**AK ALROSA**

**IFRS CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)**

**30 SEPTEMBER 2011**

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ФБК

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PKF

Accountants &
business advisers

**INDEPENDENT ACCOUNTANTS' REPORT**
**to the Shareholders and Board of Directors of AK "ALROSA"**

On the basis of information provided by management, we have compiled, in accordance with the International Standards on Auditing applicable to compilation engagements, the unaudited consolidated statement of financial position of AK "ALROSA" ("the Company") and its subsidiaries ("the Group") as at 30 September 2011, unaudited condensed interim consolidated statements of comprehensive income, cash flows and statement of changes in equity for the nine months ended 30 September 2011 and the related notes to the unaudited condensed interim consolidated financial information. Management of the Company is responsible for this unaudited condensed interim consolidated financial information. We have neither audited nor reviewed the accompanying unaudited condensed interim consolidated financial information and, accordingly, do not imply or express an opinion or any other form of assurance on them.

OOO "Financial and Accounting Consultants"
Moscow, Russia
14 December 2011

*(in millions of Russian roubles, unless otherwise stated)*

## Condensed Consolidated Interim Statement of Financial Position (unaudited)

| | Notes | 30 September 2011 | 31 December 2010 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current Assets** | | | |
| Goodwill | | 1,439 | 1,439 |
| Property, plant and equipment | 6 | 173,402 | 168,020 |
| Investments in associates | 4 | 2,054 | 1,975 |
| Available-for-sale investments | | 152 | 167 |
| Long-term accounts receivable | 8 | 1,861 | 1,569 |
| Restricted cash | 5 | 313 | 152 |
| **Total Non-current Assets** | | **179,221** | **173,322** |
| **Current Assets** | | | |
| Inventories | 7 | 42,653 | 34,514 |
| Prepaid income tax | | 8 | 340 |
| Current accounts receivable | 8 | 12,154 | 10,115 |
| Cash and cash equivalents | 5 | 22,749 | 4,136 |
| **Total Current Assets** | | **77,564** | **49,105** |
| **Total Assets** | | **256,785** | **222,427** |
| **Equity** | | | |
| Share capital | 9 | 12,473 | 12,473 |
| Share premium | | 10,431 | 10,431 |
| Treasury shares | 9 | (101) | (39) |
| Retained earnings and other reserves | | 99,493 | 70,026 |
| **Equity attributable to owners of AK "ALROSA"** | | **122,296** | **92,891** |
| **Non-Controlling Interest in Subsidiaries** | 9 | **345** | **(281)** |
| **Total Equity** | | **122,641** | **92,610** |
| **Liabilities** | | | |
| **Non-current Liabilities** | | | |
| Long-term debt | 10 | 74,381 | 89,021 |
| Derivative financial instruments | 12 | 2,222 | 2,311 |
| Provision for pension obligations | | 3,917 | 4,344 |
| Provision for land recultivation | | 494 | 800 |
| Deferred tax liabilities | | 3,519 | 2,459 |
| **Total Non-current Liabilities** | | **84,533** | **98,935** |
| **Current Liabilities** | | | |
| Short-term loans and current portion of long-term debt | 11 | 33,102 | 12,944 |
| Derivative financial instruments | 12 | - | 2,562 |
| Trade and other payables | 13 | 13,024 | 11,529 |
| Income tax payable | | 251 | 574 |
| Other taxes payable | 14 | 3,186 | 3,030 |
| Dividends payable | | 48 | 243 |
| **Total Current Liabilities** | | **49,611** | **30,882** |
| **Total Liabilities** | | **134,144** | **129,817** |
| **Total Equity and Liabilities** | | **256,785** | **222,427** |

Signed on 14 December 2011 by the following members of management:

Fedor B. Andreev
President

Elena L. Timonina
Chief accountant

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

***(in millions of Russian roubles, unless otherwise stated)***

## Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)

| | | Three months ended | | Nine months ended | |
|---|---|---|---|---|---|
| | **Notes** | **30 September 2011** | **30 September 2010** | **30 September 2011** | **30 September 2010** |
| Sales | 15 | 41,168 | 25,941 | 107,315 | 90,333 |
| Cost of sales | 16 | (14,935) | (13,927) | (38,054) | (51,939) |
| Royalty | 14 | (877) | (877) | (2,632) | (2,632) |
| **Gross profit** | | **25,356** | **11,137** | **66,629** | **35,762** |
| General and administrative expenses | 17 | (1,185) | (1,360) | (4,084) | (3,466) |
| Selling and marketing expenses | 18 | (356) | (392) | (1,117) | (1,033) |
| Net gain / (loss) from derivative financial instruments | 12 | (131) | 1,378 | 1,420 | 873 |
| Other operating income | 19 | 10 | 159 | 355 | 1,808 |
| Other operating expenses | 20 | (4,400) | (3,079) | (12,345) | (10,225) |
| **Operating profit** | | **19,294** | **7,843** | **50,858** | **23,719** |
| Finance income | 21 | 89 | 1,696 | 183 | 279 |
| Finance costs | 22 | (9,138) | (2,084) | (8,108) | (10,292) |
| Share of net profit of associates | 4 | 324 | 514 | 924 | 1,040 |
| **Profit before income tax** | | **10,569** | **7,969** | **43,857** | **14,746** |
| Income tax | 14 | (1,308) | (1,995) | (8,329) | (3,757) |
| **Profit for the period** | | **9,261** | **5,974** | **35,528** | **10,989** |
| **Other comprehensive income** | | | | | |
| Net losses arising from change in fair value of available-for-sale investments | | (26) | - | (26) | - |
| Currency translation differences | | (170) | 7 | (283) | 58 |
| **Other comprehensive (loss) / income for the period** | | **(196)** | **7** | **(309)** | **58** |
| **Total comprehensive income for the period** | | **9,065** | **5,981** | **35,219** | **11,047** |
| **Profit attributable to:** | | | | | |
| Owners of AK “ALROSA” | | 8,748 | 5,890 | 34,845 | 10,788 |
| Non-controlling interest | | 513 | 84 | 683 | 201 |
| **Profit for the period** | | **9,261** | **5,974** | **35,528** | **10,989** |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of AK “ALROSA” | | 8,552 | 5,897 | 34,536 | 10,846 |
| Non-controlling interest | | 513 | 84 | 683 | 201 |
| **Total comprehensive income for the period** | | **9,065** | **5,981** | **35,219** | **11,047** |

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

*(in millions of Russian roubles, unless otherwise stated)*

## Condensed Consolidated Interim Statement of Cash Flows (unaudited)

| | Notes | Nine months ended 30 September 2011 | Nine months ended 30 September 2010 |
|---|---|---|---|
| **Net Cash Inflow from Operating Activities** | 23 | **40,022** | **32,495** |
| **Cash Flows from Investing Activities** | | | |
| Purchase of property, plant and equipment | | (13,989) | (8,574) |
| Proceeds from sales of fixed assets | | 505 | 531 |
| Acquisition of available-for-sale investments | | (19) | (29) |
| Proceeds from sale of available-for-sale investments | | 7 | 19 |
| Interest received | | 183 | 293 |
| Dividends received from associates | | - | 619 |
| **Net Cash Outflow from Investing Activities** | | **(13,313)** | **(7,141)** |
| **Cash Flows from Financing Activities** | | | |
| Repayments of loans | | (11,527) | (115,359) |
| Loans received | | 13,470 | 103,994 |
| Interest paid | | (4,262) | (6,695) |
| Purchase of treasury shares | | (3,298) | 128 |
| Dividends paid | | (2,085) | (152) |
| **Net Cash Outflow from Financing Activities** | | **(7,702)** | **(18,084)** |
| **Net Increase in Cash and Cash Equivalents** | | **19,007** | **7,270** |
| Cash and cash equivalents at the beginning of the period | | 4,136 | 5,094 |
| Exchange (losses) / gains on cash and cash equivalents | | (394) | 121 |
| **Cash and Cash Equivalents at the End of the Period** | | **22,749** | **12,485** |

***(in millions of Russian roubles, unless otherwise stated)***

# Condensed Consolidated Interim Statement of Changes in Equity (unaudited)

| | Attributable to owners of AK "ALROSA" | | | | | | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Treasury shares** | **Other reserves** | **Retained earnings** | **Total** | | |
| **Balance at 31 December 2009** | **12,473** | **10,431** | **(26)** | **54** | **58,966** | **81,898** | **(1,177)** | **80,721** |
| **Comprehensive income** | | | | | | | | |
| Profit for the period | - | - | - | - | 10,788 | 10,788 | 201 | 10,989 |
| ***Other comprehensive income*** | | | | | | | | |
| Currency translation differences | - | - | - | 58 | - | 58 | - | 58 |
| Total other comprehensive income | - | - | - | 58 | - | 58 | - | 58 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **58** | **10,788** | **10,846** | **201** | **11,047** |
| **Transactions with owners** | | | | | | | | |
| Dividends (note 9) | - | - | - | - | (250) | (250) | - | (250) |
| Disposal of treasury shares | - | - | 23 | - | 106 | 129 | - | 129 |
| Non-controlling interest in disposed subsidiaries | - | - | - | - | - | - | 1,082 | 1,082 |
| Dividends paid by subsidiaries to the owners of non-controlling interest | - | - | - | - | - | - | (51) | (51) |
| **Total transactions with owners** | **-** | **-** | **23** | **-** | **(144)** | **(121)** | **1,031** | **910** |
| **Balance at 30 September 2010** | **12,473** | **10,431** | **(3)** | **112** | **69,610** | **92,623** | **55** | **92,678** |
| **Balance at 31 December 2010** | **12,473** | **10,431** | **(39)** | **(192)** | **70,218** | **92,891** | **(281)** | **92,610** |
| **Comprehensive income** | | | | | | | | |
| Profit for the period | - | - | - | - | 34,845 | 34,845 | 683 | 35,528 |
| ***Other comprehensive income*** | | | | | | | | |
| Net losses arising from change in fair value of available-for-sale investments | - | - | - | (26) | - | (26) | - | (26) |
| Currency translation differences | - | - | - | (283) | - | (283) | - | (283) |
| Total other comprehensive income | - | - | - | (309) | - | (309) | - | (309) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **(309)** | **34,845** | **34,536** | **683** | **35,219** |
| **Transactions with owners** | | | | | | | | |
| Dividends (note 9) | - | - | - | - | (1,833) | (1,833) | - | (1,833) |
| Purchase of treasury shares | - | - | (62) | - | (3,236) | (3,298) | - | (3,298) |
| Dividends paid by subsidiaries to the owners of non-controlling interest | - | - | - | - | - | - | (57) | (57) |
| **Total transactions with owners** | **-** | **-** | **(62)** | **-** | **(5,069)** | **(5,131)** | **(57)** | **(5,188)** |
| **Balance at 30 September 2011** | **12,473** | **10,431** | **(101)** | **(501)** | **99,994** | **122,296** | **345** | **122,641** |

## 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 30 September 2011 and 31 December 2010 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.

The Group has seasonal working capital requirements as most of a year's supplies must be purchased in the second and third quarters and transported to their destination prior to the end of September as a result of the remote location of, and extreme climatic conditions at, the Group's mining operations in the Republic of Sakha (Yakutia). The Group's major areas of operations can be reached by water only during a relatively short navigation period (May to September). During that time the Group accumulates stocks of consumables and production materials for production needs to last until the next navigation period. This seasonality of purchases causes significant increase of advances given to suppliers and short-term borrowings in mid-year as compared with year-end.

## 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 2010 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 31.88 and 30.48 as at 30 September 2011 and 31 December 2010, respectively. The official Euro to RR exchange rates as determined by the Central bank of the Russian Federation were 43.40 and 40.33 as at 30 September 2011 and 31 December 2010, 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 2010. 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.

**Recent accounting pronouncements**

In 2010 the Group early adopted the revised IAS 24 "Related Party Disclosures" which is effective for annual periods beginning on or after 1 January 2011. IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

In 2011 the Group has adopted all IFRS, amendments and interpretations which were effective as at 1 January 2011 and which are relevant to its operations.

***Standards, Amendments or Interpretations effective in 2011:***

Amendment to IAS 32 "Financial Instruments: Presentation" which is effective for annual periods beginning on or after 1 February 2010. The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The application of this amendment did not affect the Group's consolidated financial information.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit or loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The application of this interpretation did not affect the Group's consolidated financial information.

Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement" (effective for annual periods beginning on or after 1 January 2011). This amendment applies only to the companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The application of this amendment did not affect the Group's consolidated financial information.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

- Amendment to IFRS 3 "Business Combinations" (i) requires measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) provides guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) clarifies that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3.
- Amendment to IFRS 7 "Financial Instruments: Disclosures" clarifies certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, and (iii) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period.
- Amendment to IAS 1 "Presentation of Financial Statements" clarifies that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes.
- Amendment to IAS 27 "Consolidated and Separate Financial Statements" clarifies the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008).
- Amendment to IAS 34 "Interim Financial Reporting" adds additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments.
- Amendment to IFRIC 13 "Customer Loyalty Programmes" clarifies measurement of fair value of award credits.

The application of these improvements did not affect the Group's consolidated financial information.

***Standards, Amendments and Interpretations to existing Standards that are not yet effective and have not been early adopted by the Group:***

IFRS 9 "Financial Instruments" (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets and liabilities. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss,as long as they represent a return on investment.

The Group is currently assessing the impact of the standard on the consolidated financial statements.

Amendment to IFRS 7 "Financial Instruments: Disclosures" which is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The application of this amendment is not expected to materially affect the Group's consolidated financial statements.

Amendments to IAS 12 "Income taxes" which are effective for annual periods beginning on or after 1 January 2012. The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC 21, "Income Taxes – Recovery of Revalued Non-Depreciable Assets", which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 "Property, Plant and Equipment" was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The application of this amendment is not expected to materially affect the Group's consolidated financial statements.

IFRS 10 "Consolidated financial statements" (effective for annual periods beginning on or after 1 January 2013, with earlier application permitted), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC 12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 11 "Joint arrangements" (effective for annual periods beginning on or after 1 January 2013, with earlier application permitted), replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of "types" of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group is currently assessing the impact of the standard on the consolidated financial statements.

IFRS 12 "Disclosure of interest in other entities" (effective for annual periods beginning on or after 1 January 2013, with earlier application permitted), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 27 "Consolidated and Separate Financial Statements" and IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the standard on the consolidated financial statements.

***(in millions of Russian roubles, unless otherwise stated)***

IFRS 13 "Fair value measurement" (effective for annual periods beginning on or after 1 January 2013, with earlier application permitted), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on the consolidated financial statements.

Amended IAS 27 "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013, with earlier application permitted), contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The application of this amendment is not expected to affect the Group's consolidated financial statements.

Amended IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013, with earlier application permitted), prescribes the accounting for investments in associates and contains the requirements for the application of the equity method to investments in associates and joint ventures. The Group is currently assessing the impact of the standard on the consolidated financial statements.

Amendments to IAS 1 "Presentation of financial statements" (effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income (OCI). The amendments require entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The Group is currently assessing the impact of the standard on the consolidated financial statements.

Amended IAS 19 "Employee benefits" (effective for periods beginning on or after 1 January 2013), 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 Group is currently assessing the impact of the standard on the consolidated financial statements.

## 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 | |
|---|---|---|---|---|
| | | | 30 September 2011 | 31 December 2010 |
| 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 | 90 |
| OAO ALROSA-Nyurba | Diamonds production | Russia | 88 | 88 |
| OOO MAK Bank | Banking activity | Russia | 88 | 88 |

As at 30 September 2011 and 31 December 2010 the percentage of ownership interest of the Group in subsidiaries is equal to the percentage of voting interest.

***(in millions of Russian roubles, unless otherwise stated)***

***Associates***

| Name | Country of incorporation | Percentage of ownership interest held as at | | Carrying value of investment as at | |
|---|---|---|---|---|---|
| | | **30 September 2011** | **31 December 2010** | **30 September 2011** | **31 December 2010** |
| Catoca Mining Company Ltd | Angola | 33 | 33 | 1,784 | 1,705 |
| OAO Almazny Mir | Russia | 47 | 47 | 181 | 179 |
| Other | Russia | - | - | 89 | 91 |
| | | | | 2,054 | 1,975 |

As at 30 September 2011 and 31 December 2010 the percentage ownership interest of the Group in its associates is equal to the percentage of voting interest.

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

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **30 September 2011** | **30 September 2010** | **30 September 2011** | **30 September 2010** |
| Catoca Mining Company Ltd | 321 | 512 | 924 | 1,029 |
| OAO Almazny Mir | 1 | 2 | 2 | 5 |
| Other | 2 | - | (2) | 6 |
| | 324 | 514 | 924 | 1,040 |

Catoca Mining Company Ltd is a diamond-mining venture located in Angola. In April 2011 Catoca Mining Company Ltd declared dividends for the year ended 31 December 2010; the Group's share of these dividends amounted to RR'mln 923. Currency translation income recognised in the condensed consolidated interim statement of comprehensive income for the nine months ended 30 September 2011 in respect of investment in Catoca Mining Company Ltd totalled RR'mln 78. In April 2010 Catoca Mining Company Ltd declared dividends for the year ended 31 December 2009; the Group's share of these dividends amounted to RR'mln 607. Currency translation income recognised in the condensed consolidated interim statement of comprehensive income for the nine months ended 30 September 2010 in respect of investment in Catoca Mining Company Ltd totalled RR'mln 7.

## 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 313 and RR'mln 152 as at 30 September 2011 and 31 December 2010, 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 23). At 30 September 2011 and 31 December 2010 the weighted average interest rate on the restricted cash balances is approximately nil percent.

***Cash and cash equivalents***

| | **30 September 2011** | **31 December 2010** |
|---|---|---|
| Deposit accounts | 13,481 | 224 |
| Current accounts | 9,268 | 3,912 |
| | 22,749 | 4,136 |

At 30 September 2011 the weighted average interest rate on the cash balances of the Group was 1.92 percent (31 December 2010: 0.16 percent).

*(in millions of Russian roubles, unless otherwise stated)*

## 6. PROPERTY, PLANT AND EQUIPMENT

| | Operating assets | Assets under construction | TOTAL |
|---|---|---|---|
| **As at 31 December 2009** | | | |
| Cost | 210,041 | 41,756 | 251,797 |
| Accumulated depreciation and impairment losses | (83,101) | (764) | (83,865) |
| **Net book value as at 31 December 2009** | **126,940** | **40,992** | **167,932** |
| **Nine months ended 30 September 2010** | | | |
| Net book value as at 31 December 2009 | 126,940 | 40,992 | 167,932 |
| Foreign exchange differences | 41 | 1 | 42 |
| Additions | 2,429 | 8,001 | 10,430 |
| Transfers | 3,376 | (3,376) | - |
| Disposals – at cost | (5,253) | (613) | (5,866) |
| Disposals – accumulated depreciation | 1,953 | - | 1,953 |
| Change in estimate of provision for land recultivation | 2 | - | 2 |
| Reversal of impairment of property, plant and equipment | - | 42 | 42 |
| Depreciation charge for the period | (7,202) | - | (7,202) |
| **Net book value as at 30 September 2010** | **122,286** | **45,047** | **167,333** |
| **As at 31 December 2010** | | | |
| Cost | 214,776 | 44,207 | 258,983 |
| Accumulated depreciation and impairment losses | (90,241) | (722) | (90,963) |
| **Net book value as at 31 December 2010** | **124,535** | **43,485** | **168,020** |
| **Nine months ended 30 September 2011** | | | |
| Net book value as at 31 December 2010 | 124,535 | 43,485 | 168,020 |
| Foreign exchange differences | 220 | 12 | 232 |
| Additions | 5,301 | 10,568 | 15,869 |
| Transfers | 11,388 | (11,388) | - |
| Disposals – at cost | (2,850) | (449) | (3,299) |
| Disposals – accumulated depreciation | 1,834 | - | 1,834 |
| Change in estimate of provision for land recultivation | (374) | - | (374) |
| Impairment of property, plant and equipment | - | (200) | (200) |
| Depreciation charge for the period | (8,680) | - | (8,680) |
| **Net book value as at 30 September 2011** | **131,374** | **42,028** | **173,402** |
| **As at 30 September 2011** | | | |
| Cost | 228,461 | 42,950 | 271,411 |
| Accumulated depreciation and impairment losses | (97,087) | (922) | (98,009) |
| **Net book value as at 30 September 2011** | **131,374** | **42,028** | **173,402** |

Change in estimate of provision for land recultivation recognised for the nine months ended 30 September 2011 is explained by decrease of the principal amount of liability due to amendments introduced by the Company's management to the "Program for improvement of environmental situation in the area of operating activity of the Company" in 2011.

## 7. INVENTORIES

| | 30 September 2011 | 31 December 2010 |
|---|---|---|
| Diamonds | 17,704 | 15,840 |
| Mining and construction materials | 11,930 | 9,886 |
| Ores and concentrates | 11,423 | 7,498 |
| Consumable supplies | 1,596 | 1,267 |
| Diamonds for resale | - | 23 |
| | 42,653 | 34,514 |

***(in millions of Russian roubles, unless otherwise stated)***

## 8. TRADE AND OTHER RECEIVABLES

| **Long-term accounts receivable** | **30 September 2011** | **31 December 2010** |
|---|---|---|
| Loans issued | 1,497 | 1,372 |
| Long-term VAT recoverable | 230 | 190 |
| Receivables from associates | 102 | - |
| Other long-term receivables | 32 | 7 |
| | 1,861 | 1,569 |

| **Current accounts receivable** | **30 September 2011** | **31 December 2010** |
|---|---|---|
| Loans issued | 2,480 | 2,393 |
| Advances to suppliers | 2,341 | 745 |
| Prepaid taxes, other than income tax | 2,000 | 1,403 |
| Receivables from associates (see note 25) | 1,186 | 157 |
| VAT recoverable | 632 | 893 |
| Notes receivable | 200 | 15 |
| Trade receivables for supplied diamonds | 74 | 1,325 |
| Other trade receivables | 3,241 | 3,184 |
| | 12,154 | 10,115 |

Trade and other receivables are presented net of impairment provision of RR'mln 4,850 and RR'mln 4,628 as at 30 September 2011 and 31 December 2010, respectively.

## 9. SHAREHOLDERS' EQUITY

### *Share capital*

Share capital authorised, issued and paid in totals RR'mln 12,473 as at 30 September 2011 and 31 December 2010 and consists of 272,726 ordinary shares, including treasury shares, at RR 13,502.5 par value per share. In addition as at 30 September 2011 and 31 December 2010 share capital includes hyperinflation adjustment totalling RR'mln 8,790, which was calculated in accordance with requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies" and relates to the reporting periods prior to 1 January 2003.

### *Distributable profits*

The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. For the nine months ended 30 September 2011 the statutory profit of the Company as reported in the published statutory reporting forms was RR'mln 23,883 (for the nine months ended 30 September 2010 – RR'mln 6,413). 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*

At 30 September 2011 subsidiaries of the Group held 5,506 (31 December 2010: 920) ordinary shares of the Company. The Group management controls the voting rights of these shares.

### *Dividends*

On 30 June 2011, the Company's annual shareholders' meeting approved dividends for the year ended 31 December 2010 totalling RR'mln 1,833. Dividends per share amounted to RR 6,722.

On 26 June 2010, the Company's annual shareholders' meeting approved dividends for the year ended 31 December 2009 totalling RR'mln 250. Dividends per share amounted to RR 917.

*(in millions of Russian roubles, unless otherwise stated)*

***Non-controlling interest in subsidiaries***

| | Nine months ended 30 September 2011 | Nine months ended 30 September 2010 |
|---|---|---|
| Non-controlling interest at the beginning of the period | (281) | (1,177) |
| Non-controlling interest share of net profit of subsidiaries | 683 | 201 |
| Disposal of non-controlling interest through disposal of subsidiaries | - | 1,082 |
| Dividends paid by subsidiaries to the owners of non-controlling interest | (57) | (51) |
| Non-controlling interest at the end of the period | 345 | 55 |

## 10. LONG-TERM DEBT

| | 30 September 2011 | 31 December 2010 |
|---|---|---|
| Banks: | | |
| US$ denominated floating rate | - | 2,206 |
| US$ denominated fixed rate | 16,463 | 22,310 |
| RR denominated floating rate | - | 1,556 |
| | **16,463** | **26,072** |
| Eurobonds | 47,794 | 45,696 |
| RR denominated non-convertible bonds | 26,000 | 26,000 |
| Finance lease obligation | 514 | 511 |
| Commercial paper | 36 | 464 |
| Other RR denominated fixed rate loans | 1,421 | 1,349 |
| | **92,228** | **100,092** |
| Less: current portion of long-term debt (see note 11) | (17,847) | (11,071) |
| | **74,381** | **89,021** |

As at 30 September 2011 and at 31 December 2010 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:

| | 30 September 2011 | 31 December 2010 |
|---|---|---|
| Banks: | | |
| US$ denominated floating rate | 5.5% | 5.5% |
| US$ denominated fixed rate | 6.4% | 6.4% |
| RR denominated floating rate | - | 10.5% |
| Eurobonds | 8.1% | 8.1% |
| RR denominated non-convertible bonds | 8.5% | 8.5% |
| Finance lease obligation | 7.6% | 7.6% |
| Commercial paper | 28.3% | 27.4% |
| Other RR denominated fixed rate loans | 7.1% | 10.9% |

**Eurobonds**

| | Nine months ended 30 September 2011 | Nine months ended 30 September 2010 |
|---|---|---|
| Balance at the beginning of the period | 45,696 | 15,099 |
| Amortisation of discount | 4 | 18 |
| Exchange losses | 2,094 | 63 |
| Balance at the end of the period | 47,794 | 15,180 |

***(in millions of Russian roubles, unless otherwise stated)***

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

| | 30 September 2011 | 31 December 2010 |
|---|---|---|
| Banks: | | |
| US$ denominated fixed rate | 43 | 37 |
| RR denominated fixed rate | 52 | 57 |
| | **95** | **94** |
| European commercial paper | 12,750 | - |
| Other US$ denominated fixed rate loans | 10 | 9 |
| Other RR denominated fixed rate loans | 2,400 | 1,770 |
| | **15,255** | **1,873** |
| Add: current portion of long-term debt (see note 10) | 17,847 | 11,071 |
| | **33,102** | **12,944** |

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

| | 30 September 2011 | 31 December 2010 |
|---|---|---|
| Banks: | | |
| US$ denominated fixed rate | 14.0% | 12.0% |
| RR denominated fixed rate | 11.3% | 11.1% |
| European commercial paper | 4.8% | - |
| Other US$ denominated fixed rate loans | 3.5% | 3.7% |
| Other RR denominated fixed rate loans | 1.5% | 5.7% |

As at 30 September 2011 and 31 December 2010 there were no short-term loans secured with the assets of the Group.

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

***Long-term derivative financial instruments (liabilities)***

| | 30 September 2011 | 31 December 2010 |
|---|---|---|
| Fair value of put options granted by the Group to the buyers of ZAO Geotransgaz and OOO Urengoyskaya Gazovaya Company | 2,222 | 2,311 |
| | 2,222 | 2,311 |

***Short-term derivative financial instruments (liabilities)***

| | 30 September 2011 | 31 December 2010 |
|---|---|---|
| Fair value of foreign exchange forward contracts | - | 2,328 |
| Fair value of cross currency interest rate swaps contracts | - | 234 |
| | - | 2,562 |

***Net gain from derivative financial instruments***

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | 30 September 2011 | 30 September 2010 | 30 September 2011 | 30 September 2010 |
| Net gain / (loss) from change of fair value of put options granted by the Group to the buyers of ZAO Geotransgaz and OOO Urengoyskaya Gazovaya Company | (91) | 445 | 89 | 293 |
| Net gain / (loss) from foreign exchange forward contracts | (40) | 879 | 1,220 | 624 |
| Net gain / (loss) from cross currency interest rate swap contracts | - | 54 | 111 | (44) |
| | (131) | 1,378 | 1,420 | 873 |

***Put options granted by the Group to the buyers of ZAO Geotransgaz and OOO Urengoyskaya Gazovaya Company***

In October 2009 the Group sold a 90 percent interest in ZAO Geotransgaz and OOO Urengoyskaya Gazovaya Company to the companies affiliated with OAO Bank VTB for a total cash consideration of RR'mln 18,615 (US$'mln 620). Simultaneously the Group entered into put option agreements with the buyers and the bank pursuant to which the Group may be required to repurchase 90 percent interest in OOO Urengoyskaya Gazovaya Company and ZAO Geotransgaz back during 30 days following 1 October 2012 at a strike price of US$'mln 870.

***(in millions of Russian roubles, unless otherwise stated)***

The Group determined the fair value of put options as at 30 September 2011 in the amount of RR’mln 2,222 (as at 31 December 2010 – RR’mln 2,311) using the option pricing model. The main inputs to this model are the fair value of the sold companies, which was assessed by the Group as at 30 September 2011 as RR’mln 28,974 (31 December 2010 - RR’mln 36,735) and its expected volatility, which was estimated by the Group at the level of 31 percent at 30 September 2011 and 44 percent at 31 December 2010 using historical data for comparable companies for the last 2 and 3 years respectively.

| | **Nine months ended 30 September** | |
|---|---|---|
| | **2011** | **2010** |
| Fair value of the put options at the beginning of the reporting period | (2,311) | (3,657) |
| Change in fair value during the reporting period | 89 | 293 |
| Fair value of the put options at the end of the reporting period | (2,222) | (3,364) |

***Foreign exchange forward contracts***

To reduce the Group’s US$ / RR foreign exchange risk exposure, in 2006 the Group entered into US$ / RR forward sale transactions with five foreign banks under which it agreed to sell US$ for RR during a five-year period starting in September 2006 and ending in September 2011, at a strike price fixed at the exchange rates ranging from RR 26.56 to RR 26.84 per US$ 1, averaged on a quarterly basis. The transactions have varying maturities and amounts spread evenly over the five-year period in the aggregate amount of US$’mln 215 per quarter (US$’mln 4,300 in total over the five-year period).

| | **Nine months ended 30 September** | |
|---|---|---|
| | **2011** | **2010** |
| Fair value of foreign exchange forward contracts at the beginning of the period | (2,328) | (6,300) |
| Net payment from exercising of foreign exchange forward contracts | 1,108 | 2,323 |
| Net gain from change of fair value of foreign exchange forward contracts | 1,220 | 624 |
| Fair value of foreign exchange forward contracts at the end of the period | - | (3,353) |

***Cross currency interest rate swap contracts***

To reduce the Group’s interest rate risk exposure associated with the RR denominated floating rate loans from OAO Bank VTB, in 2008 the Group entered into US$ / RR cross currency interest rate swap transactions with VTB Bank Europe Plc. Under the swap transactions the Group agreed to convert into US$ the amount due to OAO Bank VTB totalling RR’mln 4,518 at the exchange rate of RR 26.62 and pay fixed interest rates ranging from 9.55 to 9.88 percent in exchange of RR floating interest rates based on three months MosPrime interest rate. The transactions have varying maturities and amounts spread from October 2008 to May 2011.

| | **Nine months ended 30 September** | |
|---|---|---|
| | **2011** | **2010** |
| Fair value of cross currency interest rate swap contracts at the beginning of the period | (234) | (187) |
| Net payments / (proceeds) from exercising of swap contracts | 123 | (14) |
| Net gain / (loss) from change of fair value of cross currency interest rate swap contracts | 111 | (44) |
| Fair value of cross currency interest rate swap contracts at the end of the period | - | (245) |

The discount rate used to calculate the fair value of the forward foreign exchange contracts and cross currency interest rate swap contracts as at 30 September 2011 was 8.0 percent (as at 31 December 2010: 8.1 percent), which represents the incremental interest rate on RR denominated borrowings applicable to the Group as at the end of the respective reporting period.

## 13. TRADE AND OTHER PAYABLES

| | **30 September 2011** | **31 December 2010** |
|---|---|---|
| Accrual for employee flights and holidays | 4,843 | 4,482 |
| Trade payables | 2,690 | 2,532 |
| Interest payable | 1,929 | 660 |
| Current accounts of third parties in OOO MAK Bank | 1,429 | 1,202 |
| Wages and salaries | 1,165 | 1,659 |
| Advances from customers | 451 | 516 |
| Payables to associates | 51 | 59 |
| Other payables and accruals | 466 | 419 |
| | 13,024 | 11,529 |

***(in millions of Russian roubles, unless otherwise stated)***

## 14. INCOME AND OTHER TAX ASSETS AND LIABILITIES

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

| | 30 September2011 | 31 December 2010 |
|---|---|---|
| Payments to social funds | 1,029 | 694 |
| Property tax | 780 | 749 |
| Extraction tax | 742 | 555 |
| Value added tax | 372 | 625 |
| Personal income tax (employees) | 202 | 270 |
| Other taxes and accruals | 61 | 137 |
| | 3,186 | 3,030 |

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

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | 30 September 2011 | 30 September 2010 | 30 September 2011 | 30 September 2010 |
| Property tax | 782 | 760 | 2,318 | 2,292 |
| Other taxes and accruals | 52 | 45 | 310 | 316 |
| | 834 | 805 | 2,628 | 2,608 |

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 15).

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.

Income tax expense comprises the following:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | 30 September 2011 | 30 September 2010 | 30 September 2011 | 30 September 2010 |
| Current tax expense | 2,198 | 1,732 | 8,416 | 3,944 |
| Adjustments recognised in the period for current tax of prior periods | (1,151) | - | (1,151) | (102) |
| Deferred tax expense / (income) | 261 | 263 | 1,064 | (85) |
| | 1,308 | 1,995 | 8,329 | 3,757 |

## 15. SALES

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | 30 September 2011 | 30 September 2010 | 30 September 2011 | 30 September 2010 |
| Revenue from diamond sales: | | | | |
| Export | 28,769 | 16,247 | 72,900 | 57,418 |
| Domestic | 8,712 | 5,438 | 24,877 | 17,612 |
| Revenue from diamonds for resale | 27 | 178 | 350 | 5,895 |
| | 37,508 | 21,863 | 98,127 | 80,925 |
| Other revenue: | | | | |
| Transport | 1,642 | 1,512 | 3,514 | 3,204 |
| Social infrastructure | 585 | 587 | 2,035 | 1,671 |
| Trading | 378 | 327 | 958 | 1,536 |
| Construction | 148 | 751 | 415 | 720 |
| Other | 907 | 901 | 2,266 | 2,277 |
| | 41,168 | 25,941 | 107,315 | 90,333 |

Export duties totalling RR'mln 1,927 and RR'mln 4,773 for the three and nine months ended 30 September 2011 (three and nine months ended 30 September 2010: RR'mln 1,053 and RR'mln 3,935, respectively) were netted against revenues from export of diamonds.

***(in millions of Russian roubles, unless otherwise stated)***

## 16. COST OF SALES

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **30 September 2011** | **30 September 2010** | **30 September 2011** | **30 September 2010** |
| Wages, salaries and other staff costs | 4,009 | 4,603 | 15,360 | 14,708 |
| Depreciation | 2,939 | 2,019 | 7,793 | 6,412 |
| Fuel and energy | 1,861 | 1,849 | 6,153 | 5,938 |
| Extraction tax | 2,212 | 1,573 | 6,060 | 5,050 |
| Materials | 2,291 | 1,620 | 4,767 | 4,232 |
| Transport | 593 | 477 | 1,646 | 1,391 |
| Services | 668 | 957 | 1,596 | 2,836 |
| Cost of diamonds for resale | 34 | 171 | 345 | 5,733 |
| Other | 29 | 243 | 123 | 320 |
| Movement in inventory of diamonds, ores and concentrates | 299 | 415 | (5,789) | 5,319 |
| | 14,935 | 13,927 | 38,054 | 51,939 |

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 807 and RR'mln 3,465 for the three and nine months ended 30 September 2011, respectively (for the three and nine months ended 30 September 2010 in the amount of RR'mln 639 and RR'mln 2,406, respectively).

Depreciation totalling RR'mln 887 (nine months ended 30 September 2010: RR'mln 790) and staff costs totalling RR'mln 1,694 (nine months ended 30 September 2010: RR'mln 1,282) were incurred by the Group's construction divisions and were capitalised in the respective periods.

## 17. GENERAL AND ADMINISTRATIVE EXPENSES

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **30 September 2011** | **30 September 2010** | **30 September 2011** | **30 September 2010** |
| Wages, salaries and other staff costs | 696 | 476 | 2,312 | 1,363 |
| Services and other administrative expenses | 463 | 744 | 1,550 | 1,960 |
| Impairment of accounts receivable | 26 | 140 | 222 | 143 |
| | 1,185 | 1,360 | 4,084 | 3,466 |

## 18. SELLING AND MARKETING EXPENSES

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **30 September 2011** | **30 September 2010** | **30 September 2011** | **30 September 2010** |
| Wages, salaries and other staff costs | 226 | 189 | 673 | 530 |
| Services and other selling and marketing expenses | 130 | 203 | 444 | 503 |
| | 356 | 392 | 1,117 | 1,033 |

## 19. OTHER OPERATING INCOME

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **30 September 2011** | **30 September 2010** | **30 September 2011** | **30 September 2010** |
| Gain on deconsolidation of OAO NNGK Sakhaneftegaz and OAO Lenaneftegaz | - | - | - | 1,427 |
| Other | 10 | 159 | 355 | 381 |
| | 10 | 159 | 355 | 1,808 |

*(in millions of Russian roubles, unless otherwise stated)*

## 20. OTHER OPERATING EXPENSES

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | 30 September 2011 | 30 September 2010 | 30 September 2011 | 30 September 2010 |
| Exploration expenses | 2,056 | 852 | 5,338 | 3,231 |
| Social costs | 1,092 | 767 | 2,712 | 2,085 |
| Taxes other than income tax, extraction tax and payments to social funds (note 14) | 834 | 805 | 2,628 | 2,608 |
| Loss on disposal of property, plant and equipment | 118 | 89 | 960 | 1,385 |
| Impairment / (reversal of impairment) of property, plant and equipment | 31 | - | 200 | (42) |
| Other | 269 | 566 | 507 | 958 |
| | 4,400 | 3,079 | 12,345 | 10,225 |

**Social costs consist of:**

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | 30 September 2011 | 30 September 2010 | 30 September 2011 | 30 September 2010 |
| Maintenance of local infrastructure | 551 | 388 | 1,580 | 896 |
| Charity | 359 | 129 | 615 | 425 |
| Hospital expenses | 29 | 151 | 122 | 465 |
| Education | 9 | 2 | 37 | 26 |
| Other | 144 | 97 | 358 | 273 |
| | 1,092 | 767 | 2,712 | 2,085 |

## 21. FINANCE INCOME

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | 30 September 2011 | 30 September 2010 | 30 September 2011 | 30 September 2010 |
| Interest income | 89 | 94 | 183 | 279 |
| Exchange gains | - | 1,602 | - | - |
| | 89 | 1,696 | 183 | 279 |

## 22. FINANCE COSTS

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | 30 September 2011 | 30 September 2010 | 30 September 2011 | 30 September 2010 |
| Interest expense: | | | | |
| Eurobonds | 875 | 315 | 2,594 | 1,009 |
| RR denominated non-convertible bonds | 543 | 582 | 1,629 | 582 |
| Bank loans | 372 | 734 | 1,040 | 4,825 |
| European commercial paper | 144 | 232 | 251 | 744 |
| Commercial paper | 11 | 6 | 57 | 125 |
| Other | 12 | 205 | 25 | 643 |
| Unwinding of discount of provision for land recultivation | 3 | 10 | 67 | 29 |
| Exchange losses | 7,178 | - | 2,445 | 2,335 |
| | 9,138 | 2,084 | 8,108 | 10,292 |

***(in millions of Russian roubles, unless otherwise stated)***

## 23. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash flows from operations:

| | **Nine months ended 30 September 2011** | **Nine months ended 30 September 2010** |
|---|---|---|
| Profit before income tax | 43,857 | 14,746 |
| Adjustments for: | | |
| Share of net profit of associates (note 4) | (924) | (1,040) |
| Interest income (note 21) | (183) | (279) |
| Interest expense (note 22) | 5,663 | 7,957 |
| Loss on disposal of property, plant and equipment (note 20) | 960 | 1,385 |
| Impairment / (reversal of impairment) of property, plant and equipment (note 20) | 200 | (42) |
| Gain on deconsolidation of OAO NNGK Sakhaneftegaz and OAO Lenaneftegaz (note 19) | - | (1,427) |
| Net gain from foreign exchange forward contracts (note 12) | (1,220) | (624) |
| Net (gain) / loss from cross currency interest rate swap contracts (note 12) | (111) | 44 |
| Gain from change of fair value of put options granted by the Group to the buyers of ZAO Geotransgaz and OOO Urengoyskaya Gazovaya Company (note 12) | (89) | (293) |
| Depreciation (note 16) | 7,793 | 6,412 |
| Adjustment for inventory used in construction | (1,180) | (734) |
| Adjustments for non-cash financing activity | (4) | (339) |
| Net payments from exercising of foreign exchange forward contracts (note 12) | (1,108) | (2,323) |
| Net (payments) / proceeds from exercising of cross currency interest rate swap contracts (note 12) | (123) | 14 |
| Payments to restricted cash account (note 5) | (161) | (40) |
| Unrealised foreign exchange effect on non-operating items | 3,090 | 1,700 |
| Net operating cash flow before changes in working capital | 56,460 | 25,117 |
| Net (increase) / decrease in inventories | (8,140) | 10,445 |
| Net increase in trade and other receivables, excluding dividends receivable | (1,278) | (472) |
| Net increase in provisions, trade and other payables, excluding interest payable and payables for acquired property, plant and equipment | 82 | 1,983 |
| Net increase / (decrease) in taxes payable, excluding income tax | 487 | (1,054) |
| **Cash inflows from operating activity** | **47,611** | **36,019** |
| Income tax paid | (7,589) | (3,524) |
| **Net cash inflows from operating activities** | **40,022** | **32,495** |

## 24. 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 consequences of the global financial and economic crisis, including the recent sovereign debt crisis, may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the future financial position of the Group.

### (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.

As at 30 September 2011 and 31 December 2010 the Group had tax contingencies. These contingencies are estimates that result from uncertainties in interpretation of applicable legislation concerning deduction of certain expenses for income tax purposes and reimbursement of the related input VAT. Management is not able to reliably estimate the range of possible outcomes, but believes that under certain circumstances the magnitude of these tax contingencies may be significant for the Group. Management of the Group believes that the exposure in respect of these tax risks is not probable, therefore as at 30 September 2011 and 31 December 2010 no provision for tax liabilities had been recorded.

### (c) Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operations or financial position of the Group as at 30 September 2011.

### (d) Insurance

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

### (e) Capital commitments

As at 30 September 2011 the Group has contractual commitments for capital expenditures of approximately RR’mln 7,187 (31 December 2010: RR’mln 5,156).

### (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 494 as at 30 September 2011 (RR’mln 800 as at 31 December 2010).

## 25. RELATED PARTY TRANSACTIONS

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

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

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

Governments of the Russian Federation and the Republic of Sakha (Yakutia) are the ultimate controlling parties of the Company. As at 30 September 2011 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 30 September 2011 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 2011, 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 14. Tax transactions are disclosed in the statement of comprehensive income, cash flow statement and in notes 14, 15, 16, 18, 20 and 23.

***Parties under control of the Government***

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

As at 30 September 2011 the accounts payable to the parties under Governmental control totalled RR'mln 199 (31 December 2010: RR'mln 679). As at 30 September 2011 the accounts receivable from the parties under Governmental control (excluding loans issued) totalled RR'mln 1,282 (31 December 2010: RR'mln 2,100). As at 30 September 2011 and 31 December 2010 the accounts receivable from the parties under Governmental control and accounts payable to the parties under Governmental control were non-interest bearing, had a maturity within one year and were denominated in Russian Roubles.

During the three and nine months ended 30 September 2011 and 30 September 2010 the Group had the following significant transactions with the parties under Governmental control:

| | **Three months ended** | | **Nine months ended** | |
|---|---|---|---|---|
| | **30 September 2011** | **30 September 2010** | **30 September 2011** | **30 September 2010** |
| Sales of diamonds | 4,240 | 1, 933 | 10,664 | 6,750 |
| Other sales | 632 | 902 | 1,869 | 1,675 |
| Electricity and heating expenses | 721 | 804 | 3,028 | 3,331 |
| Other purchases | 332 | 369 | 929 | 888 |

As at 30 September 2011 and 31 December 2010 the Group has no any contractual commitments to sell goods or services to the parties under control of the Government. As at 30 September 2011 the Group has contractual commitments to purchase goods and services from the parties under control of the Government in the amount of approximately RR'mln 1,294 (31 December 2010: RR'mln 2,314).

As at 30 September 2011 the amount of loans received by the Group from the entities under Governmental control totalled RR'mln 16,463 (31 December 2010: RR'mln 23,916). During the three and nine months ended 30 September 2011 interest expense accrued in respect to the loans received by the Group from the entities under Governmental control totalled RR'mln 277 and RR'mln 936, respectively (three and nine months ended 30 September 2010: RR'mln 328 and RR'mln 4,275, respectively).

As at 30 September 2011 the amount of loans issued by the Group to the entities under Governmental control totalled RR'mln 1,419 (31 December 2010: RR'mln 694). During the three and nine months ended 30 September 2011 interest income earned by the Group in respect to the loans issued to the entities under Governmental control totalled RR'mln 25 and RR'mln 61, respectively (three and nine months ended 30 September 2010: RR'mln 16 and RR'mln 49, respectively).

***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 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 20 members, two of whom are also members of the Supervisory Council. Management Committee members are entitled to salary, bonuses, voluntary medical insurance, compensation for serving as members of the Board of directors for certain Group companies and other short term employee benefits. Salary and bonus compensation paid to members of the Management Committee is determined by the terms of employment contracts. According to the 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-governmental pension fund Almaznaya Osen, and a one-time payment from the Group at their retirement date.

Management committee members received benefits for the three and nine months ended 30 September 2011 totalling RR'mln 146 and RR'mln 515, respectively (three and nine months ended 30 September 2010: RR'mln 78 and RR'mln 172, respectively).

***(in millions of Russian roubles, unless otherwise stated)***

***Associates***

Significant transactions and balances with associates are summarised as follows:

| **Current accounts receivable** | **30 September 2011** | **31 December 2010** |
|---|---|---|
| Catoca Mining Company Ltd., dividends receivable | 1,175 | 113 |
| Other | 37 | 70 |
| Less: provision for bad debt | (26) | (26) |
| | 1,186 | 157 |

In April 2011 Catoca Mining Company Ltd. declared dividends for the year ended 31 December 2010; the Group's share of these dividends amounted to RR'mln 923. In April 2010 Catoca Mining Company Ltd. declared dividends for the year ended 31 December 2009; the Group's share of these dividends amounted to RR'mln 607. During the nine months ended 30 September 2011 Catoca Mining Company Ltd. did not pay any dividends. During the nine months ended 30 September 2010 Catoca Mining Company Ltd. paid dividends for the Group in cash in the amount of RR'mln 619. The Group recognised exchange gain related to dividends receivable from Catoca Mining Company Ltd. in the amount of RR'mln 129 for the nine months ended 30 September 2011 (for the nine months ended 30 September 2010 –of RR'mln 47).

As at 30 September 2011 and 31 December 2010 the accounts receivable from associates were non-interest bearing and were denominated mostly in US$.

As at 30 September 2011 and 31 December 2010 the Group has no any contractual commitments to sell or purchase goods and services to / from its associates.

## 26. 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)*

| Nine months ended 30 September 2011 | Diamonds segment | Transpor-tation | Social infrastructure | Construction activity | Trading | Electricity production | Other activities | Total |
|---|---|---|---|---|---|---|---|---|
| Sales | 102,900 | 3,632 | 2,035 | 415 | 1,174 | 1,596 | 2,404 | 114,156 |
| Intersegment sales | - | (117) | - | - | (217) | (1,293) | (663) | (2,290) |
| Cost of sales, incl. | 27,312 | 3,884 | 4,589 | 361 | 414 | 1,161 | 1,031 | 38,752 |
| Depreciation | 5,919 | 364 | 352 | 103 | 7 | 303 | 214 | 7,262 |
| **Gross margin** | **75,588** | **(252)** | **(2,554)** | **54** | **760** | **435** | **1 373** | **75,404** |

| Nine months ended 30 September 2010 | Diamonds segment | Transpor-tation | Social infrastructure | Construction activity | Trading | Electricity production | Other activities | Total |
|---|---|---|---|---|---|---|---|---|
| Sales | 84,859 | 3,330 | 1,671 | 1,536 | 1,191 | 1,630 | 2,747 | 96,964 |
| Intersegment sales | - | (126) | - | - | (471) | (1,280) | (631) | (2,508) |
| Cost of sales, incl. | 34,996 | 3,418 | 3,975 | 1,568 | 684 | 920 | 3,007 | 48,568 |
| Depreciation | 5,968 | 368 | 451 | 114 | 7 | 253 | 199 | 7,360 |
| **Gross margin** | **49,863** | **(88)** | **(2,304)** | **(32)** | **507** | **710** | **(260)** | **48,396** |

| Three months ended 30 September 2011 | Diamonds segment | Transpor-tation | Social infrastructure | Construction activity | Trading | Electricity production | Other activities | Total |
|---|---|---|---|---|---|---|---|---|
| Sales | 39,434 | 1,760 | 585 | 148 | 469 | 306 | 841 | 43,543 |
| Intersegment sales | - | (117) | - | - | (92) | (248) | (101) | (558) |
| Cost of sales, incl. | 9,306 | 1,620 | 1,560 | 116 | 150 | 334 | 396 | 13,482 |
| Depreciation | 1,959 | 124 | 116 | 36 | 2 | 120 | 69 | 2,426 |
| **Gross margin** | **30,128** | **140** | **(975)** | **32** | **319** | **(28)** | **445** | **30,061** |

| Three months ended 30 September 2010 | Diamonds segment | Transpor-tation | Social infrastructure | Construction activity | Trading | Electricity production | Other activities | Total |
|---|---|---|---|---|---|---|---|---|
| Sales | 22,916 | 1,586 | 587 | 751 | 485 | 281 | 881 | 27,487 |
| Intersegment sales | - | (31) | - | - | (158) | (175) | (319) | (683) |
| Cost of sales, incl. | 8,080 | 1,374 | 1,270 | 976 | 222 | 222 | 1,082 | 13,226 |
| Depreciation | 1,881 | 121 | 147 | 44 | 4 | 85 | 78 | 2,360 |
| **Gross margin** | **14,836** | **212** | **(683)** | **(225)** | **263** | **59** | **(201)** | **14,261** |

Reconciliation of sales is presented below:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | 30 September 2011 | 30 September 2010 | 30 September 2011 | 30 September 2010 |
| **Segment sales** | **43,543** | **27,487** | **114,156** | **96,964** |
| Elimination of intersegment sales | (558) | (683) | (2,290) | (2,508) |
| Reclassification of export duties [1] | (1,927) | (1,053) | (4,773) | (3,935) |
| Other adjustments and reclassifications | 110 | 190 | 222 | (188) |
| **Sales as per Statement of Comprehensive Income** | **41,168** | **25,941** | **107,315** | **90,333** |

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

***(in millions of Russian roubles, unless otherwise stated)***

Reconciliation of cost of sales including depreciation is presented below:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **30 September 2011** | **30 September 2010** | **30 September 2011** | **30 September 2010** |
| **Segment cost of sales** | **13,482** | **13,226** | **38,752** | **48,568** |
| Adjustment for depreciation of property, plant and equipment [1] | 513 | (342) | 531 | (948) |
| Elimination of intersegment purchases | (558) | (683) | (2,290) | (2,508) |
| Accrued provision for pension obligation [2] | 183 | 754 | (427) | 1,754 |
| Reclassification of extraction tax [3] | 1,917 | 1,467 | 5,320 | 4,508 |
| Adjustment for inventories [4] | 727 | 838 | (1,945) | 3,215 |
| Accrual for employee flights and holidays [5] | (437) | (527) | 274 | (276) |
| Other adjustments | (3) | (281) | (40) | (792) |
| Reclassification of exploration expenses [6] | (1,048) | (687) | (3,182) | (2,076) |
| Other reclassifications | 159 | 162 | 1,061 | 494 |
| **Cost of sales as per Statement of Comprehensive Income** | **14,935** | **13,927** | **38,054** | **51,939** |

[1] Adjustment for depreciation - adjustment of depreciation figure recognised in statutory financial statements which is different from that in IFRS financial statements due to the differences in book values of property, plant and equipment and methods of depreciation calculation

[2] Accrued provision for pension obligation – recognition of pension obligation in accordance with IAS 19

[3] Reclassification of extraction tax – reclassification from general and administrative expenses

[4] Adjustment for inventories – treatment of extraction tax as direct expenses for financial statements prepared under IFRS, with a corresponding record in inventory figure and other adjustments

[5] Accrual for employee flights and holidays – recognition of employee flights and holidays reserve under collective labour agreement of the Company

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

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

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **30 September 2011** | **30 September 2010** | **30 September 2011** | **30 September 2010** |
| Belgium | 18,323 | 10,691 | 47,023 | 39,052 |
| Russian Federation | 12,234 | 9,620 | 33,910 | 28,997 |
| India | 4,686 | 2,294 | 11,266 | 8,871 |
| Israel | 3,015 | 1,702 | 7,644 | 7,542 |
| China | 888 | 547 | 2,206 | 2,112 |
| United Arab Emirates | 910 | 428 | 2,040 | 1,429 |
| Armenia | 460 | 69 | 981 | 628 |
| Belarus | 162 | 143 | 721 | 492 |
| Angola | 90 | 212 | 463 | 607 |
| Other countries | 400 | 235 | 1,061 | 603 |
| **Total** | **41,168** | **25,941** | **107,315** | **90,333** |

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

| | **30 September 2011** | **31 December 2010** |
|---|---|---|
| Russian Federation | 173,813 | 168,357 |
| Angola | 3,067 | 2,997 |
| Other countries | 276 | 270 |
| **Total** | **177,156** | **171,624** |

## 27. EVENTS AFTER THE REPORTING PERIOD

On 30 June 2011, the annual shareholders’ meeting decided to split outstanding registered ordinary shares of the Company so that one registered ordinary share with the par value of RR 13,502.5 each should be converted into 27,005 registered ordinary shares with the par value of RR 0.5 each. In October 2011 the Company obtained all required approvals from the Federal Financial Markets Service and completed the conversion.