AK ALROSA

IFRS CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

31 MARCH 2013

CONTENTS

(in millions of Russian roubles, unless otherwise stated)

Condensed Consolidated Interim Statement of Financial Position (unaudited)

	Notes	31 March 2013	31 December 2012
Assets			
Non-current Assets			
Goodwill		1,439	1,439
Property, plant and equipment	6	239,709	224,746
Investments in associates	4	2,444	2,115
Available-for-sale investments		587	104
Long-term accounts receivable	8	2,423	2,328
Restricted cash	5	296	286
Total Non-current Assets		**246,898**	**231,018**
Current Assets			
Inventories	7	55,610	54,670
Prepaid income tax		50	55
Current accounts receivable	8	12,562	12,724
Cash and cash equivalents	5	12,387	6,242
Total Current Assets		**80,609**	**73,691**
Total Assets		**327,507**	**304,709**
Equity			
Share capital	9	12,473	12,473
Share premium		10,431	10,431
Treasury shares	9	(243)	(254)
Retained earnings and other reserves		114,825	109,299
Equity attributable to owners of AK "ALROSA"		**137,486**	**131,949**
Non-Controlling Interest in Subsidiaries	9	**3,204**	**(448)**
Total Equity		**140,690**	**131,501**
Liabilities			
Non-current Liabilities			
Long-term debt	10	92,729	90,357
Provision for pension obligations		13,464	13,043
Other reserves		5,293	5,232
Deferred tax liabilities		8,723	7,346
Total Non-current Liabilities		**120,209**	**115,978**
Current Liabilities			
Short-term loans and current portion of long-term debt	11	39,569	32,344
Trade and other payables	12	21,480	19,130
Income tax payable		1,009	1,331
Other taxes payable	13	4,484	3,883
Dividends payable		66	542
Total Current Liabilities		**66,608**	**57,230**
Total Liabilities		**186,817**	**173,208**
Total Equity and Liabilities		**327,507**	**304,709**

Signed on 17 June 2013 by the following members of management:

Fedor B. Andreev
President

Elena L. Timonina
Chief accountant

(in millions of Russian roubles, unless otherwise stated)

Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)

		Three months ended	
	Notes	**31 March 2013**	**31 March 2012**
Sales	14	39,604	37,200
Cost of sales	15	(20,080)	(17,909)
Royalty	13	(302)	(302)
Gross profit		**19,222**	**18,989**
General and administrative expenses	16	(1,905)	(1,602)
Selling and marketing expenses	17	(668)	(458)
Other operating income	18	313	2,100
Other operating expenses	19	(4,977)	(4,793)
Operating profit		**11,985**	**14,236**
Finance income	20	169	4,387
Finance costs	21	(3,607)	(1,755)
Share of net profit of associates	4	286	452
Profit before income tax		**8,833**	**17,320**
Income tax	13	(2,575)	(4,629)
Profit for the period		**6,258**	**12,691**
Other comprehensive income			
Currency translation differences		(905)	105
Remeasurements of post employment benefit obligations		(113)	-
Other comprehensive (loss) / income for the period		**(1,018)**	**105**
Total comprehensive income for the period		**5,240**	**12,796**
Profit attributable to:			
Owners of AK "ALROSA"		6,094	12,447
Non-controlling interest		164	244
Profit for the period		**6,258**	**12,691**
Total comprehensive income attributable to:			
Owners of AK "ALROSA"		5,076	12,552
Non-controlling interest		164	244
Total comprehensive income for the period		**5,240**	**12,796**
Basic and diluted earnings per share for profit attributable to the owners of AK ALROSA (in Roubles)	9	0.79	1.76

(in millions of Russian roubles, unless otherwise stated)

Condensed Consolidated Interim Statement of Cash Flows (unaudited)

	Notes	Three months ended 31 March 2013	Three months ended 31 March 2012
Net Cash Inflow from Operating Activities	22	**14,856**	**7,850**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(6,579)	(6,979)
Proceeds from sales of property, plant and equipment		27	728
Proceeds from sale of non-controlling share in subsidiary		226	-
(Disposals) / proceeds from (purchase) / sale of available-for-sale investments		(2)	19
Interest received		98	41
Acquisition of gas production assets less cash acquired on acquisition of subsidiaries	4	-	(32,756)
Acquisition of OAO Nizhne-Lenskoe less cash acquired on acquisition of subsidiary	4	(3,659)	-
Net Cash Outflow from Investing Activities		**(9,889)**	**(38,947)**
Cash Flows from Financing Activities			
Repayments of loans		(21,511)	(873)
Loans received		25,318	37,629
Acquisition of non-controlling interest in subsidiaries		-	(6)
Proceeds from sale of treasury shares		206	-
Interest paid		(2,370)	(826)
Dividends paid		(476)	(480)
Net Cash Inflow from Financing Activities		**1,167**	**35,444**
Net Increase in Cash and Cash Equivalents		**6,134**	**4,347**
Cash and cash equivalents at the beginning of the period		6,242	12,014
Exchange gains / (losses) on cash and cash equivalents		11	(327)
Cash and Cash Equivalents at the End of the Period		**12,387**	**16,034**

(in millions of Russian roubles, unless otherwise stated)

Condensed Consolidated Interim Statement of Changes in Equity (unaudited)

		Attributable to owners of AK ALROSA							
	Number of shares outstanding	**Share capital**	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Previously reported balance at 31 December 2011	**7,216,276,100**	**12,473**	**10,431**	**(249)**	**(646)**	**91,805**	**113,814**	**(717)**	**113,097**
Effect of adoption of Amended IAS 19 (net of tax)		-	-	-	(3,290)	-	(3,290)	-	(3,290)
Adjusted as at 1 January 2012		**12,473**	**10,431**	**(249)**	**(3,936)**	**91,805**	**110,524**	**(717)**	**109,807**
Comprehensive income									
Profit for the period		-	-	-	-	12,447	12,447	244	12,691
Other comprehensive income									
Currency translation differences		-	-	-	105	-	105	-	105
Total other comprehensive income		-	-	-	105	-	105	-	105
Total comprehensive income for the period		**-**	**-**	**-**	**105**	**12,447**	**12,552**	**244**	**12,796**
Transactions with owners									
Purchase of non-controlling interest		-	-	-	-	-	-	(6)	(6)
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**(6)**	**(6)**
Previously reported balance at 31 March 2012	**7,216,276,100**	**12,473**	**10,431**	**(249)**	**(541)**	**104,252**	**126,366**	**(479)**	**125,887**
Effect of adoption of Amended IAS 19 (net of tax)		-	-	-	(3,290)	-	(3,290)	-	(3,290)
Adjusted as at 1 April 2012		**12,473**	**10,431**	**(249)**	**(3,831)**	**104,252**	**123,076**	**(479)**	**122,597**
Previously reported balance at 31 December 2012	**7,213,444,600**	**12,473**	**10,431**	**(254)**	**(1,429)**	**117,076**	**138,297**	**(448)**	**137,849**
Effect of adoption of Amended IAS 19 (net of tax)					(6,348)		(6,348)		(6,348)
Adjusted as at 1 January 2013		**12,473**	**10,431**	**(254)**	**(7,777)**	**117,076**	**131,949**	**(448)**	**131,501**
Comprehensive income									
Profit for the period		-	-	-	-	6,094	6,094	164	6,258
Other comprehensive income									-
Actuarial loss on post employment benefit obligations		-	-	-	(113)	-	(113)	-	(113)
Currency translation differences		-	-	-	(905)	-	(905)	-	(905)
Total other comprehensive income		-	-	-	(1,018)	-	(1,018)	-	(1,018)
Total comprehensive income for the period		**-**	**-**	**-**	**(1,018)**	**6,094**	**5,076**	**164**	**5,240**
Transactions with owners									
Acquisition of OAO Nizhne-Lenskoe		-	-	-	-	-	-	3,527	3,527
Purchase of non-controlling interest		-	-	-	255	-	255	(39)	216
Sale of treasury shares	6,312,000	-	-	11	-	195	206	-	206
Total transactions with owners	**6,312,000**	**-**	**-**	**11**	**255**	**195**	**461**	**3,488**	**3,949**
Balance at 31 March 2013	**7,219,756,800**	**12,473**	**10,431**	**(243)**	**(8,540)**	**123,365**	**137,486**	**3,204**	**140,690**

The accompanying notes form an integral part of these consolidated financial statements

1. ACTIVITIES

The core activities of Open Joint Stock Company AK ALROSA (“the Company”) and its subsidiaries (“the Group”) are the exploration and extraction of diamond reserves and the marketing and distribution of raw and cut diamonds. The Company was registered on 13 August 1992 as a closed joint stock company in the Republic of Sakha (Yakutia), which is located within the Russian Federation. On 5 April 2011, the extraordinary shareholders’ meeting approved reorganisation of the Company from closed joint-stock company to open joint-stock company.

The Group operates mining facilities in Mirny, Udachny, Aikhal, Nyurba and Anabar (located in Eastern Siberia) and Arkhangelsk. Licenses for the Group’s major diamond deposits expire between 2015 and 2022. Management believes the Group will be able to extend the licenses’ terms after they expire.

As at 31 March 2013 and 31 December 2012 the Company’s principal shareholders are the governments of the Russian Federation (50.9 percent of shares) and the Republic of Sakha (Yakutia) (32.0 percent 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 2012 prepared in accordance with International Financial Reporting Standards (“IFRS”).

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”). 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, valuation of derivative financial instruments, 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 31.08 and 30.37 as at 31 March 2013 and 31 December 2012, respectively. The official Euro to RR exchange rates as determined by the Central bank of the Russian Federation were 39.80 and 40.23 as at 31 March 2013 and 31 December 2012, respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies and methods of computation followed by the Group and the critical accounting judgments in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2012. The only exception is income tax expense which is recognised in this condensed consolidated interim financial information based on management’s best estimate of the weighted average annual effective income tax rate expected for the full financial year.

The Group has adopted all new standards and interpretations that were effective from 1 January 2013. The application of these new standards and interpretations did not affect this consolidated interim condensed financial information, except for the application of *Amended IAS 19 “Employee benefits”* (effective for periods beginning on or after 1 January 2013).

Amended IAS 19 “Employee benefits” makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

The Group applied revised IAS 19 retrospectively in accordance with the transition provisions of the standard. As a result the Group’s pension liability as at 31 December 2012 increased by 7,935, retained earnings decreased by 6,348, deferred tax liability decreased by 1,587.

(in millions of Russian roubles, unless otherwise stated)

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the consolidated financial statements for the year ended 31 December 2012, have been issued but are not yet effective and have not been early adopted by the Group. The Group is currently considering the implications of these new accounting pronouncements, their impact on its consolidated financial statements and the timing of their adoption by the Group.

4. GROUP STRUCTURE AND INVESTMENTS

The Company's significant consolidated subsidiaries are as follows:

Name	Principal activity	Country of Incorporation	Percentage of ownership interest held	
			31 March 2013	31 December 2012
ALROSA Finance S.A.	Financial services	Luxembourg	100	100
Sunland Trading S.A.	Diamonds trading	Switzerland	100	100
Arcos Belgium N.V.	Diamonds trading	Belgium	100	100
ZAO Irelyakhneft	Oil production	Russia	100	100
OAO ALROSA-Gaz	Gas production	Russia	100	100
OOO ALROSA-VGS	Capital construction	Russia	100	100
OAO Almazy Anabara	Diamonds production	Russia	100	100
OAO Viluyskaya GES-3	Electricity production	Russia	100	100
OAO GMK Timir	Iron ore production	Russia	100	100
OAO Severalmaz	Diamonds production	Russia	100	100
ZAO Geotransgaz	Gas production	Russia	100	100
OOO Urengoyskaya Gazovaya Company	Gas production	Russia	100	100
OAO ALROSA-Nyurba	Diamonds production	Russia	88	88
OOO MAK Bank	Banking activity	Russia	85	85
OAO Nizhne-Lenskoe	Diamonds production	Russia	51	-

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

Acquisition of ZAO Geotransgaz and OOO Urengoyskaya Gazovaya Company

In March 2012 the Group and the companies affiliated with OAO Bank VTB agreed to early terminate put option agreements and signed share purchase agreements in accordance to which the Group purchased back a 90 percent interest in ZAO Geotransgaz and OOO Urengoyskaya Gazovaya Company ("Gas companies") for a total cash consideration of RR'mln 30,145 (US$'mln 1,036).

Also in March 2012 the Group acquired an additional 10 percent interest in Gas companies from their minority shareholders for a total cash consideration of RR'mln 2,908 (US$'mln 100).

As a result of these transactions the Group acquired 100 percent ownership interest and full control over the Gas companies. These entities hold production licenses for certain gas deposits located in the Tyumen region of the Russian Federation (which expire in 2020 and 2024 with the option to extend the license period) and currently perform construction of production infrastructure at their licensed areas.

The acquisition of Gas companies from OAO Bank VTB, a state-controlled entity, falls under the category of business combinations between entities under common control. Management decided to adopt the acquisition method to account for such transactions. The fair values of the acquired assets and liabilities were determined on a provisional basis related to interim financial information. At year end, accounting for purchase price allocation was finalised. Management considers values of the acquired assets and liabilities to be determined fairly.

(in millions of Russian roubles, unless otherwise stated)

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

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

Negative goodwill was recognized in the amount of the fair-value of put-options, which were early terminated as part of the purchase and not exercised. The entire amount of negative goodwill was recorded as other operating income (See note 18).

As at the date of acquisition the gross contractual amounts receivable in Gas companies are equal to the fair value of accounts receivable recognised in these financial statements.

Acquisition of OAO Nizhne-Lenskoe

On 22 January 2013 the Group acquired a 51 percent interest in OAO Nizhne-Lenskoe for a total cash consideration of RR'mln 3,670. As a result of this transaction the Group acquired control over OAO Nizhne-Lenskoe. The core activity of OAO Nizhne-Lenskoe is exploration and extraction of alluvial diamond reserves and distribution of raw diamonds.

Net assets of OAO Nizhne-Lenskoe at the date of acquisition are as follows:

Property, plant and equipment	12,242
Inventories	2,922
Available-for-sale investments	360
Trade and other receivables	780
Cash	11
Deferred tax liability	(1,387)
Borrowings	(3,938)
Trade and other payables	(3,793)
Fair value of acquired net assets	**7,197**
Non-controlling interest measured as proportionate share of acquired net assets	**(3,527)**
Total purchase consideration	**3,670**

OAO Nizhne-Lenskoe contributed revenue of RR'mln 70 and net loss of RR'mln 213 to the Group for the period from the date of acquisition to 31 March 2013.

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

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

(in millions of Russian roubles, unless otherwise stated)

Associates

Name	Country of incorporation	Percentage of ownership interest held at		Carrying value of investment at		Group's share of net profit for the three months ended	
		31 March 2013	31 December 2012	31 March 2013	31 December 2012	31 March 2013	31 March 2012
Catoca Mining Company Ltd	Angola	33	33	2,226	1,898	274	451
OAO Almazny Mir	Russia	47	47	186	184	5	1
Other	Russia	20-50	20-50	32	33	7	-
				2,444	**2,115**	**286**	**452**

As at 31 March 2013 and 31 December 2012 the percentage ownership interest of the Group in its associates is equal to the percentage of voting interest.

"Catoca Mining Company Ltd" is a diamond-mining venture located in Angola. Currency translation income recognised in the condensed consolidated interim statement of comprehensive income for the three months ended 31 March 2013 in respect of investment in "Catoca Mining Company Ltd" totalled RR'mln 44. Currency translation loss recognised in the condensed consolidated interim statement of comprehensive income for the three months ended 31 March 2012 in respect of investment in "Catoca Mining Company Ltd" totalled RR'mln 188.

5. CASH AND CASH EQUIVALENTS

Restricted cash

Restricted cash included within non-current assets in the condensed consolidated interim statement of financial position of RR'mln 296 and RR'mln 286 as at 31 March 2013 and 31 December 2012, respectively, is represented by mandatory reserve deposits held with the Central Bank of the Russian Federation by OOO MAK Bank, a subsidiary of the Group; these balances are not available for use in the Group's day to day operations. Payments to this restricted cash account are included in cash flows from operating activity in consolidated statement of cash flows (see note 22).

At 31 March 2013 and 31 December 2012 the weighted average interest rate on the restricted cash balances is approximately nil percent.

Cash and cash equivalents

	31 March 2013	31 December 2012
Cash in banks and on hand	11,998	6,018
Deposit accounts	389	224
	12,387	**6,242**

At 31 March 2013 the weighted average interest rate on the cash balances of the Group was 0.17 percent (31 December 2012: 0.13 percent).

(in millions of Russian roubles, unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Assets under construction	TOTAL
As at 31 December 2011			
Cost	230,820	36,168	266,988
Accumulated depreciation and impairment losses	(96,429)	(1,025)	(97,454)
Net book value as at 31 December 2011	**134,391**	**35,143**	**169,534**
Three months ended 31 March 2012			
Net book value as at 31 December 2011	134,391	35,143	169,534
Foreign exchange differences	(457)	-	(457)
Additions	2,823	3,883	6,706
Additions through acquisition of gas production assets (note 4)	31,074	6,290	37,364
Transfers	1,529	(1,529)	-
Other disposals – at cost	(1,433)	(99)	(1,532)
Other disposals – accumulated depreciation	604	-	604
Change in estimate of provision for land recultivation	(270)	-	(270)
Impairment of property, plant and equipment	-	(1)	(1)
Depreciation charge for the period	(4,104)	-	(4,104)
Net book value as at 31 March 2012	**164,157**	**43,687**	**207,844**
As at 31 December 2012			
Cost	284,745	48,631	333,376
Accumulated depreciation and impairment losses	(107,602)	(1,028)	(108,630)
Net book value as at 31 December 2012	**177,143**	**47,603**	**224,746**
Three months ended 31 March 2013			
Net book value as at 31 December 2012	177,143	47,603	224,746
Foreign exchange differences	57	-	57
Additions	1,251	6,245	7,496
Additions through acquisition of OAO Nizhne-Lenskoe (note 4)	12,224	18	12,242
Transfers	1,872	(1,872)	-
Other disposals – at cost	(1,321)	(182)	(1,503)
Other disposals – accumulated depreciation	407	-	407
Change in estimate of provision for land recultivation	-	-	-
Impairment of property, plant and equipment	-	-	-
Depreciation charge for the period	(3,736)	-	(3,736)
Net book value as at 31 March 2013	**187,897**	**51,812**	**239,709**
As at 31 March 2013			
Cost	298,828	52,840	351,668
Accumulated depreciation and impairment losses	(110,931)	(1,028)	(111,959)
Net book value as at 31 March 2013	**187,897**	**51,812**	**239,709**

7. INVENTORIES

	31 March 2013	31 December 2012
Diamonds	25,915	27,147
Ores and concentrates	12,295	10,825
Mining and construction materials	13,702	13,842
Consumable supplies	3,698	2,856
	55,610	**54,670**

8. TRADE AND OTHER RECEIVABLES

Long-term accounts receivable	**31 March 2013**	**31 December 2012**
Loans issued	2,070	2,248
Long-term VAT recoverable	60	79
Other long-term receivables	293	1
	2,423	**2,328**

(in millions of Russian roubles, unless otherwise stated)

Current accounts receivable	31 March 2013	31 December 2012
Advances to suppliers	2,483	2,406
Loans issued	2,201	2,662
Prepaid taxes, other than income tax	1,681	1,975
VAT recoverable	1,125	1,657
Trade receivables for supplied diamonds	571	812
Notes receivable	101	-
Receivables from associates (see note 24)	213	411
Other trade receivables	4,187	2,801
	12,562	**12,724**

Trade and other receivables are presented net of impairment provision of RR'mln 4,903 and RR'mln 4,925 as at 31 March 2013 and 31 December 2012, respectively.

9. SHAREHOLDERS' EQUITY

Share capital

Share capital authorised, issued and paid in totals RR'mln 12,473 as at 31 March 2013 and 31 December 2012 and consists of 7,364,965,630 ordinary shares, including treasury shares, at RR 0.5 par value share. In addition as at 31 March 2013 and 31 December 2012 share capital includes hyperinflation adjustment totalling RR'mln 8,790, which was calculated in accordance with requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies" and relates to the reporting periods prior to 1 January 2003.

Distributable profits

The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. For the three months ended 31 March 2013 the statutory profit of the Company as reported in the published statutory reporting forms was RR'mln 5,466 (for the three months ended 31 March 2012 – RR'mln 9,301). 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 2013 and 31 December 2012 subsidiaries of the Group held 145,208,830 and 151,521,030 ordinary shares of the Company, respectively. The Group management controls the voting rights of these shares.

Earnings per share

Earnings per share have been calculated by dividing the profit attributable to owners of AK 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 7,212,067,885 and 7,216,276,100 weighted average shares outstanding for the three months ended 31 March 2013 and 31 March 2012, respectively.

There are no dilutive financial instruments outstanding.

Dividends

On 30 June 2012 the Company's annual shareholders' meeting approved dividends for the year ended 31 December 2011 totalling RR'mln 7,439. Dividends per share amounted to RR 1.01.

Non-controlling interest in subsidiaries

	Three months ended	
	31 March 2013	**31 March 2012**
Non-controlling interest at the beginning of the period	**(448)**	**(717)**
Non-controlling interest share of net profit of subsidiaries	164	244
Purchase of non-controlling interest	3,488	(6)
Non-controlling interest at the end of the period	**3,204**	**(479)**

(in millions of Russian roubles, unless otherwise stated)

10. LONG-TERM DEBT

	31 March 2013	31 December 2012
Banks:		
US$ denominated floating rate	18,650	18,224
US$ denominated fixed rate	6,217	6,075
RR denominated fixed rate	1,166	8
	26,033	**24,307**
Eurobonds	46,617	45,548
RR denominated non-convertible bonds	36,500	36,000
Finance lease obligation	908	454
Other RR denominated fixed rate loans	1,917	1,822
	111,975	**108,131**
Less: current portion of long-term debt (see note 11)	(19,246)	(17,774)
	92,729	**90,357**

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

The average effective interest rates at the balance sheet dates were as follows:

	31 March 2013	31 December 2012
Banks:		
US$ denominated floating rate	4.0%	4.0%
US$ denominated fixed rate	4.9%	4.9%
RR denominated fixed rate	12.9%	14.9%
Eurobonds	8.1%	8.1%
RR denominated non-convertible bonds	8.6%	8.6%
Finance lease obligation	7.6%	7.6%
Other RR denominated fixed rate loans	6.4%	6.8%

Eurobonds

	Three months ended	
	31 March 2013	31 March 2012
Balance at the beginning of the period	**45,548**	**48,278**
Amortisation of discount	3	8
Exchange losses / (gains)	1,066	(4,309)
Balance at the end of the period	**46,617**	**43,977**

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

	31 March 2013	31 December 2012
Banks:		
US$ denominated fixed rate	4,507	2,582
RR denominated fixed rate	8,100	-
	12,607	**2,582**
European commercial paper	4,277	9,138
Other US$ denominated fixed rate loans	-	9
Other RR denominated fixed rate loans	3,439	2,841
	20,323	**14,570**
Add: current portion of long-term debt (see note 10)	19,246	17,774
	39,569	**32,344**

During the three months ended 31 March 2013 the Company obtained short-term loan from OAO Alfa Bank in the amount of RR'mln 8,070 in three tranches at the rate 10.5-11.5 percent and maturity of 6-9 months.

(in millions of Russian roubles, unless otherwise stated)

The average effective interest rates at the balance sheet dates were as follows:

	31 March 2013	**31 December 2012**
Banks:		
US$ denominated fixed rate	7.1%	4.0%
RR denominated fixed rate	11.2%	-
European commercial paper	2.3%	4.7%
Other US$ denominated fixed rate loans	-	6.1%
Other RR denominated fixed rate loans	0.6%	1.1%

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

12. TRADE AND OTHER PAYABLES

	31 March 2013	**31 December 2012**
Accrual for employee flights and holidays	7,064	6,494
Trade payables	4,752	4,114
Wages and salaries	3,033	4,142
Advances from customers	2,267	364
Interest payable	1,967	1,313
Current accounts of third parties in OOO MAK Bank	1,577	1,622
Payables to associates	54	57
Other payables and accruals	766	1,024
	21,480	**19,130**

13. INCOME TAX AND OTHER TAX ASSETS AND LIABILITIES

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

	31 March 2013	**31 December 2012**
Payments to social funds	1,537	1,338
Property tax	1,054	878
Extraction tax	691	753
Value added tax	653	355
Personal income tax (employees)	314	499
Tax penalties	-	1
Other taxes and accruals	235	59
	4,484	**3,883**

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

	Three months ended	
	31 March 2013	**31 March 2012**
Property tax	929	819
Other taxes and accruals	140	66
	1,069	**885**

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 percent on the value of diamonds sold for export in the form of an export duty (see note 14).

In accordance with the amendment to the license agreement registered in May 2007, OAO 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 2007 in the amount of RR'mln 3,509 per annum. Since 1 January 2012 OAO ALROSA-Nyurba is obliged to make annual fixed royalty payments in the amount of RR'mln 1,209 per annum.

(in millions of Russian roubles, unless otherwise stated)

Income tax expense comprises the following:

	Three months ended	
	31 March 2013	**31 March 2012**
Current tax expense	2,587	3,754
Adjustments recognised in the period for current tax of prior periods	-	(453)
Deferred tax (income) / expense	(12)	1,328
	2,575	**4,629**

14. SALES

	Three months ended	
	31 March 2013	**31 March 2012**
Revenue from diamond sales:		
Export	30,140	27,099
Domestic	5,833	7,155
Revenue from diamonds for resale	287	279
	36,260	34,533
Other revenue:		
Social infrastructure	782	842
Transport	745	939
Construction	173	47
Trading	58	106
Other	1,586	733
	39,604	**37,200**

Export duties totalling RR’mln 2,031 for the three months ended 31 March 2013 (were netted against revenues from export of diamonds (three months ended 31 March 2012 - RR’mln 1,767).

15. COST OF SALES

	Three months ended	
	31 March 2013	**31 March 2012**
Wages, salaries and other staff costs	7,713	8,038
Depreciation	3,211	3,763
Fuel and energy	3,153	2,471
Extraction tax	2,431	2,276
Materials	1,062	1,423
Services	856	881
Transport	319	473
Cost of diamonds for resale	267	267
Other	113	108
Movement in inventory of diamonds, ores and concentrates	955	(1,791)
	20,080	**17,909**

Wages, salaries and other staff costs include payments to social funds in the amount of RR’mln 3,068 for the three months ended 31 March 2013 (for the three months ended 31 March 2012: RR’mln 1,211).

For the three months ended 31 March 2013 depreciation totalling RR’mln 525 (three months ended 31 March 2012: RR’mln 355) and staff costs totalling RR’mln 708 (three months ended 31 March 2012: RR’mln 780) were incurred by the Group’s construction divisions and were capitalised in the respective periods.

16. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended	
	31 March 2013	**31 March 2012**
Wages, salaries and other staff costs	985	972
Services and other administrative expenses	880	482
Impairment of accounts receivable	40	148
	1,905	**1,602**

(in millions of Russian roubles, unless otherwise stated)

17. SELLING AND MARKETING EXPENSES

	Three months ended	
	31 March 2013	**31 March 2012**
Wages, salaries and other staff costs	296	313
Services and other selling and marketing expenses	372	145
	668	**458**

18. OTHER OPERATING INCOME

	Three months ended	
	31 March 2013	**31 March 2012**
Negative goodwill on acquisition of Gas companies (note 4)	-	1,995
Other	313	105
	313	**2,100**

19. OTHER OPERATING EXPENSES

	Three months ended	
	31 March 2013	**31 March 2012**
Exploration expenses	2,485	2,116
Taxes other than income tax, extraction tax and unified social tax (note 13)	1,069	885
Social costs	668	1,390
Loss on disposal of property, plant and equipment	575	201
Other	180	201
	4,977	**4,793**

Social costs consist of:

	Three months ended	
	31 March 2013	**31 March 2012**
Maintenance of local infrastructure	305	671
Charity	245	629
Education	19	2
Hospital expenses	15	33
Other	84	55
	668	**1,390**

20. FINANCE INCOME

	Three months ended	
	31 March 2013	**31 March 2012**
Interest income	98	41
Exchange gains	71	4,346
	169	**4,387**

21. FINANCE COSTS

	Three months ended	
	31 March 2013	**31 March 2012**
Interest expense:		
Eurobonds	928	896
RR denominated non-convertible bonds	757	548
Bank loans	430	215
European commercial papers	97	46
Other	376	37
Unwinding of discount of provision for land recultivation	55	13
Exchange loss	964	-
	3,607	**1,755**

(in millions of Russian roubles, unless otherwise stated)

22. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash flows from operations:

	Three months ended	
	31 March 2013	**31 March 2012**
Profit before income tax	8,833	17,320
Adjustments for:		
Share of net profit of associates (note 4)	(286)	(452)
Interest income (note 20)	(98)	(41)
Interest expense (note 21)	2,643	1,755
Loss on disposal of property, plant and equipment (note 19)	575	202
Gain on disposal of put options granted by the Group to the buyers of ZAO “Geotransgaz” and OOO “Urengoyskaya Gazovaya Company”	-	(1,995)
Depreciation (note 15)	3,211	3,749
Adjustment for inventory used in construction	(400)	(281)
Adjustment for non-cash financing activity	5	-
Payments to restricted cash account (note 5)	(10)	(73)
Unrealised foreign exchange effect on non-operating items	859	(4,513)
Net operating cash flow before changes in working capital	15,332	15,671
Net decrease / (increase) in inventories	2,482	(893)
Net decrease / (increase) in trade and other receivables, excluding dividends receivable	695	(3,648)
Net decrease in provisions, trade and other payables, excluding interest payable and payables for acquired property, plant and equipment	(1,350)	(1,046)
Net increase in taxes payable, excluding income tax	600	2,128
Cash inflows from operating activity	**17,759**	**12,212**
Income tax paid	(2,903)	(4,362)
Net cash inflows from operating activities	**14,856**	**7,850**

23. CONTINGENCIES, COMMITMENTS AND OTHER RISKS

(a) Operating environment of the Russian Federation

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

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the ability of the Group to obtain new financing and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group’s business in the current business and economic environment.

(b) Taxes

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

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

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

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

As at 31 March 2013 and 31 December 2012 the Group had tax contingencies. These contingencies are estimates that result from uncertainties in interpretation of applicable legislation concerning deduction of certain expenses for income tax purposes and reimbursement of the related input VAT. Management is not able to reliably estimate the range of possible outcomes, but believes that under certain circumstances the magnitude of these tax contingencies may be significant for the Group. Management of the Group believes that the exposure in respect of these tax risks is not probable, therefore as at 31 March 2013 and 31 December 2012 no provision for tax liabilities had been recorded.

(c) Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operations or financial position of the Group as at 31 March 2013.

(d) Insurance

The Group is assessing its policies for insuring assets and operations. At present, apart from the full insurance of movements of diamond inventory from the production location to the customers, very few assets and operations of the Group are insured and, in the instances where assets are insured, the amounts generally are not sufficient to cover all costs associated with replacing the assets.

(e) Capital commitments

As at 31 March 2013 the Group has contractual commitments for capital expenditures of approximately RR'mln 8,189 (31 December 2012: RR'mln 7,602).

(f) Restoration, rehabilitation and environmental costs

Under its license agreements, the Group is not responsible for any significant restoration, rehabilitation and environmental expenditures that may be incurred subsequent to the cessation of production at each mine, apart from the obligation to perform recultivation of certain disturbed lands and tailing pits in the areas of its operating activity. The Company recognised a provision for these future expenses in the amount of RR'mln 2,425 as at 31 March 2013 (RR'mln 2,416 as at 31 December 2012).

24. RELATED PARTY TRANSACTIONS

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

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

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

Governments of the Russian Federation and the Republic of Sakha (Yakutia) are the ultimate controlling parties of the Company. As at 31 March 2013 83 percent 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 2013 8 percent of the Company's shares were owned by administrations or 8 districts of the Republic of Sakha (Yakutia). Following the General Meeting of Shareholders in June 2012, the 15 seats on the Supervisory Council include 12 representatives of the Russian Federation and the Republic of Sakha (Yakutia), including 4 independent directors nominated by the Government of the Russian Federation, 2 management representatives and 1 representative of districts of the Republic of Sakha (Yakutia). Governmental, federal and local economic and social policies affect the Group's financial position, results of operations and cash flows.

(in millions of Russian roubles, unless otherwise stated)

Tax balances are disclosed in the statement of financial position and in notes 8 and 13. Tax transactions are disclosed in the statement of comprehensive income, cash flow statement and in notes 13, 14, 15, 19 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 price lists approved by the Ministry of Finance of the Russian Federation; electricity tariffs in Russia are partially regulated by the Federal Tariffs Service.

As at 31 March 2013 the accounts payable to the parties under Governmental control totalled RR'mln 2,749 (31 December 2012: RR'mln 1,239). As at 31 March 2013 the accounts receivable from the parties under Governmental control (excluding loans issued) totalled RR'mln 1,168 (31 December 2012: RR'mln 1,832). As at 31 March 2013 and 31 December 2012 the accounts receivable from the parties under Governmental control and accounts payable to the parties under Governmental control were non-interest bearing, had a maturity within one year and were denominated in Russian Roubles.

During the three months ended 31 March 2013 and 31 March 2012 the Group had the following significant transactions with the parties under Governmental control:

	Three months ended	
	31 March 2013	**31 March 2012**
Sales of diamonds	1,903	3,826
Other sales	1,940	555
Electricity and heating expenses	1,116	1,056
Other purchases	371	280

As at 31 March 2013 and 31 December 2012 the Group has no contractual commitments to sell goods or services to the parties under control of the Government. As at 31 March 2013 the Group has contractual commitments to purchase goods and services from the parties under control of the Government in the amount of approximately RR'mln 3,027 (31 December 2012: RR'mln 4,290).

As at 31 March 2013 the amount of loans received by the Group from the entities under Governmental control totalled RR'mln 23,157 (31 December 2012: RR'mln 20,806). During the three months ended 31 March 2013 interest expense accrued in respect to the loans received by the Group from the entities under Governmental control totalled RR'mln 222 (three months ended 31 March 2012: RR'mln 243).

As at 31 March 2013 the amount of loans issued by the Group to the entities under Governmental control totalled RR'mln 829 (31 December 2012: RR'mln 1,256). During the three months ended 31 March 2013 interest income earned by the Group in respect to the loans issued to the entities under Governmental control totalled RR'mln 22 (three months ended 31 March 2012: RR'mln 28).

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 Committee of the Company.

The Management Committee consists of 13 members, two of whom are also members of the Supervisory Council. Management Committee 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 Committee is determined by the terms of "Remuneration Policy for the members of the Management Committee" approved by the Company's Supervisory Council on 18 March 2012.

(in millions of Russian roubles, unless otherwise stated)

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 2013 totalling RR'mln 123 (three months ended 31 March 2012: RR'mln 120).

Associates

Significant transactions and balances with associates are summarised as follows:

Current accounts receivable	**31 March 2013**	**31 December 2012**
Catoca Mining Company Ltd.	93	403
Other	120	8
	213	**411**

As at 31 March 2013 and 31 December 2012 the accounts receivable from associates were non-interest bearing, had a maturity within one year and were denominated mostly in US$.

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

25. SEGMENT INFORMATION

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

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

The following reportable segments were identified:

- Diamonds segment - production and sales of diamonds;
- Transportation;
- Social infrastructure;
- Construction activity;
- Trading;
- Electricity production;
- 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 Committee with similar items in these condensed consolidated interim financial information include those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

(in millions of Russian roubles, unless otherwise stated)

Three months ended 31 March 2013	**Diamonds segment**	**Transpor-tation**	**Social infrastructure**	**Construction activity**	**Trading**	**Electricity production**	**Other activities**	**Total**
Sales	38,291	973	804	542	58	1,051	2,628	44,347
Intersegment sales	-	(228)	(22)	(369)	-	(915)	(912)	(2,446)
Cost of sales, incl.	14,005	1,412	1,301	553	10	610	1,552	19,443
Depreciation	2,416	141	10	48	-	99	244	2,958
Gross margin	**24,286**	**(439)**	**(497)**	**(11)**	**48**	**441**	**1,076**	**24,904**

Three months ended 31 March 2012	**Diamonds segment**	**Transpor-tation**	**Social infrastructure**	**Construction activity**	**Trading**	**Electricity production**	**Other activities**	**Total**
Sales	36,300	939	842	46	183	812	734	39,856
Intersegment sales	-	-	-	-	(78)	(686)	(208)	(972)
Cost of sales, incl.	10,788	1,357	1,587	54	99	517	1,216	15,619
Depreciation	2,271	124	118	21	2	128	71	2,735
Gross margin	**25,512**	**(418)**	**(745)**	**(8)**	**84**	**295**	**(482)**	**24,237**

Reconciliation of sales is presented below:

	Three months ended	
	31 March 2013	**31 March 2012**
Segment sales	**44,347**	**39,856**
Elimination of intersegment sales	(2,446)	(972)
Reclassification of export duties [1]	(2,031)	(1,767)
Other adjustment and reclassifications	(266)	83
Sales as per Statement of Comprehensive Income	**39,604**	**37,200**

[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 2013	**31 March 2012**
Segment cost of sales	**19,443**	**15,619**
Adjustment for depreciation of property, plant and equipment [1]	253	1,028
Elimination of intersegment purchases	(2,446)	(972)
Accrued provision for pension obligation [2]	72	(304)
Reclassification of extraction tax [3]	2,274	1,977
Adjustment for inventories [4]	1,245	397
Accrual for employee flights and holidays [5]	133	402
Other adjustments	248	17
Reclassification of exploration expenses [6]	(335)	(757)
Other reclassifications	(807)	502
Cost of sales as per Statement of Comprehensive Income	**20,080**	**17,909**

[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

(in millions of Russian roubles, unless otherwise stated)

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

	Three months ended	
	31 March 2013	**31 March 2012**
Belgium	19,478	16,971
Russian Federation	9,284	9,945
India	5,606	5,705
Israel	2,830	2,392
China	918	886
United Arab Emirates	720	680
Belarus	177	186
Angola	132	124
Armenia	98	123
Switzerland	48	50
Other countries	313	138
Total	**39,604**	**37,200**

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

	31 March 2013	**31 December 2012**
Russian Federation	240,850	225,755
Angola	2,407	2,351
Other countries	275	273
Total	**243,532**	**228,379**

26. EVENTS AFTER THE REPORTING PERIOD

Acquisition of OAO Nizhne-Lenskoe

On 5 June 2013 the Group acquired an additional 49 percent interest in OAO Nizhne-Lenskoe for a total cash consideration of RR’mln 3,330. As a result of this transaction the Group acquired 100 percent ownership and full control over OAO Nizhne-Lenskoe. The core activity of OAO Nizhne-Lenskoe is exploration and extraction of alluvial diamond reserves and distribution of raw diamonds.

Disposal of controlling interest in OAO GMK Timir

On 2 April 2013 the Group and Evraz plc signed an agreement to sell a controlling 51 percent interest in OAO GMK Timir to Evraz plc for a total cash consideration of RR’mln 4,950 to be paid in several installments within 16 months after the transaction. As a result of the transaction, Evraz plc holds 51 percent interest in OAO GMK Timir, the Group holds 49 percent interest minus one share and Vnesheconombank (VEB) holds one share.

Dividends

On 25 April 2013 the Company’s Supervisory Council recommended the annual shareholders’ meeting which is scheduled for 29 June 2013 to approve dividends for the year ended 31 December 2012 in the amount of RR’mln 8,175 (RR 1.11 per share).