OJSC ALROSA

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2015

CONTENTS

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	31 March 2015	31 December 2014
Assets			
Non-current Assets			
Goodwill		1,439	1,439
Property, plant and equipment	6	274,064	271,618
Investments in associates and joint ventures	4	6,812	6,219
Deferred tax asset		1,892	1,912
Available-for-sale investments		331	379
Long-term accounts receivable	8	2,145	2,489
Restricted cash		-	100
Total Non-current Assets		**286,683**	**284,156**
Current Assets			
Inventories	7	64,678	63,488
Prepaid income tax		161	3,716
Current accounts receivable	8	12,231	15,196
Cash and cash equivalents	5	54,221	21,693
Total Current Assets		**131,291**	**104,093**
Total Assets		**417,974**	**388,249**
Equity			
Share capital	9	12,473	12,473
Share premium		10,431	10,431
Treasury shares	9	(7)	-
Retained earnings and other reserves	9	133,877	114,147
Equity attributable to owners of OJSC ALROSA		**156,774**	**137,051**
Non-Controlling Interest in Subsidiaries		**747**	**123**
Total Equity		**157,521**	**137,174**
Liabilities			
Non-current Liabilities			
Long-term debt	10	183,002	176,358
Provision for pension obligations	14	6,946	5,793
Other provisions		4,398	4,347
Deferred tax liabilities		10,853	11,301
Total Non-current Liabilities		**205,199**	**197,799**
Current Liabilities			
Short-term debt and current portion of long-term debt	11	20,325	20,802
Trade and other payables	12	24,488	24,003
Income tax payable		3,747	2,716
Other taxes payable	13	6,626	5,287
Dividends payable		68	468
Total Current Liabilities		**55,254**	**53,276**
Total Liabilities		**260,453**	**251,075**
Total Equity and Liabilities		**417,974**	**388,249**

Signed on 2 June 2015 by the following members of management:

Andrey V. Zharkov
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 2015	Three months ended 31 March 2014
Revenue	15	74,580	56,850
Cost of sales	16	(27,961)	(27,906)
Royalty	13	(302)	(302)
Gross profit		**46,317**	**28,642**
General and administrative expenses	17	(2,406)	(1,994)
Selling and marketing expenses	18	(777)	(643)
Other operating income		155	113
Other operating expenses	19	(5,271)	(4,294)
Operating profit		**38,018**	**21,824**
Finance (costs) / income, net	20	(9,354)	(12,347)
Share of net profit of associates and joint ventures	4	450	291
Profit before income tax		**29,114**	**9,768**
Income tax	13	(6,883)	(3,785)
Profit for the period		**22,231**	**5,983**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations, net of tax		(1,592)	1,840
Total items that will not be reclassified to profit or loss		**(1,592)**	**1,840**
Items that will be reclassified to profit or loss:			
Currency translation differences, net of tax		36	350
Total items that will be reclassified to profit or loss		**36**	**350**
Other comprehensive income / (loss) for the period		**(1,556)**	**2,190**
Total comprehensive income for the period		**20,675**	**8,173**
Profit attributable to:			
Owners of OJSC ALROSA		21,556	5,604
Non-controlling interest		675	379
Profit for the period		**22,231**	**5,983**
Total comprehensive income attributable to:			
Owners of OJSC ALROSA		20,000	7,794
Non-controlling interest		675	379
Total comprehensive income for the period		**20,675**	**8,173**
Basic and diluted earnings per share for profit attributable to the owners of OJSC ALROSA (in Roubles)	9	**2.93**	**0.76**

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

	Notes	Three months ended 31 March 2015	Three months ended 31 March 2014
Net Cash Inflow from Operating Activities	21	**39,388**	**28,912**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(7,054)	(8,338)
Purchase of inventories for construction		(580)	(487)
Proceeds from sales of property, plant and equipment		140	484
Interest received		1,037	114
(Purchase) / proceeds from sale of available-for-sale investments		24	(3)
Dividends received from associates and joint ventures		1,660	317
Proceeds from disposal of subsidiaries, net of cash disposed of		(444)	-
Net Cash Outflow from Investing Activities		**(5,217)**	**(7,913)**
Cash Flows from Financing Activities			
Repayments of loans		(18,502)	(46,375)
Loans received		19,870	33,942
Purchase of treasury shares		(337)	(65)
Interest paid		(1,956)	(1,001)
Dividends paid		(400)	(413)
Net Cash Outflow from Financing Activities		**(1,325)**	**(13,912)**
Net Increase in Cash and Cash Equivalents		**32,846**	**7,087**
Cash and cash equivalents at the beginning of the period*		21,693	10,408
Foreign exchange (loss) / gain on cash and cash equivalents		(318)	193
Cash and Cash Equivalents at the End of the Period	5	**54,221**	**17,688**

* including cash and cash equivalents included within assets of disposal group classified as held for sale (Note 4.1)

(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**
Balance at 1 January 2014	**7,360,112,830**	**12,473**	**10,431**	**(5)**	**(7,241)**	**144,142**	**159,800**	**(339)**	**159,461**
Comprehensive income									
Profit for the period		-	-	-	-	**5,604**	**5,604**	**379**	**5,983**
Other comprehensive income		-	-	-	2,190	-	2,190	-	2,190
Total comprehensive income for the period		**-**	**-**	**-**	**2,190**	**5,604**	**7,794**	**379**	**8,173**
Transactions with owners									
Purchase of treasury shares	(1,851,900)	-	-	(2)	-	(62)	(64)	-	(64)
Total transactions with owners		**-**	**-**	**(2)**	**-**	**(62)**	**(64)**	**-**	**(64)**
Balance at 31 March 2014	**7,358,260,930**	**12,473**	**10,431**	**(7)**	**(5,051)**	**149,684**	**167,530**	**40**	**167,570**
Balance at 1 January 2015	**7,364,965,630**	**12,473**	**10,431**	**-**	**(1,419)**	**115,566**	**137,051**	**123**	**137,174**
Comprehensive income									
Profit for the period		-	-	-	-	21,556	21,556	675	22,231
Other comprehensive income		-	-	-	(1,556)	-	(1,556)	-	(1,556)
Total comprehensive income for the period		**-**	**-**	**-**	**(1,556)**	**21,556**	**20,000**	**675**	**20,675**
Transactions with owners									
Purchase of treasury shares	(4,114,100)	-	-	(7)	-	(321)	(328)	-	(328)
Disposal of subsidiaries		-	-	-	51	-	51	(51)	-
Total transactions with owners		**-**	**-**	**(7)**	**51**	**(321)**	**(277)**	**(51)**	**(328)**
Balance at 31 March 2015	**7,360,851,530**	**12,473**	**10,431**	**(7)**	**(2,924)**	**136,801**	**156,774**	**747**	**157,521**

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 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 2015 and 2031. Management believes the Group will be able to extend the licenses' terms after they expire.

As at 31 March 2015 and 31 December 2014 Company's principal shareholders are the governments of the Russian Federation (43.9 per cent. of shares) and 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 information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). This condensed consolidated interim financial information should be read together with the consolidated financial statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards ("IFRS").

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

The preparation of condensed consolidated interim financial information in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The most significant estimates relate to valuation of inventories, investments, allowance for bad and doubtful accounts receivable, deferred taxation, 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 58.46 and 56.26 as at 31 March 2015 and 31 December 2014, respectively. The official Euro to RR exchange rates as determined by the Central bank of the Russian Federation were 63.37 and 68.34 as at 31 March 2015 and 31 December 2014, 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 2014 with the exception of income tax expense, which is recognised based on management's best estimate of the annual effective income tax rate expected for the full financial year.

New accounting developments

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

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

(in millions of Russian roubles, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

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

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the consolidated financial statements for the year ended 31 December 2014, have been issued but are not yet effective and have not been early adopted by the Group. The Group is currently considering the implications of these new accounting pronouncements, their impact on its consolidated financial statements and the timing of their adoption.

4. GROUP STRUCTURE AND INVESTMENTS

The Company's significant consolidated subsidiaries are as follows:

Name	Principal activity	Place of business	Notes	Percentage of ownership interest held	
				31 March 2015	31 December 2014
ALROSA Finance S.A.	Financial services	Luxembourg		100.0	100.0
OJSC ALROSA-Gaz	Gas production	Russia		100.0	100.0
ALROSA-VGS LLC	Capital construction	Russia		100.0	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		100.0	100.0
OJSC Viluyskaya GES-3	Electricity production	Russia		99.7	99.7
OJSC Severalmaz	Diamonds production	Russia		99.6	99.6
Arcos Belgium N.V.	Diamonds trading	Belgium		99.6	99.6
OJSC ALROSA-Nyurba	Diamonds production	Russia		87.5	87.5
Hydroshikapa S.A.R.L	Electricity production	Angola		55.0	55.0
MAK Bank LLC	Banking activity	Russia	4.2	-	84.7

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

4.1. CJSC Geotransgaz and Urengoy Gaz Company Ltd.

On 27 September 2013, the Group signed an agreement with Rosneft Oil Company and certain of its affiliates (together "Rosneft") for the sale of the CJSC Geotransgaz and Urengoy Gaz Company Ltd. (the "Gas companies") to Rosneft for an aggregate sale price of approximately US$'bln 1.38. Disposal of the Gas companies was expected to be completed by 30 April 2014.

Following the conclusion of this agreement and approval of the decision to dispose the Gas companies by the Company's Supervisory Council as at 31 December 2013 the assets and liabilities related to the Gas companies have been presented as held for sale. However, the transaction was not completed due to inability of the parties to fulfil the terms of the existing agreement, accordingly as at 31 March 2015 the assets and liabilities related to the Gas companies are no longer presented as assets and liabilities held for sale as management does not believe that their disposal within twelve months after the reporting date is probable.

4.2. Disposal of MAK Bank LLC

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

(in millions of Russian roubles, unless otherwise stated)

4. GROUP STRUCTURE AND INVESTMENTS (CONTINUED)

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

Property, plant and equipment	681
Trade and other receivables	1,234
Cash	645
Borrowings	(1,658)
Trade and other payables	(546)
Net assets of deconsolidated subsidiary	**356**
Consideration received	**201**
Loss on sale of a subsidiary	**(155)**

4.3. Associates and joint ventures

Name	Principal activity	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 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 March 2014
OJSC MMC Timir	Iron-ore production	Russia	49.0	49.0	2,166	2,179	(13)	(13)
Catoca Mining Company Ltd.	Diamonds production	Angola	32.8	32.8	3,961	3,413	414	303
OJSC Almazergienbank	Banking	Russia	20.00	20.00	425	425	-	-
Other		Russia	20-50	20-50	260	202	49	1
Total carrying value of investment					**6,812**	**6,219**	**450**	**291**

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

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

Catoca Mining Company Ltd. ("Catoca") is a diamond-mining venture located in Angola. Currency translation gain recognised in the condensed consolidated other comprehensive income for the three months ended 31 March 2015 in respect of investment in Catoca totalled RR'mln 134. Currency translation gain recognised in the condensed consolidated other comprehensive income for the three months ended 31 March 2014 in respect of investment in Catoca totalled RR'mln 154.

5. CASH AND CASH EQUIVALENTS

	31 March 2015	31 December 2014
Deposit accounts	46,514	14,302
Cash in banks and on hand	7,707	7,391
Total cash and cash equivalents	**54,221**	**21,693**

As at 31 March 2015 the weighted average interest rate on the cash balances of the Group was 12.83 per cent. per annum (31 December 2014: 14.64 per cent. per annum).

(in millions of Russian roubles, unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Assets under construction	TOTAL
As at 31 December 2013			
Cost	276,341	58,191	334,532
Accumulated depreciation and impairment losses	(118,227)	(1,028)	(119,255)
Net book value as at 31 December 2013	**158,114**	**57,163**	**215,277**
Three months ended 31 March 2014			
Net book value as at 31 December 2013	158,114	57,163	215,277
Foreign exchange differences	299	-	299
Additions	3,823	4,867	8,690
Transfers	4,670	(4,670)	-
Disposal of assets held for sale - at cost (note 4.1)	(8)	(168)	(176)
Disposal of assets held for sale - accumulated depreciation (note 4.1)	318	-	318
Other disposals – at cost	(1,170)	(99)	(1,269)
Other disposals – accumulated depreciation	760	-	760
Change in estimate of provision for land recultivation	(28)	-	(28)
Depreciation charge for the period	(4,538)	-	(4,538)
Net book value as at 31 March 2014	**162,240**	**57,093**	**219,333**
As at 31 March 2014			
Cost	283,927	58,121	342,048
Accumulated depreciation and impairment losses	(121,687)	(1,028)	(122,715)
Net book value as at 31 March 2014	**162,240**	**57,093**	**219,333**
As at 31 December 2014			
Cost	355,100	51,545	406,645
Accumulated depreciation and impairment losses	(133,999)	(1,028)	(135,027)
Net book value as at 31 December 2014	**221,101**	**50,517**	**271,618**
Three months ended 31 March 2015			
Net book value as at 31 December 2014	221,101	50,517	271,618
Foreign exchange differences	180	1	181
Additions	2,374	5,721	8,095
Transfers	574	(574)	-
Disposal of subsidiaries - at cost (note 4.2)	(929)	-	(929)
Disposal of subsidiaries - accumulated depreciation (note 4.2)	248	-	248
Other disposals – at cost	(1,401)	(40)	(1,441)
Other disposals – accumulated depreciation	1,144	-	1,144
Change in estimate of provision for land recultivation	16	-	16
Depreciation charge for the period	(4,868)	-	(4,868)
Net book value as at 31 March 2015	**218,439**	**55,625**	**274,064**
As at 31 March 2015			
Cost	355,914	56,653	412,567
Accumulated depreciation and impairment losses	(137,475)	(1,028)	(138,503)
Net book value as at 31 March 2015	**218,439**	**55,625**	**274,064**

Capitalised borrowing costs

During three months ended 31 March 2015 borrowing costs totalling RR'mln 24 (three months ended 31 March 2014: RR'mln 20) were capitalised in property, plant and equipment. For the three months ended 31 March 2015 the capitalisation rate applied to qualifying assets was 10.12 per cent. p.a. (three months ended 31 March 2014: 6.40 per cent. p.a.). 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

	31 March 2015	31 December 2014
Diamonds	30,892	32,100
Ores and sands mined	14,116	10,004
Mining and construction materials	16,546	18,452
Consumable supplies	3,124	2,932
Total inventories	**64,678**	**63,488**

8. TRADE AND OTHER RECEIVABLES

Long-term accounts receivable	31 March 2015	31 December 2014
Loans issued	895	1,319
Consideration receivable for disposed controlling interest in OJSC MMC Timir*	776	773
Advances to suppliers	163	157
Long-term VAT recoverable	11	15
Other long-term receivables	300	225
Total long-term accounts receivable	**2,145**	**2,489**

Current accounts receivable	31 March 2015	31 December 2014
VAT recoverable	3,595	4,027
Advances to suppliers	1,384	1,184
Receivables from associates (note 24)	1,571	3,278
Loans issued	327	1,236
Consideration receivable for disposed controlling interest in OJSC MMC Timir	1,006	991
Trade receivables for supplied diamonds	87	157
Prepaid taxes, other than income tax	32	1,010
Other trade receivables	4,229	3,313
Total current accounts receivable	**12,231**	**15,196**

*The consideration is receivable from Evraz plc, which credit rating as at 31 December 2014 is BB- (Stable) assessed by Fitch.

Trade and other receivables are presented net of impairment provision of RR'mln 490 and RR'mln 1,113 as at 31 March 2015 and 31 December 2014, respectively.

9. SHAREHOLDERS' EQUITY

Share capital

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

(in millions of Russian roubles, unless otherwise stated)

9. SHAREHOLDERS' EQUITY (CONTINUED)

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 three months ended 31 March 2015 the statutory profit of the Company as reported in the published statutory reporting forms was RR'mln 17,706 (for the three months ended 31 March 2014: RR'mln 6,118). 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 31 March 2015 and 31 December 2014 subsidiaries of the Group held 4,114,100 and no ordinary shares of the Company, respectively. The Group management controls the voting rights of these shares.

Earnings per share

Earnings per share have been calculated by dividing the profit attributable to owners of OJSC ALROSA by the weighted average number of shares outstanding during the year, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares. There were 7,364,124,483 weighted average shares outstanding for the three months ended 31 March 2015 (for the three months ended 31 March 2014: 7,358,381,459). There are no dilutive financial instruments outstanding.

Other reserves

	Currency translation	Purchase of non-controlling interest	Available-for-sale investments	Recognition of accumulated actuarial (loss)/gain	Total other reverves
Balance as at 1 January 2014	**88**	**(169)**	**41**	**(7,201)**	**(7,241)**
Actuarial gain on post employment benefit obligations	-	-	-	1,840	1,840
Currency translation differences	350	-	-	-	350
Balance at 31 March 2014	**438**	**(169)**	**41**	**(5,361)**	**(5,051)**
Balance as at 1 January 2015	**395**	**(87)**	**41**	**(1,768)**	**(1,419)**
Actuarial loss on post employment benefit obligations	-	-	-	(1,592)	(1,592)
Disposal of subsidiaries	-	51	-	-	51
Currency translation differences	36	-	-	-	36
Balance as at 31 March 2015	**431**	**(36)**	**41**	**(3,360)**	**(2,924)**

Dividends

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

(in millions of Russian roubles, unless otherwise stated)

10. LONG-TERM DEBT

	31 March 2015	31 December 2014
Bank loans:		
US$ denominated fixed rate	89,159	85,794
US$ denominated floating rate	35,079	33,755
RR denominated fixed rate	36	36
	124,274	**119,585**
Eurobonds	58,464	56,258
RR denominated non-convertible bonds	20,044	20,044
Finance lease obligation	413	488
Other RR denominated fixed rate loans	28	348
	203,223	**196,723**
Less: current portion of long-term debt (note 11)	(20,221)	(20,365)
Total long-term debt	**183,002**	**176,358**

As at 31 March 2015 the fair value of bank loans was not materially different from their carrying value.

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

The average effective interest rates were as follows:

	31 March 2015	31 December 2014
Bank loans:		
US$ denominated fixed rate	4.2%	4.2%
US$ denominated floating rate	6.3%	6.3%
RR denominated fixed rate	9.1%	9.2%
Eurobonds	7.8%	7.8%
RR denominated non-convertible bonds	8.9%	8.9%
Finance lease obligation	11.5%	11.5%
Other RR denominated fixed rate loans	0.9%	7.2%

Eurobonds
Movements of Eurobonds during three months ended 31 March 2015 and 31 March 2014 were as follows:

	Three months ended	Three months ended
	31 March 2015	**31 March 2014**
Balance at the beginning of the period	**56,258**	**49,088**
Amortisation of discount	-	3
Exchange losses	2,206	4,433
Balance at the end of the period	**58,464**	**53,524**

As at 31 March 2015 the fair value of Eurobonds and RR denominated non-convertibe bonds comprised RR’mln 58,684 and RR’mln 19,696, respectively (31 December 2014: RR’mln RR’mln 53,235 and RR’mln 19,637, respectively).

(in millions of Russian roubles, unless otherwise stated)

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

	31 March 2015	31 December 2014
Bank loans:		
RR denominated fixed rate	50	100
	50	**100**
Other RR denominated fixed rate loans	54	337
	104	**437**
Add: current portion of long-term debt (note 10)	20,221	20,365
Total short-term debt and current portion of long-term debt	**20,325**	**20,802**

The average effective interest rates were as follows:

	31 March 2015	31 December 2014
Banks loans:		
RR denominated fixed rate	15.0%	12.4%
Other RR denominated fixed rate loans	3.1%	1.3%

As at 31 March 2015 and 31 December 2014 there were no short-term loans secured with the assets of the Group.

12. TRADE AND OTHER PAYABLES

	31 March 2015	31 December 2014
Accrual for employee flights and holidays	8,511	7,427
Trade payables	5,792	5,508
Wages and salaries	3,379	5,954
Interest payable	2,805	1,324
Advances from customers	1,565	753
Current portion of provision for social obligation	969	996
Payables to associates	20	19
Current accounts of third parties in MAK Bank LLC	-	847
Other payables and accruals	1,447	1,175
Total trade and other payables	**24,488**	**24,003**

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.

13. INCOME TAX AND OTHER TAX ASSETS AND LIABILITIES

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

	31 March 2015	31 December 2014
Payments to social funds	1,977	1,897
Extraction tax	1,773	648
Property tax	1,226	1,134
Value added tax	902	245
Personal income tax (employees)	381	830
Other taxes and accruals	367	533
Total taxes payable, other than income tax	**6,626**	**5,287**

(in millions of Russian roubles, unless otherwise stated)

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

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

	Three months ended 31 March 2015	Three months ended 31 March 2014
Property tax	954	892
Other taxes and accruals	417	105
Total taxes other than income tax expense	**1,371**	**997**

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 31 March 2015	Three months ended 31 March 2014
Current tax expense	7,189	4,220
Adjustments recognised in the period for current tax of prior periods	107	244
Deferred tax expense	(413)	(679)
Total income tax expense	**6,883**	**3,785**

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:

	31 March 2015	31 December 2014
Present value of funded obligations	15,902	14,547
Fair value of plan assets	(9,799)	(9,510)
Pension obligations for the funded plan	6,103	5,037
Present value of unfunded obligation	843	756
Net liability	**6,946**	**5,793**

(in millions of Russian roubles, unless otherwise stated)

14. PROVISION FOR PENSION OBLIGATION (CONTINUED)

Changes in the present value of funded and unfunded pension obligations and plan assets for the three months ended 31 March 2015 and for the three months ended 31 March 2014 are as follows:

	Present value of obligation	Fair value of plan assets	Total
As at 31 December 2013	**21,174**	**(9,017)**	**12,157**
Current service cost	106	-	106
Interest expense / (income)	424	(180)	244
	530	**(180)**	**350**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense / (income)	-	180	180
Gain from changes in financial actuarial assumptions	(2,020)	-	(2,020)
	(2,020)	**180**	**(1,840)**
Contributions paid by employer	-	(111)	(111)
Benefit payments	(358)	358	-
	(358)	**247**	**(111)**
As at 31 March 2014	**19,326**	**(8,770)**	**10,556**

	Present value of obligation	Fair value of plan assets	Total
As at 31 December 2014	**15,303**	**(9,510)**	**5,793**
Current service cost	48	-	48
Interest expense / (income)	494	(307)	187
	542	**(307)**	**235**
Remeasurements:			
Return on plan assets, excluding amount included in interest expense / (income)	-	354	354
Loss from changes in financial actuarial assumptions	1,280	-	1,280
	1,280	**354**	**1,634**
Contributions paid by employer	-	(712)	(712)
Benefit payments	(380)	376	(4)
	(380)	**(336)**	**(716)**
As at 31 March 2015	**16,745**	**(9,799)**	**6,946**

The significant actuarial assumptions are as follows:

	31 March 2015	31 December 2014
Discount rate (nominal)	12.0%	13.0%
Future salary increases (nominal)	8.3%	8.3%
Future pension increases (nominal)	6.5%	6.5%

(in millions of Russian roubles, unless otherwise stated)

15. REVENUE

	Three months ended 31 March 2015	Three months ended 31 March 2014
Revenue from diamond sales:		
Export	62,357	45,802
Domestic	6,440	5,371
Revenue from diamonds for resale	311	358
Total revenue from diamond sales	**69,108**	**51,531**
Other revenue:		
Transport	905	853
Social infrastructure	1,256	1,356
Sales of gas	1,647	1,900
Other	1,664	1,210
Total revenue	**74,580**	**56,850**

Export duties totalling RR'mln 4,192 for the three months ended 31 March 2015 (three months ended 31 March 2014: RR'mln 3,117) were netted against revenue from diamond export sales.

16. COST OF SALES

	Three months ended 31 March 2015	Three months ended 31 March 2014
Wages, salaries and other staff costs	10,590	7,876
Depreciation	4,517	3,806
Extraction tax	6,681	3,411
Fuel and energy	4,844	2,880
Materials	2,131	1,651
Services	859	705
Transport	572	873
Cost of diamonds for resale	312	357
Impairment of inventories	133	122
Other	226	62
Movement in inventory of diamonds, ores and concentrates	(2,904)	6,163
Total cost of sales	**27,961**	**27,906**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 2,237 for the three months ended 31 March 2015 (for the three months ended 31 March 2014: RR'mln 2,191).

Depreciation totalling RR'mln 270 for the three months ended 31 March 2015 (for the three months ended 31 March 2014: RR'mln 601) and wages, salaries and other staff costs totalling RR'mln 788 for the three months ended 31 March 2015 (for the three months ended 31 March 2014: RR'mln 1,411) were incurred by the Group's construction divisions and were capitalised in the respective periods.

17. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March 2015	Three months ended 31 March 2014
Wages, salaries and other staff costs	1,556	1,318
Services and other administrative expenses	865	698
Reversal of impairment of accounts receivable	(15)	(22)
Total general and administrative expenses	**2,406**	**1,994**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 339 for the three months ended 31 March 2015 (for the three months ended 31 March 2014: RR'mln 231).

(in millions of Russian roubles, unless otherwise stated)

18. SELLING AND MARKETING EXPENSES

	Three months ended 31 March 2015	**Three months ended 31 March 2014**
Wages, salaries and other staff costs	420	326
Services and other selling and marketing expenses	357	317
Total selling and marketing expenses	**777**	**643**

Wages, salaries and other staff costs include payments to social funds in the amount of RR’mln 92 for the three months ended 31 March 2015 (for the three months ended 31 March 2014 in the amount of RR’mln 139).

19. OTHER OPERATING EXPENSES

	Three months ended 31 March 2015	**Three months ended 31 March 2014**
Exploration expenses	2,243	1,958
Taxes other than income tax, extraction tax and payments to social funds (note 13)	1,371	997
Social costs	967	679
Loss on disposal of subsidiaries	155	-
Loss on disposal of property, plant and equipment	92	261
Other	443	399
Total other operating expenses	**5,271**	**4,294**

Social costs consist of:

	Three months ended 31 March 2015	**Three months ended 31 March 2014**
Charity	466	226
Maintenance of local infrastructure	395	347
Hospital expenses	31	25
Education	31	22
Other	44	59
Total social costs	**967**	**679**

20. FINANCE COSTS, NET

	Three months ended 31 March 2015	**Three months ended 31 March 2014**
Interest income	1,037	114
Interest expense:		
Eurobonds	(1,213)	(1,079)
RR denominated non-convertible bonds	(436)	(435)
Bank loans	(1,762)	(534)
Other	(317)	(256)
Unwinding of discount of future provisions	(80)	(92)
Exchange (loss)/gain, net	(6,583)	(10,065)
Total finance (costs)/income, net	**(9,354)**	**(12,347)**

(in millions of Russian roubles, unless otherwise stated)

21. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash flows from operations:

	Three months ended 31 March 2015	Three months ended 31 March 2014
Profit before income tax	**29,114**	**9,768**
Adjustments for:		
Share of net profit of associates and joint ventures (note 4)	(450)	(291)
Interest income (note 20)	(1,037)	(114)
Interest expense (note 21)	3,808	2,396
Loss on disposal of property, plant and equipment (note 19)	92	261
Loss on disposal of subsidiaries (note 4)	155	-
Change in provision for impairment of receivables and obsolete inventories, net	342	400
Depreciation	4,598	3,937
Adjustment for non-cash financing activity	22	(6)
Proceeds from restricted cash account	4	55
Unrealised foreign exchange effect on non-operating items	6,426	10,188
Net operating cash flows before changes in working capital	**43,074**	**26,594**
Net (increase) / decrease in inventories	(1,486)	6,207
Net decrease in receivables, excluding dividends receivable and consideration receivable for disposed controlling interest in OJSC MMC Timir	446	1,671
Net decrease in provisions, trade and other payables, excluding interest payable and payables for acquired property, plant and equipment	(1,383)	(2,294)
Net increase in taxes payable, excluding income tax	1,333	190
Cash inflows from operating activity	**41,984**	**32,368**
Income tax paid	(2,596)	(3,456)
Net cash inflows from operating activities	**39,388**	**28,912**

22. CONTINGENCIES, COMMITMENTS AND OTHER RISKS

(a) Operating environment of the Russian Federation

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

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

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

(b) Taxes

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the

22. CONTINGENCIES, COMMITMENTS AND OTHER RISKS (CONTINUED)

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. Effective from from 1 January 2014 certain transitional provisions of the Russian Tax Code in respect of the controlled transactions were terminated. A list of controlled transactions (including transactions with related parties) was extended. Amended Russian 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). 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 new 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; however, it may be significant to the financial conditions and/or the overall operations of the Group.

As at 31 March 2015 and 31 December 2014 the Group had tax contingencies. These contingencies are estimates that result from uncertainties in interpretation of applicable legislation concerning deduction of certain expenses for income tax purposes and reimbursement of the 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 31 March 2015 and 31 December 2014 no provision for tax liabilities had been recorded.

(c) Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operations or financial position of the Group as at 31 March 2015.

(d) Capital commitments

As at 31 March 2015 the Group has contractual commitments for capital expenditures of RR’mln 4,807 (31 December 2014: RR’mln 7,243).

(e) 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 2015 the Group recognised a provision for these future expenses in the amount of RR’mln 3,803 (31 December 2014: RR’mln 3,722).

23. 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.

(in millions of Russian roubles, unless otherwise stated)

23. RELATED PARTY TRANSACTIONS (CONTINUED)

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 major shareholders of the Company. As at 31 March 2015 68.9 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 2015 8.0 per cent. of the Company's shares were owned by administrations or 8 districts of the Republic of Sakha (Yakutia). Following the General Meeting of Shareholders in June 2014, the 15 seats on the Supervisory Board include 9 representatives of the Russian Federation and the Republic of Sakha (Yakutia), five independent directors according to the Russian Corporate Law (two of them were nominated by the Government of the Russian Federation, two were nominated by the Government of the Republic of Sakha (Yakutia), one was nominated by districts of the Republic of Sakha (Yakutia)), and one member of the Management Board. Governmental, federal and local economic and social policies affect the Group's financial position, results of operations and cash flows.

Tax balances are disclosed in the condensed consolidated interim statement of financial position and in notes 8 and 13. Tax transactions are disclosed in the condensed consolidated interim statement of profit or loss and other comprehensive income, the condensed consolidated interim statement of cash flows and in notes 21 and 22.

Parties under control of the Government

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

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

Consolidated Statement of Financial Position	**31 March 2015**	**31 December 2014**
Short-term accounts receivable	1,776	1,556
Short-term accounts payable	1,726	1,517
Loans received by the Group	40,134	38,674
Loans issued by the Group	3	183
Deposits, cash and cash equivalents	27,960	16,414

(in millions of Russian roubles, unless otherwise stated)

23. RELATED PARTY TRANSACTIONS (CONTINUED)

Consolidated Statement of Profit or Loss and Other Comprehensive Income	**Three months ended 31 March 2015**	**Three months ended 31 March 2014**
Sales of diamonds	2,177	1,666
Other sales	2,104	1,367
Electricity and heating expenses	(2,537)	(2,163)
Other purchases	(643)	(375)
Interest income	691	19
Interest expense	(653)	(257)

Transactions with the state also include taxes, levies and customs duties settlements and charges which are detailed in respective notes.

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 31 March 2015 and 31 December 2014 the Management Board consisted of 11 members. As at 31 March 2015 and 31 December 2014 one of the Management Board members was also a member of the Supervisory Council. Management Board members are entitled to salary, bonuses, voluntary medical insurance and other short-term employee benefits. Salary and bonus compensation paid to members of the Management Board is determined by the terms of "Remuneration Policy for the members of the Management Board" approved by the Company's Supervisory Council on 11 December 2014.

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 months ended 31 March 2015 totalling RR'mln 399 (three months ended 31 March 2014: RR'mln 428).

Associates and joint ventures

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

Current accounts receivable	**31 March 2015**	**31 December 2014**
OJSC MMC Timir, loans issued	1,125	1,124
Catoca, dividends and other receivable	422	2,067
Other	24	87
Total current accounts receivable	**1,571**	**3,278**

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

24. 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

(in millions of Russian roubles, unless otherwise stated)

24. SEGMENT INFORMATION (CONTINUED)

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 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;
- 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 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 31 March 2015	**Diamonds segment**	**Transpor-tation**	**Social infrastructure**	**Gas**	**Other activities**	**Total**
Revenue	73,300	1,109	1,808	1,994	1,836	80,047
Intersegment revenue	-	(203)	(167)	(341)	(563)	(1,274)
Cost of sales, including	16,205	1,499	2,143	1,220	1,680	22,747
depreciation	3,089	128	143	186	420	3,966
Gross margin	**57,095**	**(390)**	**(335)**	**774**	**156**	**57,300**

Three months ended 31 March 2014	**Diamonds segment**	**Transpor-tation**	**Social infrastructure**	**Gas**	**Other activities**	**Total**
Revenue	54,648	1,024	1,573	2,309	3,461	63,015
Intersegment revenue	-	(171)	(169)	(409)	(2,509)	(3,258)
Cost of sales, including	19,668	1,380	1,906	904	3,120	26,978
depreciation	2,685	108	34	271	400	3,498
Gross margin	**34,980**	**(356)**	**(333)**	**1,405**	**341**	**36,037**

(in millions of Russian roubles, unless otherwise stated)

24. SEGMENT INFORMATION (CONTINUED)

Reconciliation of revenue is presented below:

	Three months ended 31 March 2015	Three months ended 31 March 2014
Segment revenue	**80,047**	**63,015**
Elimination of intersegment revenue	(1,274)	(3,258)
Reclassification of export duties [1]	(4,192)	(3,117)
Other adjustments and reclassifications	(1)	210
Revenue as per statement of profit and loss and other comprehensive income	**74,580**	**56,850**

[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 31 March 2015	Three months ended 31 March 2014
Segment cost of sales	**22,747**	**26,978**
Adjustment for depreciation of property, plant and equipment [1]	551	308
Elimination of intersegment purchases	(869)	(2,783)
Accrued provision for pension obligation [2]	(652)	(5)
Reclassification of extraction tax [3]	5,830	2,676
Adjustment for inventories [4]	771	1,557
Accrual for employee flights and holidays [5]	51	46
Accrual for the part of expected annual bonus	898	-
Reclassification of exploration expenses [6]	(855)	(1,037)
Other reclassifications	(511)	166
Cost of sales as per statement of profit and loss and other comprehensive income	**27,961**	**27,906**

[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 31 March 2015	Three months ended 31 March 2014
Belgium	35,481	29,927
Russian Federation	11,647	10,523
India	10,594	7,742
Israel	8,236	4,853
China	3,945	1,467
United Arab Emirates	2,962	1,547
United Kingdom	775	-
Belarus	258	161
Angola	253	140
United States of America	231	325
Armenia	142	41
Switzerland	12	74
Other countries	44	50
Total revenue	**74,580**	**56,850**

(in millions of Russian roubles, unless otherwise stated)

24. SEGMENT INFORMATION (CONTINUED)

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

	31 March 2015	31 December 2014
Russian Federation	278,553	276,513
Angola	4,947	4,796
Other countries	1,212	430
Total non-current assets (other than financial instruments)	**284,712**	**281,739**

25. 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 estimates 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 2015				31 December 2014			
	Level 1	Level 2	Level 3	**Total carrying value**	Level 1	Level 2	Level 3	**Total carrying value**
Available-for-sale investments	161	-	170	**331**	188	-	191	**379**
Total	**161**	**-**	**170**	**331**	**188**	**-**	**191**	**379**

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

(in millions of Russian roubles, unless otherwise stated)

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March 2015 the Group had the following assets and liabilities not measured at fair value but for which fair value is disclosed, classified by the levels of the fair value hierarchy:

	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				
Current accounts receivable			7,220	7,220
Loans issued	-	-	1,195	1,195
Total assets	**-**	**-**	**8,415**	**8,415**
Loans from banks	-	124,274	-	124,274
Eurobonds	58,464	-	-	58,464
RR denominated non-convertible bonds	20,044	-	-	20,044
Finance lease obligation	-	-	413	413
Other RR denominated fixed rate loans	-	28	-	28
Total non-current liabilities	**78,508**	**124,302**	**413**	**203,223**
Short-term debt				
Loans from banks	-	50	-	50
Other RR denominated fixed rate loans	-	54	-	54
Total current liabilities	**-**	**104**	**-**	**104**
Total liabilities	**78,508**	**124,406**	**413**	**203,327**

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

	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
Trade and other receivables				
Current accounts receivable	-	-	8,975	8,975
Long-term receivables	-	-	1,544	1,544
Total assets	**-**	**-**	**10,519**	**10,519**
Loans from banks	-	119,585	-	119,585
Eurobonds	56,258	-	-	56,258
RR denominated non-convertible bonds	20,044	-	-	20,044
Finance lease obligation	-	-	488	488
RR denominated fixed rate loans	-	348	-	348
Total non-current liabilities	**76,302**	**119,933**	**488**	**196,723**
Short-term debt				
Loans from banks	-	100	-	100
RR denominated fixed rate loans	-	337	-	337
Total current liabilities	**-**	**437**	**-**	**437**
Total liabilities	**76,302**	**120,370**	**488**	**197,160**

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

- Trade and other receivables;
- Other current financial assets;
- Cash and cash equivalents;
- Trade and other payables;
- Other current financial liabilities.

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 reclasses of available-for-sale investments' losses from other comprehensive income into the profit or loss.