulated depreciation (note 4.1)	779	-	779
Disposal of subsidiaries – at cost	(7,064)	(6)	(7,070)
Disposal of subsidiaries – accumulated depreciation	356	-	356
Other disposals – at cost	(1,922)	(347)	(2,269)
Other disposals – accumulated depreciation	1,197	-	1,197
Change in estimate of provision for land recultivation	(109)	-	(109)
Depreciation charge for the period	(7,652)	-	(7,652)
Net book value as at 30 June 2013	**149,668**	**47,633**	**197,301**
As at 30 June 2013			
Cost	262,590	48,661	311,251
Accumulated depreciation and impairment losses	(112,922)	(1,028)	(113,950)
Net book value as at 30 June 2013	**149,668**	**47,633**	**197,301**

Capitalised borrowing costs

As at 30 June 2013 borrowing costs totalling RR’mln 73 (as at 30 June 2012: RR’mln 60) were capitalised in property, plant and equipment. For the six months ended 30 June 2013 the capitalisation rate applied to qualifying assets totalling RR’mln 1,056 (six months ended 30 June 2012: RR’mln 838) was 7.36 per cent. (30 June 2012: 7.68 per cent.). 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 June 2013	31 December 2012
Diamonds	24,916	27,147
Ores and concentrates	15,234	10,825
Mining and construction materials	15,246	13,842
Consumable supplies	3,643	2,856
Total inventories	**59,039**	**54,670**

8. TRADE AND OTHER RECEIVABLES

Long-term accounts receivable	30 June 2013	31 December 2012
Loans issued	3,075	2,248
Consideration receivable for disposed controlling interest in OJSC MMC Timir (note 4.3)	1,485	-
Receivables from associates and joint ventures (note 25)	284	-
Notes receivable	103	-
Long-term VAT recoverable	60	79
Other long-term receivables	19	1
Total long-term accounts receivable	**5,026**	**2,328**

Current accounts receivable	30 June 2013	31 December 2012
Advances to suppliers	4,550	2,406
Consideration receivable for disposed controlling interest in OJSC MMC Timir (note 4.3)	2,970	-
Loans issued	2,583	2,662
Receivables from associates and joint ventures (note 25)	2,361	411
VAT recoverable	1,720	1,657
Prepaid taxes, other than income tax	1,786	1,975
Trade receivables for supplied diamonds	292	812
Other trade receivables	3,730	2,801
Total current accounts receivable	**19,992**	**12,724**

Trade and other receivables are presented net of impairment provision of RR'mln 5,241 and RR'mln 4,925 as at 30 June 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 June 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 June 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 six months ended 30 June 2013 the statutory profit of the Company as reported in the published statutory reporting forms was RR'mln 15,208 (for the six months ended 30 June 2012 – RR'mln 15,824). 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 June 2013 and 31 December 2012 subsidiaries of the Group held 145,404,330 and 151,521,030 ordinary shares of the Company, respectively. The Group management controls the voting rights of these shares.

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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 7,222,616,297 and 7,218,746,225 weighted average shares outstanding for the three and six months ended 30 June 2013, respectively (for the three and six months ended 30 June 2012 – 7,216,116,045 and 7,216,196,073 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 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	-	-	-	(177)	(177)
Currency translation differences	(148)	-	-	-	(148)
Balance at 30 June 2012	**(293)**	**(542)**	**41**	**(3,467)**	**(4,261)**
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	-	-	-	1,869	1,869
Purchase of non-controlling interest	-	360	-	-	360
Currency translation differences	678	-	-	-	678
Balance at 30 June 2013	**(251)**	**(182)**	**42**	**(4,417)**	**(4,808)**

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 June 2013	31 December 2012
Bank loans:		
US$ denominated floating rate	22,405	18,224
US$ denominated fixed rate	6,542	6,075
RR denominated fixed rate	183	8
	29,130	**24,307**
Eurobonds	49,055	45,548
RR denominated non-convertible bonds	20,614	36,000
Finance lease obligation	850	454
Other RR denominated fixed rate loans	1,855	1,822
	101,504	**108,131**
Less: current portion of long-term debt (see note 11)	(2,575)	(17,774)
Total long-term debt	**98,929**	**90,357**

As at 30 June 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 June 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	10.2%	14.9%
Eurobonds	8.1%	8.1%
RR denominated non-convertible bonds	9.0%	8.6%
Finance lease obligation	11.3%	7.6%
Other RR denominated fixed rate loans	5.2%	6.8%

Eurobonds

	Six months ended	
	30 June 2013	**30 June 2012**
Balance at the beginning of the period	**45,548**	**48,278**
Amortisation of discount	3	3
Exchange losses	3,504	928
Balance at the end of the period	**49,055**	**49,209**

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

	30 June 2013	31 December 2012
Bank loans:		
US$ denominated floating rate	16,355	-
US$ denominated fixed rate	1,471	2,582
RR denominated fixed rate	10,240	-
	28,066	**2,582**
European commercial paper	8,775	9,138
Other US$ denominated fixed rate loans	-	9
Other RR denominated fixed rate loans	3,266	2,841
	40,107	**14,570**
Add: current portion of long-term debt (note 10)	2,575	17,774
Total short-term debt and current portion of long-term debt	**42,682**	**32,344**

The average effective interest rates were as follows:

	30 June 2013	31 December 2012
Banks loans:		
US$ denominated floating rate	1.2%	-
US$ denominated fixed rate	2.7%	4.0%
RR denominated fixed rate	11.0%	-
European commercial paper	2.5%	4.7%
Other US$ denominated fixed rate loans	-	6.1%
Other RR denominated fixed rate loans	6.7%	1.1%

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

12. TRADE AND OTHER PAYABLES

	30 June 2013	31 December 2012
Accrual for employee flights and holidays	6,983	6,494
Trade payables	6,417	4,114
Advances from customers	2,762	364
Wages and salaries	1,960	4,142
Current accounts of third parties in MAK Bank LLC	1,631	1,622
Interest payable	1,116	1,313
Payables to associates and joint ventures	6	57
Other payables and accruals	1,006	1,024
Total trade and other payables	**21,881**	**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 June 2013	31 December 2012
Payments to social funds	1,332	1,338
Property tax	955	878
Extraction tax	873	753
Value added tax	602	355
Personal income tax (employees)	313	499
Tax penalties	-	1
Other taxes and accruals	146	59
Total taxes payable, other than income tax	**4,221**	**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		Six months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Property tax	916	841	1,845	1,660
Other taxes and accruals	77	162	217	228
Total taxes other than income tax expense	**993**	**1,003**	**2,062**	**1,888**

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		Six months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Current tax expense	2,731	2,263	5,318	6,017
Adjustments recognised in the period for current tax of prior periods	-	506	-	53
Deferred tax benefit	(129)	(1,468)	(141)	(140)
Total income tax expense	**2,602**	**1,301**	**5,177**	**5,930**

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 June 2013	31 December 2012
Present value of funded obligations	17,466	19,175
Fair value of plan assets	(8,671)	(7,188)
Deficit of the funded plans	8,795	11,987
Present value of unfunded obligation	940	1,056
Liability in the condensed consolidated interim statement of financial position	**9,735**	**13,043**

(in millions of Russian roubles, unless otherwise stated)

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

	Present value of obligation	Fair value of plan assets	Total
At 31 March 2012	**15,260**	**(6,329)**	**8,931**
Current service cost	63	-	63
Interest expense / (income)	300	(124)	176
	363	**(124)**	**239**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense / (income)	-	125	125
	-	**125**	**125**
Contributions paid by employer	-	(555)	(555)
Benefit payments	(53)	53	-
	(53)	**(502)**	**(555)**
As at 30 June 2012	**15,570**	**(6,830)**	**8,740**

	Present value of obligation	Fair value of plan assets	Total
At 31 March 2013	**20,373**	**(6,909)**	**13,464**
Current service cost	106	-	106
Interest expense / (income)	361	(99)	262
	467	**(99)**	**368**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense / (income)	(2,307)	(171)	(2,478)
	(2,307)	**(171)**	**(2,478)**
Contributions paid by employer	-	(1,619)	(1,619)
Benefit payments	(127)	127	-
	(127)	**(1,492)**	**(1,619)**
As at 30 June 2013	**18,406**	**(8,671)**	**9,735**

The movement in the net defined benefit obligation over six months ended 30 June 2012 and six months ended 30 June 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	126	-	126
Interest expense / (income)	610	(248)	362
	736	**(248)**	**488**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense / (income)	-	221	221
		221	**221**
Contributions paid by employer	-	(1,223)	(1,223)
Benefit payments	(407)	407	-
	(407)	**(816)**	**(1,223)**
As at 30 June 2012	**15,570**	**(6,830)**	**8,740**

(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	213	-	213
Interest expense / (income)	718	(255)	463
	931	**(255)**	**676**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense / (income)	-	(30)	(30)
Gain from change in financial assumptions	(2,307)	-	(2,307)
	(2,307)	**(30)**	**(2,337)**
Contributions paid by employer	-	(1,647)	(1,647)
Benefit payments	(449)	449	-
	(449)	**(1,198)**	**(1,647)**
As at 30 June 2013	**18,406**	**(8,671)**	**9,735**

The significant actuarial assumptions are as follows:

	30 June 2013	31 December 2012
Discount rate (nominal)	8.0%	7.1%
Future salary increases (nominal)	7.0%	7.0%
Future pension increases (nominal)	5.5%	5.5%

15. REVENUE

	Three months ended		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Revenue from diamond sales:				
Export	32,920	25,686	63,060	52,785
Domestic	4,690	9,709	10,523	16,864
Revenue from diamonds for resale	96	592	383	870
Total revenue from diamond sales	**37,706**	**35,987**	**73,966**	**70,519**
Other revenue:				
Transport	1,305	1,351	2,050	2,290
Social infrastructure	707	560	1,489	1,402
Trading	729	387	787	493
Construction	127	94	155	141
Other	2,196	950	3,782	1,684
Total revenue	**42,770**	**39,329**	**82,229**	**76,529**

Export duties totalling RR’mln 2,192 and RR’mln 4,224 for the three and six months ended 30 June 2013, respectively (three and six months ended 30 June 2012: RR’mln 1,728 and RR’mln 3,495, respectively) were netted against revenue from diamond export sales.

16. COST OF SALES

	Three months ended		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Wages, salaries and other staff costs	8,389	6,552	16,031	14,590
Depreciation	3,548	3,043	6,759	6,806
Fuel and energy	3,103	2,493	6,278	4,964
Extraction tax	2,488	1,940	4,919	4,216
Materials	2,912	1,627	3,947	3,050
Services	523	1,090	1,173	1,971
Transport	590	456	1,050	929
Cost of diamonds for resale	16	572	283	839
Impairment of inventories	9	243	111	250
Other	24	62	31	163
Movement in inventory of diamonds, ores and concentrates	(1,896)	(2,198)	(941)	(3,989)
Total cost of sales	**19,706**	**15,880**	**39,641**	**33,789**

(in millions of Russian roubles, unless otherwise stated)

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 1,907 and RR'mln 3,578 for the three and six months ended 30 June 2013, respectively (for the three and six months ended 30 June 2012 in the amount of RR'mln 1,486 and RR'mln 2,870, respectively).

Depreciation totalling RR'mln 212 and RR'mln 737 for the three and six months ended 30 June 2013, respectively (for the three and six months ended 30 June 2012: RR'mln 378 and RR'mln 733, respectively) and wages,salaries and other staff costs totalling RR'mln 556 and RR'mln 1,264 for the three and six months ended 30 June 2013, respectively (for the three and six months ended 30 June 2012: RR'mln 704 and RR'mln 1,484, respectively) were incurred by the Group's construction divisions and were capitalised in the respective periods.

17. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Services and other administrative expenses	1,156	1,103	2,036	1,585
Wages, salaries and other staff costs	959	1,418	1,944	2,390
Impairment of accounts receivable	173	39	213	187
Total general and administrative expenses	**2,288**	**2,560**	**4,193**	**4,162**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 154 and RR'mln 309 for the three and six months ended 30 June 2013, respectively (for the three and six months ended 30 June 2012 in the amount of RR'mln 107 and RR'mln 247, respectively).

18. SELLING AND MARKETING EXPENSES

	Three months ended		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Wages, salaries and other staff costs	287	352	583	665
Services and other selling and marketing expenses	185	152	557	297
Total selling and marketing expenses	**472**	**504**	**1,140**	**962**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 69 and RR'mln 141 for the three and six months ended 30 June 2013, respectively (for the three and six months ended 30 June 2012 in the amount of RR'mln 62 and RR'mln 121, respectively).

19. OTHER OPERATING INCOME

	Three months ended		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Gain on disposal of OJSC MMC Timir (note 4.3)	2,552	-	2,552	-
Negative goodwill on acquisition of the Gas companies (note 4.1)	-	-	-	1,995
Other	288	415	601	520
Total other operating income	**2,840**	**415**	**3,153**	**2,515**

20. OTHER OPERATING EXPENSES

	Three months ended		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Exploration expenses	1,560	1,398	4,045	3,514
Social costs	1,021	1,640	1,689	3,030
Taxes other than income tax, extraction tax and payments to social funds (note 13)	993	1,003	2,062	1,888
Loss / (gain) on disposal of property, plant and equipment	(35)	18	540	219
Other	851	180	1,031	381
Total other operating expenses	**4,390**	**4,239**	**9,367**	**9,032**

(in millions of Russian roubles, unless otherwise stated)

Social costs consist of:

	Three months ended		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Maintenance of local infrastructure	404	640	709	1,311
Charity	442	848	687	1,477
Hospital expenses	55	41	70	74
Education	25	35	44	37
Other	95	76	179	131
Total social costs	**1,021**	**1,640**	**1,689**	**3,030**

21. FINANCE INCOME

	Three months ended		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Interest income	6	101	104	142
Exchange gains	546	2,355	443	1,427
Total finance income	**552**	**2,456**	**547**	**1,569**

22. FINANCE COSTS

	Three months ended		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Interest expense:				
Eurobonds	949	942	1,877	1,838
RR denominated non-convertible bonds	728	540	1,485	1,088
Bank loans	546	332	976	547
European commercial paper	45	405	142	451
Other	79	8	145	45
Unwinding of discount of future provisions	88	10	143	23
Exchange losses	5,715	11,770	6,815	6,496
Total finance costs	**8,150**	**14,007**	**11,583**	**10,488**

23. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash flows from operations:

	Six months ended 30 June 2013	**Six months ended 30 June 2012**
Profit before income tax	19,793	22,121
Adjustments for:		
Share of net profit of associates and joint ventures (note 4)	(393)	(546)
Interest income (note 21)	(104)	(142)
Interest expense (note 22)	5,231	3,992
Loss on disposal of property, plant and equipment (note 20)	540	219
Negative goodwill on acquisition of the Gas companies (note 19)	-	(1,995)
Depreciation (note 16)	6,915	6,806
Gain on disposal of OJSC MMC Timir (note 19)	(2,552)	-
Adjustment for inventory used in construction	(670)	(1,106)
Payments to restricted cash account	(62)	(74)
Unrealised foreign exchange effect on non-operating items	6,248	5,255
Net operating cash flows before changes in working capital	34,946	34,530
Net increase in inventories	(1,024)	(5,024)
Net increase in receivables, excluding dividends receivable and consideration receivable for disposed controlling interest in OJSC MMC Timir	(2,253)	(6,463)
Net decrease in provisions, trade and other payables, excluding interest payable and payables for acquired property, plant and equipment	(1,665)	(996)
Net increase in taxes payable, excluding income tax	250	1,213
Cash inflows from operating activity	**30,254**	**23,260**
Income tax paid	(6,225)	(6,841)
Net cash inflows from operating activities	**24,029**	**16,419**

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 June 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 June 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 June 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 June 2013 the Group has contractual commitments for capital expenditures of RR'mln 5,343 (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 2,398 as at 30 June 2013 (RR'mln 2,416 as at 31 December 2012).

(in millions of Russian roubles, unless otherwise stated)

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 June 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 June 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 2012, the 15 seats on the Supervisory Council include 12 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). 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.

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 June 2013 the accounts payable to the parties under Governmental control totalled RR'mln 468 (31 December 2012: RR'mln 1,239). As at 30 June 2013 the accounts receivable from the parties under Governmental control (excluding loans issued) totalled RR'mln 984 (31 December 2012: RR'mln 1,832). As at 30 June 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 six months ended 30 June 2013 and 30 June 2012 the Group had the following significant transactions with the parties under Governmental control:

	Three months ended		**Six months ended**	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Sales of diamonds	2,079	5,432	3,982	9,258
Electricity and heating expenses	600	1,273	2,125	2,329
Other sales	1,103	745	2,219	1,300
Other purchases	1,474	388	1,845	668

As at 30 June 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 June 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 2,151 (31 December 2012: RR'mln 4,290).

As at 30 June 2013 the amount of loans received by the Group from the entities under Governmental control totalled RR'mln 22,966 (31 December 2012: RR'mln 20,806). During the three and six months ended 30 June 2013 interest expense accrued in respect to the loans received by the Group from the entities under Governmental control totalled RR'mln 218 and RR'mln 440, respectively (three and six months ended 30 June 2012: RR'mln 113 and RR'mln 356, respectively).

(in millions of Russian roubles, unless otherwise stated)

As at 30 June 2013 the amount of loans issued by the Group to the entities under Governmental control totalled RR'mln 745 (31 December 2012: RR'mln 1,256). During the three and six months ended 30 June 2013 interest income earned by the Group in respect to the loans issued to the entities under Governmental control totalled RR'mln 15 and RR'mln 37, respectively (three and six months ended 30 June 2012: RR'mln 29 and RR'mln 57, 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 June 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 six months ended 30 June 2013 totalling RR'mln 396 and RR' mln 519, respectively (three and six months ended 30 June 2012: RR'mln 504 and RR' mln 632, respectively).

Associates and joint ventures

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

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

Current accounts receivable	**30 June 2013**	**31 December 2012**
Catoca, dividends receivable	1,483	403
OJSC MMC Timir, loans issued (note 4.3)	838	-
Other	40	8
Total current accounts receivable	**2,361**	**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 six months year ended 30 June 2013 Catoca paid dividends for the Group in cash in the amount of RR'mln 317. During the six months 30 June 2012 Catoca did not pay any dividends. The Group recognised exchange gain related to dividends receivable from Catoca in the amount of RR'mln 56 for the six months ended 30 June 2013 (for the six months ended 30 June 2012 in the amount of RR'mln 128).

As at 30 June 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.

(in millions of Russian roubles, unless otherwise stated)

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.

Three months ended 30 June 2013	**Diamonds segment**	**Transpor-tation**	**Social infrastructure**	**Construction activity**	**Trading**	**Electricity production**	**Other activities**	**Total**
Revenue	39,898	2,281	701	1,160	730	700	2,126	47,596
Intersegment revenue	-	(976)	(4)	(1,033)	-	(581)	(660)	(3,254)
Cost of sales, incl.	13,140	2,393	1,232	1,208	53	494	1,879	20,399
depreciation	2,714	147	10	52	1	150	350	3,424
Gross margin	**26,758**	**(112)**	**(531)**	**(48)**	**677**	**206**	**247**	**27,197**
Three months ended 30 June 2012								
Revenue	37,714	1,427	560	94	454	480	1,346	42,075
Intersegment revenue	-	(75)	-	-	(66)	(383)	(384)	(908)
Cost of sales, incl.	10,133	1,511	2,026	61	85	423	449	14,688
depreciation	2,344	124	121	27	1	127	108	2,852
Gross margin	**27,581**	**(84)**	**(1,466)**	**33**	**369**	**57**	**897**	**27,387**
Six months ended 30 June 2013								
Revenue	78,190	3,254	1,504	1,702	787	1,752	4,754	91,943
Intersegment revenue	-	(1,204)	(25)	(1,547)	-	(1,497)	(1,572)	(5,845)
Cost of sales, incl.	27,145	3,805	2,533	1,761	63	1,104	3,432	39,843
depreciation	5,131	288	20	100	1	249	593	6,382
Gross margin	**51,045**	**(551)**	**(1,029)**	**(59)**	**724**	**648**	**1,322**	**52,100**
Six months ended 30 June 2012								
Revenue	74,015	2,365	1,402	141	637	1,292	2,079	81,931
Intersegment revenue	-	(75)	-	-	(144)	(1,069)	(592)	(1,880)
Cost of sales, incl.	20,922	2,869	3,612	115	184	940	1,664	30,306
depreciation	4,615	248	240	48	3	254	179	5,587
Gross margin	**53,093**	**(504)**	**(2,210)**	**26**	**453**	**352**	**415**	**51,625**

(in millions of Russian roubles, unless otherwise stated)

Reconciliation of revenue is presented below:

	Three months ended		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Segment revenue	**47,596**	**42,075**	**91,943**	**81,931**
Elimination of intersegment revenue	(3,254)	(908)	(5,845)	(1,880)
Reclassification of export duties [1]	(2,192)	(1,728)	(4,224)	(3,495)
Other adjustments and reclassifications	620	(110)	355	(27)
Revenue as per statement of profit and loss and other comprehensive income	**42,770**	**39,329**	**82,229**	**76,529**

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

Reconciliation of cost of sales including depreciation is presented below:

	Three months ended		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Segment cost of sales	**20,399**	**14,687**	**39,843**	**30,306**
Adjustment for depreciation of property, plant and equipment [1]	124	191	377	1,219
Elimination of intersegment purchases	(3,254)	(908)	(5,845)	(1,880)
Accrued provision for pension obligation [2]	(1,336)	(210)	(1,265)	(514)
Reclassification of extraction tax [3]	2,853	1,792	5,127	3,769
Adjustment for inventories [4]	1,709	202	2,954	599
Accrual for employee flights and holidays [5]	(57)	(338)	76	64
Other adjustments	(102)	17	160	34
Reclassification of exploration expenses [6]	(682)	(197)	(1,017)	(954)
Other reclassifications	52	644	(769)	1,146
Cost of sales as per statement of profit and loss and other comprehensive income	**19,706**	**15,880**	**39,641**	**33,789**

[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		Six months ended	
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Belgium	19,696	15,682	39,174	32,653
Russian Federation	9,713	13,665	18,852	23,610
India	6,159	5,380	11,765	11,085
Israel	4,411	2,581	7,241	4,973
China	1,210	668	2,128	1,554
United Arab Emirates	1,154	778	1,874	1,458
Angola	116	-	248	123
Armenia	124	95	222	219
Belarus	4	203	181	389
Other countries	183	277	544	465
Total revenue	**42,770**	**39,329**	**82,229**	**76,529**

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

	30 June 2013	**31 December 2012**
Russian Federation	199,957	225,755
Angola	2,491	2,351
Other countries	287	273
Total non-current assets (other than financial instruments)	**202,735**	**228,379**

(in millions of Russian roubles, unless otherwise stated)

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).

As at 30 June 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	-	-	313	313
Total assets	**-**	**-**	**313**	**313**
Long-term debt				
Loans from banks	-	29,130	-	29,130
Eurobonds	49,055	-	-	49,055
RR denominated non-convertible bonds	20,614	-		20,614
Total non-current liabilities	**69,669**	**29,130**	**-**	**98,799**
Short-term debt				
Loans from banks	-	28,066	-	28,066
European commercial paper	8,775	-	-	8,775
Finance lease obligation	-	-	850	850
RR denominated fixed rate loans	-	5,121	-	5,121
Total current liabilities	**8,775**	**33,187**	**850**	**42,812**
Total liabilities	**78,444**	**62,317**	**850**	**141,611**

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
Total non-current liabilities	**81,548**	**24,307**	**-**	**105,855**
Short-term debt				
Loans from banks	-	2,582	-	2,582
European commercial paper	9,138	-	-	9,138
Finance lease obligation	-	-	454	454
RR denominated fixed rate loans	-	4,672	-	4,672
Total current liabilities	**9,138**	**7,254**	**454**	**16,846**
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.