PJSC ALROSA

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

CONTENTS

(in millions of Russian roubles, unless otherwise stated)

Condensed Consolidated Interim Statement of Financial Position (Unaudited)

	Notes	31 March 2017	31 December 2016
ASSETS			
Non-current Assets			
Goodwill		1,439	1,439
Property, plant and equipment	7	286,698	288,874
Investments in associates and joint ventures	4.1	4,577	4,061
Deferred tax assets		2,150	1,967
Available-for-sale investments		1,509	1,424
Long-term accounts receivable	9	2,427	2,093
Total Non-current Assets		**298,800**	**299,858**
Current Assets			
Inventories	8	81,685	98,576
Prepaid income tax		32	121
Trade and other receivables	9	16,193	15,179
Bank deposits	5	12,970	28,570
Cash and cash equivalents	6	40,609	30,410
Total Current Assets		**151,489**	**172,856**
Total Assets		**450,289**	**472,714**
EQUITY			
Share capital	10	12,473	12,473
Share premium		10,431	10,431
Treasury shares	10	-	-
Retained earnings and other reserves	10	256,136	234,298
Equity attributable to owners of PJSC ALROSA		**279,040**	**257,202**
Non-Controlling Interest in Subsidiaries		**154**	**-232**
Total Equity		**279,194**	**256,970**
LIABILITIES			
Non-current Liabilities			
Long-term debt	11	97,788	141,669
Provision for pension obligations	13	20,217	19,954
Other provisions		6,805	6,691
Deferred tax liabilities		10,211	11,018
Total Non-current Liabilities		**135,021**	**179,332**
Current Liabilities			
Short-term loans and current portion of long-term debt	12	839	666
Trade and other payables	14	23,465	25,488
Income tax payable		4,175	2,368
Other taxes payable	15	7,538	7,804
Dividends payable		57	86
Total Current Liabilities		**36,074**	**36,412**
Total Liabilities		**171,095**	**215,744**
Total Equity and Liabilities		**450,289**	**472,714**

Approved for issue and signed on 25 May 2017 by the following members of management:

Sergey S. Ivanov
President

Svetlana V. Linnik
Chief accountant

(in millions of Russian roubles, unless otherwise stated)

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

	Notes	Three months ended 31 March 2017	Three months ended 31 March 2016
Revenue	16	84,813	102,339
Cost of sales	17	(47,933)	(39,057)
Royalty	15	(302)	(302)
Gross profit		**36,578**	**62,980**
General and administrative expenses	18	(3,091)	(3,170)
Selling and marketing expenses	19	(829)	(916)
Other operating income		273	312
Other operating expenses	20	(8,728)	(7,767)
Operating profit		**24,203**	**51,439**
Finance income / (costs), net	21	5,345	11,222
Share of net profit of associates and joint ventures	4.1	819	555
Profit before income tax		**30,367**	**63,216**
Income tax	15	(7,681)	(13,327)
Profit for the year		**22,686**	**49,889**
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations, net of tax		(350)	(1,181)
Total items that will not be reclassified to profit or loss		**(350)**	**(1,181)**
Items that will be reclassified to profit or loss:			
Currency translation differences, net of tax		(55)	(65)
Change in fair value of available for sale investments		(57)	2
Total items that will be reclassified to profit or loss		**(112)**	**(63)**
Other comprehensive loss for the year		**(462)**	**(1,244)**
Total comprehensive income for the year		**22,224**	**48,645**
Profit attributable to:			
Owners of PJSC ALROSA		22,383	49,172
Non-controlling interest		303	717
Profit for the year		**22,686**	**49,889**
Total comprehensive income attributable to:			
Owners of PJSC ALROSA		21,838	47,822
Non-controlling interest		386	823
Total comprehensive income for the year		**22,224**	**48,645**
Basic and diluted earnings per share for profit attributable to the owners of PJSC ALROSA (in Roubles)	10	3.04	6.68

(in millions of Russian roubles, unless otherwise stated)

Condensed Consolidated Interim Statement of Cash Flows (Unaudited)

	Notes	Three months ended 31 March 2017	Three months ended 31 March 2016
Net Cash Inflow from Operating Activities	22	**40,389**	**66,950**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(5,828)	(7,043)
Proceeds from sales of property, plant and equipment		73	76
Acquisition of available-for-sale investments		(216)	(34)
Proceeds from disposal of subsidiaries, net of cash disposed of		499	388
Interest received		1,039	333
Cash received from deposits		15,600	-
Dividends received from associates		1	1
Net Cash Outflow from Investing Activities		**11,168**	**(6,279)**
Cash Flows from Financing Activities			
Repayments of loans		(34,787)	(44)
Loans received		78	34
Interest paid		(3,895)	(1,287)
Dividends paid		(29)	(20)
Net Cash Outflow from Financing Activities		**(38,633)**	**(1,317)**
Net Increase in Cash and Cash Equivalents		**12,924**	**59,354**
Cash and cash equivalents at the beginning of the year		30,410	20,503
Effect of exchange rate changes on cash and cash equivalents		(2,725)	(3,894)
Cash and Cash Equivalents at the End of the Year	6	**40,609**	**75,963**

(in millions of Russian roubles, unless otherwise stated)

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

		Attributable to owners of PJSC ALROSA							
	Number of shares outstanding	**Share capital**	**Share premium**	**Treasury shares**	**Other reserves (note 9)**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 31 December 2015	**7,356,366, 330**	**12,473**	**10,431**	**(15)**	**(5,944)**	**134,797**	**151,742**	**(257)**	**151,485**
Comprehensive income / (loss)									
Profit for the year		-	-	-	-	49,172	49,172	717	49,889
Other comprehensive (loss) / income		-	-	-	(1,350)	-	(1,350)	106	(1,244)
Total comprehensive income / (loss) for the year		**-**	**-**	**-**	**(1,350)**	**49,172**	**47,822**	**823**	**48,645**
Transactions with owners									
Disposal of subsidiaries		-	-	-	89	-	89	(89)	-
Total transactions with owners		**-**	**-**	**-**	**89**	**-**	**89**	**(89)**	**-**
Balance at 31 March 2016	**7,356,366,330**	**12,473**	**10,431**	**(15)**	**(7,205)**	**183,969**	**199,653**	**477**	**200,130**
Balance at 31 December 2016	**7,364,965,630**	**12,473**	**10,431**	**-**	**(17,104)**	**251,402**	**257,202**	**(232)**	**256,970**
Comprehensive income / (loss)									
Profit for the year		-	-	-	-	22,383	22,383	303	22,686
Other comprehensive (loss) / income		-	-	-	(545)	-	(545)	83	(462)
Total comprehensive income / (loss) for the year		**-**	**-**	**-**	**(545)**	**22,383**	**21,838**	**386**	**22,224**
Balance at 31 March 2017	**7,364,965,630**	**12,473**	**10,431**	**-**	**(17,649)**	**273,785**	**279,040**	**154**	**279,194**

1. ACTIVITIES

The core activities of Public Joint Stock Company ALROSA ("the Company") and its subsidiaries ("the Group") are exploration and extraction of diamond reserves and marketing and distribution of raw and cut diamonds. The Company was registered on 13 August 1992 in the Republic of Sakha (Yakutia), which is located within the Russian Federation.

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 2019 and 2048. Management believes the Group will be able to extend the licenses' terms after they expire.

As at 31 March 2017 and 31 December 2016 the Company's principal shareholders are the Federal Agency for State Property Management on behalf of the government of the Russian Federation (33.0 per cent of shares) and the Ministry of the property and land relations of the Republic of Sakha (Yakutia) on behalf of the Republic of Sakha (Yakutia) (25.0 per cent of shares).

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

2. BASIS OF PRESENTATION

The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). These condensed consolidated interim financial statements should be read together with the consolidated financial statements for the year ended 31 December 2016 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 statements are 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 statements 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, bad debt provision, deferred taxation, useful life of property, plant and equipment, reserve estimates used to calculate depreciation, asset retirement obligation, pension and other post-retirement benefit costs. Actual results could differ from these estimates.

The official US dollar to RR exchange rates as determined by the Central Bank of the Russian Federation were 56.3779 and 60.6569 as at 31 March 2017 and 31 December 2016, respectively. The official Euro to RR exchange rates as determined by the Central bank of the Russian Federation were 60.5950 and 63.8111 as at 31 March 2017 and 31 December 2016, 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 2016 with the exception of income tax expense, which is recognised based on management's best estimate of the annual effective income tax rate expected for the full financial year.

New accounting developments

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2017:

- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).

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

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the consolidated financial statements for the year ended 31 December 2016, 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.

(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	Place of business	Percentage of ownership interest held	
			31 March 2017	31 December 2016
ALROSA Finance S.A.	Financial services	Luxembourg	100.0	100.0
OJSC ALROSA-Gaz	Gas production	Russia	100.0	100.0
JSC Almazy Anabara	Diamonds production	Russia	100.0	100.0
JSC Geotransgaz	Gas production	Russia	100.0	100.0
Urengoy Gaz Company LLC	Gas production	Russia	100.0	100.0
JSC Nizhne-Lenskoe	Diamonds production	Russia	100.0	100.0
JSC Viluyskaya GES-3	Electricity production	Russia	99.7	99.7
PJSC Severalmaz	Diamonds production	Russia	99.6	99.6
Alrosa Belgium N.V.	Diamonds trading	Belgium	99.6	99.6
PJSC ALROSA-Nyurba	Diamonds production	Russia	87.5	87.5
Hydroshikapa S.A.R.L	Electricity production	Angola	55.0	55.0

As at 31 March 2017 and 31 December 2016 the percentage of ownership interest of the Group in subsidiaries is equal to the percentage of voting interest.

4.1. Investments in Associates and Joint Ventures

Name	Place of business	Percentage of ownership interest held at		Carrying value of investment at		Group's share of net profit/(loss) for the three months ended	
		31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 March 2016
Catoca Mining Company Ltd.	Angola	32.8	32.8	4,362	3,847	818	564
CJSC MMC Timir	Russia	49.0	49.0	-	-	-	(8)
Other	Russia	20-50	20-50	215	214	1	(1)
				4,577	**4,061**	**819**	**555**

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

As at 31 March 2017 and 31 December 2016 the percentage of ownership interest of the Group in its associates and joint venture is equal to the percentage of voting interest.

Catoca Mining Company Ltd ("Catoca") is a diamond-mining venture located in Angola.

Currency translation loss recognised in the condensed consolidated other comprehensive income for the three months ended 31 March 2017 in respect of investment in Catoca totalled RR'mln 303. Currency translation loss recognised in the condensed consolidated other comprehensive income for the three months ended 31 March 2016 in respect of investment in Catoca totalled RR'mln 376.

5. BANK DEPOSITS

	31 March 2017	31 December 2016
Deposits in PJSC VTB Bank	12,970	25,570
Deposits in JSC ROSBANK	-	3,000
Total bank deposits	**12,970**	**28,570**

(in millions of Russian roubles, unless otherwise stated)

6. CASH AND CASH EQUIVALENTS

	31 March 2017	31 December 2016
Deposit accounts	24,670	24,525
Cash in banks and on hand	15,939	5,885
Total cash and cash equivalents	**40,609**	**30,410**

Deposit accounts at 31 March 2017 and 31 December 2016 are mainly held to meet short-term cash needs and have various original maturities but can be withdrawn on request without restrictions.

7. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Assets under construction	TOTAL
As at 31 December 2015			
Cost	372,165	56,430	428,595
Accumulated depreciation and impairment losses	(143,604)	(1,028)	(144,632)
Net book value as at 31 December 2015	**228,561**	**55,402**	**283,963**
Three months ended 31 March 2016			
Net book value as at 31 December 2015	228,561	55,402	283,963
Foreign exchange differences	(365)	16	(349)
Additions	1,822	5,551	7,373
Transfers	3,274	(3,274)	-
Disposal of subsidiaries - at cost	(191)	-	(191)
Disposal of subsidiaries - accumulated depreciation	102	-	102
Other disposals – at cost	(733)	(44)	(777)
Other disposals – accumulated depreciation	661	-	661
Change in estimate of provision for land recultivation	(10)	-	(10)
Depreciation charge for the period	(5,863)	-	(5,863)
Net book value as at 31 March 2016	**227,258**	**57,651**	**284,909**
As at 31 March 2016			
Cost	375,962	58,679	434,641
Accumulated depreciation and impairment losses	(148,704)	(1,028)	(149,732)
Net book value as at 31 March 2016	**227,258**	**57,651**	**284,909**
As at 31 December 2016			
Cost	410,256	41,277	451,533
Accumulated depreciation and impairment losses	(162,659)	-	(162,659)
Net book value as at 31 December 2016	**247,597**	**41,277**	**288,874**
Three months ended 31 March 2017			
Net book value as at 31 December 2016	247,597	41,277	288,874
Foreign exchange differences	(285)	-	(285)
Additions	1,781	4,135	5,916
Transfers	1,631	(1,631)	-
Disposal of subsidiaries – at cost	(8)	(4)	(12)
Disposal of subsidiaries - accumulated depreciation	8	-	8
Other disposals – at cost	(1,013)	(90)	(1,103)
Other disposals – accumulated depreciation	943	-	943
Change in estimate of provision for land recultivation	12	-	12
Depreciation charge for the period	(7,655)	-	(7,655)
Net book value as at 31 March 2017	**243,011**	**43,687**	**286,698**
As at 31 March 2017			
Cost	412,374	43,687	456,061
Accumulated depreciation and impairment losses	(169,363)	-	(169,363)
Net book value as at 31 March 2017	**243,011**	**43,687**	**286,698**

(in millions of Russian roubles, unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Capitalised borrowing costs

During three months ended 31 March 2017 the Group has capitalised borrowing costs amounting to RR'mln 79 (three months ended 31 March 2016: RR'mln 66). For three months ended 31 March 2016 borrowing costs were capitalized at the weighted average rate of its general borrowing of 5.51 per cent (three months ended 31 March 2016: 8.24 per cent.).

Finance leases

Property, plant and equipment include the mining equipment and transport which the Group received under finance lease agreements. As at 31 March 2017 the carrying value of this equipment is RR'mln 188 (31 December 2016: RR'mln 209).

8. INVENTORIES

	31 March 2017	31 December 2016
Diamonds	40,718	55,526
Ores and sands mined	17,525	16,566
Mining and other materials	20,842	23,970
Consumable and other supplies	2,600	2,514
Total inventories	**81,685**	**98,576**

9. TRADE AND OTHER RECEIVABLES

Long-term accounts receivable	31 March 2017	31 December 2016
Loans issued	980	960
Consideration receivable for disposed interest in CJSC MMC Timir	418	934
Advances to suppliers	174	145
Long-term VAT recoverable	13	13
Other long-term receivables	842	41
Total long-term accounts receivable	**2,427**	**2,093**

Short-term accounts receivable	31 March 2017	31 December 2016
Prepaid taxes, other than income tax	4,247	5,010
Trade receivables for supplied diamonds	3,488	1,498
VAT recoverable	1,941	2,311
Advances to suppliers	1,330	1,372
Interest on deposits	645	995
Consideration receivable for disposed interest in CJSC MMC Timir	613	664
Loans issued	338	319
Receivables from associates (note 24)	63	84
Other trade receivables	3,528	2,926
Total short-term accounts receivable	**16,193**	**15,179**

Trade and other receivables are presented net of impairment provision of RR'mln 2,759 and RR'mln 2,821 as at 31 March 2017 and 31 December 2016, respectively.

(in millions of Russian roubles, unless otherwise stated)

10. SHAREHOLDERS' EQUITY

Share capital

Share capital authorised, issued and paid in totals RR'mln 12,473 as at 31 March 2017 and 31 December 2016 and consists of 7,364,965,630 ordinary shares at RR 0.5 par value share. In addition as at 31 March 2017 and 31 December 2016 share capital includes hyperinflation adjustment totalling RR'mln 8,790, which was calculated in accordance with requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies" and relates to the reporting periods prior to 1 January 2003.

Distributable profits

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

Treasury shares

As at 31 March 2017 subsidiaries of the Group held no ordinary shares of the Company (31 December 2016: nil shares). The Group management effectively controls the voting rights of shares held by subsidiaries.

Earnings or loss per share

Earnings or loss per share have been calculated by dividing the profit or loss attributable to owners of PJSC 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 7,364,965,630 and 7,356,366,330 weighted average shares outstanding for the three months ended 31 March 2017 and 31 March 2016, 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	Total other reserves
Balance at 31 December 2015	**499**	**(16)**	**57**	**(6,484)**	**(5,944)**
Currency translation differences	(171)	-	-	-	(171)
Purchase of non-controlling interest	-	89	-	-	89
Actuarial remeasurement on post employment benefit obligation	-	-	-	(1,181)	(1,181)
Change in fair value of available for sale investments	-	-	2	-	2
Balance at 31 March 2016	**328**	**73**	**59**	**(7,665)**	**(7,205)**
Balance at 31 December 2016	**171**	**69**	**238**	**(17,582)**	**(17,104)**
Currency translation differences	(138)	-	-	-	(138)
Actuarial remeasurement on post employment benefit obligation	-	-	-	(350)	(350)
Change in fair value of available for sale investments	-	-	(57)	-	(57)
Balance at 31 March 2017	**(138)**	**-**	**181**	**(17,932)**	**(17,649)**

Dividends

On 30 June 2016 the Company's annual shareholders' meeting approved dividends for the year ended 31 December 2015 totalling RR'mln 15,393. Dividends per share amounted to RR 2.09.

(in millions of Russian roubles, unless otherwise stated)

11. LONG-TERM DEBT

	31 March 2017	31 December 2016
Debt to banks:		
US$ denominated floating rate	-	36,394
US$ denominated fixed rate	40,592	43,673
RR denominated fixed rate	1,450	1,370
	42,042	**81,437**
Eurobonds US$ denominated	56,378	60,657
Finance lease obligation	142	173
Other RR denominated fixed rate loans	13	16
	98,575	**142,283**
Less: current portion of long-term debt (note 12)	(787)	(614)
Total long-term debt	**97,788**	**141,669**

As at 31 March 2017 and 31 December 2016 the fair value of bank loans was not materially different from their carrying value.

As at 31 March 2017 and 31 December 2016 there were no long-term loans secured with the assets of the Group.

The average effective interest rates for each class of long-term debt at the end of the reporting period were as follows:

	31 March 2017	31 December 2016
Banks		
US$ denominated floating rate	-	7.2%
US$ denominated fixed rate	4.3%	4.3%
RR denominated fixed rate	13.2%	13.3%
Eurobonds US$ denominated	7.8%	7.8%

As at 31 March 2017 and 31 December 2016 there were no long-term loans secured with the assets of the Group.

Eurobonds

	Three months ended 31 March 2017	Three months ended 31 March 2016
Balance at the beginning of the reporting period	**60,657**	**72,883**
Foreign exchange gain	(4,279)	(5,275)
Balance at the end of the reporting period	**56,378**	**67,608**

As at 31 March 2017 the fair value of Eurobonds comprised RR'mln 64,694 (31 December 2016: RR'mln 68,694).

12. SHORT-TERM LOANS AND CURRENT PORTION OF LONG-TERM DEBT

	31 March 2017	31 December 2016
Other RR denominated fixed rate loans	52	52
Add: current portion of long-term debt (note 11)	787	614
Total short-term debt and current portion of long-term debt	**839**	**666**

As at 31 March 2017 and 31 December 2016 there were no short-term loans secured with the assets of the Group.

(in millions of Russian roubles, unless otherwise stated)

13. PROVISION FOR PENSION OBLIGATIONS

The Group operates defined employee benefit plans, including corporate pension plan with defined payments, one-off payments on retirement, jubilee payments, payments for years of service and provision of financial assistance in case of an employee's or non-working pensioner's death. Corporate pension is administered through the separate entity – Non-state pension fund JSC NPF Almaznaya osen. Group makes contributions to this pension fund to cover its obligations. There are no any minimum funding requirements prescribed by regulatory authorities. Other plans are non-funded and implemented through payments to employees made directly by the Group.

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

	31 March 2017	31 December 2016
Present value of obligations	32,591	32,408
Fair value of plan assets	(13,597)	(13,638)
Pension obligations for the funded plan	18,994	18,770
Present value of unfunded obligation	1,223	1,184
Net liability	**20,217**	**19,954**

Changes in the present value of pension obligations and plan assets for the three months ended 31 March 2017 and three months ended 31 March 2016 are as follows:

	Present value of obligations	Fair value of plan assets	Total
At 1 January 2017	**33,592**	**(13,638)**	**19,954**
Current service cost	107	-	107
Past service cost	(218)	-	(218)
Interest expense / (income)	708	(290)	418
	597	**(290)**	**307**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense	-	290	290
Loss from changes in financial actuarial assumptions	68	-	68
	68	**290**	**358**
Contributions to plan:			
Employer contributions	-	(395)	(395)
Benefits paid	(443)	436	(7)
	(443)	**41**	**(402)**
At 31 March 2017	**33,814**	**(13,597)**	**20,217**
At 1 January 2016	**20,868**	**(10,312)**	**10,556**
Current service cost	87	-	87
Past service cost and curtailment	(50)	-	(50)
Interest expense / (income)	495	(245)	250
	532	**(245)**	**287**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense	-	309	309
Loss from changes in financial actuarial assumptions	979	-	979
	979	**309**	**1,288**
Contributions to plan:			
Employer contributions	-	(132)	(132)
Benefits paid	(287)	280	(7)
	(287)	**148**	**(139)**
At 31 March 2016	**22,092**	**(10,100)**	**11,992**

(in millions of Russian roubles, unless otherwise stated)

13. PROVISION FOR PENSION OBLIGATIONS (CONTINUED)

The significant actuarial assumptions are as follows:

	31 March 2017	31 December 2016
Discount rate (nominal)	8.0%	8.5%
Future salary increases (nominal)	6.5%	6.5%
Future pension increases (nominal)	5.0%	5.0%

14. TRADE AND OTHER PAYABLES

	31 March 2017	31 December 2016
Accrual for employee holidays and flights	9,220	7,890
Trade payables	5,927	6,820
Wages and salaries	3,288	6,666
Advances from customers	1,931	1,353
Interest payable	1,827	1,342
Current portion of provision for social obligation	262	281
Payables to associates	15	11
Other payables	995	1,125
Total trade and other payables	**23,465**	**25,488**

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

15. INCOME TAX AND OTHER TAX ASSETS AND LIABILITIES

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

	31 March 2017	31 December 2016
Payments to social funds	2,669	2,676
Extraction tax	1,724	1,465
Property tax	1,367	1,067
Value added tax	876	1,364
Personal income tax (employees)	421	946
Other taxes and accruals	481	286
Total taxes payable, other than income tax	**7,538**	**7,804**

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

	Three months ended 31 March 2017	Three months ended 31 March 2016
Property tax	1,334	1,236
Other taxes and accruals	85	125
Total taxes other than income tax expense	**1,419**	**1,361**

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 was obliged to pay 6.5 per cent. on the value of diamonds sold for export in the form of an export duty (note 16). In accordance with Russian Federation Government Decree №797 dated 15 August 2016, export duties relating to rough diamonds export sales have been cancelled effective 1 September 2016.

(in millions of Russian roubles, unless otherwise stated)

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

In accordance with the amendment to the license agreement registered in May 2007, PJSC ALROSA-Nyurba, a subsidiary of the Group, is obliged to make annual fixed royalty payments to the Republic of Sakha (Yakutia) starting from 1 January 2012 in the amount of RR'mln 1,209 per annum.

Income tax comprise the following:

	Three months ended 31 March 2017	Three months ended 31 March 2016
Current tax expense	8,397	13,915
Deferred tax benefits	(945)	(588)
Adjustments recognised in the period for current tax of prior periods	229	-
Total income tax expense	**7,681**	**13,327**

16. REVENUE

	Three months ended 31 March 2017	Three months ended 31 March 2016
Revenue from diamond sales:		
Export	72,531	89,975
Domestic	6,094	7,340
Revenue from diamonds for resale	16	252
Total revenue from diamond sales	**78,641**	**97,567**
Other revenue:		
Social infrastructure	2,125	835
Sale of gas	1,817	1,480
Transport	1,158	980
Other	1,072	1,477
Total revenue	**84,813**	**102,339**

Export duties totalling RR'mln 5,826 for the three months ended 31 March 2016 were netted against revenues from export of diamonds.

17. COST OF SALES

	Three months ended 31 March 2017	Three months ended 31 March 2016
Wages, salaries and other staff costs	11,192	11,219
Depreciation	7,491	5,612
Extraction tax	5,943	6,682
Fuel and energy	4,006	3,998
Materials	2,868	2,791
Services	1,723	1,469
Transport	606	691
Cost of diamonds for resale	16	252
Other	239	314
Movement in inventory of diamonds, ores and sands	13,849	6,029
Total cost of sales	**47,933**	**39,057**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 2,521 for the three months ended 31 March 2017 (for the three months ended 31 March 2016: RR'mln 2,457).

(in millions of Russian roubles, unless otherwise stated)

17. COST OF SALES (CONTINUED)

Depreciation totalling RR'mln 101 for the three months ended 31 March 2017 (for the three months ended 31 March 2016: RR'mln 207) and staff costs totalling RR'mln 580 (for the three months ended 31 March 2016: RR'mln 883) were incurred by the Group's construction divisions and were capitalised into property, plant and equipment in the respective periods.

18. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March 2017	Three months ended 31 March 2016
Wages, salaries and other staff costs	2,084	1,757
Services and other administrative expenses	915	848
Impairment of accounts receivable	92	565
Total general and administrative expenses	**3,091**	**3,170**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 519 for the three months ended 31 March 2017 (for the three months ended 31 March 2016: RR'mln 403).

19. SELLING AND MARKETING EXPENSES

	Three months ended 31 March 2017	Three months ended 31 March 2016
Wages, salaries and other staff costs	492	452
Services and other selling and marketing expenses	337	464
Total selling and marketing expenses	**829**	**916**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 119 for the three months ended 31 March 2017 (for the three months ended 31 March 2016: RR'mln 105).

20. OTHER OPERATING EXPENSES

	Three months ended 31 March 2017	Three months ended 31 March 2016
Foreign exchange loss, net	3,373	2,130
Exploration expenses	2,279	2,381
Taxes other than income tax, extraction tax and payments to social funds (note 15)	1,419	1,361
Social costs	1,257	1,210
Loss on disposal of property, plant and equipment	82	111
Loss on disposal of subsidiaries	9	175
Other	309	399
Total other operating expenses	**8,728**	**7,767**

Social costs consist of:

	Three months ended 31 March 2017	Three months ended 31 March 2016
Charity	659	647
Maintenance of local infrastructure	511	462
Hospital expenses	36	35
Education	24	21
Other	27	45
Total social costs	**1,257**	**1,210**

(in millions of Russian roubles, unless otherwise stated)

21. FINANCE INCOME AND COSTS

	Three months ended 31 March 2017	Three months ended 31 March 2016
Interest income	740	774
Interest expense:		
Eurobonds	(1,147)	(1,388)
Bank loans	(909)	(1,774)
Other financial liabilities	(2,811)	(299)
Unwinding of discount of provisions	211	61
Foreign exchange gain, net	9,261	13,848
Total finance income / (costs), net	**5,345**	**11,222**

22. CASH GENERATED FROM OPERATING ACTIVITIES

Reconciliation of profit before tax to cash generated from operating activities:

	Three months ended 31 March 2017	Three months ended 31 March 2016
Profit before income tax	**30,367**	**63,216**
Adjustments for:		
Share of net profit of associates and joint ventures (note 4)	(819)	(555)
Interest income (note 21)	(740)	(774)
Interest expense and discounting of provisions (note 21)	4,656	3,400
Loss on disposal of property, plant and equipment (note 20)	81	111
Loss on disposal of subsidiaries (note 20)	9	175
Change in provision for impairment of receivables and obsolete inventories, net	(222)	833
Depreciation (notes 7, 17)	7,555	5,656
Adjustments for non-cash financing activity	24	(11)
Unrealised foreign exchange effect on non-operating items	(5,865)	(11,161)
Net operating cash flows before changes in working capital	**35,046**	**60,890**
Net decrease in inventories	17,209	7,640
Net increase in trade and other receivables, excluding dividends receivable	(2,189)	(140)
Net increase/(decrease) in provisions, trade and other payables, excluding interest payable and payables for acquired property, plant and equipment	(2,926)	4,222
Net (decrease)/ increase in taxes payable other than income tax	(255)	756
Cash inflows from operating activities	**46,885**	**73,368**
Income tax paid	(6,496)	(6,418)
Net Cash Inflows from Operating Activities	**40,389**	**66,950**

23. CONTINGENCIES AND COMMITMENTS

(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 frequent changes and varying interpretations. During 2016 the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating is below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

(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 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 earlier 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.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This 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 this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated.

The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The profit of the CFC, with exemption under the Law, is taxed at a rate of 20%.

(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 31 March 2017.

(in millions of Russian roubles, unless otherwise stated)

23. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(d) Capital commitments

As at 31 March 2017 the Group had contractual commitments for capital expenditures of approximately RR'mln 8,333 (31 December 2016: RR'mln 5,800).

(e) Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	31 March 2017	31 December 2016
Not later than 1 year	167	194
Later than 1 year and not later than 5 years	487	523
Later than 5 years	914	961
Total operating lease commitments	**1,568**	**1,678**

(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. At 31 March 2017 the Group recognised a provision for these future expenses in the amount of RR'mln 6,205 (31 December 2016: RR'mln 6,345).

(g) Compliance with covenant

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants at 31 March 2017 and 31 December 2016.

(h) Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. The Group has guaranteed the obligations of JSC "Aviacompania Yakutiya" to PJSC VTB Bank under the loan agreement amounting to RR'mln 1,500 and accrued interest.

24. RELATED PARTY TRANSACTIONS

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

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

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

Federal Agency for State Property Management on behalf of the government of the Russian Federation and the Ministry of the property and land relations of the Republic of Sakha (Yakutia) on behalf of the Republic of Sakha (Yakutia) are the major shareholders of the Company. As at 31 March 2017 58.0 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 31 March 2017 8 per cent. of the Company's shares were owned by administrations of 8 districts of the Republic of Sakha (Yakutia). Following the General Meeting of Shareholders in June 2016, the 15 seats on the Supervisory Board include 13 representatives of the Russian Federation and the Republic of Sakha (Yakutia), 5 independent directors according to the Russian Corporate Law (four of them were nominated by the Government of the Russian Federation,

(in millions of Russian roubles, unless otherwise stated)

24. RELATED PARTY TRANSACTIONS (CONTINUED)

one was nominated by foreign minority shareholders), and one representative of the discricts of the Republic of Sakha (Yakutia). Governmental, federal and local economic and social policies affect the Group's financial position, results of operations and cash flows.

Tax balances are disclosed in the consolidated statement of financial position and in notes 9 and 15. Tax transactions are disclosed in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and in notes 16, 17, 18, 19 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.

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

Consolidated Statement of Financial Position	**31 March 2017**	**31 December 2016**
Short-term accounts receivable	4,730	3,442
Short-term accounts payable	1,177	1,758
Loans received by the Group*	2,194	37,766
Cash and cash equivalents	17,768	27,401
Bank deposits	12,970	25,570

* The line includes the loans received from banks with governmental ownership with various due dates and interest rates ranging from 7% to 15%.

Consolidated Statement of Profit or Loss and Other Comprehensive Income	**Three months ended 31 March 2017**	**Three months ended 31 March 2016**
Sales of diamonds	1,284	2,067
Other sales	1,898	1,175
Electricity and heating expenses	(1,300)	(1,697)
Other purchases	(1,931)	(773)
Interest income	607	559
Interest expense	(559)	(690)

Key management compensation

The Supervisory Council of the Company consists of 15 members including state 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.

As at 31 March 2017 and 31 December 2016 the Management Board consisted of 13 members. Management Board members are entitled to salary, bonuses, voluntary medical insurance and other short-term employee benefits. The President of the Company is entitled to compensation for serving as a Chairman of the Management Board of the Company. Salary and bonus compensation paid to members of the Management Board is determined by the terms of "Remuneration Policy for the members of the Management Board of PJSC ALROSA" approved by the Company's Supervisory Council on 26 August 2016.

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

(in millions of Russian roubles, unless otherwise stated)

24. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management received short-term benefits for the three months ended 31 March 2017 totalling RR'mln 61 (for the three months ended 31 March 2016: RR'mln 405).

Associates and Joint Ventures

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

Current accounts receivable	**31 March 2017**	**31 December 2016**
Catoca, dividends and other receivable	61	84
Other	2	-
Total current accounts receivable	**63**	**84**

Transactions with the Group's pension plan are disclosed in note 13.

25. SEGMENT INFORMATION

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

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

The Management Board evaluates performance and makes investment and strategic decisions based upon review of operating activity results (i.e. meeting production targets and monitoring of actual expenditures against budget allocated by production and sales of diamonds and other activities) as it believes that such information is the most relevant in evaluating the results. No specific measure of profit or loss is analysed by the CODM on entity by entity basis.

The following items are analysed on the Group level and are not allocated between segments for the purposes of the analysis:

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

(in millions of Russian roubles, unless otherwise stated)

25. SEGMENT INFORMATION (CONTINUED)

The following reportable segments were identified:

- Diamonds segment - extraction and sales of diamonds, production and sale of microgrits and diamonds;
- Transportation – airline business, transportation services and services at transportation terminals, ports and airports;
- Social infrastructure – include residential housing units, sports complexes and cultural facilities, such as cinemas and theatres and other social infrastructure;
- Gas – extraction and sale of natural gas;
- 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 consolidated financial statements include those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Three months ended 31 March 2017	**Diamonds segment**	**Transpor-tation**	**Social infrastructure**	**Gas**	**Other activities**	**Total**
Revenue	78,641	1,458	1,505	2,212	2,969	86,785
Intersegment revenue	-	(331)	(922)	(94)	(2,203)	(3,550)
Cost of sales, including	39,899	1,511	2,497	1,199	2,747	47,853
Depreciation	4,380	173	66	214	547	5,380
Gross margin	**38,742**	**(53)**	**(992)**	**1,013**	**222**	**38,932**

Three months ended 31 March 2016	**Diamonds segment**	**Transpor-tation**	**Social infrastructure**	**Gas**	**Other activities**	**Total**
Revenue	103,393	1,372	902	1,877	2,891	110,435
Intersegment revenue	-	(417)	(130)	(389)	(1,742)	(2,678)
Cost of sales, including	28,689	1,576	2,318	1,151	2,502	36,236
depreciation	3,922	115	221	229	420	4,907
Gross margin	**74,704**	**(204)**	**(1,416)**	**726**	**389**	**74,199**

Reconciliation of revenue is presented below:

	Three months ended 31 March 2017	**Three months ended 31 March 2016**
Segment revenue	**86,785**	**110,435**
Elimination of intersegment revenue	(3,550)	(2,678)
Reclassification of custom duties [1]	-	(5,826)
Other adjustments and reclassifications	1,578	408
Revenue as per consolidated statement of profit or loss and other comprehensive income	**84,813**	**102,339**

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

(in millions of Russian roubles, unless otherwise stated)

25. SEGMENT INFORMATION (CONTINUED)

Reconciliation of cost of sales including depreciation is presented below:

	Three months ended 31 March 2017	Three months ended 31 March 2016
Segment cost of sales	**47,853**	**36,236**
Adjustment for depreciation of property, plant and equipment	2,111	705
Elimination of intersegment purchases	(2,918)	(2,048)
Accrued provision for pension obligation [1]	(111)	(108)
Reclassification of extraction tax [2]	-	1,964
Adjustment for inventories [3]	3,896	4,702
Accrual for employee flights and holidays [4]	64	214
Accrual for the part of expected annual bonus	134	134
Other adjustments	(339)	(265)
Reclassification of exploration expenses [5]	(1,112)	(1,139)
Other reclassifications	(1,645)	(1,338)
Cost of sales as per consolidated statement of profit or loss and other comprehensive income	**47,933**	**39,057**

[1] Accrued provision for pension obligation – recognition of pension obligation in accordance with IAS 19
[2] Reclassification of extraction tax – reclassification from general and administrative expenses
[3] Adjustment for inventories – treatment of extraction tax as direct expenses for financial statements, with acorresponding entry in inventory figure and other adjustments
[4] Accrual for employee flights and holidays – recognition of employee flights and holidays reserve
[5] Reclassification of exploration expenses – reclassification to other operating expenses

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

	Three months ended 31 March 2017	Three months ended 31 March 2016
Belgium	43,188	50,885
India	12,892	16,766
Russian Federation	12,024	11,701
Israel	6,876	9,234
United Arab Emirates	5,078	7,026
China	3,482	3,783
Angola	242	297
Belarus	238	1,037
Armenia	235	824
USA	148	242
United Kingdom	92	55
Other countries	318	489
Total	**84,813**	**102,339**

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

	31 March 2017	31 December 2016
Russian Federation	296,960	292,603
Angola	3,744	4,068
Other countries	711	1,252
Total non-current assets other than financial instruments	**301,415**	**297,923**

(in millions of Russian roubles, unless otherwise stated)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Recurring fair value measurements

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

	31 March 2017				**31 December 2016**			
	Level				**Level**			
	1	**2**	**3**	**Total**	**1**	**2**	**3**	**Total**
Available-for-sale investments	1,035	-	474	**1,509**	950	-	474	**1,424**
Total	**1,035**	**-**	**474**	**1,509**	**950**	**-**	**474**	**1,424**

The description of valuation technique and description of inputs used in the fair value measurement for Level:

(in millions of Russian roubles, unless otherwise stated)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

As at 31 March 2017 the Group had the following assets and liabilities not measured at fair value but for which fair value is disclosed, classified by the levels of the fair value hierarchy:

	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
Current and non-current financial assets				
Bank deposits	-	12,970	-	12,970
Current and non-current financial receivable	-	9,597	-	9,597
Loans issued	-	-	1,318	1,318
Cash and cash equivalents	-	40,609	-	40,609
Total financial assets	**-**	**63,176**	**1,318**	**64,494**
Non-current financial liabilities				
Loans from banks and other loans	-	41,368	-	41,368
Eurobonds	56,378	-	-	56,378
Finance lease obligation	-	-	55	55
Total non-current financial liabilities	**56,378**	**41,368**	**55**	**97,801**
Current financial liabilities				
Financial accounts payable	-	8,764	-	8,764
Finance lease obligation	-	-	87	87
Dividends payable	-	57	-	57
Total current financial liabilities	**-**	**8,821**	**87**	**8,908**
Total financial liabilities	**56,378**	**50,189**	**142**	**106,709**

(in millions of Russian roubles, unless otherwise stated)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2016 the Group had the following assets and liabilities not measured at fair value but for which fair value is disclosed, classified by the levels of the fair value hierarchy:

	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
Current and non-current financial assets				
Bank deposits	-	28,570	-	28,570
Current and non-current financial receivable	-	7,142	-	7,142
Loans issued	-	-	1,279	1,279
Cash and cash equivalents	-	30,410	-	30,410
Total financial assets	**-**	**66,122**	**1,279**	**67,401**
Non-current financial liabilities				
Loans from banks and other loans	-	81,437	-	81,437
Eurobonds	60,657	-	-	60,657
Finance lease obligation	-	-	88	88
Total non-current financial liabilities	**60,657**	**81,437**	**88**	**142,182**
Current financial liabilities				
Financial accounts payable	-	9,298	-	9,298
Finance lease obligation	-	-	85	85
Dividends payable	-	86	-	86
Total current financial liabilities	**-**	**9,384**	**85**	**9,469**
Total financial liabilities	**60,657**	**90,821**	**173**	**151,651**

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

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