AK "ALROSA"

IFRS CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

CONTENTS

	Page
Independent auditor's report	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Equity	7
Notes to the Consolidated Financial Statements	8-49

PRICEWATERHOUSECOOPERS

ZAO PricewaterhouseCoopers Audit
White Square Office Center
10 Butyrsky Val
Moscow, Russia, 125047
Telephone +7 (495) 967 6000
Fax +7 (495) 967 6001
www.pwc.ru

INDEPENDENT AUDITOR'S REPORT

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

1 We have audited the accompanying consolidated financial statements of Closed Joint Stock Company AK "ALROSA" and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
23 June 2010

Consolidated Statement of Financial Position

	Notes	31 December 2009	31 December 2008	1 January 2008
Assets				
Non-current Assets				
Goodwill	5	1,439	1,439	1,439
Property, plant and equipment	8	167,932	178,074	155,696
Deferred tax assets	17	-	90	-
Investments in associates	5	1,530	1,813	1,613
Derivative financial instruments	6	-	-	3,037
Available-for-sale investments	5	420	512	786
Long-term accounts receivable	10	2,231	5,933	5,902
Restricted cash	7	107	31	133
Long-term deposits	7	-	11,285	-
Total Non-current Assets		**173,659**	**199,177**	**168,606**
Current Assets				
Inventories	9	44,873	32,307	22,208
Prepaid income tax		196	513	483
Current accounts receivable	10	12,417	25,509	12,564
Derivative financial instruments	6	-	-	2,069
Available-for-sale investments		-	-	12
Cash and cash equivalents	7	5,094	7,569	21,887
Total Current Assets		**62,580**	**65,898**	**59,223**
Total Assets		**236,239**	**265,075**	**227,829**
Equity				
Share capital	11	12,473	12,473	11,491
Share premium		10,431	10,431	-
Treasury shares	11	(26)	(24)	(16)
Deferred capital contribution		-	-	11,063
Retained earnings and other reserves		59,020	55,569	98,552
Equity attributable to shareholders of AK "ALROSA"		**81,898**	**78,449**	**121,090**
Non-Controlling Interest in Subsidiaries	11	**(1,177)**	**(431)**	**1,190**
Total Equity		**80,721**	**78,018**	**122,280**
Liabilities				
Non-current Liabilities				
Long-term debt	12	23,581	80,331	32,296
Derivative financial instruments	6	6,502	16,174	-
Provision for pension obligations	15	3,096	2,902	1,963
Provision for land recultivation	14	326	369	543
Deferred tax liabilities	17	2,774	-	6,265
Total Non-current Liabilities		**36,279**	**99,776**	**41,067**
Current Liabilities				
Short-term loans and current portion of long-term debt	13	94,371	54,068	49,452
Derivative financial instruments	6	3,643	6,270	-
Trade and other payables	16	17,238	19,942	11,876
Income tax payable		318	132	273
Other taxes payable	17	3,511	4,932	2,474
Dividends payable		158	1,937	407
Total Current Liabilities		**119,239**	**87,281**	**64,482**
Total Liabilities		**155,518**	**187,057**	**105,549**
Total Equity and Liabilities		**236,239**	**265,075**	**227,829**

Signed on 23 June 2010 by the following members of management:

Fedor B. Andreev
President

Olga A. Lyashenko
Chief accountant

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
Sales	18	77,949	91,082
Cost of sales	19	(43,689)	(52,555)
Royalty	17	(3,509)	(3,990)
Gross profit		**30,751**	**34,537**
General and administrative expenses	20	(8,316)	(6,379)
Selling and marketing expenses		(1,173)	(1,759)
Net gain / (loss) from foreign exchange forward contracts	6	10,686	(25,077)
Gain on disposal of subsidiaries	5	2,438	-
Other operating income	21	1,130	573
Other operating expenses	22	(12,135)	(15,992)
Operating profit / (loss)		**23,381**	**(14,097)**
Finance income	23	6,138	5,056
Finance costs	24	(23,417)	(27,638)
Share of net profit of associates	5	559	676
Profit / (loss) before income tax		**6,661**	**(36,003)**
Income tax (expense) / benefit	17	(3,198)	3,236
Profit / (loss) for the year		**3,463**	**(32,767)**
Other comprehensive income			
Net gains arising from change in fair value of available-for-sale investments		44	-
Currency translation differences		109	440
Other comprehensive income for the year		**153**	**440**
Total comprehensive income / (loss) for the year		**3,616**	**(32,327)**
Profit / (loss) attributable to:			
Owners of AK "ALROSA"		3,437	(32,598)
Non-controlling interest		26	(169)
Profit / (loss) for the year		**3,463**	**(32,767)**
Total comprehensive income / (loss) attributable to:			
Owners of AK "ALROSA"		3,594	(32,158)
Non-controlling interest		22	(169)
Total comprehensive income / (loss) for the year		**3,616**	**(32,327)**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
Net Cash Inflow from Operating Activities	25	**13,986**	**5,127**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(12,536)	(27,333)
Proceeds from sales of property, plant and equipment		1,509	402
Acquisition of available-for-sale investments		-	(42)
Proceeds from sale of available-for-sale investments		29	21
Proceeds from sale of gold mining operations		-	481
Net cash flow arising on disposal of subsidiaries	5	18,615	-
Acquisition of non-controlling interest in subsidiaries		(94)	(441)
Interest received		134	1,276
Receipts of cash from long-term deposit accounts	7	11,285	-
Transfer of cash on long-term deposit accounts	7	-	(11,285)
Dividends received from associates		615	660
Net Cash Inflow (Outflow) from Investing Activities		**19,557**	**(36,261)**
Cash Flows from Financing Activities			
Repayments of loans		(100,286)	(124,867)
Loans received		86,268	159,244
Distribution of retained earnings in favour of the Government of Russian Federation		-	(8,233)
Transaction costs relating to additional issue of shares		-	(170)
Interest paid		(20,408)	(9,010)
Purchase of treasury shares		(104)	(51)
Dividends paid		(1,916)	(959)
Net Cash (Outflow) / Inflow from Financing Activities		**(36,446)**	**15,954**
Net Decrease in Cash and Cash Equivalents		**(2,903)**	**(15,180)**
Cash and cash equivalents at the beginning of the year		7,569	21,887
Exchange gain on cash and cash equivalents		428	862
Cash and Cash Equivalents at the End of The Year		**5,094**	**7,569**

Consolidated Statement of Changes in Equity

	Attributable to shareholders of AK "ALROSA"								Non-controlling interest	Total equity
	Number of shares outstanding	Share capital	Share premium	Treasury shares	Deferred capital contribution	Other reserves	Retained earnings	Total		
Balance at 31 December 2007	**199,720**	**11,491**	**-**	**(16)**	**11,063**	**(193)**	**98,745**	**121,090**	**1,190**	**122,280**
Total comprehensive loss for the year		-	-	-	-	440	(32,598)	(32,158)	(169)	**(32,327)**
Additional issue of shares	72,726	982	10,431	-	(11,063)	-	-	350	-	**350**
Distribution of retained earnings in favor of the Government of Russian Federation		-	-	-	-	-	(8,233)	(8,233)	-	**(8,233)**
Dividends (note 11)		-	-	-	-	-	(2,240)	(2,240)	-	**(2,240)**
Purchase of treasury shares	(140)	-	-	(8)	-	-	(43)	(51)	-	**(51)**
Purchase of non-controlling interest in OAO "Viluyskaya GES-3" (note 11)		-	-	-	-	(309)	-	(309)	(135)	**(444)**
Non-controlling interest in acquired net assets of OAO "NNGK Sakhaneftegaz" and OAO "Lenaneftegaz" (note 5)		-	-	-	-	-	-	-	(1,068)	**(1,068)**
Dividends paid by subsidiaries to minority shareholders		-	-	-	-	-	-	-	(249)	**(249)**
Balance at 31 December 2008	**272,306**	**12,473**	**10,431**	**(24)**	**-**	**(62)**	**55,631**	**78,449**	**(431)**	**78,018**
Total comprehensive income for the year		-	-	-	-	157	3,437	3,594	22	**3,616**
Purchase of non-controlling interest in OAO "Viluyskaya GES-3" (note 11)		-	-	-	-	(41)	-	(41)	(53)	**(94)**
Purchase of treasury shares	(133)	-	-	(2)	-	-	(102)	(104)	-	**(104)**
Non-controlling interest in disposed subsidiaries (note 5)		-	-	-	-	-	-	-	(578)	**(578)**
Dividends paid by subsidiaries to minority shareholders		-	-	-	-	-	-	-	(137)	**(137)**
Balance at 31 December 2009	**272,173**	**12,473**	**10,431**	**(26)**	**-**	**54**	**58,966**	**81,898**	**(1,177)**	**80,721**

1. ACTIVITIES

The core activities of Closed 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. 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 December 2009 and 31 December 2008 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 AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets and financial instruments categorised as at fair value through profit or loss. The consolidated financial statements are based on the statutory accounting records, with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, except for adoption of the new standards, amendments and interpretations which became effective since 1 January 2009 (see note 2b).

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 official US dollar to RR exchange rates as determined by the Central Bank of the Russian Federation were 30.24 and 29.38 as at 31 December 2009 and 31 December 2008, respectively. The official Euro to RR exchange rates as determined by the Central bank of the Russian Federation were 43.39 and 41.44 as at 31 December 2009 and 31 December 2008, respectively.

The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the end of the reporting period. As the characteristics of the economic environment of the Russian Federation indicated that hyperinflation has ceased, effective from 1 January 2003 the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in these financial statements.

As at 31 December 2009 the Group's current liabilities exceeded its current assets by RR'mln 56,659 principally as a result of loans and borrowings due to be repaid during one year after the end of the reporting period. The Group has a strategy to gradually reduce its amount of debt and increase the share of long-term loans and borrowings in total amount of the Group's indebtedness. The Group has access to short-term and medium-term financing provided by the banks controlled by the Government of the Russian Federation to repay the Group's existing loans. Also during 2010 the Group is planning to issue long-term debt instruments on Russian and international markets to replace a substantial portion of its existing short-term debt. In addition, management believes that due to improved economic situation on the world diamond market in 2010 and certain measures undertaken by the Group for reduction and optimisation of its expenses (reduction of certain social expenses and short-term employee's benefits, suspension of mining works at certain small diamond deposits with relatively low profitability, optimisation of procurement policy and construction plans) the Group will be able to generate enough profit and positive operating cash flows to repay a portion of its short-term borrowings in order to reduce the amount of debt by the end of 2010. Management believes that the Group is able to continue its activity in the foreseeable future. Accordingly, management believes that a going concern basis for the preparation of these consolidated financial statements is appropriate. However, in the longer term the ability of the Group to continue as a going concern will continue depend on the economic conditions of the world diamonds market, ability to continue financing its capital investments program and refinance its debts.

Reclassification of comparative information in the statement of financial position

As at 31 December 2008 the non-current portion of derivative financial instruments totalling RR'mln 16,174 was reclassified to non-current liabilities in accordance with the amendments to IAS 1 "Presentation of Financial Statements" adopted by the Group in 2009. Because of this reclassification, in accordance with the requirements of the amended IAS 1 the Group is presenting its statement of financial position also at the beginning of the earliest comparative period, i.e. at 1 January 2008. Also as at 1 January 2008 the non-current portion of derivative financial instruments totalling RR'mln 3,037 was reclassified to non-current assets.

(b) Recent accounting pronouncements

In 2009 the Group has adopted all IFRS, amendments and interpretations which were effective as at 1 January 2009 and which are relevant to its operations.

Amendment to IAS 1 "Presentation of Financial Statements" ("IAS 1"), which is effective for reporting periods beginning on or after 1 January 2009. The main change in IAS 1 is the replacement of the statement of income by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group has elected to present a single statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The consolidated financial statements have been prepared under the revised presentation requirements.

IFRS 8 "Operating Segments", which is effective for annual periods beginning on or after 1 January 2009. The Standard replaces IAS 14 "Segment reporting". IFRS 8 requires an entity to adopt the "management approach" to reporting of performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the statement of comprehensive income and statement of financial position. The IFRS therefore requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the statement of comprehensive income and statement of financial position. Segment disclosures under IFRS 8 are presented in Note 29.

Amendment to IAS 23 "Borrowing costs" ("IAS 23"), which is effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 23 removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Following this amendment borrowing costs in the amount of RR'mln 128 were capitalised by the Group in property, plant and equipment in the year ended 31 December 2009 (see note 8).

Amendment to IFRS 7 "Financial Instruments: Disclosures" ("IFRS 7"), which is effective for annual periods beginning on or after 1 January 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy:

- Level 1- based on quoted price in an active market;
- Level 2- based on valuation technique with inputs observable in markets; and
- Level 3- based on valuation technique with significant non-observable inputs.

The amendment clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity further has to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The group incorporated the amendments to IFRS 7 disclosure requirements in its consolidation financial statements.

Amendment to IAS 32 and IAS 1 ("Puttable financial instruments and obligations arising on liquidation"), which is effective from 1 January 2009. The amendment requires classification of puttable financial instruments and instruments that impose an obligation to deliver a pro rata share of the net asset on liquidation as equity. This amendment did not affect the Group's consolidated financial statements.

Amendment to IFRS 2 "Share-based Payment" ("Vesting Conditions and Cancellations"), which is effective for annual periods beginning on or after 1 January 2009. The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amended standard did not affect the Group's consolidated financial statements.

Amendment to IFRS 1 and IAS 27 ("Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"), which is effective for annual periods beginning on or after 1 January 2009. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendment did not have an impact on the Group's consolidated financial statements.

IFRIC 13 "Customer Loyalty Programmes" ("IFRIC 13"), which is effective for annual periods beginning on or after 1 July 2008. IFRIC 13 clarifies that where goods and services are sold with a customer loyalty incentive, the arrangement is a multi-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair value. The application of IFRIC 13 did not affect the Group's consolidated financial statements.

IFRIC 15 "Agreements for the Construction of Real Estate" ("IFRIC 15"), which is effective for annual periods beginning on or after 1 January 2009. IFRIC 15 addresses diversity in accounting for real estate sales as some entities recognise revenue in accordance with IAS 18 "Revenue" (when the risks and rewards in the real estate are transferred) and others recognise revenue as the real estate is developed in accordance with IAS 11 "Construction Contracts". The interpretation clarifies which standard (IAS 18 or IAS 11) should be applied to particular transactions. The application of IFRIC 15 did not affect the Group's consolidated financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" ("IFRIC 16"), which is effective for annual periods beginning on or after 1 October 2008. IFRIC 16 relates to the criteria required to apply hedge accounting in hedge of a net investment in a foreign operation in accordance with IAS 39 "Financial instruments: recognition and measurement" ("IAS 39"). The application of IFRIC 16 did not affect the Group's consolidated financial statements.

In 2009 the Group adopted improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes effective from 1 January 2009 relate to the following areas: possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. Improvements to International Financial Reporting Standards did not have any impact on the consolidated financial statements of the Group except for reclassification of the non-current portion of derivative financial instruments to non-current liabilities (see note 2a).

The following new Standards and amendments to Standards are not yet effective and have not been early adopted by the Group:

Amendment to IAS 39 "Financial instruments: recognition and measurement" ("IAS 39"), which is effective for annual periods beginning on or after 1 July 2009. The amendment to IAS 39 clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have an impact on Group's consolidated financial statements.

Amendments to IFRIC 9 and IAS 39 "Embedded Derivatives", which are effective for annual periods beginning on or after 30 June 2009. The amendments clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment is not expected to have an impact on Group's consolidated financial statements.

Amendments to IFRS 5 "Non-current Assets held for Sale and Discontinued Operations" which came into effect on 1 July 2009. The amendment clarifies the classification of assets and liabilities on disposal of a subsidiary. The amendment is not expected to have an impact on Group's consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009). Amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010. The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

Amendments to IFRS 2 ("Share-based payment – Group cash-settled share-based payment transactions"), which are effective for annual periods beginning on or after 1 January 2010. The amendments provide a clear basis to determine the classification of share based payment awards in both consolidated and separate financial statements. They incorporate IFRIC 8 and IFRIC 11 into the standard and expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendment also clarifies the defined terms in the Appendix to the standard. The amendment is not expected to have an impact on Group's consolidated financial statements.

Amendment to 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. The Group is currently assessing the impact of the amended IAS 24 on the Group's consolidated financial statements.

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 is not expected to materially affect the Group's consolidated financial statements.

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. 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 IFRS 9 on the Group's consolidated financial statements.

IFRIC 17 "Distributions of Non-cash assets to owners" ("IFRIC 17") which is effective for annual periods beginning on or after 1 July 2009. The interpretation provides guidance on accounting of distribution of assets other than cash (non-cash assets) as dividends to its owners acting in their capacity as owners. It also clarifies the situations, when entity gives its owners a choice of receiving either non-cash assets or a cash alternative. The application of IFRIC 17 is not expected to materially affect the Group's consolidated financial statements.

IFRIC 18 "Transfers of Assets from customers" ("IFRIC 18") which is effective for annual periods beginning on or after 1 July 2009. The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. The application of IFRIC 18 is not expected to materially affect the Group's consolidated financial statements.

IFRIC 19 "Extinguishing financial liabilities with equity instruments", which is effective for annual periods beginning on or after 1 July 2010, clarifying the accounting when an entity renegotiates the terms of its debt with the result the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a "debt for equity swap"). The application of IFRIC 19 is not expected to materially affect the Group's consolidated financial statements.

Amendment to IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interactions", which is effective for annual periods beginning on or after 1 January 2011, removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The application of this amendment is not expected to materially affect the Group's consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010 and generally effective for the Group from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require 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) to provide 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) to clarify 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; IFRS 7 was amended to clarify 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, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the end of the reporting period and not the amount obtained during the reporting period; IAS 1 was amended to clarify 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; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add 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; and IFRIC 13 was amended to clarify measurement of fair value of award credits.

(c) Principles of consolidation

In 2008 the Group early adopted the revised IAS 27 "Consolidated and Separate Financial Statements" and the revised IFRS 3 "Business Combinations".

The Group comprises the Company and its subsidiaries. The effects of transactions between subsidiaries within the Group are eliminated and accounting policies of the subsidiaries and associates are conformed to those of the Company.

A subsidiary is an entity in which the Group has control through the holding of more than half of the voting rights or otherwise has the power to exercise control over the operations. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is

measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of obtaining control. Costs directly attributable to the acquisition are recognised as expenses. The date of obtaining control is the acquisition date. The difference at the acquisition date between the fair value of any investment in the subsidiary held before acquisition, the consideration transferred and the net assets acquired represents goodwill. Any excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost ("negative goodwill") is recognised immediately in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Non-controlling interest is that part of the net results and of the net assets of a subsidiary, including the fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

The difference, if any, between the carrying amount of non-controlling interest and the amount paid to acquire it is recorded in equity.

Associates, over which the Group has a significant influence but not a control, are accounted for using the equity method. Significant influence is usually evidenced by the Group owning, directly or indirectly, between 20 percent and 50 percent of the voting share capital.

The Group's share of the post-acquisition profits or losses of associates is recorded in the consolidated profit or loss, and its share of other comprehensive income of associate is recognised in consolidated other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(d) Property, plant and equipment

Property, plant and equipment comprises costs incurred in developing areas of interest as well as the costs related to the construction and acquisition of mining assets.

Property, plant and equipment are carried at historical cost of acquisition or construction and adjusted for accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Expenditure related to geophysical analysis and exploration is expensed until it is determined to be probable that economically recoverable reserves exist. Exploration costs are classified as research and development expenses within operating expenses.

Gains and losses arising from the disposal of property, plant and equipment are included in the consolidated statement of comprehensive income as incurred.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use, the carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Interest costs on borrowings are capitalised as part of the cost of qualifying assets during the period of time that is required to construct and prepare the asset for its intended use.

Depreciation

Property, plant and equipment are depreciated from the date, when they are ready for the commencement of commercial mining activities.

Depreciation of buildings and land and improvements related to extraction of minerals is calculated on a units of production basis for each area of interest. For the purpose of this calculation at the end of each reporting period

management uses information with respect to volumes of diamonds contained in ore reserves approved by the Ministry of Natural Resources of Russia. These quantities do not always correspond directly to generally accepted international categories of reserves but represent reserves for which geological and engineering data demonstrate with reasonable certainty to be recoverable in the future years from existing areas of interest under existing economic and operating conditions. Depreciation of assets not directly associated with production is calculated on a straight-line basis over their estimated useful life.

Summary of useful lives and alternative basis for depreciation:

	Assets related to extraction of minerals	Other assets
Buildings	Units of production	8-50 years
Land and improvements	Units of production	7-50 years
Plant and equipment	4-13 years	4-13 years
Transport	5-13 years	5-13 years
Other	4-17 years	4-17 years

The average depreciation rate for the property, plant and equipment depreciated on a units of production basis was 5.6 percent in the year ended 31 December 2009 (year ended 31 December 2008: 6.8 percent).

Local infrastructure assets

Local infrastructure assets constructed or purchased by the Group (including dwelling houses for the Group's employees located in the areas of the Group's production activity) are included in the financial statements at historical cost and depreciated during their useful lives as set out above. These assets are an integral part of the Group's production activities.

Finance leases

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of future finance charges, are included in debts. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest cost is charged to the statement of comprehensive income over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

(e) Non-current assets classified as held for sale

Non-current assets are classified in the statement of financial position as "non-current assets held for sale" if their carrying amount will be recovered principally through a sale transaction within twelve months after the end of the year. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

Held for sale property, plant and equipment are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment are not depreciated. Reclassified financial instruments are not subject to the write down to the lower of their carrying amount and fair value less costs to sell.

(f) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reassessed at each reporting period, and are included in the consolidated financial statements at their expected net present values using discount rates appropriate to the Group in the economic environment in the Russian Federation at the end of each reporting period.

(g) Inventories

Inventories of diamonds, extracted ore and concentrates, mining and construction stores and consumable supplies are valued at the lower of cost or net realisable value. Cost of inventory is assigned using weighted average cost formula.

Cost of extracted ore and concentrates is calculated using the quantities determined based on surveyors' measurements of the volumes of ore and concentrates remaining at the period end. Cost of inventories include those directly attributable to

mining the diamonds, extracting the ore and producing concentrates, and those directly attributable to bringing mining and construction stores and consumable supplies to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(h) Non derivative financial assets

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- available-for-sale financial assets, and
- loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation which determines the method for measuring financial assets at the end of the subsequent reporting period: as either at amortised cost or at fair value.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading (including derivatives), and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are expected to be realised within 12 months after the end of the reporting period. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included within the profit and loss section of the consolidated statement of comprehensive income in the period in which they arise.

During the years ended 31 December 2009 and 31 December 2008, the Group did not hold any non-derivative financial assets at fair value through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the end of the reporting period.

Purchases of available-for-sale investments on public financial markets are recognised on the settlement date, which is the date that the investment is delivered to the Group. The available-for sale investments are initially recognised at fair value plus transaction costs. Available-for-sale investments are subsequently carried at fair value. Unrealised gains and losses arising from changes in the carrying value of these investments are included in the Group's profit or loss in the period in which they arise. Realised gains and losses from the disposal of available-for-sale investments or impairment losses, if any, are included in the Group's other comprehensive income in the period in which they arise.

Available-for-sale investments of the Group principally comprise non-marketable securities, which are not publicly traded or listed on the Russian stock exchange. For these investments, fair value is estimated by reference to a variety of methods including those based on their earnings and those using the discounted value of estimated future cash flows. In assessing the fair value, management makes assumptions that are based on market conditions existing at the end of each reporting period. Investments in equity securities that are not quoted on a stock exchange, and where fair value cannot be estimated on a reasonable basis by other means, are stated at cost less impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised within the profit and loss section of the consolidated statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

(i) Derivative financial instruments

As part of trading activities the Group is also party to derivative financial instruments, primarily forward foreign exchange contracts. The Group's policy is to measure these instruments at fair value, with resultant gains or losses being reported in the Group's profit or loss. Derivatives are not accounted for as hedges. These instruments are classified as non-current assets or liabilities if they are expected to be settled after 12 months of the end of the reporting period.

(j) Components of cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and instruments with maturity at the date of inception of less than three months, which are considered by the Group at the time of deposit to have minimal fair value and default risks. Cash and cash equivalents are carried at amortised cost using the effective interest method.

(k) Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the year. The income tax charge (benefit) comprises current tax and deferred tax and is recognised in the Group's profit and loss except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the year which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains at their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

The Group's uncertain tax positions are reassessed by management at every end of the reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the year and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the year.

(l) Foreign currencies

Monetary assets and liabilities, which are held by the Group entities and denominated in foreign currencies at 31 December 2009 and 31 December 2008, are translated into functional currencies at the official exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the Group's profit and loss.

The statements of financial position of foreign subsidiaries are translated into Russian Roubles at the exchange rate prevailing at the end of the respective reporting period. Statements of comprehensive income of foreign entities are translated at the average exchange rate for the reporting period. Exchange differences arising from the translation of the net assets of foreign subsidiaries are recognised as translation differences and included in other comprehensive income.

(m) Revenue recognition

Revenues are recognised when goods are shipped to the customer, as this is the date on which the risks and rewards of ownership are transferred to the customer. Sales are shown net of VAT and export duties, and after eliminating sales within the Group.

Revenue for "bill and hold" sales, in which delivery of goods is delayed at the buyer's request but the buyer takes title and accepts billing, is recognised, provided:

- it is probable that delivery will be made;
- the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognised;
- the buyer specifically acknowledges the deferred delivery instructions; and
- the usual payment terms apply.

Revenue is not recognised when there is simply an intention to acquire the goods in time for delivery.

Revenue from rendering of transport services is recognised in financial statements in the period when the services are rendered.

Interest income is recognised on accrual basis that takes into account the effective yield on the asset.

Dividend income is recognised when the shareholder's right to receive payment is established and inflow of economic benefits is probable.

(n) Measurement of trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in the statement of comprehensive income.

(o) Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as a current asset and liability, except for VAT related to certain assets under construction included within non-current assets. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between the amount at initial recognition and the redemption amount is recognised as interest expense over the period to maturity of the borrowings.

Borrowing costs (the interests) directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Pension and other post-retirement benefits

In the normal course of business the Group contributes to the Russian Federation State pension plan on behalf of its employees. Mandatory contributions to the State pension plan, which is a defined contribution plan, made on behalf of employees directly involved in production of diamonds, are included within wages, salaries and other staff costs in cost of production and apportioned between work-in-process (inventory of diamonds and ores and concentrates) and cost of sales. Mandatory contributions to the State pension plan made on behalf of other employees, are expensed as incurred and included within wages, salaries and other staff costs in general and administrative expenses.

The Group also operates a defined benefit pension plan. Pension costs are recognised using the projected unit credit method. The cost of providing pensions is charged to the relevant category in the consolidated statement of comprehensive income so as to spread the regular cost over the service lives of employees (the cost of providing pensions to employees involved in production process is apportioned between cost of production and work-in-progress). The pension obligation is measured at the present value of the estimated future cash outflows using the interest rates on governmental securities, which have the terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10 percent of the value of plan assets or 10 percent of the defined benefit obligations are charged or credited to the statement of comprehensive income over the employees' expected average remaining working lives.

Pension Fund "Almaznaya Osen" administers the Group's defined benefit plan. The amount of pension benefit that an employee will receive on retirement is usually dependent on one or more factors such as age, years of service and average salary for the year preceding the year of retirement. The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the year less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. The Group contributes funds to the Pension Fund "Almaznaya Osen", which invests them in governmental securities and other financial instruments. These investments, which represent the majority of assets of Pension Fund "Almaznaya Osen", are considered the pension fund plan assets, as these assets are available to be used only to pay or fund employee benefits, are not available to the Group's own creditors (even in bankruptcy), and cannot be returned to the Group, unless either the remaining assets of the Pension Fund are sufficient to meet all the related employee benefit obligations of the pension plan, or the assets are returned to the Group to reimburse it for employee benefits already paid.

(r) Social costs

Discretionary and voluntary payments made to support social programs and related operations are expensed as incurred.

(s) Non-cash transactions

Non-cash transactions are measured at the fair value of the consideration received or receivable. Non-cash transactions have been excluded from the financing activities components in the accompanying consolidated statement of cash flows.

(t) Equity

Share capital

Share capital consists of ordinary shares, which are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Treasury shares

Where the Group companies purchase the Company's equity share capital, the consideration paid including any attributable transaction costs is deducted from total equity as treasury shares until they are re-sold. Where such shares are subsequently sold, any consideration received net of income taxes is included in equity. Treasury shares are recorded at weighted average cost.

Dividends

Dividends are recognised as a liability and deducted from equity at the end of the year only if they are approved at the General Meeting of Shareholders on or before the end of the year.

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Management Committee of the Company, which is the Group's chief operating decision-maker.

(v) Critical accounting estimates and judgements in applying accounting policies

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements preparation and the reported amounts of revenues and expenses during the reporting year. Actual results may differ from such estimates. In particular, significant areas of estimation and critical judgments in applying accounting policies made by management in preparing these financial statements include:

Impairment provision for receivables. The impairment provision for trade receivables is based on management's assessment of the probability of collection of individual customer accounts receivable. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is potentially impaired. Actual results could differ from these

estimates if there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates.

When there is no expectation of recovering additional cash for an amount receivable, amount receivable is written off against associated provision.

Future cash flows of trade receivables that are evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Impairment of property, plant and equipment. The estimation of forecast cash flows involves the application of a number of significant judgements and estimates to certain variables including volumes of production, prices of diamonds, operating costs, capital investments, diamonds reserves estimates and macroeconomic factors such as inflation and discount rates. In addition, judgement is applied in determining the cash generating units assessed for impairment.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (see note 26).

Useful lives of property, plant and equipment. Items of property, plant and equipment are stated at cost less accumulated depreciation. The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

Management believes diamond production licenses will be extended past their current expiration dates at insignificant additional costs. Because of the extensions, the assets are depreciated over their useful lives beyond the end of the current license term.

In the year ended 31 December 2009, if the estimated useful lives of property, plant and equipment had been 10 percent longer / shorter with all other variables held constant, depreciation charge for the year would have been RR'mln 706 (year ended 31 December 2008 – RR'mln 670) lower / higher.

Classification of production licenses. Management treats cost of production licenses as an integral part of acquisition cost of tangible mining properties, i.e. land where the respective area of interest is located; accordingly, production licenses are included in property, plant and equipment in these consolidated financial statements. As at 31 December 2009 the net book value of production licenses included in property, plant and equipment is RR'mln 9,067 (as at 31 December 2008: RR'mln 15,705), see also note 8.

Pension benefits. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the yield to maturity on federal loan bonds denominated in the currency in which the benefits will be paid, and with terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions (see note 15).

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including market risk (currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on minimising potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to manage its risk exposures (primarily foreign exchange risk).

Cash flow and fair value interest rate risk. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's principal interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2009 and 2008, the Group's borrowings were denominated in US dollars and Russian Roubles (see notes 12 and 13).

To mitigate this risk, the Group's treasury function performs periodic analysis of the current interest rate environment and depending on that analysis management makes decisions whether it would be more beneficial to obtain financing on a fixed-rate or variable-rate basis. In cases where the change in the current market fixed or variable interest rates is considered significant management may consider refinancing a particular debt on more favorable interest rate terms. Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or

variable rates. However, at the time of raising new debts management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable over the expected period until maturity. In order to reduce the Group's cash flow interest rate risk exposure associated with the RR denominated floating rate loans, in 2008 the Group entered into US$ / RR cross currency interest rate swap transactions (see note 6). The Group currently does not use derivative instruments to hedge its fair value interest rate risk.

At 31 December 2009, if interest rates on US dollar-denominated borrowings had been 20 percent higher/lower with all other variables held constant, post-tax profit for the year and equity would have been RR'mln 20 (at 31 December 2008 - RR'mln 41) lower/higher, mainly as result of higher/lower interest expense on floating rate borrowings.

At 31 December 2009, if interest rates on Russian Roubles-denominated borrowings had been 30 percent higher/lower with all other variables held constant, post-tax profit for the year and equity would have been RR'mln 28 (at 31 December 2008 - RR'mln 91) lower/higher, mainly as result of higher/lower interest expense on floating rate borrowings and cross currency interest rate swap contracts.

Foreign exchange risk. The Group exports production to European and other countries and attracts a substantial amount of foreign currency denominated borrowings and is, thus, exposed to foreign exchange risk arising from various contracts, primarily with respect to the US dollar and to a lesser extent the Euro. In 2006 the Group entered into US$ / RR forward sale transactions with several banks to manage its foreign exchange risk arising from future sale transactions adjusted for other transactions (foreign currency denominated borrowings and purchases), see note 6. The Group does not account for these derivative financial instruments as hedges.

The table below summarised the Group's exposure to foreign currency exchange rate risk at the end of the year:

	US Dollar		Euro		Other foreign currency	
	31 December		31 December		31 December	
	2009	2008	2009	2008	2009	2008
Assets						
Cash and cash equivalents	1,337	1,029	3	29	79	167
Trade and other receivables	895	5,325	366	367	2	1
	2,232	**6,354**	**369**	**396**	**81**	**168**
Liabilities						
Trade and other payables	690	870	23	32	-	-
Borrowings	67,377	63,055	212	181	-	-
Derivative financial instruments	10,145	22,444	-	-	-	-
	78,212	**86,369**	**235**	**213**	-	-

At 31 December 2009, if the Russian Rouble had weakened / strengthened by 20 percent against the US dollar with all other variables held constant, post-tax profit for the year would have been RR'mln 18,870 (at 31 December 2008 – RR'mln 19,138) lower / higher and equity would have been RR'mln 18,960 (at 31 December 2008 – RR'mln 19,296) lower / higher, mainly as a result of losses / gains from revaluation of derivative financial instruments and foreign exchange losses / gains on translation of US dollar-denominated borrowings and accounts payable partially offset by foreign exchange gains / losses on translation of US dollar-denominated cash and cash equivalents and accounts receivable.

At 31 December 2009, if the Russian Rouble had weakened/strengthened by 20 percent against the Euro with all other variables held constant, post-tax profit for the year and equity would had been RR'mln 21 (at 31 December 2008 – RR'mln 56) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade and other receivables.

Equity investments price risk. The Group is exposed to movements in the equity securities prices because of available-for-sale investments held by the Group. The major part of available-for-sale investments held by the Group has no active market. To manage price risk arising from available-for-sale investments, the Group diversifies its investment portfolio.

At 31 December 2009, if the prices of available-for-sale investments held by the Group had been 20 percent higher/lower with all other variables held constant, its equity would have been RR'mln 84 (at 31 December 2008 – RR'mln 102) higher/lower and there would have been no impact on post-tax profit.

Credit risk. Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding trade receivables, loans issued, derivative financial instruments and other financial assets. Cash and cash equivalents are deposited only with banks that are considered by the Group at the time of deposit to have minimal risk of default. Due to the fact that most of the counterparties do not have individual external credit rating, the Group has policies in place to ensure that sales of products and services and loans issued are made to counterparties with positive credit history. These procedures include assessment of financial position, past experience and other factors. To support certain receivables from customers of diamonds the Group may require either collateral, or bank or any other third party's guarantee. Although collections of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the provisions already recorded.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as well as by the amount of financial guarantees issued by the Group for third parties (see note 26f).

Liquidity risk. Liquidity risk management includes maintaining sufficient cash balances, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group management maintains flexibility in funding by ensuring availability under committed credit lines and expected cash flows from operating activities. Management monitors a rolling forecast of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and equivalents) on the basis of expected cash flow. This is carried out at Group level monthly and annually. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet any net cash outflows and maintaining debt financing plans.

The table below analyses the Group's liabilities for financial instruments into relevant maturity grouping based on the remaining period at the statement of financial position to contractual maturity date.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 3 years	Over 3 years
31 December 2009					
Borrowings	5,900	247	99,438	11,199	18,252
Derivative financial instruments	56	757	3,027	6,876	-
Trade payables	4,477	-	-	-	-
Accounts payable of OAO "NNGK Sakhaneftegaz" to the companies of former "YUKOS" Group	3,719	-	-	-	-
Current accounts of third parties in OOO "MAK-Bank"	74	147	662	-	-
Interest payable	52	104	467	-	-
Payables to associates	48	-	-	-	-
Other payables and accruals	474	-	-	-	-
Financial guarantees	-	-	1,546	-	-
	14,800	**1,255**	**105,140**	**18,075**	**18,252**
31 December 2008					
Borrowings	3,837	5,189	57,959	63,501	33,288
Derivative financial instruments	83	1,010	5,778	21,751	-
Trade payables	6,749	-	-	-	-
Accounts payable of OAO "NNGK Sakhaneftegaz" to the companies of former "YUKOS" Group	3,688	-	-	-	-
Current accounts of third parties in OOO "MAK-Bank"	91	182	818	-	-
Interest payable	66	132	593	-	-
Payables to associates	91	-	-	-	-
Other payables and accruals	570	-	-	-	-
	15,175	**6,513**	**65,148**	**85,252**	**33,288**

As the amounts included in the table are contractual undiscounted cash flows which include future interest payments, these amounts will not reconcile to the amounts disclosed on the statement of financial position for borrowings and derivative financial instruments.

Capital risk management. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As at 31 December 2009 the Group is not subject to any externally imposed capital requirements other than the requirement stipulated by the Russian legislation that the charter capital of a joint-stock company should exceed its net assets.

The Group monitors capital mostly on the basis of the gearing ratio for the purpose of maintaining major debt parameters at the optimal level. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, as shown in the consolidated statement of financial position, less cash and cash equivalents and long-term deposits. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt. During 2009, the Group's strategy, which was unchanged from 2008, was to reduce the gearing ratio.

The gearing ratios at 31 December 2009 and 31 December 2008 were as follows:

	31 December 2009	31 December 2008
Total borrowings	117,952	134,399
Less: cash and cash equivalents and long-term deposits	(5,094)	(18,854)
Net debt	112,858	115,545
Total equity	80,721	78,018
Total capital	193,579	193,563
Gearing ratio	58%	60%

4. FINANCIAL INSTRUMENTS BY CATEGORY

ASSETS	Loans and receivables		Available for sale		Total	
	31 December		31 December		31 December	
	2009	2008	2009	2008	2009	2008
Non-current assets						
Restricted cash	107	31	-	-	107	31
Long-term deposits	-	11,285	-	-	-	11,285
Available-for-sale investments	-	-	420	512	420	512
Receivables from associates	-	2,990	-	-	-	2,990
Loans issued	1,324	1,616	-	-	1,324	1,616
Notes receivable	317	636	-	-	317	636
Other long-term receivables	14	8	-	-	14	8
	1,762	16,566	420	512	2,182	17,078
Current assets						
Trade receivables for supplied diamonds	638	12,787	-	-	638	12,787
Loans issued	3,648	4,508	-	-	3,648	4,508
Receivables from associates	478	1,108	-	-	478	1,108
Notes receivable	641	168	-	-	641	168
Other receivables	4,183	3,606	-	-	4,183	3,606
Cash and cash equivalents	5,094	7,569	-	-	5,094	7,569
	14,682	29,746	-	-	14,682	29,746
	16,444	**46,312**	**420**	**512**	**16,864**	**46,824**

LIABILITIES	Liabilities at fair value through profit or loss-held for trading		Liabilities at amortised cost		Total	
	31 December		31 December		31 December	
	2009	2008	2009	2008	2009	2008
Non-current liabilities						
Long-term debt	-	-	23,581	80,331	23,581	80,331
Derivative financial instruments	6,502	16,174	-	-	6,502	16,174
	6,502	16,174	23,581	80,331	30,083	96,505
Current liabilities						
Short-term loans and current portion of long-term debt	-	-	94,371	54,068	94,371	54,068
Derivative financial instruments	3,643	6,270	-	-	3,643	6,270
Trade payables	-	-	4,477	6,749	4,477	6,749
Accounts payable of OAO "NNGK Sakhaneftegaz" to the companies of former "YUKOS" Group	-	-	3,719	3,688	3,719	3,688
Current accounts of third parties in OOO "MAK-Bank"	-	-	882	1,090	882	1,090
Interest payable	-	-	622	790	622	790
Payables to associates	-	-	48	91	48	91
Other payables and accruals	-	-	474	570	474	570
	3,643	6,270	104,593	67,046	108,236	73,316
	10,145	**22,444**	**128,174**	**147,377**	**138,319**	**169,821**

5. 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 December 2009	31 December 2008
"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 "Investment Group ALROSA"	Investing activity	Russia	100	100
OAO "Viluyskaya GES-3"	Electricity production	Russia	100	98
OAO "Severalmaz"	Diamonds production	Russia	95	95
ZAO "Geotransgaz"	Gas production	Russia	-	90
OOO "Urengoyskaya Gazovaya Company"	Gas production	Russia	-	90
OOO "MAK Bank"	Banking activity	Russia	88	88
OAO "ALROSA-Nyurba"	Diamonds production	Russia	88	88
OAO "NNGK Sakhaneftegaz"	Oil & gas industry	Russia	50	50

As at 31 December 2009 and 31 December 2008 the percentage of ownership interest of the Group in subsidiaries is equal to the percentage of voting interest.

Disposal of ZAO "Geotransgaz" and OOO "Urengoyskaya Gazovaya Company"

In October 2009 the Group sold a 90 percent interest in ZAO "Geotransgaz" and a 90 percent interest in 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 a 90 percent interest in ZAO "Geotransgaz" back during 30 days following 1 October 2012 at a strike price of $US'mln 870.

The Group determined the fair value of put options as at the date of the transaction in the amount of RR'mln 3,658 using the option pricing model (Level 3 in accordance the valuation hierarchy) and recognised the corresponding non-current liability in the statement of financial position. The main inputs to this model are the fair value of the sold companies, which was assessed by the Group at the date of transaction as RR'mln 31,091 ($US'mln 1,061) and its expected volatility, which was estimated by the Group at the level of 44 percent using historical data for comparable companies for the last 3 years. Management believes that the fair value of the put options as at 31 December 2009 did not change as compared to that determined at the date of transaction.

At 31 December 2009, if the fair value of sold companies had decreased / increased by 10 percent with all other variables held constant, post-tax profit and equity for the year would have been RR'mln 674 lower / higher as a result of losses / gains from revaluation of the put options.

Net assets of ZAO "Geotransgaz" and OOO "Urengoyskaya Gazovaya Company" at the date of disposal are as follows:

Property, plant and equipment	13,264
Inventories	98
Trade and other receivables and other assets	159
Deferred tax liability	(157)
Trade and other payables and other liabilities	(267)
Non-controlling interest in the subsidiaries	(578)
Net assets	**12,519**
Fair value of put options granted to the buyers	3,658
Gain on disposal of subsidiaries	2,438
Total consideration	**18,615**

Consolidation of OAO "NNGK Sakhaneftegaz"

In March 2008 the Company obtained control over 50.4 percent interest in OAO "NNGK Sakhaneftegaz", a holding oil and gas company operating in the Republic of Sakha (Yakutia). The major asset of OAO "NNGK Sakhaneftegaz" is 85 percent interest in OAO "Lenaneftegaz", a company providing drilling services and services of operator at Talakan oil deposit located in the Republic of Sakha (Yakutia). Details of fair values of the assets and liabilities of OAO "NNGK Sakhaneftegaz" as at the date when the Company obtained control over its financial and operating activity are as follows:

Property, plant and equipment	1,351
Available-for-sale investments	195
Inventories	702
Trade and other receivables	430
Cash and cash equivalents	8
Trade and other payables	(4,792)
Net assets	**(2,106)**
Non-controlling interest in fair value of the acquired net assets	**(1,068)**
Goodwill arising from the acquisition	1,531
Purchase consideration	**493**

The recoverable amount of goodwill arising from the acquisition was determined on the basis of the management's estimation of future cash flows of OAO "NNGK Sakhaneftegas" and OAO "Lenaneftegaz". The pre-tax discount rate used in the analysis was 20.1 percent, which presented the weighted average cost of capital for the Group as at 31 December 2008. Based on results of the analysis impairment loss totalling RR'mln 1,531 was recognised within other operating expenses in 2008 (see note 22).

Before 2006 OAO "NNGK Sakhaneftegaz" was controlled by OAO "NK YUKOS", since then the entity has significant amount of overdue accounts payable to the companies of "YUKOS" Group, most of which are now controlled by OAO "NK Rosneft", totalling as at 31 December 2009 to RR'mln 3,719 (payable on demand). In November 2008 the state authorities initiated the bankruptcy procedures in relation to OAO "NNGK Sakhaneftegaz" in accordance with the legal claim of OAO "NK Rosneft".

Goodwill

The amount of goodwill totalling RR'mln 1,439 relates to acquisition of a 49 percent minority interest in OAO "Almazy Anabara" in December 2007. The goodwill is attributable to the operational synergies expected to arise after this acquisition as a result of more effective integration of operational activity of this subsidiary into the Group's one. As at 31 December 2009 the recoverable amount of goodwill was determined on the basis of the recent management's forecast of future cash flows of OAO "Almazy Anabara" for the years 2010-2019. The pre-tax discount rate used in the analysis was 19.5 percent, which presents the weighted average cost of capital for the Group adjusted for the effect of tax. Based on results of the analysis management concluded that there is no impairment for goodwill as at 31 December 2009. The impairment test involves making judgment about several key future business indicators. Management believes that their judgements are reasonable and supportable in the current economic environment. However, as compared to the estimates used in the impairment test, if diamond prices fall by 10 percent or US$ depreciates against Russian Rouble by 12 percent or discount rate increases by 16 percent, there will be no excess of value in use over carrying value of assets allocated to the respective cash generating unit.

Investment in OOO "KIT Finance Holding Company"

In order to support the process of normalisation of financial position of OAO "KIT Finance Investment bank", on 30 December 2008 the Group as part of syndicate of investors, which besides it included companies of "Russian Railroads" group, acquired a 45 percent interest in share capital of OOO "KIT Finance Holding Company", which at the date of transaction owned 87 percent of shares of OAO "KIT Finance Investment bank" and certain other assets. The amount of cash consideration paid under this transaction totalled RR 45. In accordance with the intention of the Group's management formed at the date of transaction and the plan of financial rehabilitation of OAO "KIT Finance Investment bank", developed by Deposit Insurance Agency of the Russian Federation and approved by Central Bank of the Russian Federation, it was anticipated that the share of the Group in OOO "KIT Finance Holding Company" would be transferred to "Russian Railroads" group during 2009 for a cash consideration also not exceeding RR 45. However, this transfer took place in April 2010 due to the delay caused by circumstances beyond the Company's control. Consequently, in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" the Group classified its investment in share capital of OOO "KIT Finance Holding Company" as at 31 December 2009 and 31 December 2008 as an asset held for sale at fair value totalling RR 45.

Associates

Name	Country of incorporation	Percentage of ownership interest held as at 31 December		Carrying value of investment as at 31 December		Group's share of net profit / (loss) for the year ended 31 December	
		2009	**2008**	**2009**	**2008**	**2009**	**2008**
"Catoca Mining Company Ltd"	Angola	33	33	1,278	1,558	561	670
"Escom-ALROSA Ltd"	United Kingdom	-	44	-	-	-	-
OAO "Almazny Mir"	Russia	47	47	174	173	2	3
Other	Russia			78	82	(4)	3
				1,530	1,813	559	676

As at 31 December 2009 and 31 December 2008 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. In June 2009 "Catoca Mining Company Ltd" declared dividends for the year ended 31 December 2008; the Group's share of these dividends amounted to RR'mln 887. Currency translation income recognised in the consolidated other comprehensive income for the year ended 31 December 2009 in respect of investment in "Catoca Mining Company Ltd" totalled RR'mln 46. In April 2008 "Catoca Mining Company Ltd" declared dividends for the year ended 31 December 2007; the Group's share of these dividends amounted to RR'mln 773. Currency translation income recognised in the consolidated other comprehensive income for the year ended 31 December 2008 in respect of investment in "Catoca Mining Company Ltd" totalled RR'mln 279.

"Escom-ALROSA Ltd" is a holding company, the only purpose of which is to own a 45 percent voting interest in "Camachia-Camagico", a development stage diamond-mining venture located in Angola, which is in the pilot stage of mining of the Luo diamond deposit. On 30 December 2009 the Company sold its interest in "Escom-ALROSA Ltd" to "Escom Mining Inc.", another shareholder of "Escom-ALROSA Ltd" for RR'mln 129 (US$'mln 4.3) payable in cash in December 2020. The amount of consideration receivable was adjusted to the fair value of RR'mln 14 using the discount rate of 25 percent per annum, which reflects the possible risk that this amount will not be recovered.

The Group has not recognised its share of net loss of "Camachia-Camagico" for the year ended 31 December 2009 in the amount of RR'mln 161 (year ended 31 December 2008: RR'mln 216).

Summarised IFRS financial information of the Group's associates is as follows:

	Assets as at 31 December		Liabilities as at 31 December		Revenues for the year ended 31 December		Profit (loss) for the year ended 31 December	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
"Catoca Mining Company Ltd"	9,764	11,302	5,867	6,553	13,270	14,524	1,710	2,043
"Camachia-Camagico"	-	6,139	-	9,278	642	695	(816)	(1,146)
OAO "Almazny Mir"	399	404	28	39	158	186	5	7
Other	82	157	19	45	69	102	(11)	1
	10,245	18,002	5,914	15,915	14,139	15,507	888	905

Non-current available-for-sale investments

	Year ended 31 December 2009	Year ended 31 December 2008
Available-for-sale investments at the beginning of the year	512	786
Additions	-	47
Additions through consolidation of OAO "NNGK Sakhaneftegaz"	-	195
Net changes in fair value	44	-
Derecognition of investment in OAO "NNGK Sakhaneftegaz"	-	(493)
Disposals	(136)	(23)
Available-for-sale investments at the end of the year	420	512

The non-current available-for-sale investments consist of two groups, which fair values are based on quoted prices in an active market (Level 1 in accordance the valuation hierarchy) and valuation technique with significant non-observable inputs (Level 3 in accordance the valuation hierarchy).

6. DERIVATIVE FINANCIAL INSTRUMENTS

Long-term derivative financial instruments (liabilities)

	31 December 2009	31 December 2008
Fair value of put options granted by the Group to the buyers of ZAO "Geotransgaz" and OOO "Urengoyskaya Gazovaya Company" (see note 5)	3,658	-
Fair value of foreign exchange forward contracts	2,657	15,644
Fair value of cross currency interest rate swaps	187	530
	6,502	16,174

Short-term derivative financial instruments (liabilities)

	31 December 2009	31 December 2008
Fair value of foreign exchange forward contracts	3,643	5,704
Fair value of cross currency interest rate swaps	-	566
	3,643	6,270

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 having an investment grade rating within the range Aa2-Aa3 as assessed by Moody's rating agency as at 31 December 2009 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). At 31 December 2009 the fair value of the forward foreign exchange contracts totalled RR'mln 6,300 (liability), including current portion in the amount of RR'mln 3,643 (as at 31 December 2008 - RR'mln 21,348 (liability), including current portion in the amount of RR'mln 5,704; as at 1 January 2008 – RR'mln 5,106 (asset), including current portion in the amount of RR'mln 2,069). It represents the net present value of the differences between the cash flows related to these contracts calculated at forward exchange rates prevailing at the market as at the end of the reporting periods and forward exchange rates fixed by the forward sales contracts concluded by the Company over the five-years period.

	Year ended 31 December		
	2009	2008	2007
Fair value of foreign exchange forward contracts at the beginning of the year	(21,348)	5,106	902
Net payment / (proceeds) from exercising of foreign exchange forward contracts	4,362	(1,377)	(945)
Net gain / (loss) from change of fair value of foreign exchange forward contracts	10,686	(25,077)	5,149
Fair value of foreign exchange forward contracts at the end of the year	(6,300)	(21,348)	5,106

In the year ended 31December 2009 the net gain from change of fair value of foreign exchange forward contracts recognised in the Group's profit and loss includes realised gain in the amount of RR'mln 1,342 (year ended 31 December 2008: loss in the amount of RR'mln 692; year ended 31 December 2007: gain in the amount of RR'mln 308) related to instruments settled during the reporting period and unrealised gain in the amount of RR'mln 9,344 (year ended 31 December 2008: loss in the amount of RR'mln 24,385; year ended 31 December 2007: gain in the amount of RR'mln 4,841) related to instruments still held at the end of the reporting period.

At 31 December 2009, if the Russian Rouble had weakened / strengthened by 20 percent against the US dollar with all other variables held constant, post-tax profit and equity for the year would have been RR'mln 7,491 (at 31 December 2008 – RR'mln 5,726) lower / higher as a result of losses / gains from revaluation of foreign exchange forward contracts.

Cross currency interest rate swap contracts

To reduce the Group's interest rate risk exposure associated with the RR denominated floating rate loans from "Bank VTB", in 2008 the Group entered into US$ / RR cross currency interest rate swap transactions with "VTB Bank Europe Plc" having an investment grade rating Baa1 as assessed by Moody's rating agency as at 31 December 2009. Under the swap transactions the Group agreed to convert into US$ the amount due to "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. At 31 December 2009 the fair value of the cross currency interest rate swap transactions totalled RR'mln 187 (liability), at 31 December 2008 - RR'mln 1,096 (liability), including current portion in the amount of RR'mln 566.

	Year ended 31 December 2009	Year ended 31 December 2008
Fair value of cross currency interest rate swap contracts at the beginning of the year	(1,096)	-
Net payment / (proceeds) from exercising of swap contracts	120	(56)
Net gain / (loss) from change of fair value of cross currency interest rate swap contracts	789	(1,040)
Fair value of cross currency interest rate swap contracts at the end of the year	(187)	(1,096)

In the year ended 31 December 2009 the net gain from change of fair value of cross currency interest rate swap contracts recognised in the Group's profit and loss includes realised gain in the amount of RR'mln 448 (year ended 31 December 2008: gain in the amount of RR'mln 56) related to instruments settled during the reporting period and unrealised gain in the amount of RR'mln 341 (year ended 31 December 2008: loss in the amount of RR'mln 1,096) related to instruments still held at the end of the reporting period.

At 31 December 2009, if the Russian Rouble had weakened / strengthened by 20 percent against the US dollar with all other variables held constant, post-tax profit and equity for the year would have been RR'mln 208 (at 31 December 2008 – RR'mln 473) higher / lower as a result of gains / losses from revaluation of swap contracts.

The discount rate used to calculate the fair value of the forward foreign exchange contracts and cross currency interest rate swap transactions as at 31 December 2009 was 9 percent (as at 31 December 2008 – 15 percent), which represents the incremental interest rate on RR denominated borrowings applicable to the Group as at the end of the respective reporting period.

The fair values of derivative financial instruments are based on valuation techniques with non-observable inputs (Level 3 in accordance the valuation hierarchy).

7. CASH AND CASH EQUIVALENTS

Restricted cash

Restricted cash included within non-current assets in the statement of financial position of RR'mln 107 and RR'mln 31 as at 31 December 2009 and 31 December 2008, 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 25).

At 31 December 2009 and 31 December 2008 the weighted average interest rate on the restricted cash balances is approximately nil percent.

Long-term deposits

As at 31 December 2008 the Group held RR'mln 11,285 on deposit accounts in OAO "KIT Finance Investment Bank". The maturity of these deposits was on 29 November 2010. During August – September 2009 the Group early refunded this deposit.

Cash and cash equivalents

	31 December 2009	31 December 2008
Current accounts	4,567	3,952
Deposit accounts	527	2,102
Notes receivable	-	1,515
	5,094	7,569

As at 31 December 2008 cash and cash equivalents included non-interest bearing notes of OAO "Bank VTB" totalling RR'mln 1,515 with maturity at the date of inception less than three months.

At 31 December 2009 the weighted average interest rate on the cash balances of the Group was 0.43 percent (31 December 2008: 1.96 percent).

As at 31 December 2009 and 31 December 2008 all balances of cash and cash equivalents of the Group are neither past due nor impaired.

The table below analyses the credit quality of banks at which the Group holds cash and cash equivalents as at 31 December 2009:

	External credit rating	Rating agency	31 December 2009	31 December 2008
Current accounts of OOO "MAK Bank" in the Central Bank of the Russian Federation	Not applicable	Not applicable	2,039	1,044
OAO "Bank VTB"	Baa 1	Moody's	1,360	4,286
Cash of OOO "MAK Bank" on hand and in cash machines	Not applicable	Not applicable	625	441
OAO "Sberbank"	Baa 1	Moody's	174	141
ABN AMRO Bank	Aa 3	Moody's	148	25
HSBC	Aa 2	Moody's	121	32
Lloyds TSB Bank plc	Aa 3	Moody's	75	47
ZAO "UniCredit Bank"	BBB+	Fitch Ratings	64	137
OAO "AKB Bank of Moscow"	Baa 1	Moody's	34	323
OAO "KIT Finance Investment Bank"	Caa 2	Moody's	1	230
Other banks	Aa 2–Baa 2	Moody's	453	863
			5,094	7,569

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Land and Improvements	Plant and Equipment	Transport	Production Licenses	Assets under Construction	Other	TOTAL
Cost at 31 December 2007	**53,001**	**49,848**	**39,443**	**16,374**	**11,175**	**53,547**	**1,751**	**225,139**
Additions through consolidation of OAO "NNGK Sakhaneftegaz" (see note 5)	230	609	309	54	-	125	24	1,351
Additions	339	1,912	2,982	918	5,430	19,277	734	31,592
Transfers	3,192	6,407	2,406	64	-	(12,400)	331	-
Disposals	(419)	(1,423)	(967)	(511)	-	(160)	(529)	(4,009)
Foreign exchange differences	24	531	2	185	-	668	(2)	1,408
Change in estimate of provision for land recultivation (see note 14)	-	(18)	-	-	-	-	-	(18)
Cost at 31 December 2008	**56,367**	**57,866**	**44,175**	**17,084**	**16,605**	**61,057**	**2,309**	**255,463**
Additions	37	1,123	1,212	450	9	12,085	478	15,394
Transfers	4,071	17,737	3 336	198	-	(25,489)	147	-
Disposals	(2,236)	(238)	(1,161)	(586)	-	(246)	(146)	(4,613)
Disposal of subsidiaries (see note 5)	(28)	(1,509)	(34)	(2)	(7,322)	(5,765)	(6)	(14,666)
Foreign exchange differences	7	68	1	37	-	114	(3)	224
Change in estimate of provision for land recultivation (see note 14)	-	(5)	-	-	-	-	-	(5)
Cost at 31 December 2009	**58,218**	**75,042**	**47,529**	**17,181**	**9,292**	**41,756**	**2,779**	**251,797**
Accumulated depreciation and impairment losses at 31.12.2007	**(17,051)**	**(17,837)**	**(22,801)**	**(10,156)**	**(616)**	**(271)**	**(711)**	**(69,443)**
Charge for the year ended 31 December 2008	(1,609)	(2,913)	(3,815)	(1,270)	(284)	-	(252)	(10,143)
Disposals	98	1,157	919	479	-	-	64	2,717
Impairment of property, plant and equipment	(178)	-	-	-	-	(342)	-	(520)
Accumulated depreciation and impairment losses at 31.12.2008	**(18,740)**	**(19,593)**	**(25,697)**	**(10,947)**	**(900)**	**(613)**	**(899)**	**(77,389)**
Charge for the year ended 31 December 2009	(1,324)	(2,803)	(4,001)	(1,179)	(215)	-	(283)	(9,805)
Disposals	391	121	1 014	522	-	-	30	2,078
Disposal of subsidiaries (see note 5)	10	477	19	5	890	-	1	1,402
Impairment of property, plant and equipment	-	-	-	-	-	(151)	-	(151)
Accumulated depreciation and impairment losses at 31.12.2009	**(19,663)**	**(21,798)**	**(28,665)**	**(11,599)**	**(225)**	**(764)**	**(1,151)**	**(83,865)**
Net book value at 31 December 2008	**37,627**	**38,273**	**18,478**	**6,137**	**15,705**	**60,444**	**1,410**	**178,074**
Net book value at 31 December 2009	**38,555**	**53,244**	**18,864**	**5,582**	**9,067**	**40,992**	**1,628**	**167,932**

As at 31 December 2009 borrowing costs totalling RR'mln 128 were capitalised in property, plant and equipment and represent interest on loans and borrowings. The capitalisation rate was 16.44 percent for the year ended 31 December 2009.

Property, plant and equipment for the year ended 31 December 2009 includes an aircraft which the Group received under a finance lease agreement. As at 31 December 2009 the carrying value of this aircraft is RR'mln 896 (31 December 2008: RR'mln 905). Property, plant and equipment for the year ended 31 December 2009 includes also the mining equipment which OAO "Almazy Anabara", a subsidiary of the Group, received also under finance lease agreements. As at 31 December 2009 the carrying value of this equipment is RR'mln 279 (31 December 2008: RR'mln 343).

At the end of each reporting period management assesses whether there is any indication that the recoverable value has declined below the carrying value of property, plant and equipment. Management believes that as at 31 December 2009 there were no such indicators, accordingly the Group did not conduct an impairment test of its property plant and equipment as at that date.

As at 31 December 2008 the Group conducted an impairment test of its property plant and equipment as management believed there were certain indicators that these assets may be impaired. The recoverable amount used in the impairment tests was determined on the basis of the projected cash flows and the value in use of such asset or cash-generating units. The Group conducted an impairment test of its cash-generating units, for which the values in use have been calculated as the present values of projected future cash flows discounted by the Group's weighted average cost of capital, as adjusted, where applicable, to take into account any specific risks of business operations related to the cash-generating units. The Group used discount rate of 20.1 percent, which presented the weighted average cost of capital for the Group as at 31 December 2008. The cash flow projections covered periods commensurate with the production cycles and expected lives of the respective assets. The Group used steady growth rates of 3.5 percent to extrapolate cash flows beyond the period of 2009-2015, for which the Group prepared its budget. The Group's assessment of value in use of its property, plant and equipment as at 31 December 2008 substantially exceeded its carrying value.

The impairment loss of RR'mln 151 recognised for the year ended 31 December 2009 (year ended 31 December 2008: RR'mln 520) relates to certain frozen assets under construction and buildings, which, in accordance with recent management's plans, will not be used in production activity of the Group.

9. INVENTORIES

	31 December 2009	31 December 2008
Diamonds	19,844	11,105
Ores and concentrates	6,177	5,273
Mining and construction materials	12,509	13,518
Diamonds for resale	5,597	1,399
Consumable supplies	746	1,012
	44,873	32,307

At 31 December 2009 diamonds for resale are presented by the diamonds purchased back from OOO "Interdiam" in September 2009 (see note 10). The Company expects to sell these diamonds to third parties during 2010.

As at 31 December 2008 diamonds for resale are presented by the diamonds purchased by the Group from Angolan diamond producers for the purpose of the subsequent resale on the open market. During 2009 the whole amount of these diamonds was sold to third parties.

10. TRADE AND OTHER RECEIVABLES

Long-term accounts receivable	31 December 2009	31 December 2008
Loans issued	1,324	1,616
Long-term VAT recoverable	576	683
Notes receivable	317	636
Receivables from associates (see note 27)	-	2,990
Other long-term receivables	14	8
	2,231	5,933

Current accounts receivable	31 December 2009	31 December 2008
Loans issued	3,648	4,508
Prepaid taxes, other than income tax	1,349	945
VAT recoverable	777	1,564
Advances to suppliers	703	823
Trade receivables for supplied diamonds	638	12,787
Notes receivable	641	168
Receivables from associates (see note 27)	478	1,108
Receivables for sale of treasury shares	-	251
Other receivables	4,183	3,355
	12,417	25,509

At 31 December 2008 long-term and current receivables from associates included the loan issued to "Escom-ALROSA Ltd" in the amount of RR'mln 3,582 (including current portion of RR'mln 592) to finance development of Luo diamond deposit. The repayment period of this loan was June 2006 – June 2014 and it beared interest at LIBOR+2.5% per annum. In December 2009 the Company transferred the rights on this loan to "Escom Mining Inc.", another shareholder of "Escom-ALROSA Ltd". The parties agreed that the payment date for the whole amount of transferred loan would be on 31 March 2035 and that interest of 0.5 percent per annum would be accrued on this amount. Also the parties agreed that this amount will be paid to the Company only in case the Luo project generates free cash flow enough for repayment of the whole of the aggregate amount of the loan. At the date of the agreement the amount of the loan transferred to "Escom Mining Inc." was reclassified to long-term loans issued. Management believes it is probable that this loan will not be recovered, accordingly an impairment provision in respect to the full amount of the loan totalling RR'mln 3,763 was recognised in these consolidated financial statements.

As at 31 December 2008 trade receivables for supplied diamonds included accounts receivable from OOO "Interdiam", a third party wholesale diamonds customer, totalling RR'mln 12,513. The original maturity date for these receivables was 26 March 2009; subsequently it was prolonged till September 2009. The nominal value of these accounts receivable was RR'mln 13,231; it was adjusted to the fair value of RR'mln 12,513 using the discount rate of 25 percent per annum, which is applicable to the RR denominated loans issued by the Group to third parties with the similar credit quality, with a corresponding debit recorded as a reduction of the respective revenue figure for the year ended 31 December 2008. For the year ended 31 December 2009 the accretion of the discounted value of these receivables totalling RR'mln 718 was recognised as interest income in the statement of comprehensive income. The Group supplied diamonds for OOO "Interdiam" in December 2008 anticipating that it will subsequently resell them in the open market. OOO "Interdiam" failed to resell these diamonds; accordingly it failed to settle its debt to the Group within the contractual term. In September 2009 the Company repurchased the initially supplied diamonds back from this customer for RR'mln 13,231 (including VAT of RR'mln 2,018). Part of these diamonds with cost totalling RR'mln 5,075 was subsequently resold to third parties in 2009 (see note 18), another part with cost of RR'mln 541 was transferred to production of polished diamonds, the rest of these diamonds with cost of RR'mln 5,597 remained in stock as at 31 December 2009 (see note 9).

The average effective interest rates at the end of the year were as follows:

Long-term accounts receivable	31 December 2009	31 December 2008
Receivables from associates	-	5%
Loans issued	13%	17%
Notes receivable	10%	10%
Other long-term receivables	10%	10%

The carrying amounts and fair values of long-term accounts receivable are as follows:

	31 December 2009		31 December 2008	
	Carrying value	Fair value	Carrying value	Fair value
Receivables from associates	-	-	2,990	2,575
Loans issued	1,324	1,246	1,616	1,402
Notes receivable	317	245	636	507
Other long-term receivables	14	10	8	5

The fair value of long-term accounts receivable is estimated by discounting the future contractual cash inflows at the market interest rates available to the recipients of funds at the end of the year. These market interest rates for each class of long-term accounts receivable at the end of the year were as follows:

	31 December 2009	31 December 2008
Receivables from associates	-	15.0%
Loans issued	16.0%	19.2%
Notes receivable	16.7%	20.0%
Other long-term receivables	15.0%	20.0%

The fair value of each class of short-term trade and other accounts receivable at 31 December 2009 and 31 December 2008 approximates their carrying value.

The impairment provision offset against individual receivable balances is as follows:

Long-term accounts receivable	31 December 2009	Bad debt write-off	Bad debt expense / (reversal of bad debt expense)	31 December 2008
Loans issued	3,789	-	3,763	26
	3,789	-	3,763	26
Current accounts receivable				
Receivables from associates (see note 27)	26	(162)	-	188
Notes receivable	80	-	-	80
Loans issued	118	-	(66)	184
Other receivables	1,522	(31)	219	1,334
	1,746	(193)	153	1,786

Long-term accounts receivable	31 December 2008	Bad debt write-off	Bad debt expense	31 December 2007
Loans issued	26	-	-	26
	26	-	-	26
Current accounts receivable				
Receivables from associates (see note 27)	188	-	-	188
Notes receivable	80	-	-	80
Loans issued	184	-	55	129
Other receivables	1,334	(114)	30	1,418
	1,786	(114)	85	1,815

The individually impaired receivables mainly relate to the customers, which are in difficult economic situations or under bankruptcy procedures. Management assesses a portion of the receivables will be recovered. The ageing analysis of these receivables is as follows:

	31 December 2009				31 December 2008			
	Up to 1 year	1 to 3 years	Over 3 years	Total	Up to 1 year	1 to 3 years	Over 3 years	Total
Long-term accounts receivable								
Loans issued	3,763	-	26	3,789	-	-	26	26
	3,763	-	26	3,789	-	-	26	26
Current accounts receivable								
Receivables from associates	-	-	26	26	-	-	188	188
Notes receivable	-	-	80	80	-	-	80	80
Loans issued	-	116	2	118	55	68	61	184
Other receivables	11	463	1,048	1,522	-	252	1,082	1,334
	11	579	1,156	1,746	55	320	1,411	1,786

As at 31 December 2009 and 31 December 2008, trade and other receivables totalling RR'mln 14,320 and RR'mln 31,035, respectively, were neither past due nor impaired and have no history of overdue payments. Most of these debtors have no individual external credit rating.

For the purpose of analysis of credit quality of debtors management classified accounts receivable of the Group as follows:

31 December 2009	Large customers	Medium and small customers	Entities controlled by the Government	Individuals	Total
Long-term accounts receivable					
Loans issued	530	397	5	392	1,324
Notes receivable	317	-	-	-	317
Other long-term receivables	-	14	-	-	14
	847	411	5	392	1,655
Current accounts receivable					
Loans issued	1,555	1,051	721	321	3,648
Trade receivables for supplied diamonds	589	49	-	-	638
Receivables from associates	478	-	-	-	478
Notes receivable	460	181	-	-	641
Other receivables	402	2,906	572	304	4,184
	3,484	4,187	1,293	625	9,589

31 December 2008	Large customers	Medium and small customers	Entities controlled by the Government	Individuals	Total
Long-term accounts receivable					
Receivables from associates	2,990	-	-	-	2,990
Loans issued	530	780	-	306	1,616
Notes receivable	636	-	-	-	636
Other long-term receivables	-	-	8	-	8
	4,156	780	8	306	5,250
Current accounts receivable					
Trade receivables for supplied diamonds	233	12,554	-	-	12,787
Loans issued	1,121	2,086	843	458	4,508
Receivables from associates	1,067	41	-	-	1,108
Receivables for sale of treasury shares	-	251	-	-	251
Notes receivable	88	80	-	-	168
Other receivables	182	2,494	383	296	3,355
	2,691	17,506	1,226	754	22,177

For the purposes of the above analysis customers are considered large if their total assets exceed RR'mln 5,000 and their revenue exceeds RR'mln 1,000. Management believes that balances of accounts receivable with large customers have higher credit quality than medium and small customers or individuals.

As at 31 December 2009 accounts receivable in the amount of RR'mln 329 (as at 31 December 2008: RR'mln 407) were past due but were not considered impaired. They include only other receivables and relate to a number of independent medium and small customers for whom there is no recent history of default. As at 31 December 2009 and 31 December 2008 none of these accounts receivable was secured by any collateral.

The ageing analysis of receivables that are past due but not impaired is as follows:

	31 December 2009	31 December 2008
Up to 3 months	59	37
3 to 6 months	115	46
6 to 12 months	58	82
More than 1 year	97	242
	329	407

As at 31 December 2009 16 individual debtors of the Group (31 December 2008: 7 individual debtors) had the outstanding balance with the Group exceeding RR'mln 100. As at 31 December 2009 total amount of such accounts receivable was RR'mln 8,344 (31 December 2008: RR'mln 13,712).

11. SHAREHOLDERS' EQUITY

Share capital

Share capital authorised, issued and paid in totals RR'mln 12,473 as at 31 December 2009 and 31 December 2008 and consists of 272,726 ordinary shares, including treasury shares, at RR 13,502.5 par value per share. In addition as at 31 December 2009 and 31 December 2008 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 years ended 31 December 2009 and 31 December 2008, the statutory profit of the Company as reported in the published statutory reporting forms was RR'mln 2,348 and RR'mln 1,574 respectively. However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation, and accordingly, management believes that at present it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

Treasury shares

At 31 December 2009 subsidiaries of the Group held 553 ordinary shares of the Company (at 31 December 2008: 420 ordinary shares). The Group management controls the voting rights of these shares.

Other reserves

	Currency translation	Purchase of non-controlling interest	Available-for-sale investments	Total
Balance at 31 December 2007	**(193)**	**-**	**-**	**(193)**
Currency translation differences	440	-	-	440
Purchase of non-controlling interest in OAO "Viluyskaya GES-3"	-	(309)	-	(309)
Balance at 31 December 2008	**247**	**(309)**	**-**	**(62)**
Currency translation differences	113	-	-	113
Purchase of non-controlling interest in OAO "Viluyskaya GES-3"	-	(41)	-	(41)
Net gains arising from change of fair value of available-for-sale investments, net of income tax	-	-	44	44
Balance at 31 December 2009	**360**	**(350)**	**44**	**54**

Dividends

On 20 June 2009 the Company's annual shareholders' meeting decided not to pay dividends for the year ended 31 December 2008.

On 21 June 2008 the Company's shareholders approved dividends for the year ended 31 December 2007 totalling RR'mln 2,240. Dividends per share amounted to RR 11,200.

Non-controlling interest in subsidiaries

	Year ended 31 December 2009	Year ended 31 December 2008
Non-controlling interest at the beginning of the year	(431)	1,190
Non-controlling interest share of net profit (loss) of subsidiaries	26	(169)
Non-controlling interest in acquired net assets of OAO "NNGK Sakhaneftegaz" and OAO "Lenaneftegaz" (see note 5)	-	(1,068)
Purchase of non-controlling interest	(53)	(135)
Translation difference	(4)	-
Disposal of non-controlling interest through disposal of subsidiaries (see note 5)	(578)	-
Dividends paid by subsidiaries to minority shareholders	(137)	(249)
Non-controlling interest at the end of the year	(1,177)	(431)

During the year ended 31 December 2009 non-controlling interest decreased by RR'mln 53 as a result of the acquisition of an additional 2 percent interest OAO "Viluyskaya GES-3". The difference between the carrying amount of the non-controlling interest and the amount paid to acquire it totalling RR'mln 41 was debited to equity within other reserves.

During the year ended 31 December 2008 non-controlling interest decreased by RR'mln 135 as a result of the acquisition of an additional 5 percent interest OAO "Viluyskaya GES-3". The difference between the carrying amount of the non-controlling interest and the amount paid to acquire it totalling RR'mln 309 was debited to equity within other reserves.

12. LONG-TERM DEBT

	31 December 2009	31 December 2008
Banks:		
US$ denominated floating rate	3,262	4,800
US$ denominated fixed rate	21,708	25,092
RR denominated floating rate	1,556	3,193
RR denominated fixed rate	44,480	44,484
	71,006	**77,569**
Eurobonds	15,099	14,681
Finance lease obligation	564	948
Commercial paper	359	466
Other US$ denominated fixed rate loans	123	213
Other RR denominated fixed rate loans	1,476	943
	88,627	**94,820**
Less: current portion of long-term debt (see note 13)	(65,046)	(14,489)
	23,581	**80,331**

The long-term commercial paper is denominated in RR, has defined maturity dates ranging between one and ten years, and is carried at amortised cost.

The average effective interest rates at the end of the year were as follows:

	31 December 2009	31 December 2008
Banks:		
US$ denominated floating rate	4.3%	3.5%
US$ denominated fixed rate	14.5%	8.4%
RR denominated floating rate	13.7%	28.3%
RR denominated fixed rate	15.3%	15.3%
Eurobonds	8.7%	8.7%
Finance lease obligation	7.6%	7.6%
Commercial paper	21.7%	26.3%
Other US$ denominated fixed rate	9.0%	9.0%
Other RR denominated fixed rate loans	11.9%	13.6%

At 31 December 2009 long-term loans had the following maturity profile (based on the discounted contractual cash flows):

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 years and thereafter	Total
Banks:						
US$ denominated floating rate	2,826	28	408	-	-	3,262
US$ denominated fixed rate	17,667	3,605	436	-	-	21,708
RR denominated floating rate	-	1,556	-	-	-	1,556
RR denominated fixed rate	44,173	290	7	10	-	44,480
Eurobonds	-	-	-	-	15,099	15,099
Finance lease obligation	57	26	28	453	-	564
Commercial paper	-	359	-	-	-	359
Other US$ denominated fixed rate loans	123	-	-	-	-	123
Other RR denominated fixed rate loans	200	1,276	-	-	-	1,476
	65,046	7,140	879	463	15,099	88,627

At 31 December 2008 long-term loans had the following maturity profile (based on the discounted contractual cash flows):

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 years and thereafter	Total
Banks:						
US$ denominated floating rate	3,993	384	27	396	-	4,800
US$ denominated fixed rate	8,575	564	3,574	12,237	142	25,092
RR denominated floating rate	1,637	-	1,556	-	-	3,193
RR denominated fixed rate	-	44,173	290	9	12	44,484
Eurobonds	-	-	-	-	14,681	14,681
Finance lease obligation	169	57	26	27	669	948
Commercial paper	-	170	296	-	-	466
Other US$ denominated fixed rate loans	115	98	-	-	-	213
Other RR denominated fixed rate loans	-	802	141	-	-	943
	14,489	46,248	5,910	12,669	15,504	94,820

The carrying amounts and fair values of long-term debt are as follows:

	31 December 2009		31 December 2008	
	Carrying value	Fair value	Carrying value	Fair value
Banks				
US$ denominated floating rate	3,262	1,374	4,800	771
US$ denominated fixed rate	21,708	22,551	25,092	24,274
RR denominated floating rate	1,556	1,558	3,193	3,748
RR denominated fixed rate	44,480	45,033	44,484	43,495
Eurobonds	15,099	15,742	14,681	8,556
Finance lease obligation	564	551	948	825
Commercial paper	359	460	466	707
Other US$ denominated fixed rate loans	123	120	213	213
Other RR denominated fixed rate loans	1,476	1,448	943	643

The fair value of long-term debt is estimated by discounting the future contractual cash outflows at the market interest rate available to the Group at the end of the year. These market interest rates for each class of long-term debt at the end of the year were as follows:

	31 December 2009	31 December 2008
Banks		
US$ denominated floating rate	5.3%	9.1%
US$ denominated fixed rate	8.8%	10.7%
RR denominated floating rate	13.8%	28.7%
RR denominated fixed rate	13.8%	15.5%
Eurobonds	7.8%	21.9%
Commercial paper	8.5%	19.3%
Finance lease obligation	8.9%	9.9%
Other US$ denominated fixed rate loans	8.8%	10.7%
Other RR denominated fixed rate loans	13.8%	15.5%

As at 31 December 2009 and at 31 December 2008 there were no long-term loans secured with the assets of the Group.

Eurobonds

	Year ended 31 December 2009	Year ended 31 December 2008
Balance at the beginning of the year	14,681	19,631
Amortisation of discount	25	23
Repayment	-	(7,094)
Exchange losses	393	2,121
Balance at the end of the year	15,099	14,681

Finance lease obligation

	Minimum lease payments 31 December 2009	Discounted value of minimum lease payments 31 December 2009	Minimum lease payments 31 December 2008	Discounted value of minimum lease payments 31 December 2008
Within 1 year	15	57	339	169
Between 2 and 4 years	607	507	293	110
5 years and thereafter	-	-	747	669
	622	564	1,379	948

Finance lease obligations relate to the aircraft and certain mining equipment recorded as property, plant and equipment items in these consolidated financial statements (see note 8).

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

	31 December 2009	31 December 2008
Banks:		
US$ denominated floating rate	-	2,644
US$ denominated fixed rate	15,939	14,231
RR denominated floating rate	-	2,605
RR denominated fixed rate	5	15,528
	15,944	**35,008**
European commercial paper	11,237	1,366
Commercial paper	616	1,138
Other US$ denominated fixed rate loans	9	9
Other RR denominated fixed rate loans	1,519	2,058
	29,325	**39,579**
Add: current portion of long-term debt (see note 12)	65,046	14,489
	94,371	**54,068**

Commercial paper

Commercial paper comprises unsecured notes, denominated in RR, issued by the Group to provide short-term working capital facilities. The short-term commercial paper is typically a non-interest bearing instrument issued at a discount, with defined maturity dates ranging from 1 month to 1 year and is carried at amortised cost.

European commercial paper

In March 2005 "ALROSA Finance S.A.", a subsidiary of the Group, established a program for issuing European commercial paper (ECP). The program allows for the issue of US$ denominated short-term fixed rate commercial paper with maturity dates within 364 days.

	Year ended 31 December 2009	Year ended 31 December 2008
Balance at the beginning of the year	1,366	3,510
Issued	22,782	13,428
Repayment	(12,254)	(17,736)
Exchange (gains) / losses	(657)	2,164
Balance at the end of the year	11,237	1,366

As at 31 December 2009 there were no short-term loans secured with the assets of the Group. As at 31 December 2008 short-term debt totalling RR'mln 226 was secured with the assets of the Group. As corresponding loan agreements stipulated that the respective debt "is secured with the assets of the Group" and do not specify individual pledged assets, the carrying amount of pledged assets as at 31 December 2008 is not disclosed.

The average effective interest rates at the end of year were as follows:

	31 December 2009	31 December 2008
Banks:		
US$ denominated floating rate	-	4.0%
US$ denominated fixed rate	10.4%	10.0%
RR denominated floating rate	-	27.8%
RR denominated fixed rate	14.4%	15.9%
European commercial paper	9.8%	7.4%
Commercial paper	7.8%	21.4%
Other US$ denominated fixed rate loans	-	3.7%
Other RR denominated fixed rate loans	1.9%	4.1%

The carrying amounts and fair values of short-term debt are as follows:

	31 December 2009		31 December 2008	
	Carrying value	Fair value	Carrying value	Fair value
Banks:				
US$ denominated floating rate	-	-	2,644	2,542
US$ denominated fixed rate	15,939	15,906	14,231	14,100
RR denominated floating rate	-	-	2,605	2,605
RR denominated fixed rate	5	4	15,528	15,564
European commercial paper	11,237	11,229	1,366	1,326
Commercial paper	616	691	1,138	1,155
Other US$ denominated fixed rate loans	9	8	9	11
Other RR denominated fixed rate loans	1,519	1,505	2,058	2,027

The fair value of short-term debt is estimated by discounting the future contractual cash outflows at the market interest rate available to the Group at the end of year. These market interest rates for each class of short-term debt at the end of year were as follows:

	31 December 2009	31 December 2008
Banks:		
US$ denominated floating rate	-	10.0%
US$ denominated fixed rate	9.9%	13.5%
RR denominated floating rate	-	27.8%
RR denominated fixed rate	14.7%	15.0%
European commercial paper	9.1%	14.4%
Commercial paper	9.4%	20.0%
Other US$ denominated fixed rate loans	9.9%	9.0%
Other RR denominated fixed rate loans	14.7%	12.0%

14. PROVISION FOR LAND RECULTIVATION

	Year ended 31 December 2009	Year ended 31 December 2008
At the beginning of the year	369	444
Change in estimate of provision for land recultivation	(5)	(18)
Unwinding of discount	57	14
Utilised	(95)	(71)
At the end of the year	326	369

In October 2006 Management Committee of the Company approved the "Program for improvement of environmental situation in the area of operating activity of the Company". In accordance with this Program the Company assumed an obligation to perform recultivation of certain disturbed lands and tailing pits in the areas of its operating activity during 2007-2010. The Company recognised a provision for these future expenses in its consolidated financial statements for the years ended 31 December 2009 and 31 December 2008 with a corresponding asset recognised within property, plant and equipment (see note 8). The discount rate used to calculate the net present value of the future cash outflows relating to land recultivation at 31 December 2009 was 19.5 percent (31 December 2008: 20.1 percent), which represents the weighted average cost of capital for the Group and is considered appropriate to the Group in the economic environment in the Russian Federation at the end of year.

15. PROVISION FOR PENSION OBLIGATIONS

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

	31 December 2009	31 December 2008
Present value of obligations	11,650	9,581
Fair value of plan assets	(5,112)	(3,819)
Unrecognised actuarial losses	(3,252)	(2,775)
Unrecognised past service cost	(190)	(85)
Net liability	3,096	2,902

The amounts recognised in the consolidated statement of comprehensive income in respect of the operation of the defined benefit plan are as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Current service cost	310	263
Interest cost	824	757
Expected return on plan assets	(273)	(254)
Net actuarial losses	233	437
Recognised past service cost	26	-
Immediate recognition of vested prior service cost	27	471
Net expense recognised in the statement of comprehensive income	1,147	1,674

Movements in the pension liability and plan assets recognised in the consolidated statement of financial position in respect of the defined benefit plan are as follows:

	31 December 2009	31 December 2008
Benefit obligation at the beginning of the year	9,581	11,375
Current service cost	310	263
Interest cost	824	757
Actuarial loss / (gain)	1,327	(2,894)
Benefits paid	(551)	(475)
Past service cost	159	555
Benefit obligation at the end of the year	11,650	9,581

	31 December 2009	31 December 2008
Fair value of plan assets at the beginning of the year	3,819	3,555
Expected return on plan assets	273	254
Contributions made	954	735
Benefits paid	(551)	(475)
Actuarial gain / (loss)	617	(250)
Fair value of plan asset at the end of the year	5,112	3,819

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of preceding year. Expected returns on equity investments reflect long-term rates of return experienced in the respective markets.

In the year ended 31 December 2009 the actual return on plan assets was RR'mln 890 (year ended 31 December 2008: RR'mln 4).

The Group expects to contribute RR'mln 947 to the defined benefit plans during the year beginning 1 January 2010.

Principal actuarial assumptions used:

	31 December 2009	31 December 2008
Discount rate (nominal)	8.7%	8.9%
Expected return on plan assets	8.6%	7.1%
Future salary increases (nominal)	6.2%	5.8%
Future pension increases (nominal)	5.5%	5.8%
Estimated total service (years)	14	12
Employees average remaining working life (years)	10	16
Average period of vesting benefits (years)	9	9
Average period of vesting pensions (years)	3	6

Life expectancies are as follows:

	31 December 2009	31 December 2008
Male aged 57 (years)	15	15
Female aged 55 (years)	22	22

At 31 December 2009 sensitivity of provision for pension obligations to principal actuarial assumption is as follows:

	Change in assumption	Impact on provision for pension obligations
Discount rate	Increase / decrease by 0.5%	Decrease / increase by 8.8%
Expected return on plan assets	Increase / decrease by 0.5%	Decrease / increase by 5.8%
Future salary increases (nominal)	Increase / decrease by 0.5%	Increase / decrease by 2.1%
Future pension increases (nominal)	Increase / decrease by 0.5%	Increase / decrease by 9.5%
Employee turnover	Increase / decrease by 10%	Decrease / increase by 1.6%
Mortality level	Increase / decrease by 10%	Decrease / increase by 5.0%

Five-year defined benefit plan disclosure:

	31 December				
	2009	2008	2007	2006	2005
Present value of obligations	11,650	9,581	11,375	11,388	8,590
Fair value of plan assets	(5,112)	(3,819)	(3,555)	(3,120)	(2,648)
Deficit in plan	6,538	5,762	7,820	8,268	5,942

	Year ended 31 December				
	2009	2008	2007	2006	2005
Experience adjustments on plan liabilities	133	(278)	(653)	587	443
Experience adjustments on plan assets	617	(250)	(52)	(67)	115

The major categories of plan assets as a percentage of total plan assets are as follows:

	31 December 2009, %	31 December 2008, %
Russian corporate bonds	37.2	31.8
Bank deposits	36.3	21.9
Russian Government and municipal bonds	11.7	4.3
Equity securities of Russian issuers	8.2	13.3
Promissory notes of Russian issuers	4.9	14.1
Debt securities of Russian issuers	1.7	-
Current bank accounts	-	14.6
	100.0	100.0

16. TRADE AND OTHER PAYABLES

	31 December 2009	31 December 2008
Trade payables	4,477	6,749
Accrual for employee flights and holidays	4,367	4,697
Accounts payable of OAO "NNGK Sakhaneftegaz" to the companies of former "YUKOS" Group (see note 5)	3,719	3,688
Wages and salaries	1,594	1,374
Advances from customers	1,055	893
Current accounts of third parties in OOO "MAK-Bank"	882	1,090
Interest payable	622	790
Payables to associates	48	91
Other payables and accruals	474	570
	17,238	19,942

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

The fair value of each class of short-term trade and other payables at 31 December 2009 and 31 December 2008 approximates their carrying value.

17. INCOME AND OTHER TAX ASSETS AND LIABILITIES

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

	31 December 2009	31 December 2008
Property tax	811	934
Extraction tax	754	610
Unified social tax	750	841
Value added tax	617	1,748
Personal income tax (employees)	324	363
Tax penalties	26	179
Other taxes and accruals	229	257
	3,511	4,932

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

	Year ended 31 December 2009	Year ended 31 December 2008
Property tax	2,938	2,271
Other taxes and accruals	726	398
	3,664	2,669

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 18).

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. In addition, in accordance with the agreement dated 29 December 2006 and its subsequent amendments, the Company made fixed royalty payments to the Republic of Sakha (Yakutia) in the amount of RR'mln 481 in 2008.

During 2009, the Company accrued profit tax at the rate of 20 percent (year ended 31 December 2008: 24 percent). On 26 November 2008, the Russian Federation reduced the standard corporate income tax rate from 24 to 20 percent with effect from 1 January 2009. This tax rate was applied to determine the deferred tax balances as at 31 December 2009 and 31 December 2008.

Income tax expense / (benefit) comprise the following:

	Year ended 31 December 2009	Year ended 31 December 2008
Current tax expense	353	3,119
Deferred tax expense / (benefit)	3,020	(6,373)
Effect of reduction in tax rate	-	18
Adjustments recognised in the period for current tax of prior periods	(175)	-
	3,198	(3,236)

Profit / (loss) before taxation for financial reporting purposes is reconciled to tax expense / (benefit) as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Profit / (loss) before income tax	6,661	(36,003)
Theoretical tax charge / (benefit) at statutory rate of 20 percent thereon (31 December 2008: 24 percent)	1,332	(8,641)
Effect of reduction in tax rate to 20 percent	-	18
Tax effect of income not assessable for income tax purposes	(1,219)	(65)
Prior periods adjustments recognised in the current period	(175)	-
Unrecognised potential deferred tax assets relating to unused tax losses carry forwards (expiry date – 2019)	-	1,660
Tax effect of expenses and losses not deductible for income tax purposes	3,260	3,792
	3,198	(3,236)

Income not assessable for income tax purposes totalling RR'mln 6,096 for the year ended 31 December 2009 is presented by the difference between the amount of cash proceeds from disposal of ZAO "Geotransgaz" and OOO "Urengoyskaya Gazovaya Company" and the amount of net assets of the disposed entities at the date of transaction (see note 5). This transaction was performed by the Group's subsidiary registered at British Virgin Islands, where the profit tax rate is zero percent.

Expenses and losses not deductible for income tax purposes include mostly social expenses, non-deductible wages, salaries and other staff costs and impairment of goodwill arising from acquisition of OAO "NNGK Sakhaneftegaz" recognised in 2008 (see note 22).

Differences between IFRS and Russian statutory tax accounting give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. The tax effect of the movement in these temporary differences is recorded at the rate of 20 percent.

	31 December 2009	Tax effect of movement in temporary differences		31 December 2008	Tax effect of movement in temporary differences		31 December 2007
		Charged to profit or loss			Charged to profit or loss		
		Disposal of subsidiaries (see note 5)	At 20 percent		Effect from tax rate change	At 24 percent	
Deferred tax liabilities							
Property, plant and equipment	5,467	(207)	457	5,217	(1,044)	124	6,137
Inventories	4,115	-	1,877	2,238	(448)	598	2,088
Long-term investments	238	-	(39)	277	(55)	9	323
Deferred tax assets							
Derivative financial instruments	(2,035)	-	2,455	(4,490)	898	(6,613)	1,225
Accrual for employee benefits	(961)	-	71	(1,032)	207	59	(1,298)
Exploration costs written off	(370)	-	(17)	(353)	71	(20)	(404)
Provision for pension obligations	(619)	-	(39)	(580)	116	(225)	(471)
Write-down of inventories	(1,057)	50	(102)	(1,005)	201	(158)	(1,048)
Impairment of accounts receivable	(728)	-	(433)	(295)	59	(204)	(150)
Asset for tax losses carry-forwards	(1,240)	-	(1,240)	-	-	-	-
Other deductible temporary differences	(36)	-	31	(67)	13	57	(137)
Net deferred tax liability / (asset)	**2,774**	**(157)**	**3,021**	**(90)**	**18**	**(6,373)**	**6,265**

As at 31 December 2009 the Group recognised deferred tax assets for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. These tax losses carry-forwards expire in 2020.

At 31 December 2009 and 2008, the Group had not recorded a deferred tax liability in respect to taxable temporary differences of RR'mln 2,565 and RR'mln 2,510, respectively, associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

18. SALES

	Year ended 31 December 2009	Year ended 31 December 2008
Revenue from diamond sales:		
Export	33,425	38,880
Domestic	26,432	35,292
Revenue from diamonds for resale	6,483	4,072
	66,340	78,244
Other revenue:		
Transport	4,142	4,404
Social infrastructure	2,043	1,842
Construction	1,620	1,096
Trading	710	757
Gas and gas condensate	85	701
Other	3,009	4,038
	77,949	91,082

Export duties totalling RR'mln 2,184 for the year ended 31 December 2009 (year ended 31 December 2008: RR'mln 2,243) were netted against revenues from export of diamonds.

Revenue from diamonds for resale includes sales of diamonds purchased back from OOO "Interdiam" to third parties totalling RR'mln 5,187 (see note 10).

In the year ended 31 December 2009 sales of diamonds to the parties under control of the Government accounted for 38 percent of the Group's revenue (year ended 31 December 2008: 15 percent), see note 27. In the year ended 31 December 2008 the Group had one more customer accounted for more than 10 percent of the Group's revenue – OOO "Interdiam", see note 10.

19. COST OF SALES

	Year ended 31 December 2009	Year ended 31 December 2008
Wages, salaries and other staff costs	16,061	18,737
Depreciation	8,535	8,897
Fuel and energy	7,149	9,075
Cost of diamonds for resale	6,658	3,415
Extraction tax	6,618	5,924
Materials	3,870	5,766
Services	2,743	3,720
Transport	1,416	1,696
Other	282	158
Movement in inventory of diamonds, ores and concentrates	(9,643)	(4,833)
	43,689	52,555

Wages, salaries and other staff costs include unified social tax in the amount of RR'mln 2,244 (year ended 31 December 2008: RR'mln 2,844).

Depreciation totalling RR'mln 1,271 (year ended 31 December 2008: RR'mln 1,246) and staff costs totalling RR'mln 2,832 (year ended 31 December 2008: RR'mln 2,979) were incurred by the Group's construction divisions and were capitalised in the year.

Cost of diamonds for resale includes cost of diamonds purchased back from OOO "Interdiam" and subsequently sold to third parties totalling RR'mln 5,075 (see note 10).

20. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2009	Year ended 31 December 2008
Services and other administrative expenses	2,435	3,580
Wages, salaries and other staff costs	1,965	2,714
Impairment of accounts receivable (see note 10)	3,916	85
	8,316	6,379

Wages, salaries and other staff costs include unified social tax in the amount of RR'mln 112 (year ended 31 December 2008: RR'mln 163).

21. OTHER OPERATING INCOME

	Year ended 31 December 2009	Year ended 31 December 2008
Net income from cross currency interest rate swap contracts (see note 6)	789	-
Other	341	573
	1,130	573

22. OTHER OPERATING EXPENSES

	Year ended 31 December 2009	Year ended 31 December 2008
Taxes other than income tax, extraction tax and unified social tax (note 17)	3,664	2,669
Exploration expenses	2,844	4,520
Social costs	2,075	3,306
Loss on disposal of property, plant and equipment	1,026	890
Impairment of property, plant and equipment (see note 8)	151	520
Impairment of goodwill arising from the acquisition of OAO "NNGK Sakhaneftegaz" (see note 5)	-	1,531
Net loss from cross currency interest rate swap contracts (see note 6)	-	1,040
Other	2,375	1,516
	12,135	15,992

Social costs consist of:

	Year ended 31 December 2009	Year ended 31 December 2008
Maintenance of local infrastructure	1 095	1,620
Hospital expenses	351	227
Charity	227	774
Education	93	165
Other	309	520
	2,075	3,306

23. FINANCE INCOME

	Year ended 31 December 2009	Year ended 31 December 2008
Interest income	1,053	1,696
Exchange gains	5,085	3,360
	6,138	5,056

24. FINANCE COSTS

	Year ended 31 December 2009	Year ended 31 December 2008
Interest expense:		
Bank loans	16,577	7,397
Eurobonds	1,425	1,316
Commercial paper	847	272
European commercial paper	1,052	749
Other	122	78
Unwinding of discount of provision for land recultivation (see note 14)	57	14
Exchange loss	3,337	17,812
	23,417	27,638

25. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Year ended 31 December 2009	Year ended 31 December 2008
Profit / (loss) before income tax	6,661	(36,003)
Adjustments for:		
Share of net profit of associates (note 5)	(559)	(676)
Interest income (note 23)	(1,053)	(1,696)
Interest expense (note 24)	20,080	9,826
Loss on disposal of property, plant and equipment (note 22)	1,026	890
Impairment of property, plant and equipment (note 22)	151	520
Net (gain) / loss from cross currency interest rate swap contracts (note 21,22)	(789)	1,040
Impairment of goodwill arising from the acquisition of OAO "NNGK Sakhaneftegaz" (note 22)	-	1,531
Gain on disposal of subsidiaries (note 5)	(2,438)	-
Net (gain) / loss from foreign exchange forward contracts (note 6)	(10,686)	25,077
Depreciation (note 19)	8,535	8,897
Adjustment for inventory used in construction	(1,744)	(2,031)
Adjustments for non-cash financing activity (note 28)	(16)	(141)
Net (payments) / proceeds from exercising of foreign exchange forward contracts (note 6)	(4,362)	1,377
Net (payments) / proceeds from exercising of cross currency interest rate swap contracts (note 6)	(120)	56
(Payments to) / receipts from restricted cash account (note 7)	(76)	102
Unrealised foreign exchange effect on non-operating items	(2,652)	15,958
Net operating cash flow before changes in working capital	11,958	24,727
Net increase in inventories	(12,663)	(9,398)
Net decrease / (increase) in trade and other receivables, excluding dividends receivable and receivables for sale of treasury shares	17,696	(12,746)
Net (decrease) / increase in provisions, trade and other payables, excluding interest payable and payables for acquired property, plant and equipment	(1,909)	3,376
Net (decrease) / increase in taxes payable other than income tax	(790)	2,459
Cash generated from operations	**14,292**	**8,418**
Income tax paid	(306)	(3,291)
Net cash inflows from operating activities	**13,986**	**5,127**

26. 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 recent global financial and economic 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, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, in particular, concerning deduction of certain expenses for income tax purposes and certain operations of foreign subsidiaries, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. 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.

At 31 December 2009 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that the financial position cannot be sustained, an appropriate amount has been accrued for in the consolidated financial statements.

As at 31 December 2009 the Group had tax contingencies, the magnitude of which 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 December 2009 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 December 2009.

(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

At 31 December 2009, the Group has contractual commitments for capital expenditures of approximately RR'mln 3,496 (31 December 2008: RR'mln 10,622).

(f) Financial guarantee contracts

In August 2009 the Group provided a guarantee to VTB Bank Europe plc. on behalf of a third party related to the loan received by that company. As at 31 December 2009 the amount of guarantee amounted to RR'mln 1,546 (US$'mln 45 plus 13.6 percent per annum). As at 31 December 2009 the maximum exposure of the Group to credit risk in relation to this financial guarantee is equal to the amount of the guarantee.

(g) 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 during 2007-2010 in accordance with the "Program for improvement of environmental situation in the area of operating activity of the Company". The Company recognised a provision for these future expenses in its consolidated financial statements as at 31 December 2009 and 31 December 2008. Also the Group is obliged to restore riverbeds and the surrounding areas. These expenses are not expected to be material to the Group and are expensed in the period when incurred.

27. 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 AK "ALROSA". As at 31 December 2009 83 percent of AK "ALROSA" issued shares were directly owned by the Governments of the Russian Federation and the Republic of Sakha (Yakutia). Also as at 31 December 2009 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 2009, the 15 seats on the Supervisory Council include 12 representatives of the Russian Federation and the Republic of Sakha (Yakutia), 2 management representatives and 1 representative of districts of the Republic of Sakha (Yakutia). Governmental, federal and local economic and social policies affect the Group's financial position, results of operations and cash flows.

Tax balances are disclosed in the statement of financial position and in notes 10 and 17. Tax transactions are disclosed in the statement of comprehensive income, cash flow statement and in notes 17, 18, 19, 22 and 25.

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 December 2009 the accounts payable to the parties under Governmental control totalled RR'mln 3,091 (31 December 2008: RR'mln 3,092). As at 31 December 2009 the accounts receivable from the parties under Governmental control (excluding loans issued to these parties) totalled RR'mln 572 (31 December 2008: RR'mln 383). As at 31 December 2009 and 31 December 2008 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 years ended 31 December 2009 and 31 December 2008 the Group had the following significant transactions with parties under Governmental control:

	Year ended 31 December 2009	Year ended 31 December 2008
Sales of diamonds	29,674	13,244
Other sales	1,769	1,333
Electricity and heating purchases	4,135	4,330
Other purchases	990	1,301

In the year ended 31 December 2009 sales of diamonds to the parties under control of the Government included sales to the State Depository for Precious Metals and Stones of the Russian Federation in the amount of RR'mln 27,060 (year ended 31 December 2008: RR'mln 6,831).

As at 31 December 2009 and 31 December 2008 the amount of loans received by the Group from banks under Governmental control was as follows:

	31 December 2009	31 December 2008
Long-term bank loans		
US$ denominated fixed rate	21,708	5,364
RR denominated floating rate	1,556	3,193
RR denominated fixed rate	44,190	44,992
	67,454	53,549
Short-term bank loans		
US$ denominated fixed rate	13,459	14,141
RR denominated floating rate	-	2,605
RR denominated fixed rate	-	600
	13,459	17,346
	80,913	**70,895**

The average effective interest rates on the loans received by the Group from banks under Governmental control at the end of the year were as follows:

	31 December 2009	31 December 2008
Long-term bank loans		
US$ denominated fixed rate	14.5%	10.9%
RR denominated floating rate	13.8%	28.3%
RR denominated fixed rate	15.3%	15.2%
Short-term bank loans		
US$ denominated fixed rate	9.9%	10.0%
RR denominated floating rate	-	27.1%
RR denominated fixed rate	-	18.5%

In the year ended 31 December 2009 interest expense accrued in respect to the loans received by the Group from entities under Governmental control totalled RR'mln 10,473 (year ended 31 December 2008: RR'mln 3,077).

As at 31 December 2009 the amount of loans issued by the Group to the entities under Governmental control totalled RR'mln 726 (31 December 2008: RR'mln 843). These loans are short-term, denominated in Russian Roubles, the average effective interest rate on these loans is 7.8 percent (31 December 2008: 15.0 percent). In the year ended 31 December 2009 interest income earned by the Group in respect to the loans issued to the entities under Governmental control totalled RR'mln 51 (year ended 31 December 2008: RR'mln 141).

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 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 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.

Supervisory Council and Management committee members received benefits for the year ended 31 December 2009 totalling RR'mln 202 (year ended 31 December 2008: RR'mln 520).

Associates

Significant transactions with associates are summarised as follows:

Long-term accounts receivable	31 December 2009	31 December 2008
"Escom-ALROSA Ltd", loan issued and interest receivable (see note 10)	-	2,990
	-	2,990

In the year ended 31 December 2009 the Group earned interest income in respect to the loan issued for "Escom-ALROSA Ltd" totalling RR'mln 157 (year ended 31 December 2008: RR'mln 188).

Current accounts receivable	31 December 2009	31 December 2008
"Catoca Mining Company Ltd.", dividends receivable	478	402
ZAO "PIC Orel Almaz", receivables for supplied diamonds	-	162
"LUO Camachia-Camagico"	-	73
"Escom-ALROSA Ltd", current portion of the loan issued (see note 10)	-	592
Other	26	67
Less: provision for bad debt	(26)	(188)
	478	1,108

As at 31 December 2009 and 31 December 2008 the accounts receivable from associates were non-interest bearing, had a maturity within one year and were denominated mostly in US$.

Transactions with the Group's pension plan are disclosed in note 15.

28. SIGNIFICANT NON-CASH TRANSACTIONS

	Year ended 31 December 2009	Year ended 31 December 2008
Non-cash financing activities:		
Commercial paper issuance	343	401
Commercial paper and loans redemption	(359)	(542)
	(16)	(141)

29. 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 consolidated financial statement include those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Year ended 31 December 2009	**Diamonds segment**	**Transpor-tation**	**Social infrastructure**	**Construction activity**	**Trading**	**Electricity production**	**Other activities**	**Total**
Sales	68,524	4,189	2,293	1,841	1,398	2,060	4,361	84,666
Intersegment sales	-	(105)	-	-	(419)	(1,546)	(399)	(2,469)
Cost of sales, incl.	29,987	4,387	5,471	1,597	573	1,006	5,040	48,061
Depreciation	7,087	528	591	63	2	312	225	8,808
Gross margin	**38,537**	**(198)**	**(3,178)**	**244**	**825**	**1,054**	**(679)**	**36,605**

Year ended 31 December 2008	**Diamonds segment**	**Transpor-tation**	**Social infrastructure**	**Construction activity**	**Trading**	**Electricity production**	**Other activities**	**Total**
Sales	81,205	4,553	2,115	1,096	1,678	1,467	4,567	96,681
Intersegment sales	-	(148)	-	-	(625)	(1,099)	(366)	(2,238)
Cost of sales, incl.	31,137	4,446	6,059	921	924	717	5,671	49,875
Depreciation	6,261	379	477	83	1	173	358	7,732
Gross margin	**50,068**	**107**	**(3,944)**	**175**	**754**	**750**	**(1,104)**	**46,806**

Reconciliation of sales is presented below:

	Year ended 31 December 2009	**Year ended 31 December 2008**
Segment sales	**84,666**	**96,681**
Elimination of intersegment sales	(2,469)	(2,237)
Adjustment to fair value [1]	-	(718)
Reclassification of custom duties [2]	(2,184)	(2,243)
Other adjustment and reclassifications	(2,064)	(401)
Sales as per Statement of Comprehensive Income	**77,949**	**91,082**

[1] Adjustment to fair value – the discounting of receivables from OOO "Interdiam", with a corresponding debit recorded as a reduction of the respective revenue figure

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

Reconciliation of cost of sales including depreciation is presented below:

	Year ended 31 December 2009	Year ended 31 December 2008
Segment cost of sales	**48,061**	**49,875**
Adjustment for depreciation of property, plant and equipment	(273)	1,185
Elimination of intersegment purchases	(2,469)	(2,237)
Accrued provision for pension obligation [1]	193	939
Reclassification of extraction tax [2]	5,947	5,272
Adjustment for inventories [3]	(3,629)	1,466
Accrual for employee flights and holidays [4]	(356)	(389)
Other adjustments	(1,064)	(1,092)
Reclassification of exploration expenses [5]	(2,381)	(3,055)
Other reclassifications	(340)	591
Cost of sales as per Statement of Comprehensive Income	**43,689**	**52,555**

[1] Accrued provision for pension obligation – recognition of pension obligation in accordance with IAS 19
[2] Reclassification of extraction tax – reclassification from general and administrative expenses
[3] Adjustment for inventories – treatment of extraction tax as direct expenses for financial statements prepared under IFRS, with a corresponding record in inventory figure and other adjustments
[4] Accrual for employee flights and holidays – recognition of employee flights and holidays reserve under collective labour agreement of the Company
[5] Reclassification of exploration expenses – reclassification to other operating expenses

Revenue from sales by geographical location of the customer and non-current assets (other than financial instruments and deferred tax assets) by their geographical location are as follows:

	Sales		Non-current assets	
	Year ended 31 December 2009	Year ended 31 December 2008	31 December 2009	31 December 2008
Russian Federation	42,667	47,821	170,259	194,633
Belgium	25,630	22,754	-	-
India	4,066	9,568	-	-
Israel	3,476	6,693	126	127
Switzerland	807	1,468	4	1,385
China	468	1,693	-	-
Angola	148	175	3,127	2,752
Other countries	687	910	143	190
Total	**77,949**	**91,082**	**173,659**	**199,087**

30. EVENTS AFTER THE REPORTING PERIOD

Borrowings

During the period 1 January–23 June 2010 the Group received US$ denominated fixed rate loans from several banks in the amount of RR'mln 76,554 (US$'mln 2,556), including part which should be repaid during more than one year in the amount of RR'mln 23,062 (US$'mln 770). During the same period the Group repaid bank loans (including US$ denominated fixed rate and floating rate and RR denominated fixed loans) and European commercial paper in the amount of RR'mln 78,534 in accordance with the repayment schedules established by the respective loan agreements.

Dividends

In May 2010 the Company's Supervisory Council decided to recommend the annual shareholders' meeting which is scheduled for 26 June 2010 to approve dividends for the year ended 31 December 2009 in the amount of RR'mln 250 (RR 916.3 per share).