PJSC ALROSA

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018

CONTENTS

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	30 September 2018	31 December 2017
ASSETS			
Non-current Assets			
Goodwill		1,439	1,439
Property, plant and equipment	7	240,567	236,589
Investments in associates and joint ventures	4.2	4,613	4,312
Financial assets at fair value through profit or loss	3	970	-
Deferred tax assets	14	4,466	3,837
Long-term accounts receivable	9	9,538	10,165
Available-for-sale investments	3	-	2,913
Total Non-current Assets		**261,593**	**259,255**
Current Assets			
Inventories	8	87,013	91,976
Prepaid income tax		388	78
Trade and other receivables	9	28,383	29,637
Bank deposits	5	15	-
Cash and cash equivalents	6	49,403	7,381
Non-current assets held for sale	4.1	-	39,454
Total Current Assets		**165,202**	**168,526**
Total Assets		**426,795**	**427,781**
EQUITY			
Share capital	10	12,473	12,473
Share premium		10,431	10,431
Treasury shares	10	(264)	-
Retained earnings and other reserves	10	218,333	243,921
Equity attributable to owners of PJSC ALROSA		**240,973**	**266,825**
Non-Controlling Interest		**(1,292)**	**(338)**
Total Equity		**239,681**	**266,487**
LIABILITIES			
Non-current Liabilities			
Long-term debt	11	63,474	58,694
Provision for pension obligations	16	14,029	16,017
Other provisions		5,883	5,462
Deferred tax liabilities	14	3,559	5,466
Government grants	15	2,356	-
Other liabilities	26	468	-
Total Non-current Liabilities		**89,769**	**85,639**
Current Liabilities			
Short-term loans and current portion of long-term debt	12	22,547	34,734
Trade and other payables	13	22,375	22,259
Income tax payable		2,688	2,853
Other taxes payable	14	5,347	6,506
Dividends payable		42,888	149
Guarantees issued	3	1,500	-
Liabilities of disposal group classified as held for sale	4.1	-	9,154
Total Current Liabilities		**97,345**	**75,655**
Total Liabilities		**187,114**	**161,294**
Total Equity and Liabilities		**426,795**	**427,781**

Signed on 8 November 2018 by the following members of management:

Alexey N. Filippovsky
Deputy Chief Executive Officer

Maksim A. Kadantsev
Financial Controller

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

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

		Three months ended		Nine months ended	
	Notes	**30 September 2018**	**30 September 2017**	**30 September 2018**	**30 September 2017**
Revenue	17	68,580	56,971	234,193	211,072
Income from grants		1,496	1,956	4,094	3,405
Cost of sales	18	(26,417)	(27,794)	(100,555)	(105,282)
Royalty	14	(302)	(302)	(907)	(907)
Gross profit		**43,357**	**30,831**	**136,825**	**108,288**
General and administrative expenses	19	(3,373)	(2,459)	(8,554)	(8,986)
Selling and marketing expenses	20	(676)	(673)	(2,211)	(2,261)
Other operating income	21	1,229	929	3,458	5,009
Other operating expenses	22	(5,996)	(13,630)	(16,851)	(26,106)
Operating profit		**34,541**	**14,998**	**112,667**	**75,944**
Finance (costs) / income, net	23	(4,552)	539	(10,817)	(139)
Share of net profit of associates and joint ventures	4	786	782	2,781	2,642
Profit before income tax		**30,775**	**16,319**	**104,631**	**78,447**
Income tax	14	(6,546)	(3,369)	(22,140)	(16,587)
Profit for the period		**24,229**	**12,950**	**82,491**	**61,860**
Other comprehensive income / (loss)					
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit obligations, net of tax		(234)	(311)	(691)	(952)
Total items that will not be reclassified to profit or loss		**(234)**	**(311)**	**(691)**	**(952)**
Items that will be reclassified to profit or loss:					
Currency translation differences, net of tax		97	(135)	266	(61)
Change in fair value of available-for-sale investments		-	84	-	106
Total items that will be reclassified to profit or loss		**97**	**(51)**	**266**	**45**
Total other comprehensive income / (loss) for the period		**(137)**	**(362)**	**(425)**	**(907)**
Total comprehensive income for the period		**24,092**	**12,588**	**82,066**	**60,953**
Profit attributable to:					
Owners of PJSC ALROSA		24,942	12,766	82,246	60,850
Non-controlling interest		(713)	184	245	1,010
Profit for the period		**24,229**	**12,950**	**82,491**	**61,860**
Total comprehensive income attributable to:					
Owners of PJSC ALROSA		24,858	12,384	81,971	59,890
Non-controlling interest		(766)	204	95	1,063
Total comprehensive income for the period		**24,092**	**12,588**	**82,066**	**60,953**
Basic and diluted earnings per share for profit attributable to the owners of PJSC ALROSA (in Russian Roubles)	10	3.45	1.73	11.31	8.26

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

		Nine months ended	
	Notes	**30 September 2018**	**30 September 2017**
Net cash inflow from operating activities	24	**106,448**	**80,267**
Cash flows from investing activities			
Purchase of property, plant and equipment		(20,791)	(18,418)
Proceeds from sales of property, plant and equipment		507	235
Interest received	23	1,446	3,281
Sale /(acquisition) of financial assets at fair value through profit or loss		1,768	(1,323)
Dividends received from associates and joint ventures		1,125	5
Proceeds from disposal of subsidiaries, net of cash disposed of		30,801	499
Cash transfer (to)/from deposit accounts		(15)	28,560
Purchase of non-controlling interest of PJSC ALROSA-Nyurba	4.3	(12,477)	-
Government grants	15	2,356	-
Net cash inflow from investing activities		**4,720**	**12,839**
Cash flows from financing activities			
Repayments of loans		(42,130)	(35,183)
Loans received		26,975	12,577
Interest paid		(2,843)	(7,231)
Dividends paid		(38,007)	(66,255)
Purchase of treasury shares		(14,077)	-
Net cash outflow from financing activities		**(70,082)**	**(96,092)**
Net increase in cash and cash equivalents		**41,086**	**(2,986)**
Cash and cash equivalents at the beginning of the period	6	7,381	30,410
Effect of exchange rate changes on cash and cash equivalents		936	(2,491)
Cash and cash equivalents at the end of the period	6	**49,403**	**24,933**

(in millions of Russian roubles, unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

		Attributable to owners of PJSC ALROSA							
	Number of shares outstanding	Share capital	Share premium	Treasury shares	Other reserves (note 10)	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2017	**7,364,965,630**	**12,473**	**10,431**	**-**	**(17,104)**	**251,402**	**257,202**	**(232)**	**256,970**
Comprehensive income/ (loss)									
Profit for the period		-	-	-	-	60,850	60,850	1,010	61,860
Other comprehensive (loss)/income		-	-	-	(960)	-	(960)	53	(907)
Total comprehensive income/ (loss) for the period		**-**	**-**	**-**	**(960)**	**60,850**	**59,890**	**1,063**	**60,953**
Transactions with owners									
Dividends (note 10)		-	-	-	-	(65,769)	(65,769)	-	(65,769)
Dividends of subsidiaries to non-controlling shareholders		-	-	-	-	-	-	(520)	(520)
Total transactions with owners		**-**	**-**	**-**	**-**	**(65,769)**	**(65,679)**	**(520)**	**(66,289)**
Balance at 30 September 2017	**7,364,965,630**	**12,473**	**10,431**	**-**	**(18,064)**	**246,483**	**251,323**	**311**	**251,634**
Balance at 1 January 2018	**7,364,965,630**	**12,473**	**10,431**	**-**	**(18,787)**	**262,708**	**266,825**	**(338)**	**266,487**
Effect of Adoption of IFRS 9 (note 3)	-	-	-	-	(561)	(1,045)	(1,606)	-	(1,606)
Balance at 1 January 2018 adjusted	**7,364,965,630**	**12,473**	**10,431**	**-**	**(19,348)**	**261,663**	**265,219**	**(338)**	**264,881**
Comprehensive income/ (loss)									
Profit for the year	-	-	-	-	-	82,246	82,246	245	82,491
Other comprehensive loss					(275)	-	(275)	(150)	(425)
Total comprehensive income/ (loss) for the year	**-**	**-**	**-**	**-**	**(275)**	**82,246**	**81,971**	**95**	**82,006**
Transactions with owners									
Dividends (note 10)	-	-	-	-	-	(80,737)	(80,737)	(9)	(80,746)
Purchase of treasury shares	(156,059,800)	-	-	(264)	-	(13,813)	(14,077)	-	(14,077)
Change in ownership in subsidiaries (note 10)	-	-	-	-	(11,403)	-	(11,403)	(1,040)	(12,443)
Total transactions with owners	**(156,059,800)**	**-**	**-**	**(264)**	**(11,403)**	**(94,550)**	**(106,217)**	**(1,049)**	**(107,266)**
Balance at 30 September 2018	**7,208,905,830**	**12,473**	**10,431**	**(264)**	**(31,026)**	**249,359**	**240,973**	**(1,292)**	**239,681**

1. ACTIVITIES

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

The Group operates mining facilities in Mirny, Udachny, Aikhal, Nyurba and Anabar (located in Eastern Siberia) and the Arkhangelsk Region. Licenses for the Group's major diamond deposits expire between 2019 and 2048. Management believes the Group will be able to extend the licenses' terms after they expire.

As at 30 September 2018 and 31 December 2017 the Company's principal shareholders are the Federal Agency for State Property Management on behalf of the government of the Russian Federation (33.0 per cent of shares) and the Ministry of the property and land relations of the Republic of Sakha (Yakutia) on behalf of the Republic of Sakha (Yakutia) (25.0 per cent of shares).

The Company is registered and its principal operating office is situated at 6, Lenin Street, Mirny, 678175, Republic of Sakha (Yakutia), Russia.

2. BASIS OF PRESENTATION

The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). These condensed consolidated interim financial statements should be read together with the consolidated financial statements for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards ("IFRS").

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

The preparation of condensed consolidated interim financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The most significant estimates relate to valuation of inventories, investments, bad debt provision, deferred taxation, useful life of property, plant and equipment, reserve estimates used to calculate depreciation, asset retirement obligation, pension and other post-retirement benefit costs. Actual results could differ from these estimates.

The official US dollar to RR exchange rates as determined by the Central Bank of the Russian Federation were 65.5906 and 57.6002 as at 30 September 2018 and 31 December 2017, respectively. The official Euro to RR exchange rates as determined by the Central bank of the Russian Federation were 76.2294 and 68.8668 as at 30 September 2018 and 31 December 2017, respectively.

3. CHANGES IN ACCOUNTING POLICIES

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017 with the exception of income tax expense, which is recognised based on the annual effective income tax rate expected for the full financial year.

New accounting developments

As of 1 January 2018 the Group adopted ***IFRS 9 "Financial instruments"*** and ***IFRS 15 "Revenue from Contracts with Customers".***

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

New accounting policies implemented by the Group relating to IFRS 9 are as follows:

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost,
- those to be measured subsequently at fair value (through other comprehensive income),
- those to be measured subsequently at fair value (through profit or loss).

Debt instruments were classified into categories based on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest:

- debt instruments the payments on which represent solely payments of principal and interest and that are intended to collect payments are classified as those to be measured subsequently at amortised cost;
- debt instruments the payments on which represent solely payments of principal and interest and that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets are classified as those to be measured subsequently at fair value through other comprehensive income; and
- other financial assets are measured subsequently at fair value through profit or loss.

Investments in equity instruments are measured at fair value. As the equity instruments of the Group are held for trading, changes in fair value are presented in profit or loss.

Financial assets measured at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objectives is to hold assets in order to collect contractual cash flows, not for sale before the contractual repayment date due to change in fair value,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

The Group measures cash and cash equivalents, bank deposits, trade and other receivables, loans issued as measured at amortised cost.

Financial assets measured at fair value through other comprehensive income

In this category the Group includes financial instruments that are retained within a business model that involves the management of assets both for the purpose of obtaining contractual cash flows and for the purpose of selling those assets. The Group classifies financial assets at fair value through other comprehensive income according to the following factors:

- the purpose of the financial asset is a maximum increase of cash flows due to sales,
- the threshold amount for sale is not determined.

Currently the Group has no financial assets classified as measured at fair value through other comprehensive income. Assets classified as available-for-sale investments before IFRS 9 implementation were reclassified to the asset measured at fair value through profit or loss in the amount of RR'mln 2,913 as they formed trading portfolio of the Group. Accordingly accumulated gains for available-for-sale investments were reclassified to retained earnings in the amount of RR'mln 561 as of January 1, 2018 (note 10).

Financial assets measured at fair value through profit or loss

The Group measures financial assets as held within business model which objective is to hold assets in order to collect contractual cash flows considering the following factors:

- The purpose of the financial asset is to maximize cash flows due to sales,
- The management measures the assets according to fair values,
- The financial asset is included into trading portfolio of the Group.

The Group measures financial assets included into the trading portfolio at fair value through profit or loss.

(in millions of Russian roubles, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Expected credit losses

The Group assesses expected credit losses associated with its debt financial instruments carried at amortised cost taking into account the probability of default and loss given default ratio. Management applies its professional judgement for development of the assumptions and selection of the information sources for calculation of expected credit losses. In doing so, it takes into account the past experience as well as current market situation and forecasts as at each reporting date. A default on a financial asset takes place in cases when the counterparty does not make payments under the contract within 90 days after the due date.

The Group uses portfolio approach based on the related credit risk. Each portfolio is determined based on the client type and initial credit period.

For assets with expected life of more than one year, the Group takes into account any significant increase in credit risk at each balance sheet date, comparing the default risk of the asset at the reporting date with the risk of default on the asset at the date of initial recognition. A significant increase in credit risk occurs when the counterparty does not make payments under the contract within 30 days after the due date, and also based on the such factors as changes in external credit ratings and information about other negative events affecting counterparty's ability to make a payment.

Financial assets are written off when there are no reasonable expectations of recovering a financial asset. Assets that are impossible to sell and for which all necessary procedures have been completed with purpose of full or partial recovery and the final amount of the loss is determined are written off against the provision for impairment. Subsequent recoveries of amounts previously written off are allocated to the account for impairment losses in profit or loss.

The Group has adopted the simplified expected credit loss model for its trade receivables as permitted by IFRS 9 "Financial Instruments: Classification and Measurement" which requires expected lifetime losses to be recognised from the date of initial recognition. The implementation of expected credit loss model as at 1 January 2018 lead to recognition of provision amounting to RR'mln 100.

To assess the expected credit loss on loans given the Group has implemented the expected credit losses model in accordance with a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition.

The Group has recognised impairment loss relating to financial assets measured at fair value through profit or loss in the amount of RR'mln 6 as of 1 January 2018.

Impact on the financial statements

The adoption of IFRS 9 did not have a significant impact on the financial position or financial performance of the Group.

The following table reconciles the carrying amounts of financial assets, from their previous measurement categories in accordance with IAS 39 into their new measurement categories upon transition to IFRS 9 on 1 January 2018.

The impact of these changes on the Group's financial assets is as follows:

	Measurement category		Carrying value per IAS 39 (closing balance at 31 December 2017)	Effect				Carrying value per IFRS 9 (opening balance at 1 January 2018)
				Remeasurement		Reclassification		
	IAS 39	IFRS 9		ECL	Other	Mandatory	Voluntary	
Cash and cash equivalents	L&R	AC	7,381	-	-	-	-	7,381
Investments in debt securities	AFS	FVOCI	1,486	-	-	(1,486)	-	-
Investments in debt securities	AFS	FVTPL (mandatory)	-	-	-	1,486	-	1,486
Total investments in debt securities			**1,486**	**-**	**-**	**-**	**-**	**1,486**
Investments in equity securities	AFS	FVOCI	1,427	-	-	(1,427)	-	-
Investments in equity securities	AFS	FVTPL (mandatory)	-	-	(6)	1,427		1,421
Total investments in equity securities			**1,427**	**-**	**(6)**	**-**	**-**	**1,421**
Loans and accounts receivable	L&R	AC	23,302	(100)	-	-	-	23,202
Total loans and accounts receivable			**23,302**	**(100)**	**-**	**-**	**-**	**23,202**
Total financial assets			**33,596**	**(100)**	**(6)**	**-**	**-**	**33,490**

(in millions of Russian roubles, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The impact of these changes on the Group’s equity is as follows:

	Effect on retained earnings	Effect on other reserves	Total
Opening balance per IAS 39 (closing balance at 31 December 2017)	**262,708**	**(18,787)**	**243,921**
Reclassification of investments from measured at fair value through other comprehensive income to measured at fair value through profit or loss	561	(561)	-
Guarantee recognition	(1,500)	-	(1,500)
Impairment recognition of investments in debt securities measured at fair value through profit or loss	(6)	-	(6)
Impairment recognition of loans and accounts receivable measured at amortized cost	(100)	-	(100)
Opening balance per IFRS 9 (opening balance at 1 January 2018)	**261,663**	**(19,348)**	**242,315**

Reclassifications from available-for-sale to FVTPL

Certain investments in debt securities and in equity securities were reclassified from available-for-sale to financial assets at fair value through profit or loss (RR’mln 1,486 and RR’mln 1,427 respectively) because financial assets are included into the trading portfolio of the Group.

Guarantee recognition

The Group classifies all financial liabilities as measured subsequently at amortised cost, except for financial guarantee contracts. After initial recognition financial guarantee contracts are measured at the higher of the amount of loss allowance and the amount initially recognised less cumulative revenue recognised.

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. The Group has guaranteed the obligations of JSC “Aviacompania Yakutiya” to PJSC VTB Bank under the loan agreement amounting to RR’mln 1,500 till December 2021. The Group has recognized financial liability relating to this guarantee as of IFRS 9 effective date. Management estimates the probability of loan default to be above average.

IFRS 15 “Revenue from Contracts with Customers” (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018)

The Group has changed its accounting policy relating to revenue recognition in accordance with the core principles of the standard. For the periods starting 1 January 2018, revenue from sale of goods and services is recognised when a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Revenue from sale of diamonds and other goods is recognised at a point of time, when control over the goods is transferred to the customer, normally when the goods are shipped to the specific location, the risks and rewards and legal title are passed.

Revenue from transporation and other services recognised over time in the accounting period in which the services are rendered.

The adoption of IFRS 15 did not have a significant impact on the financial position or financial performance of the Group. Therefore comparative information and opening equity as at 1 January 2018 were not restated.

New or revised standards and interpretations

Other new amendments and improvements to standards set out below became effective 1 January 2018 and did not have any impact or did not have a material impact on the Group’s consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture;
- Amendments to IFRS 2, Share-based Payment;
- Amendments to IFRS 4, Applying IFRS 9 Financial instruments with IFRS 4, Insurance contracts;
- Annual Improvements to IFRSs 2014-2016 cycle – amendments to IFRS 1 and IAS 28;

(in millions of Russian roubles, unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- IFRIC 22, Foreign Currency Transactions and Advance Consideration;
- Amendments to IAS 40, Transfers of Investment property.

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 September 2018, and have not been early adopted by the Group:

- IFRS 16, Leases. The Group is currently assessing the impact of the standard on its consolidated financial statements;
- IFRS 17, Insurance contracts;
- IFRIC 23, Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9, Prepayment Features with Negative Compensation;
- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures;
- Annual improvements to IFRSs 2015-2017 cycle;
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement.

Unless otherwise described above, the new standards, amendments to standards and interpretations are expected to have no impact or to have a non-material impact on the Group's consolidated financial statements.

4. GROUP STRUCTURE AND INVESTMENTS

The Company's significant consolidated subsidiaries are as follows:

Name	Principal activity	Place of business	Percentage of ownership interest held: 30 September 2018	Percentage of ownership interest held: 31 December 2017
ALROSA Finance S.A.	Financial services	Luxembourg	100.0	100.0
OJSC ALROSA-Gaz	Gas extraction	Russia	100.0	100.0
JSC Almazy Anabara	Diamonds extraction	Russia	100.0	100.0
PJSC Severalmaz	Diamonds extraction	Russia	99.9	99.6
JSC Viluyskaya GES-3	Electricity production	Russia	99.7	99.7
ALROSA Belgium N.V.	Diamonds trading	Belgium	99.6	99.6
PJSC ALROSA-Nyurba	Diamonds extraction	Russia	98.1	87.5
Hydroshikapa S.A.R.L	Electricity production	Angola	55.0	55.0
JSC Nizhne-Lenskoe	Diamonds extraction	Russia	-	100.0
JSC Geotransgaz	Gas extraction	Russia	-	100.0
Urengoy Gaz Company Ltd.	Gas extraction	Russia	-	100.0

As at 30 September 2018 and 31 December 2017 the percentage of ownership interest of the Group in subsidiaries is equal to the percentage of voting interest.

4.1. Disposal of JSC Geotransgaz and Urengoy Gas Company LLC

In December 2017 the Supervisory Council has approved a decision to sell the 100% holdings of shares of the companies Maretiom Investments Limited и Velarion Investments Limited, owned JSC Geotransgaz and LLC Urengoy Gaz Company (hereafter – gas assets or gas companies), therefore the management of the Group has classified assets and liabilities of gas companies as held for sale as of 31 December 2017.

On 19 February 2018 PJSC NOVATEK was declared the winner in an open auction of PJSC ALROSA on sale of 100 per cent share of the gas assets of JSC Geotransgaz and Urengoy Gas Company LLC for the consideration of RR'mln 30,300.

(in millions of Russian roubles, unless otherwise stated)

4. GROUP STRUCTURE AND INVESTMENTS (CONTINUED)

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

Property, plant and equipment	38,903
Inventories	134
Trade and other receivables	219
Cash and cash equivalents	199
Other assets	23
Trade and other payables	(343)
Loans and borrowings	(1,007)
Deferred tax liabilities	(5,864)
Provisions	(1,265)
Other liabilities	(505)
Net assets at the date of disposal	**30,494**
Consideration receivable	**30,300**
Loss on disposal	**194**

4.2. Associates and joint ventures

		Percentage of ownership interest held at		Carrying value of investment at	
Name	**Place of business**	**30 September 2018**	**31 December 2017**	**30 September 2018**	**31 December 2017**
Catoca Mining Company Ltd.	Angola	32.8	32.8	4,420	4,115
Other	Russia	20-50	20-50	193	197
Total				**4,613**	**4,312**

As at 30 September 2018 and 31 December 2017 the percentage of ownership interest of the Group in its associates and joint venture is equal to the percentage of voting interest.

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

	Three months ended		Nine months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Catoca Mining Company Ltd. (associate)	783	782	2,783	2,648
Other (associates and joint ventures)	3	-	(2)	(6)
Total Group's share of net profit of associates and joint ventures	**786**	**782**	**2,781**	**2,642**

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

In August 2018 Catoca declared dividends for the year ended 31 December 2017, the Group's share of these dividends amounted to RR'mln 3,227 before taxation in the amount of RR'mln 323. Currency translation gain recognised in the other comprehensive income for the nine months ended 30 September 2018 in respect of investment in Catoca totalled RR'mln 696.

In May 2017 Catoca declared dividends for the year ended 31 December 2016, the Group's share of these dividends amounted to RR'mln 2,515 before taxation in the amount of RR'mln 252. Currency translation loss recognised in the other comprehensive income for the nine months ended 30 September 2017 in respect of investment in Catoca totalled RR'mln 224.

4.3. Purchase of shares in PJSC ALROSA-Nyurba

On 19 July 2018 the Company signed an agreement to purchase 10% shares in PJSC ALROSA-Nyurba for the total consideration of 12,000 mln RUR (80 000 ordinary shares).

On 11 September 2018 the subsidiary of the Group signed an agreement to purchase shares in PJSC ALROSA-Nyurba for the total consideration of 477 mln RUR (4 454 ordinary shares). After completion of both transactions the Group's share in PJSC ALROSA-Nyurba was 98.14%.

(in millions of Russian roubles, unless otherwise stated)

5. BANK DEPOSITS

	30 September 2018	31 December 2017
Deposit placed in JSC UniCredit BANK	15	-
Total bank deposits	**15**	**-**

As at 30 September 2018 the Group placed deposit in Russian Rouble in bank with original maturity date exceeding three months and interest rate 6.1% .

6. CASH AND CASH EQUIVALENTS

	30 September 2018	31 December 2017
Deposit accounts with maturity less than three months	40,223	4,000
Cash in banks and on hand	9,180	3,381
Total cash and cash equivalents	**49,403**	**7,381**

Deposit accounts at 30 September 2018 and 31 December 2017 are mainly held to meet short-term cash needs and have various original maturities but can be withdrawn on request without restrictions.

(in millions of Russian roubles, unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Assets under construction	TOTAL
As at 31 December 2016			
Cost	411,186	41,277	452,463
Accumulated depreciation and impairment losses	(163,589)	-	(163,589)
Net book value as at 31 December 2016	**247,597**	**41,277**	**288,874**
Nine months ended 30 September 2017:			
Net book value as at 31 December 2017	247,597	41,277	288,874
Foreign exchange differences – at cost	(277)	79	(198)
Foreign exchange differences – accumulated depreciation	103	-	103
Additions	4,972	15,381	20,353
Transfers	17,887	(17,887)	-
Disposal of subsidiaries – at cost	(8)	(4)	(12)
Disposal of subsidiaries – accumulated depreciation	8	-	8
Other disposals – at cost	(16,593)	(218)	(16,811)
Other disposals – accumulated depreciation	9,137	-	9,137
Change in estimate of provision for land recultivation	13	-	13
Impairment of property, plant and equipment	(148)	-	(148)
Depreciation charge for the period	(19,468)	-	(19,468)
As at 30 September 2017	**243,223**	**38,628**	**281,851**
Cost	417,180	38,628	455,808
Accumulated depreciation and impairment losses	(173,957)	-	(173,957)
Net book value at 30 September 2017	**243,223**	**38,628**	**281,851**

As at 31 December 2017			
Cost	379,382	31,279	410,661
Accumulated depreciation and impairment losses	(173,497)	(575)	(174,072)
Net book value as at 31 December 2017	**205,885**	**30,704**	**236,589**
Nine months ended 30 September 2018:			
Net book value as at 31 December 2017	205,885	30,704	236,589
Foreign exchange differences – at cost	836	208	1,044
Foreign exchange differences – accumulated depreciation	(329)	-	(329)
Additions	6,319	16,245	22,564
Transfers	14,679	(14,679)	-
Disposal of subsidiaries – at cost	(1,743)	(176)	(1,919)
Disposal of subsidiaries - accumulated depreciation	714	-	714
Other disposals – at cost	(4,422)	(162)	(4,584)
Other disposals – accumulated depreciation	3,621	-	3,621
Change in estimate of provision for land recultivation	557	-	557
Reversal of impairment of property, plant and equipment	114	-	114
Depreciation charge for the period	(17,804)	-	(17,804)
As at 30 September 2018	**208,427**	**32,140**	**240,567**
Cost	395,608	32,715	428,323
Accumulated depreciation and impairment losses	(187,181)	(575)	(187,756)
Net book value as at 30 September 2018	**208,427**	**32,140**	**240,567**

Borrowing costs capitalized in assets under construction

During nine months ended 30 September 2018 borrowing costs totalling RR'mln 631 (nine months ended 30 September 2017: RR'mln 324) were capitalised in assets under construction. For the nine months ended 30 September 2018 borrowing costs were capitalized at the weighted average rate of its general borrowings of 11.15 per cent per annum (nine months ended 30 September 2017: 7.32 per cent per annum).

Finance leases

Property, plant and equipment include the mining equipment and transport which the Group received under finance lease agreements. As at 30 September 2018 the carrying value of this equipment is RR'mln 10 (31 December 2017: RR'mln 61).

(in millions of Russian roubles, unless otherwise stated)

8. INVENTORIES

	30 September 2018	31 December 2017
Diamonds	41,567	50,223
Ores and sands mined	12,505	14,522
Mining and repair materials	29,993	24,505
Consumable and other supplies	2,948	2,726
Total inventories	**87,013**	**91,976**

9. TRADE AND OTHER RECEIVABLES

Long-term accounts receivable	30 September 2018	31 December 2017
Prepayment for share in Catoca Mining Company Ltd.*	8,350	8,350
Loans issued**	802	774
Advances to suppliers	104	162
Long-term VAT recoverable	10	13
Consideration receivable for disposed interest in CJSC MMC Timir***	-	467
Other long-term receivables	272	399
Total long-term accounts receivable	**9,538**	**10,165**

**In November 2017 based on the assignment agreement between the Group and Odebrecht Mining Services for the purchase of the 16.4% share in Catoca Mining Company Ltd, the Group made a prepayment amounting to 140 mln USD. The completion of the transaction is expected by the end of 2018.*

*******The several loans issued of RR'mln 800 nominal value as at 30 September 2018 (31 December 2017: RR'mln 800) to be repaid in December 2021, are collateralised by shares of JSC Pur-Navolok Otel and real estate. The management estimates that collateral taken exceeds the current value of the loans issued.*

****The consideration is receivable from Evraz plc, which credit rating as at 30 September 2018 is BB (Stable) assessed by Fitch.*

Short-term accounts receivable	30 September 2018	31 December 2017
Trade receivables for supplied diamonds	13,736	6,038
Receivables from associates (note 26)	3,006	1,222
Insurance settlement	2,856	10,490
VAT recoverable	2,663	2,126
Advances to suppliers	2,259	1,681
Consideration receivable for disposed interest in CJSC MMC Timir***	535	613
Loans issued	378	377
Prepaid taxes, other than income tax	261	4,168
Interest on deposits	42	3
Other short-term receivables	2,647	2,919
Total short-term accounts receivable	**28,383**	**29,637**

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 reporting period. The fair value of each class of long-term and short-term trade and other accounts receivable at 30 September 2018 and 31 December 2017 approximates their carrying value.

Trade and other receivables are presented net of impairment provision of RR'mln 2,925 and RR'mln 2,939 as at 30 September 2018 and 31 December 2017, respectively.

(in millions of Russian roubles, unless otherwise stated)

10. SHAREHOLDERS' EQUITY

Share capital

Share capital authorised, issued and fully paid in totals RR'mln 12,473 as at 30 September 2018 and 31 December 2017 and consists of 7,364,965,630 ordinary shares at RR 0.5 par value share, respectively. In addition as at 30 September 2018 and 31 December 2017 share capital includes hyperinflation adjustment totalling RR'mln 8,790, which was calculated in accordance with requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies" and relates to the reporting periods prior to 1 January 2003.

Distributable profits

The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. In accordance with the dividend policy which was approved by the Supervisory Board on 6 August 2018, at least 50% of the net profit as reported in the IFRS consolidated financial statement of the Group is distributed for dividends payment. The new basis for calculating dividend payment is free cash flow also determined based on IFRS consolidated financial statements. The debt ratio is taken into account when calculating the amount of dividend payment. The legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation, and accordingly, management believes that at present it would not be appropriate to disclose an amount for the distributable reserves in these condensed consolidated interim financial statements.

Treasury shares

As at 30 September 2018 subsidiaries of the Group held 156,059,800 ordinary shares of the Company (31 December 2017: nil shares).

Earnings per share

Earnings per share have been calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares. There are 7,220,845,504 and 7,273,334,310 weighted average shares outstanding for the three and nine months ended 30 September 2018, respectively (for the three and nine months ended 30 September 2017: 7,364,965,630 shares). There are no dilutive financial instruments outstanding.

Other reserves

	Currency translation reserve	Reserve on purchase of non-controlling interest	Available-for-sale investments	Recognition of accumulated actuarial loss	Total other reserves
Balance as at 1 January 2017	**171**	**69**	**238**	**(17,582)**	**(17,104)**
Remeasurement on post-employment benefit obligation (note 16)	-	-	-	(952)	(952)
Currency translation differences	(114)	-	-	-	(114)
Change in fair value of available-for-sale investments	-	-	106	-	106
Balance as at 30 September 2017	**57**	**69**	**344**	**(18,534)**	**(18,064)**

(in millions of Russian roubles, unless otherwise stated)

10. SHAREHOLDERS' EQUITY (CONTINUED)

	Currency translation reserve	Reserve on purchase of non-controlling interest	Available-for-sale investments	Recognition of accumulated actuarial loss	Total other reserves
Balance as at 1 January 2018	**39**	**69**	**561**	**(19,456)**	**(18,787)**
Effect of IFRS 9 adoption	-	-	(561)	-	(561)
Balance as at 1 January 2018 adjusted	**39**	**69**	**-**	**(19,456)**	**(19,348)**
Remeasurement on post-employment benefit obligation (note 16)	-	-	-	(691)	(691)
Currency translation differences	416	-	-	-	416
Purchase of non-controlling interest	-	(11,403)	-	-	(11,403)
Balance as at 30 September 2018	**455**	**(11,334)**	**-**	**(20,147)**	**(31,026)**

Dividends

On 30 September 2018 the Company's extraordinary shareholders' meeting approved interim dividends according to the Company's operating results for the six months ended 30 June 2018 totalling RR'mln 43,674 (including RR'mln 925 for shares of the subsidiaries). Dividends per share amounted to RR 5.93.

On 26 June 2018 the Company's annual shareholders' meeting approved dividends for the year ended 31 December 2017 totalling RR'mln 38,592 (including RR'mln 605 for shares of the subsidiaries). Dividends per share amounted to RR 5.24.

On 30 June 2017 the Company's annual shareholders' meeting approved dividends for the year ended 31 December 2016 totalling RR'mln 65,769. Dividends per share amounted to RR 8.93.

11. LONG-TERM DEBT

	30 September 2018	31 December 2017
Bank loans:		
RR denominated fixed rate	2,228	1,087
	2,228	**1,087**
US$ denominated Eurobonds	61,246	57,600
Finance lease obligation	20	91
Other RR denominated fixed rate loans	-	20
	63,494	**58,798**
Less: current portion of long-term debt (note 12)	(20)	(104)
Total long-term debt	**63,474**	**58,694**

As at 30 September 2018 and 31 December 2017 the fair value of bank loans, finance lease obligation and other loans, excluding Eurobonds, was not materially different from their carrying value.

The average effective annual interest rates on long-term borrowings were as follows:

	30 September 2018		31 December 2017	
	Effective interest rates	**Market interest rates**	**Effective interest rates**	**Market interest rates**
Debt to banks RR denominated fixed rate	9.7%	9.1%	11.2%	9.2%
Eurobonds US$ denominated	7.8%	6.1%	7.8%	5.1%

(in millions of Russian roubles, unless otherwise stated)

11. LONG-TERM DEBT (CONTINUED)

Bonds

Movements of issued Eurobonds during nine months ended 30 September 2018 and 30 September 2017 were as follows:

	Nine months ended	
	30 September 2018	**30 September 2017**
Balance at the beginning of the period	**57,600**	**60,657**
Amortisation of discount	1	1
Repaid	(4,734)	-
Exchange loss/(gain)	8,379	(2,641)
Balance at the end of the period	**61,246**	**58,017**

As at 30 September 2018 the fair value of Eurobonds comprised RR'mln 65,431 (31 December 2017: RR'mln 64,534).

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

	30 September 2018	**31 December 2017**
US$ denominated fixed rate bank loans	19,677	34,560
Other RR denominated fixed rate loans	2,850	70
	22,527	**34,630**
Add: current portion of long-term debt (note 11)	20	104
Total short-term debt and current portion of long-term debt	**22,547**	**34,734**

As at 30 September 2018 and 31 December 2017 the fair value of short-term loans is approximately equal the carrying value.

13. TRADE AND OTHER PAYABLES

	30 September 2018	**31 December 2017**
Trade payables	7,452	6,605
Accrual for employee holidays and flights	7,053	7,458
Wages and salaries	3,641	5,755
Interest payable	2,014	788
Advances from customers	1,009	550
Current portion of provision for social obligation	292	236
Payables to associates	2	8
Other payables	912	859
Total trade and other payables	**22,375**	**22,259**

In accordance with Russian legislation, the most Group's 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.

As at 30 September 2018 and 31 December 2017 the fair value of trade and other payables is approximately equal the carrying value.

(in millions of Russian roubles, unless otherwise stated)

14. INCOME TAX AND OTHER TAX ASSETS AND LIABILITIES

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

	30 September 2018	31 December 2017
Payments to social funds	1,976	2,462
Property tax	1,272	1,168
Extraction tax	1,132	1,396
Personal income tax (employees)	379	803
Value added tax	342	322
Other taxes and accruals	246	355
Total taxes payable, other than income tax	**5,347**	**6,506**

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

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Property tax	1,285	1,208	3,866	3,819
Other taxes and accruals	106	91	288	381
Total taxes and accruals	**1,391**	**1,299**	**4,154**	**4,200**

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

Income tax expense comprises the following:

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Current tax expense	7,328	4,266	24,981	19,079
Adjustments recognised in the period for current tax of prior periods	2	-	(183)	104
Deferred tax benefit	(784)	(897)	(2,658)	(2,596)
Total income tax expense	**6,546**	**3,369**	**22,140**	**16,587**

15. GOVERNMENT GRANTS

The Company is engaged in development of Verkhne-Munskoe deposit with the support from Government, stated in the Federal program for the development of the Far East and Baikalsk region. Government support is provided in the form of grants to reimburse expenses related to construction of the infrastructure object – temporal technological road from Udachny to Verchne-Munskoe deposit – in the amount of up to RR'mln 8,500 in accordance with the Order of the Government of Russian Federation dated from 13 July 2015 №1339-r.

As at 30 September 2018 the grant is recognised within the non-current liabilities of the condensed consolidated interim statement of financial position in the amount of actual cash received.

The grant will be recognised in the profit or loss when all conditions provided in the grant agreement are fulfilled.

(in millions of Russian roubles, unless otherwise stated)

16. PROVISION FOR PENSION OBLIGATION

The amounts recognised in the Condensed Consolidated Interim Statement of Financial Position in respect of pension obligations associated with the defined benefit plan operated by the Group are as follows:

	30 September 2018	**31 December 2017**
Present value of funded obligations	32,251	31,624
Fair value of plan assets	(19,194)	(16,771)
Pension obligations for the funded plan	13,057	14,853
Present value of unfunded obligation	972	1,164
Net liability	**14,029**	**16,017**

Changes in the present value of funded and unfunded pension obligations and pension plan assets for the three months ended 30 September 2018 and three months ended 30 September 2017 are as follows:

	Present value of obligation	**Fair value of pension plan assets**	**Total obligations/ (assets)**
As at 30 June 2018	**33,342**	**(19,306)**	**14,036**
Current service cost	67	-	67
Past service cost and curtailment	(4)	-	(4)
Interest expense/(income)	607	(323)	284
	670	**(323)**	**347**
Remeasurements:			
Return on pension plan assets, excluding amount included in interest expense/(income)	-	323	323
Loss from change in financial assumptions	(99)	-	(99)
	(99)	**323**	**224**
Contributions paid by employer	-	(515)	(515)
Benefit payments	(690)	627	(63)
	(690)	**112**	**(578)**
As at 30 September 2018	**33,223**	**(19,194)**	**14,029**

	Present value of obligation	**Fair value of pension plan assets**	**Total obligations/ (assets)**
As at 30 June 2017	**30,774**	**(14,073)**	**16,701**
Current service cost	76	-	76
Past service cost and curtailment	(218)	-	(218)
Interest expense/(income)	599	(289)	310
	457	**(289)**	**168**
Remeasurements:			
Return on pension plan assets, excluding amount included in interest expense/(income)	-	288	288
Loss from change in financial assumptions	26	-	26
	26	**288**	**314**
Contributions paid by employer	-	(733)	(733)
Benefit payments	(568)	512	(56)
	(568)	**(221)**	**(789)**
As at 30 September 2017	**30,689**	**(14,295)**	**16,394**

(in millions of Russian roubles, unless otherwise stated)

16. PROVISION FOR PENSION OBLIGATION (CONTINUED)

Changes in the present value of funded and unfunded pension obligations and pension plan assets for the nine months ended 30 September 2018 and nine months ended 30 September 2017 are as follows:

	Present value of obligation	Fair value of pension plan assets	Total obligations/ (assets)
As at 1 January 2018	**32,788**	**(16,771)**	**16,017**
Current service cost	207	-	207
Past service cost and curtailment	(37)	-	(37)
Interest expense/(income)	1,861	(969)	892
	2,031	**(969)**	**1,062**
Remeasurements:			
Return on pension plan assets, excluding amount included in interest expense/(income)	-	969	969
Loss from change in financial assumptions	(276)	-	(276)
	(276)	**969**	**693**
Contributions paid by employer	-	(3,661)	(3,661)
Benefit payments	(1,320)	1,238	(82)
	(1,320)	**(2,423)**	**(3,743)**
As at 30 September 2018	**33,223**	**(19,194)**	**14,029**

	Present value of obligation	Fair value of pension plan assets	Total obligations/ (assets)
As at 1 January 2017	**33,592**	**(13,638)**	**19,954**
Current service cost	231	-	231
Past service cost and curtailment	(3,944)	-	(3,944)
Interest expense/(income)	1,863	(869)	994
	(1,850)	**(869)**	**(2,719)**
Remeasurements:			
Return on pension plan assets, excluding amount included in interest expense/(income)	-	868	868
Loss from change in financial assumptions	95	-	95
	95	**868**	**963**
Contributions paid by employer	-	(1,733)	(1,733)
Benefit payments	(1,148)	1,077	(71)
	(1,148)	**(656)**	**(1,804)**
As at 30 September 2017	**30,689**	**(14,295)**	**16,394**

The significant actuarial assumptions are as follows:

	30 September 2018	31 December 2017
Discount rate (nominal)	8.6%	7.7%
Future salary increases (nominal)	5.5%	6.0%
Future pension increases (nominal)	4.0%	4.5%

(in millions of Russian roubles, unless otherwise stated)

17. REVENUE

	Three months ended		Nine months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Revenue from diamond sales:				
Export	55,531	45,988	196,881	176,898
Domestic	8,398	4,702	25,346	18,168
Revenue from diamonds for resale	-	-	16	16
Total revenue from diamond sales	**63,929**	**50,690**	**222,243**	**195,082**
Other revenue:				
Transport	3,281	2,720	6,503	5,607
Social infrastructure	474	404	1,539	1,801
Gas	5	1,686	992	5,011
Other	891	1,471	2,916	3,571
Total revenue	**68,580**	**56,971**	**234,193**	**211,072**

18. COST OF SALES

	Three months ended		Nine months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Wages, salaries and other staff costs	10,040	10,700	30,476	32,539
Depreciation	5,150	5,497	17,090	18,574
Extraction tax	4,984	5,536	14,890	16,724
Fuel and energy	3,424	1,792	10,212	9,269
Materials	3,590	3,622	8,546	9,500
Services	2,317	2,198	6,172	5,686
Transport	393	600	1,372	1,632
Cost of diamonds for resale	-	-	15	16
Other	317	521	1,109	797
Movement in inventory of diamonds, ores and sands	(3,798)	(2,672)	10,673	10,545
Total cost of sales	**26,417**	**27,794**	**100,555**	**105,282**

Wages, salaries and other staff costs include payments to social funds in the amount of RR’mln 1,981 and RR’mln 6,506 for the three and nine months ended 30 September 2018, respectively (for the three and nine months ended 30 September 2017: RR’mln 1,957 and RR’mln 6,900, respectively).

Depreciation totalling RR’mln 177 and RR’mln 611 for the three and nine months ended 30 September 2018, respectively (for the three and nine months ended 30 September 2017: RR’mln 410 and RR’mln 773, respectively) and wages, salaries and other staff costs totalling RR’mln 1,037 and RR’mln 3,141 for the three and nine months ended 30 September 2018, respectively (for the three and nine months ended 30 September 2017: RR’mln 411 and RR’mln 1,624, respectively) were capitalised in the respective periods.

(in millions of Russian roubles, unless otherwise stated)

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Nine months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Wages, salaries and other staff costs	1,824	1,345	5,031	5,533
Services and other administrative expenses	1,440	894	3,498	3,083
Impairment of accounts receivable	109	220	25	370
Total general and administrative expenses	**3,373**	**2,459**	**8,554**	**8,986**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 176 and RR'mln 699 for the three and nine months ended 30 September 2018, respectively (for the three and nine months ended 30 September 2017: RR'mln 206 and RR'mln 1,143, respectively).

20. SELLING AND MARKETING EXPENSES

	Three months ended		Nine months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Wages, salaries and other staff costs	435	401	1 350	1,342
Services and other selling and marketing expenses	241	272	861	919
Total selling and marketing expenses	**676**	**673**	**2 211**	**2,261**

Wages, salaries and other staff costs include payments to social funds in the amount of RR'mln 83 and RR'mln 292 for the three and nine months ended 30 September 2018, respectively (for the three and nine months ended 30 September 2017 in the amount of RR'mln 80 and RR'mln 301, respectively).

21. OTHER OPERATING INCOME

	Three months ended		Nine months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Exchange gain	743	-	2,211	-
Reversal of loss on impairment of property, plant and equipment	-	-	114	-
Income from changes in terms of defined benefit plan	-	680	-	4,150
Other	486	249	1,133	859
Total other operating income	**1,229**	**929**	**3,458**	**5,009**

(in millions of Russian roubles, unless otherwise stated)

22. OTHER OPERATING EXPENSES

	Three months ended		Nine months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Exploration expenses	1,543	1,979	5,180	6,530
Taxes other than income tax, extraction tax and payments to social funds (note 14)	1,391	1,299	4,154	4,200
Social costs	1,136	1,274	3,365	3,645
Loss on disposal of subsidiaries	785	-	979	9
Loss/(gain) on disposal and write-off of property, plant and equipment	295	(239)	389	172
Change in fair value of financial assets at fair value through profit or loss	(112)	-	123	-
Impairment of financial assets at fair value through profit or loss	27	-	27	-
Impairment loss on property, plant and equipment due to the accident at the Mir underground mine	-	7,376	-	7,376
Loss from exchange differences	-	199	-	1,912
Other	931	1,742	2,634	2,262
Total other operating expenses	**5,996**	**13,630**	**16,851**	**26,106**

Social costs consist of:

	Three months ended		Nine months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Charity	501	788	1,691	1,881
Maintenance of local infrastructure	419	346	1,162	1,372
Hospital expenses	103	48	188	167
Education	14	20	63	71
Other	99	72	261	154
Total social costs	**1,136**	**1,274**	**3,365**	**3,645**

23. FINANCE INCOME AND COSTS

	Three months ended		Nine months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Interest income	448	865	1,446	2,528
Interest expense:				
Bank loans	(28)	(561)	(178)	(1,789)
Eurobonds	(1,049)	(1,094)	(2,980)	(3,274)
Other	(409)	(370)	(1,083)	(3,472)
Unwinding of discount of future provisions	(100)	(88)	(170)	(216)
Exchange (loss)/gain, net	(3,414)	1,787	(7,852)	6,084
Total finance costs, net	**(4,552)**	**539**	**(10,817)**	**(139)**

(in millions of Russian roubles, unless otherwise stated)

24. CASH GENERATED FROM OPERATING ACTIVITIES

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

	Nine months ended	
	30 September 2018	**30 September 2017**
Profit before income tax	**104,631**	**78,447**
Adjustments for:		
Share of net profit of associates and joint ventures (note 4)	(2,781)	(2,642)
Interest income (note 23)	(1,446)	(2,528)
Interest expense (note 23)	4,411	8,751
Loss on disposal and write-off of property, plant and equipment (note 22)	389	7,398
Depreciation (notes 7, 18)	17,193	18,695
Loss on disposal of subsidiaries (note 22)	979	9
Income from changes in terms of defined benefit plan (note 21)	-	(4,150)
Adjustment for non-cash financing activity	471	(144)
(Reversal) / Impairment of property, plant and equipment (note 7, 21)	(114)	149
Unrealised foreign exchange effect on non-operating items	5,512	(3,375)
Net operating cash flows before changes in working capital	**129,245**	**100,610**
Net decrease in inventories	4,903	6,563
Net decrease / (increase) in receivables, excluding dividends receivable and consideration receivable for disposed controlling interest in CJSC MMC Timir	3,844	(1,815)
Net decrease in provisions, trade and other payables, excluding interest payable and payables for acquired property, plant and equipment	(5,397)	(3,951)
Net decrease in taxes payable, excluding income tax	(1,193)	(2,149)
Cash inflows from operating activities	**131,402**	**99,258**
Income tax paid	(24,954)	(18,991)
Net cash inflows from operating activities	**106,448**	**80,267**

25. CONTINGENCIES, COMMITMENTS AND OTHER RISKS

(a) Operating environment of the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

(b) Taxes

Russian tax legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover earlier periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

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

(in millions of Russian roubles, unless otherwise stated)

25. CONTINGENCIES, COMMITMENTS AND OTHER RISKS (CONTINUED)

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

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

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

(c) Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operations or financial position of the Group as at 30 September 2018.

(d) Capital commitments

As at 30 September 2018 the Group has contractual commitments for capital expenditures of RR’mln 6,121 (31 December 2017: RR’mln 12,370).

(e) Operating lease commitments

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

	30 September 2018	**31 December 2017**
Not later than 1 year	309	324
Later than 1 year and not later than 5 years	854	833
Later than 5 years	1,513	1,409
Total operating lease commitments	**2,676**	**2,566**

(f) Restoration, rehabilitation and environmental costs

Under its license agreements, the Group is not responsible for any significant restoration, rehabilitation and environmental expenditures that may be incurred subsequent to the cessation of production at each mine, apart from the obligation to perform recultivation of certain disturbed lands and tailing pits in the areas of its operating activity. As at 30 September 2018 the Group’s management recognised a provision for these future expenses in the amount of RR’mln 5,741 (31 December 2017: RR’mln 5,233).

(g) Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants as at 30 September 2018 and 31 December 2017.

(in millions of Russian roubles, unless otherwise stated)

26. 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 prices as transactions between unrelated parties.

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

Federal Agency for State Property Management on behalf of the government of the Russian Federation and the Ministry of the property and land relations of the Republic of Sakha (Yakutia) on behalf of the Republic of Sakha (Yakutia) are the major shareholders of the Company.

As at 30 September 2018 58.0 per cent of the Company's issued shares were directly owned by the Governments of the Russian Federation and the Republic of Sakha (Yakutia).

Also as at 30 September 2018 8.0 per cent of the Company's shares were owned by administrations of 8 districts of the Republic of Sakha (Yakutia).

Following the General Meeting of Shareholders on 26 June 2018, the 15 seats on the Supervisory Board include 6 representatives of the Russian Federation (including 1 – the Chair of the Management Board), 4 representatives of the Republic of Sakha (Yakutia), 4 independent directors according to the Russian Corporate Law (1 of them was nominated by the Government of the Russian Federation, 1 - by the Government of the Republic of Sakha (Yakutia), 2 - by foreign minority shareholders), and 1 representative of the 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 condensed consolidated interim statement of financial position and in notes 9 and 14. Tax transactions are disclosed in the condensed consolidated interim statement of profit or loss and other comprehensive income, the condensed consolidated interim statement of cash flows and in notes 14, 18, 19, 20, 24 and 25.

Parties under control or significant influence of the Government

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

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

Condensed Consolidated Interim Statement of Financial Position	**30 September 2018**	**31 December 2017**
Long-term accounts receivable	37	-
Short-term accounts receivable	9,508	15,857
Short-term accounts payable	968	775
Bank loans received by the Group*	4,948	987
Cash and cash equivalents	15,432	2,897

** The line includes the loans received from banks under the Government control with various due dates and interest rates ranging from 6,8% to 11,5%.*

(in millions of Russian roubles, unless otherwise stated)

26. RELATED PARTY TRANSACTIONS (CONTINUED)

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income	**Three months ended 30 September 2018**	**Three months ended 30 September 2017**	**Nine months ended 30 September 2018**	**Nine months ended 30 September 2017**
Sales of diamonds	2,497	708	8,365	4,134
Other sales	58	363	1,736	1,649
Income from grants	1,496	1,956	4,094	3,405
Electricity and heating purchases	(632)	991	(2,778)	(2,846)
Other purchases	(2,617)	(2,496)	(9,385)	(8,319)
Interest income	184	360	303	1,570
Interest expense	(61)	-	(135)	(529)

Key management compensation

The Supervisory Council of the Company consists of 15 members, including state representatives of Governments of the Russian Federation and the Republic of Sakha (Yakutia) and minority shareholders. Compensation for serving as members of the Supervisory Council is not paid to the Chairman and members of the Supervisory Council who have the status of government or municipal public employee - according to Russian legislation, as well as to the members of the Supervisory Council who are also the individual executive body or a member of the collegial executive body.

As at 30 September 2018 and 31 December 2017 the Management Board consisted of 8 members. As at 30 September 2018 one of the Management Board members was also a member of the Supervisory Council, as at 31 December 2017 two of the Management Board members were also members of the Supervisory Council. Management Board members are entitled to salary, bonuses, voluntary medical insurance and other short-term employee benefits. Salary and bonus compensation paid to members of the Management Board is determined by the terms of “Remuneration Policy for the members of the Management Board of PJSC ALROSA” approved by the Company’s Supervisory Council on 6 October 2015, amended by the Company’s Supervisory Council on 26 August 2016.

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

Key management received benefits for the three and nine months ended 30 September 2018 totalling RR’mln 126 and RR’ mln 304, respectively (three and nine months ended 30 September 2017: RR’mln 159 and RR’mln 745, respectively). In 2018 the Group declared dividends RR’mln 40 to key management hold the Company’s shares (RR’mln 22 in 2017).

Share-based payments

As at 30 September 2018 within the framework of the approved Long-Term Motivation Program for the Company's management the Group recognized a liability for remuneration of employees with share-based payments in the amount of RR’mln 468 in other long term libilities. The program is set for a period of 3 years and is tied to the indicators of shareholders profitability and applies to members of the Management Board, heads of subsidiaries, units and other employees whose professional activities have key impact on the operating and financial results of the Group. The liability is remeasured at fair value at each reporting date and all changes are recognized immediately in profit or loss statement.

Associates and joint ventures

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

Current accounts receivable	**30 September 2018**	**31 December 2017**
Catoca Mining Company Ltd., dividends and other receivable	3,006	1,222
Total current accounts receivable	**3,006**	**1,222**

Significant transactions with associates are disclosed in note 4.

Other transactions with related parties

Transactions with the Group’s pension plan are disclosed in note 16.

Social costs incurred by the Group in relation to the parties under control of the Government are presented by charity costs and make up the largest part of them. These expenses are disclosed in note 22.

27. SEGMENT INFORMATION

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

The Group's primary activity is the extraction and sales of diamonds. The internal management reporting system is mainly based on the analysis of information relating to production and sales of diamonds, however information relating to other activities (represented by several subdivisions of the Company and separate legal entities of the Group`s all other business) is also regularly reviewed by the CODM. The Management Board regularly evaluates and analyses financial information prepared in accordance with internal policies and applicable legislation.

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

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

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

The following reportable segments were identified by the Management Board of the Company:

- Diamonds segment - extraction and sales of diamonds, production and sale of microgrits and cut diamonds;
- Transportation – airline business, transportation services and services at transportation terminals, ports and airports;
- Social infrastructure – includes sports complexes and cultural facilities, such as cinemas and theatres and other social infrastructure;
- Gas – production and sale of natural gas;
- Other activities.

Information regarding the results of the reportable segments is presented below. Segment items are based on financial information reported in statutory accounts and can differ significantly from those for financial statements prepared under IFRS. Reconciliation of items measured as reported to the Management Board with similar items in these condensed consolidated interim financial statements include those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

(in millions of Russian roubles, unless otherwise stated)

27. SEGMENT INFORMATION (CONTINUED)

Three months ended 30 September 2018	Diamonds segment	Transpor-tation	Social infra-structure	Gas	Other activities	Total
Revenue	63,929	4,799	987	82	2,251	72,048
Intersegment revenue	-	(925)	(271)	(75)	(2,155)	(3,426)
Cost of sales, including	21,071	2,809	1,881	228	4,521	30,510
depreciation	3,834	217	75	28	630	4,784
Gross margin	**42,858**	**1,990**	**(894)**	**(146)**	**(2,270)**	**41,538**

Three months ended 30 September 2017	Diamonds segment	Transpor-tation	Social infra-structure	Gas	Other activities	Total
Revenue	50,690	3,256	508	1,773	1,240	57,467
Intersegment revenue	-	(538)	141	(86)	(94)	(577)
Cost of sales, including	20,701	2,319	900	1,172	2,713	27,805
depreciation	3,894	163	73	215	572	4,917
Gross margin	**29,989**	**937**	**(392)**	**601**	**(1,473)**	**29,662**

Nine months ended 30 September 2018	Diamonds segment	Transpor-tation	Social infra-structure	Gas	Other activities	Total
Revenue	222,243	8,619	3,413	1,630	7,161	243,066
Intersegment revenue	-	(1,524)	(1,238)	(631)	(5,586)	(8,979)
Cost of sales, including	85,974	6,910	5,874	1,046	12,262	112,066
depreciation	11,723	673	211	183	1,758	14,548
Gross margin	**136,269**	**1,709**	**(2,461)**	**584**	**(5,101)**	**131,000**

Nine months ended 30 September 2017	Diamonds segment	Transpor-tation	Social infra-structure	Gas	Other activities	Total
Revenue	195,082	6,918	3,377	5,663	6,934	217,974
Intersegment revenue	-	(1,312)	(1,174)	(649)	(4,308)	(7,443)
Cost of sales, including	89,635	5,794	5,879	3,420	8,224	112,952
depreciation	12,653	535	209	643	1,666	15,706
Gross margin	**105,447**	**1,124**	**(2,502)**	**2,243**	**(1,290)**	**105,022**

Reconciliation of revenue is presented below:

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Segment revenue	**72,048**	**57,467**	**243,066**	**217,974**
Elimination of intersegment revenue	(3,426)	(577)	(8,979)	(7,443)
Income from grants	1,496	1,956	4,094	3,405
Other adjustments and reclassifications	(42)	81	106	541
Revenue and Income from grants as per Condensed Consolidated Interim Financial Statement of Profit or Loss and Other Comprehensive Income	**70,076**	**58,927**	**238,287**	**214,477**

(in millions of Russian roubles, unless otherwise stated)

27. SEGMENT INFORMATION (CONTINUED)

Reconciliation of cost of sales including depreciation is presented below:

	Three months ended		Nine months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Segment cost of sales	**30,510**	**27,805**	**112,066**	**112,952**
Adjustment for depreciation of property, plant and equipment [1]	366	580	2,542	2,868
Elimination of intersegment purchases	(2,358)	(114)	(6,687)	(5,885)
Accrued provision for pension obligation [2]	(151)	217	(641)	(572)
Adjustment for inventories [3]	1,416	790	3,451	4,162
Accrual for employee flights and holidays [4]	(36)	227	64	39
Accrual for the part of expected annual bonus	(131)	3	(23)	180
Other adjustments	(14)	447	(451)	(363)
Reclassification of exploration expenses [5]	(1,657)	(721)	(5,387)	(3,625)
Other reclassifications	(1,528)	(1,440)	(4,379)	(4,474)
Cost of sales as per Condensed Consolidated Interim Financial Statement of Profit or Loss and Other Comprehensive Income	**26,417**	**27,794**	**100,555**	**105,282**

[1] Adjustment for depreciation - adjustment of depreciation figure recognised in information submitted to the Management Board which is different from that in IFRS financial statements due to the differences in methods of depreciation calculation

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

[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 employees' flights and holidays – recognition of employees' flights and holidays provision under collective labour agreements of the Group's companies

[5] Reclassification of exploration expenses – reclassification part of exploration expenses to other operating expenses

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

	Three months ended		Nine months ended	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Belgium	28,099	25,027	103,743	100,517
Russian Federation (including income from grants)	14,544	12,775	40,970	36,948
India	10,151	8,225	33,239	31,079
Israel	7,757	6,002	24,101	19,085
United Arab Emirates	5,631	3,461	22,816	14,691
China	2,692	2,086	8,822	8,251
Belarus	364	145	1,410	618
Republic of Botswana	302	261	859	838
USA	206	162	631	557
Armenia	93	256	467	752
Angola	-	172	420	622
Switzerland	123	141	406	141
UK	114	214	401	377
Other countries	-	-	2	1
Total revenue	**70,076**	**58,927**	**238,287**	**214,477**

Non-current assets (other than financial instruments, deferred tax assets and prepayment for share in Catoca Mining Company Ltd.), including financial assets at fair value through profit or loss (31 December 2017: available-for-sale investments) and investments in associates and joint ventures, by their geographical location are as follows:

(in millions of Russian roubles, unless otherwise stated)

27. SEGMENT INFORMATION (CONTINUED)

	30 September 2018	31 December 2017
Russian Federation	241,358	238,289
Angola	4,109	3,715
Other countries	2,236	3,424
Total non-current assets	**247,703**	**245,428**

28. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include detailed financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2017, prepared in accordance with IFRS. There have been no changes in any risk management policies during the reporting period.

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

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

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

Assets measured at fair value

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

	30 September 2018				31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	748	-	222	**970**	-	-	-	-
Available-for-sale investments	-	-	-	-	2,474	-	439	**2,913**
Total	**748**	**-**	**222**	**970**	**2,474**	**-**	**439**	**2,913**

(in millions of Russian roubles, unless otherwise stated)

28. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

As at 30 September 2018 the Group had the following assets and liabilities not measured at fair value but for which fair value is disclosed, classified by the levels of the fair value hierarchy:

	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Current and non-current financial assets				
Bank deposits	-	15	-	15
Current and non-current financial receivable	-	23,094	-	23,094
Loans issued	-	-	1,180	1,180
Cash and cash equivalents	-	49,403	-	49,403
Total financial assets	**-**	**72,512**	**1,180**	**73,692**
Loans from banks	-	2,228	-	2,228
Eurobonds	61,246	-	-	61,246
Total non-current financial liabilities	**61,246**	**2,228**	**-**	**63,474**
Current financial liabilities				
Loans from banks	-	19,677	-	19,677
Other loans	-	-	2,850	2,850
Financial accounts payable	-	10,380	-	10,380
Finance lease obligation	-	-	20	20
Dividends payable	-	42,888	-	42,888
Total current financial liabilities	**-**	**72,945**	**2,870**	**75,815**
Total financial liabilities	**61,246**	**75,173**	**2,870**	**139,289**

(in millions of Russian roubles, unless otherwise stated)

28. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant non-observable inputs (Level 3)	Total
Current and non-current financial assets				
Current and non-current financial receivable	-	22,151	-	22,151
Loans issued	-	-	1,151	1,151
Cash and cash equivalents	-	7,381	-	7,381
Total financial assets	**-**	**29,532**	**1,151**	**30,683**
Non-current financial liabilities				
Long-term debt	-	1,087	7	1,094
Eurobonds	57,600	-	-	57,600
Total non-current financial liabilities	**57,600**	**1,087**	**7**	**58,694**
Current financial liabilities				
Short-term debt	-	34,560	83	34,643
Financial accounts payable	-	8,260	-	8,260
Finance lease obligation	-	-	91	91
Dividends payable	-	149	-	149
Total current financial liabilities	**-**	**42,969**	**174**	**43,143**
Total financial liabilities	**57,600**	**44,056**	**181**	**101,837**

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

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