



PJSC Polyus
Management Report
30 September 2020

12 November 2020



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Cautionary statement

12 November 2020 – PJSC Polyus (the “Company” or “Polyus”) issues this Interim Management Report (“IMR”) to summarise recent operational activities and to provide trading guidance in respect of the condensed consolidated interim financial statements for three and nine months ended 30 September 2020.

This IMR has been prepared solely to provide additional information to stakeholders to assess the Company’s and its subsidiaries’ (the “group”) strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This IMR has been prepared for the group as a whole and therefore gives greater emphasis to those matters which are significant to Polyus and its subsidiary undertakings when viewed as a whole.

Responsibility statement

Directors of PJSC “Polyus” are responsible for the preparation of the condensed consolidated interim financial statements that present fairly the financial position of PJSC “Polyus” and its subsidiaries (the “group”) as of 30 September 2020, and the results of its operations, cash flows and changes in equity for the three and nine months then ended, in compliance with International Accounting Standard 34 (“IAS 34”).

In preparing the condensed consolidated interim financial statements, Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- compliance with the requirements of IAS 34 and providing additional disclosures when compliance with the specific requirements of IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group’s consolidated financial position and financial performance; and
- making an assessment of the group’s ability to continue as a going concern.

Directors are also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the group;
- maintaining adequate accounting records that are sufficient to show and explain the group’s transactions and disclose with reasonable accuracy at any time the consolidated financial position of the group, and which enable them to ensure that the condensed consolidated interim financial statements of the group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards in the jurisdictions in which the group operates;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The condensed consolidated interim financial statements of the group for the three and nine months ended 30 September 2020 were approved by Directors on 12 November 2020.

By order of the Board of Directors,

Chief Executive Officer and Director



Pavel Grachev

Management Discussion and Analysis

The third quarter and nine months 2020 key metrics overview

\$ million (if not mentioned otherwise)	3Q 2020	2Q 2020	Q-o-Q	3Q 2019	Y-o-Y	9M 2020	9M 2019	Y-o-Y
Operating highlights								
Gold production (koz) ¹	771	690	12%	753	2%	2,056	2,037	1%
Gold sold (koz)	772	672	15%	729	6%	1,988	1,984	0%
Realised prices								
Weighted-average refined gold selling price, \$/oz	1,907	1,723	11%	1,482	29%	1,755	1,372	28%
Financial performance								
Total revenue	1,454	1,157	26%	1,070	36%	3,483	2,718	28%
Operating profit	948	702	35%	590	61%	2,131	1,492	43%
Operating profit margin	65%	61%	4 ppts	55%	10 ppts	61%	55%	6 ppts
Profit for the period	516	684	(25%)	300	72%	811	1,247	(35%)
Earnings per share – basic (US Dollar)	3.59	5.11	(30%)	2.13	69%	5.67	9.27	(39%)
Earnings per share – diluted (US Dollar)	3.58	5.11	(30%)	2.13	68%	5.65	9.26	(39%)
Adjusted net profit ²	771	485	59%	459	68%	1,742	1,067	63%
Adjusted net profit margin	53%	42%	11 ppts	43%	10 ppts	50%	39%	11 ppts
Adjusted EBITDA ³	1,103	860	28%	705	56%	2,552	1,797	42%
Adjusted EBITDA margin	76%	74%	2 ppts	66%	10 ppts	73%	66%	7 ppts
Net cash flow from operations	955	652	46%	603	58%	2,151	1,492	44%
Capital expenditure ⁴	130	127	2%	157	(17%)	381	410	(7%)
Cash costs								
Total cash cost (TCC) per ounce sold (\$/oz) ⁵	369	340	9%	412	(10%)	366	376	(3%)
All-in sustaining cash cost (AISC) per ounce sold (\$/oz) ⁶	571	568	1%	628	(9%)	601	602	0%
Financial position								
Cash and cash equivalents	1,633	1,654	(1%)	1,538	6%	1,633	1,538	6%
Net debt (incl. derivatives) ⁷	2,299	2,506	(8%)	3,393	(32%)	2,299	3,393	(32%)
Net debt (incl. derivatives)/adjusted EBITDA (x) ⁸	0.7	0.8	(13%)	1.5	(53%)	0.7	1.5	(53%)

¹ Gold production is comprised of 701 thousand ounces of refined gold and 70 thousand ounces of gold in flotation concentrate in the third quarter of 2020 and 646 thousand ounces of refined gold and 44 thousand ounces of gold contained in flotation concentrate in the second quarter 2020.

² Adjusted net profit is defined by the group as net profit / (loss) for the period adjusted for impairment loss / (reversal of impairment), unrealised (gain) / loss on derivative financial instruments, net, foreign exchange (gain) / loss, net.

³ Adjusted EBITDA is defined by the group as profit for the period before income tax, depreciation and amortisation, (gain) / loss on derivative financial instruments (including the effect of the disposal of a subsidiary and subsequent accounting at equity method), finance costs, net, interest income, foreign exchange loss / (gain), net, impairment loss / (reversal of impairment), (gain) / loss on property, plant and equipment disposal, expenses associated with an equity-settled share-based payment plan, expenses associated with COVID-19 and special charitable contributions as required to ensure calculation of the Adjusted EBITDA is comparable with the prior period.

⁴ Capital expenditure figures are presented on an accrual basis (here presented net of the Sukhoi Log deposit license acquisition cost and net of Omchak power grid construction cost). For details see reconciliation on page 20.

⁵ TCC is defined by the group as the cost of gold sales, less property, plant and equipment depreciation and amortisation and change in allowance for obsolescence of inventory, expenses associated with COVID-19 and adjusted by non-monetary change in inventory. TCC per ounce sold is the cost of producing an ounce of gold, which includes mining, processing and refining costs. The group calculates TCC per ounce sold as TCC divided by total ounces of gold sold for the period. The group calculates TCC and TCC per ounce sold for certain mines on the same basis, using corresponding mine-level financial information.

⁶ AISC is defined by the group as TCC plus selling, general and administrative expenses, stripping activity asset additions, sustaining capital expenditures, unwinding of discounts on decommissioning liabilities, provision for annual vacation payment, employee benefit obligations cost, and change in allowance for obsolescence of inventory less amortisation and depreciation included in selling, general and administrative expenses. AISC is an extension of TCC and incorporates costs related to sustaining production and additional costs which reflect the varying costs of producing gold over the life-cycle of a mine. The group believes AISC is helpful in understanding the economics of gold mining. AISC per ounce sold is the cost of producing and selling an ounce of gold, including mining, processing, transportation and refining costs, general costs from both mine and alluvial operations, and the additional expenditures noted in the definition of AISC. The group calculates AISC per ounce sold as AISC divided by total ounces of gold sold for the period.

⁷ Net debt is defined as non-current borrowings plus current borrowings less cash and cash equivalents and bank deposits. Net debt also includes assets and liabilities under cross-currency and interest rate swaps at the reporting date. Net debt excludes derivative financial instrument assets/liabilities other than cross-currency and interest rate swaps, site restoration and environmental obligations, deferred tax, deferred revenue, deferred consideration for the Sukhoi Log licence and other non-current liabilities. Net debt should not be considered as an alternative to current and non-current borrowings, and should not necessarily be construed as a comprehensive indicator of the group's overall liquidity.

⁸ The group calculates net debt (incl. derivatives) to Adjusted EBITDA as net debt (including derivatives) divided by Adjusted EBITDA for the last twelve months.

Key highlights for the third quarter of 2020

1. Total gold sales volumes amounted to 772 thousand ounces, up 15% compared to the second quarter of 2020. This reflects seasonally higher production volumes at Alluvials as well as increased refined gold production volumes across almost all hard-rock deposits. This also includes 70 thousand ounces of gold contained in concentrate from Olimpiada, compared to 26 thousand ounces in the second quarter of 2020.
2. Revenue for the third quarter 2020 totalled \$1,454 million, up 26% compared to the previous quarter. This is partially attributable to the aforementioned growth in gold sales volumes. At the same time, the average realised refined gold price was 11% higher compared to the second quarter, at \$1,907 per ounce.
3. In the third quarter, the group's TCC increased 9% to \$369 per ounce compared to the previous quarter due to the seasonal increase in output at the structurally higher cost alluvial operations. In addition, higher MET expenses, driven by the increase in average realised gold price put additional pressure on the group's TCC. These factors were partially offset by an increase in share of lower-cost antimony-rich flotation concentrate in total gold sold. The latter also resulted in higher by-product credit of \$14 per ounce in the third quarter compared to \$1 per ounce in the previous quarter.
4. Polyus adjusts its TCC guidance for 2020 downwards, based on the Company's operational performance for the nine months of 2020, with total cash costs now expected to stay within the range of \$375-\$425 per ounce for the full year 2020, compared to the previous estimate of \$400-\$450 per ounce. Polyus continues to apply the foreign exchange rate assumption of 60 rouble per dollar for TCC guidance calculation.
5. Adjusted EBITDA for the third quarter of 2020 reached \$1,103 million, a 28% increase compared to \$860 million in the previous quarter, the highest on record and driven by growth in gold sales volumes and higher gold prices during the period.
6. In the third quarter of 2020, net profit amounted to \$516 million, compared to \$684 million in the second quarter. The net profit decrease reflects the impact of non-cash items, while operating profit increased quarter-on-quarter. Polyus recognised a foreign exchange loss of \$77 million and a loss on derivative financial instruments of \$178 million in the third quarter of 2020.
7. Adjusted net profit amounted to \$771 million in the third quarter of 2020, up 59% compared to the previous quarter.
8. Net cash generated from operations totalled \$955 million in the third quarter, compared to \$652 million in the previous quarter.
9. Capital expenditures ("capex") for the period remained largely flat, at \$130 million, compared to \$127 million in the previous quarter.
10. Cash and cash equivalents as at 30 September 2020 remained almost flat, at \$1,633 million (30 June 2020: \$1,654 million), while the net debt position, including liabilities under cross-currency and interest rate swaps decreased to \$2,299 million (30 June 2020: \$2,506 million). The group's net liabilities under cross-currency and interest rate swaps related to RUB-denominated bank credit facilities and rouble bonds amounted to approximately \$420 million as of the end of the third quarter (30 June 2020: net liabilities of \$290 million).

11. The net debt/adjusted EBITDA ratio decreased to 0.7x compared to 0.8x as at the end of the previous quarter, reflecting a lower net debt position and adjusted EBITDA growth over the last twelve months.
12. Polyus has today provided an overview of the key highlights of the Pre-Feasibility study for Sukhoi Log, confirming the outstanding economic viability of the project, in addition to selecting key areas of the project for further in-depth analysis.
13. In September, the Board of Directors of PJSC Polyus has recommended the dividends for the first six months ended 30 June 2020 in the amount of 240.18 Russian roubles per ordinary share. The dividend amount is equivalent to approximately \$3.01 per ordinary share, or \$1.51 per depositary share (with two depositary shares representing interest in one ordinary share)⁹. The total recommended dividend payout for the first half of 2020 amounts to approximately \$410 million⁹, in line with the Company's dividend policy. The dividend has been approved by the Company's Extraordinary General Shareholders' Meeting on 30 September 2020. The dividend record date was on 20 October 2020.
14. During the third quarter of 2020, the Company allocated \$50 million to measures aimed at preventing the spread of the COVID-19 pandemic. Out of the total amount the Company incurred \$36 million is included in Cost of gold sales (additional staff expenses related to extended working shifts) and Other expenses (COVID-19 test kits, medical services and support to regional hospitals) in amounts of \$15 million and \$21 million, respectively. The remaining \$14 million was attributable to in-progress inventory and capitalised as part of property, plant and equipment in the Statement of Financial position. The expenses associated with COVID-19 and recognised as part of Cost of gold sales were excluded from both TCC and AISC calculations. At the same time, all P&L expenses related to COVID-19, in the amount of \$36 million were excluded from the adjusted EBITDA calculation, respectively.

⁹ Based on the currency exchange rate of the Central Bank of Russia of 79.6845 Russian roubles per 1 U.S. dollar as of 30 September 2020. For additional information on dividends, see Note 18 and Note 29 of the condensed consolidated interim financial statements.

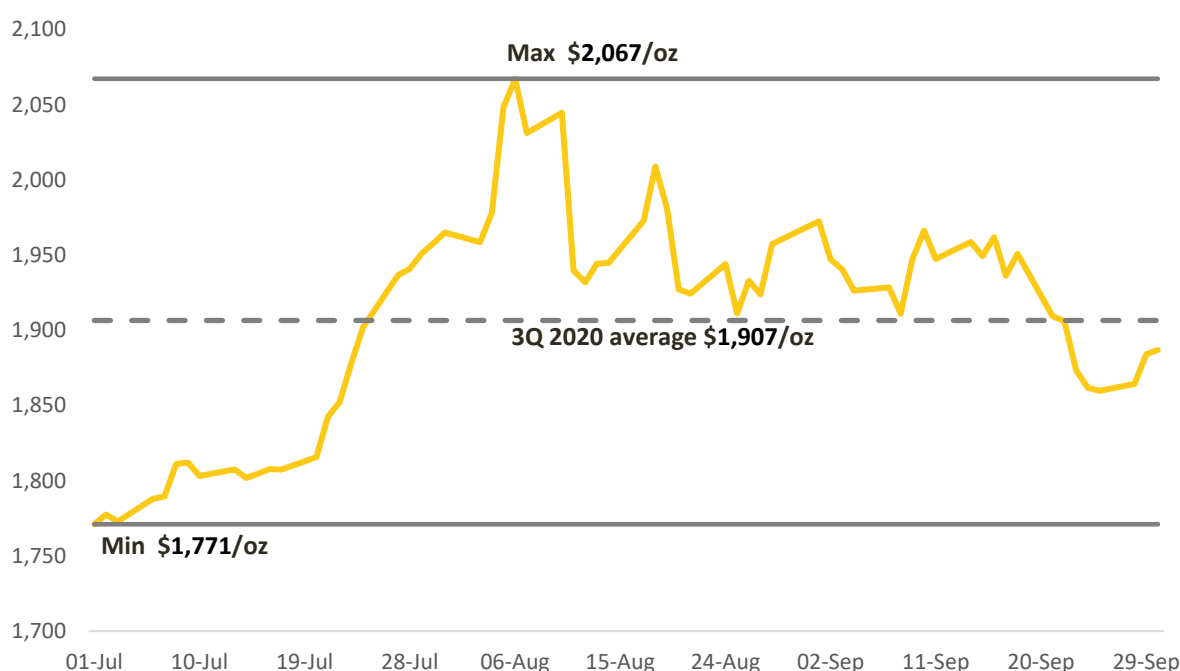
Review of external factors

The group's results are significantly affected by movements in the price of gold and currency exchange rates (principally the RUB/USD rate).

Gold price dynamics

The market price of gold is a significant factor that influences the group's profitability and operating cash flow generation. In the third quarter of 2020, the average London Bullion Market Association (LBMA) gold price was \$1,907 per ounce, compared to \$1,711 per ounce in the previous quarter and \$1,472 per ounce in the third quarter of 2019.

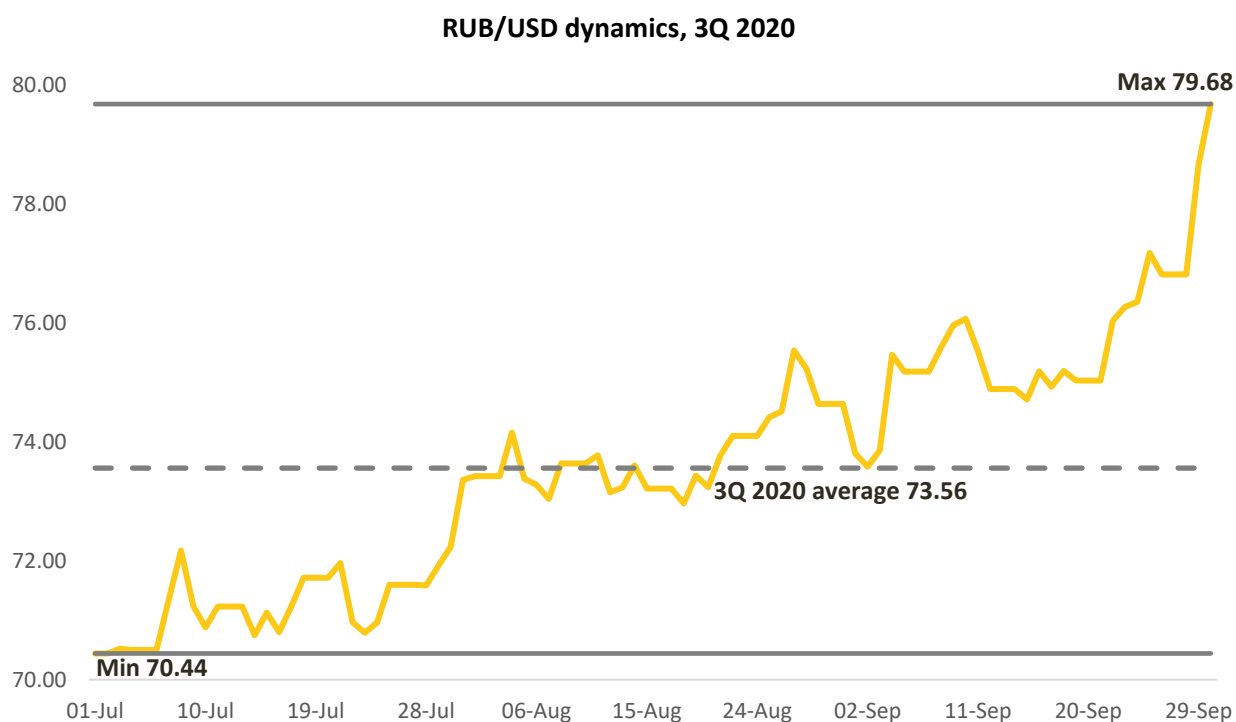
LBMA gold price dynamics in 3Q 2020, \$/oz



Source: London Bullion Market Association

Rouble exchange rate dynamics

The group's revenue from gold sales is linked to the US dollar (USD), whereas most of the group's operating expenses are denominated in Russian roubles (RUB). The strengthening of the RUB against the USD can negatively impact the group's margins by increasing the USD value of its RUB-denominated costs, while a weaker RUB positively affects its margins as it reduces the USD value of the group's RUB-denominated costs. In the third quarter of 2020, the average RUB/USD exchange rate amounted to 73.56, compared to 72.36 in the previous quarter and 64.57 in the third quarter of 2019.



Inflationary trends

All of the group's operations are located in Russia. The rouble-based annualised Russian Consumer Price Index (CPI), calculated by the Federal State Statistics Service, was at 3.7% as of the end of the third quarter of 2020, compared to 3.2% as of the end of the previous quarter and 4.0% as of the end of the third quarter of 2019.

Financial review of the third quarter of 2020

Statement of profit or loss review

REVENUE ANALYSIS

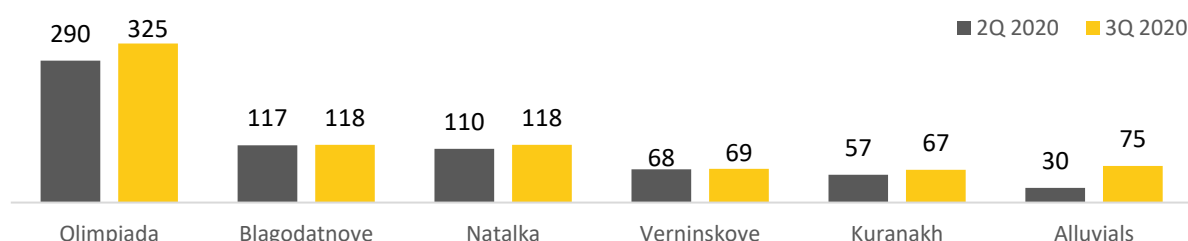
	3Q 2020	2Q 2020	Q-o-Q	9M 2020	9M 2019	Y-o-Y
Gold sales (koz)	772	672	15%	1,988	1,984	0%
Weighted-average refined gold selling price, \$/oz	1,907	1,723	11%	1,755	1,372	28%
Average afternoon gold LBMA price fixing (\$/oz)	1,907	1,711	11%	1,736	1,364	27%
Premium of average selling price over average LBMA price fixing (\$/oz)	-	12	(100%)	19	8	N.A.
Gold sales (\$ million)	1,444	1,148	26%	3,453	2,688	28%
Other sales (\$ million)	10	9	11%	30	30	0%
Total revenue (\$ million)	1,454	1,157	26%	3,483	2,718	28%

In the third quarter, the group's revenue from gold sales amounted to \$1,444 million, a 26% increase compared to the previous quarter. Gold sales totalled 772 thousand ounces, a 15% increase compared to the previous quarter, and was driven by seasonally higher production volumes at Alluvials as well as increased refined gold production volumes across almost all hard-rock deposits. In addition, an increase in sales of flotation concentrate to 70 thousand ounces, compared to 26 thousand ounces in the second quarter of 2020, also resulted in higher gold sales volumes during the period. At the same time, the average realised refined gold price was 11% higher compared to the second quarter, at \$1,907 per ounce.

Revenue breakdown by business unit, 3Q 2020 vs. 2Q 2020

Assets	3Q 2020 (\$ million)			2Q 2020 (\$ million)		
	Gold sales	Other sales	Total sales	Gold sales	Other sales	Total sales
Olimpiada	592	4	596	489	3	492
Blagodatnoye	226	-	226	200	-	200
Natalka	225	2	227	190	2	192
Verninskoye	130	1	131	118	1	119
Kuranakh	128	-	128	99	1	100
Alluvials	143	2	145	52	1	53
Other	-	1	1	-	1	1
Total	1,444	10	1,454	1,148	9	1,157

Gold sold by mine, koz



CASH COSTS ANALYSIS

In the third quarter of 2020, the group's cost of gold sales increased by 18% compared to the previous quarter, to \$386 million, while cash operating costs increased by 14%, compared to the prior period, to \$343 million. This increase was primarily driven by a seasonally higher production volumes at the alluvial operations and increase in MET expenses.

Cost of sales breakdown

\$ million	3Q 2020	2Q 2020	Q-o-Q	9M 2020	9M 2019	Y-o-Y
Cash operating costs¹⁰	343	301	14%	922	830	11%
Depreciation and amortisation (D&A) of operating assets	102	115	(11%)	313	251	25%
Total cost of production	445	416	7%	1 235	1 081	14%
Increase in stockpiles, gold-in-process and refined gold inventories	(59)	(90)	(34%)	(242)	(91)	N.A.
Cost of gold sales	386	326	18%	993	990	0%

Cash operating costs – breakdown by item

\$ million	3Q 2020	2Q 2020	Q-o-Q	9M 2020	9M 2019	Y-o-Y
Consumables and spares	80	72	11%	223	231	(3%)
Employee compensation	93	83	12%	256	254	1%
Mineral Extraction Tax ("MET")	71	54	31%	169	135	25%
Fuel	30	27	11%	92	94	(2%)
Power	15	15	0%	46	43	7%
Outsourced mining services	5	3	67%	8	9	(11%)
Other ¹⁰	49	47	4%	128	64	100%
Total	343	301	14%	922	830	11%

In the third quarter, consumables and spares increased by 11% compared to the previous quarter due to the aforementioned factors related to the alluvial operations and higher consumptions of reagents at Olimpiada.

Employee compensation expenses (excluding additional expenses related to COVID-19) increased by 12% compared to the previous quarter. This mainly reflects the aforementioned factors related to the alluvial operations.

The group's MET expenses increased by 31% compared to the previous quarter. This reflects higher average gold prices and sales volumes of flotation concentrate during the period as well as increases in production volumes of gold dore during the reporting period.

In the third quarter, fuel costs increased by 11% compared to the second quarter due to the aforementioned factors related to the active phase of the washing season at Alluvials.

Power costs remained flat quarter-on-quarter.

¹⁰The group calculates cash operating costs as the sum of the following costs within cost of sales for the period: Labour, Consumables and spares, Tax on mining, Fuel, Power, Outsourced mining services and other costs, including Refining, logistics, costs on explosives. Other costs also include \$15 million of COVID-19 expenses related to employee compensation in the third quarter of 2020.

Cash operating costs – breakdown by key business units¹¹, 3Q 2020 vs. 2Q 2020

\$ million	Olimpiada		Blagodatnoye		Natalka		Verninskoye		Kuranakh		Alluvials	
	3Q 2020	2Q 2020	3Q 2020	2Q 2020	3Q 2020	2Q 2020	3Q 2020	2Q 2020	3Q 2020	2Q 2020	3Q 2020	2Q 2020
Consumables and spares	32	29	12	11	12	13	6	6	7	8	9	5
Employee compensation	18	18	10	11	13	13	9	10	10	10	21	11
MET	36	29	16	13	-	-	1	2	9	6	9	4
Fuel	5	5	5	5	8	8	2	1	4	3	7	4
Power	5	6	2	2	5	5	1	1	2	2	2	2
Outsourced mining services	-	-	-	-	-	-	-	-	-	-	5	3
Other	10	22	9	10	13	15	11	9	3	4	13	6
Total	106	109	54	52	51	54	30	29	35	33	66	35

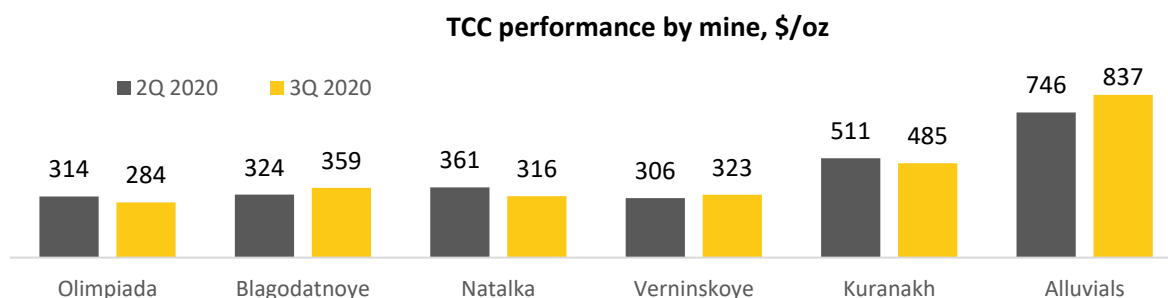
TOTAL CASH COSTS
TCC calculation

\$ million	3Q 2020	2Q 2020	Q-o-Q	9M 2020	9M 2019	Y-o-Y
Cost of gold sales before by-product	397	327	21%	1,005	1,007	0%
Antimony by-product credit	(11)	(1)	N.A.	(12)	(17)	(29%)
Cost of gold sales	386	326	18%	993	990	0%
property, plant and equipment depreciation	(102)	(115)	(11%)	(313)	(251)	25%
change in allowance for obsolescence of inventory	(2)	(1)	100%	(2)	(3)	(33%)
Expenses related to COVID-19 in cost of gold sales	(15)	(19)	(21%)	(34)	-	N.A.
non-monetary changes in inventories	18	37	(51%)	84	9	N.A.
TCC	285	228	25%	728	745	(2%)
Gold sold (koz)	772	672	15%	1 988	1,984	0%
TCC per ounce sold (\$/oz)	369	340	9%	366	376	(3%)

In the third quarter, the group's TCC increased by 9% to \$369 per ounce compared to the previous quarter due to the seasonal increase in output at the structurally higher-cost alluvial operations. Moreover, higher MET expenses, driven by the increase in average realised gold price put additional pressure on the group's TCC.

These factors were partially offset by a higher share of lower-cost antimony-rich flotation concentrate in total gold sold. The latter also resulted in higher by-product credit of \$14 per ounce in the third quarter compared to \$1 per ounce in the previous quarter.

¹¹ Calculated on standalone basis and do not include other non-producing business units and consolidation adjustments.



In the third quarter, TCC at Olimpiada declined 10% compared to the second quarter, to \$284 per ounce. This was driven by a higher share of lower-cost antimony-rich flotation concentrate in total gold sold during the quarter. This also resulted in an increase in by-product credit (\$34 per ounce in the third quarter compared to \$3 per ounce in the second quarter). In addition, a higher average grade in ore processed (3.56 grams per tonne in the third quarter compared to 3.47 grams per tonne in the second quarter) positively impacted the costs performance for the period. These factors were partially offset by higher MET expenses during the reporting period.

At Blagodatnoye, TCC amounted to \$359 per ounce, up 11% compared to the second quarter, driven by higher MET expenses and higher consumption of reagents in the reporting period.

At Natalka, TCC declined to \$316 per ounce, down 12% compared to the previous quarter, mainly driven by a 2.7 ppts increase in recovery rate (73.2% in the third quarter compared to 70.5% in the second quarter), following the installation of the second flash flotation unit and introduction of three CIL columns during the reporting period.

TCC at Verninskoye amounted to \$323 per ounce, up 6% compared to the second quarter, primarily due to scheduled maintenance works at the mill, which were completed in September 2020.

At Kuranakh, TCC declined to \$485 per ounce, down 5% compared to the second quarter, driven by a higher share of lower-cost gold produced from the heap leaching facilities in the total gold sold during the reporting period.

At Alluvials, TCC increased 12% to \$837, reflecting the write-off of seasonal deferred expenditures in the third quarter.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The group's selling, general, and administrative (SG&A) expenses amounted to \$83 million, a 9% increase compared to the previous quarter.

SG&A breakdown by item

\$ million	3Q 2020	2Q 2020	Q-o-Q	9M 2020	9M 2019	Y-o-Y
Salaries	59	56	5%	181	135	34%
Distribution expenses related to gold-bearing products	5	3	67%	9	14	(36%)
Taxes other than mining and income taxes	4	5	(20%)	14	14	0%
Professional services	5	2	N.A.	9	7	29%
Amortisation and depreciation	5	6	(17%)	17	15	13%
Other	5	4	25%	15	19	(21%)
Total	83	76	9%	245	204	20%

ALL-IN SUSTAINING COSTS (AISC)

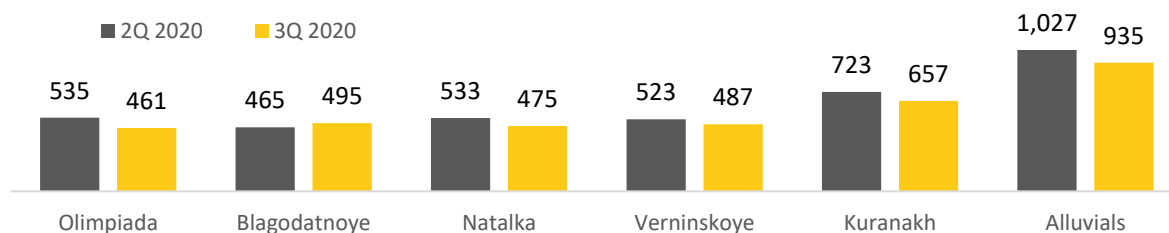
In the third quarter, the group's AISC remained broadly flat at \$571 per ounce, as higher TCC per ounce was predominantly offset by lower stripping expenses and lower sustaining capital expenditures during the reporting period.

All-in sustaining costs calculation

\$ million	3Q 2020	2Q 2020	Q-o-Q	9M 2020	9M 2019	Y-o-Y
Total TCC	285	228	25%	728	745	(2%)
selling, general and administrative expenses	83	76	9%	245	204	20%
amortisation and depreciation related to SG&A	(5)	(6)	(17%)	(17)	(15)	13%
stripping activity asset additions ¹²	29	33	(12%)	100	137	(27%)
sustaining capital expenditure ¹³	46	49	(6%)	134	117	15%
unwinding of discounts on decommissioning liabilities	1	1	0%	3	3	0%
adding back expenses excluded from cost of gold sales						
change in allowance for obsolescence of inventory	2	1	100%	2	3	(33%)
Total all-in sustaining costs	441	382	15%	1,195	1,194	0%
Gold sold (koz)	772	672	15%	1,988	1,984	0%
All-in-sustaining cost (\$/oz)	571	568	1%	601	602	0%

In the third quarter, AISC at Olimpiada decreased to \$461 per ounce, driven by lower TCC per ounce and lower sustaining capital expenditures in the reporting period. AISC at Blagodatnoye increased to \$495 per ounce, due to higher TCC per ounce for the reporting period. AISC at Natalka decreased to \$475 per ounce, driven by lower TCC per ounce and lower SG&A expenses in the reporting period. AISC at Verninskoye decreased to \$487 per ounce, while AISC at Kuranakh decreased to \$657 per ounce, both driven by lower sustaining capital expenditures during the reporting period. AISC at Alluvials decreased to \$935 per ounce, driven by lower sustaining capital expenditures in the reporting period.

All-in sustaining costs by mine, \$/oz



ADJUSTED EBITDA

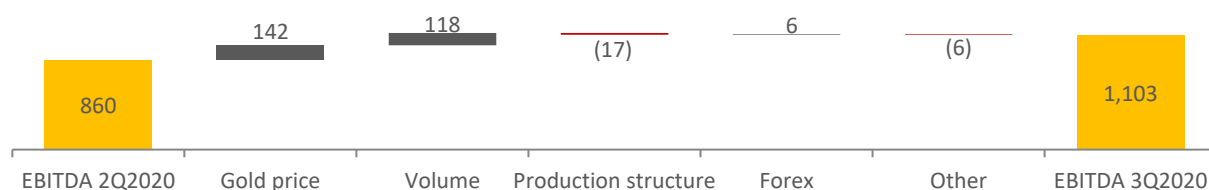
In the third quarter of 2020, the group's adjusted EBITDA amounted to \$1,103 million, a 28% increase compared to \$860 million in the previous quarter, driven by higher gold sales volumes and higher gold prices over the period.

¹² Following an update of the methodology and extraction of the depreciation and COVID-19 related expenses included in the additions to the stripping activity asset. The amount of non-cash depreciation was \$12 million in the third quarter of 2020, \$13 million in the second quarter of 2020 and \$16 million in the third quarter of 2019. The amount of COVID-19 related expenses amounted was 3 million in the third quarter of 2020 and \$4 million in the second quarter of 2020.

¹³ Sustaining capital expenditures represent capital expenditures at existing operations comprising mine development costs and ongoing replacement of mine equipment and other capital facilities, and does not include capital expenditures for major growth projects or enhancement capital for significant infrastructure improvements at existing operations.

Adjusted EBITDA calculation

\$ million	3Q 2020	2Q 2020	Q-o-Q	9M 2020	9M 2019	Y-o-Y
Profit before income tax	638	848	(25%)	1,035	1,517	(32%)
Expenses related to COVID-19	36	36	0%	72	-	N.A.
Depreciation and amortisation	93	86	8%	253	262	(3%)
Loss / (gain) on derivative financial instruments, net	178	(73)	N.A.	639	17	N.A.
Finance costs, net	59	57	4%	186	191	(3%)
Equity-settled share-based payment plans	22	17	29%	65	27	N.A.
Foreign exchange loss / (gain), net	77	(126)	N.A.	290	(200)	N.A.
Interest income	(4)	(4)	0%	(19)	(33)	(42%)
Impairment	-	-	N.A.	2	3	(33%)
Special charitable contributions	3	19	(84%)	27	12	N.A.
Loss on property, plant and equipment disposal	1	-	N.A.	2	1	100%
Adjusted EBITDA	1,103	860	28%	2,552	1,797	42%
Total revenue	1,454	1,157	26%	3,483	2,718	28%
Adjusted EBITDA margin (%)	76%	74%	2 ppts	73%	66%	7 ppts

Adjusted EBITDA bridge, \$ million

Adjusted EBITDA breakdown by business unit, \$ million

\$ million	3Q 2020	2Q 2020	Q-o-Q	9M 2020	9M 2019	Y-o-Y
Olimpiada	475	370	28%	1,097	899	22%
Blagodatnoye	174	155	12%	446	277	61%
Natalka	174	136	28%	404	228	77%
Verninskoye	102	91	12%	271	176	54%
Kuranakh	90	63	43%	197	123	60%
Alluvials	77	25	N.A.	98	64	53%
Other ¹⁴	11	20	(45%)	39	30	30%
Total	1,103	860	28%	2,552	1,797	42%

FINANCE COST ANALYSIS

\$ million	3Q 2020	2Q 2020	Q-o-Q	9M 2020	9M 2019	Y-o-Y
Interest on borrowings	50	61	(18%)	182	216	(16%)
Interest on lease liabilities	1	1	0%	3	3	0%
Bank commission and write-off of unamortised debt cost due to early extinguishment	6	-	N.A.	10	1	N.A.
Unwinding of discounts	4	1	N.A.	9	11	(18%)
Loss on an early redemption of financial liabilities	5	-	N.A.	5	-	N.A.

¹⁴ Reflects consolidation adjustments and financial results of Sukhoi log and non-producing business units, including exploration business unit, capital construction business unit and unallocated segments.

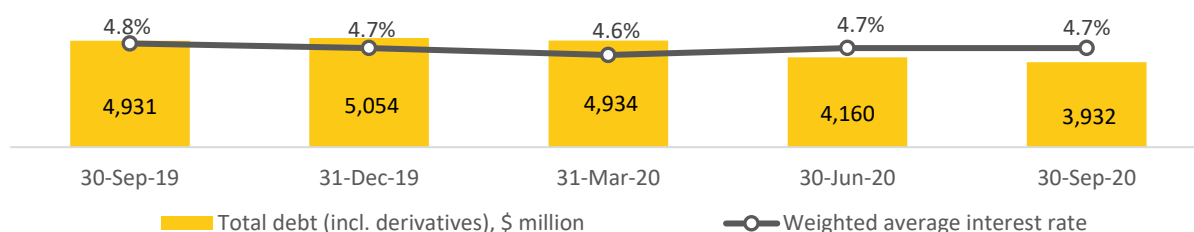
Management Report for the three and nine months ended 30 September 2020

Gain on debt modification	-	-	N.A.	-	(10)	(100%)
Gain on exchange of interest payments under cross currency swap and interest rate swap	(7)	(6)	17%	(23)	(30)	(23%)
Total finance cost expensed	59	57	4%	186	191	(3%)

The group's total finance costs in the third quarter amounted to \$59 million, compared to \$57 million in the second quarter.

Interest on borrowings decreased 18% to \$50 million. This reflects the decline in gross debt in the third quarter of 2020.

Weighted average interest rate dynamics¹⁵



Foreign exchange loss and derivatives

The group's foreign exchange loss was \$77 million, compared to a \$126 million gain in the second quarter, which reflects the revaluation of USD-denominated bank deposits, USD-denominated accounts receivables and USD-denominated liabilities as at 30 September 2020 due to FX rate fluctuation.

Valuation of derivative financial instruments as at 30 September and for the three months ended 30 September 2020

\$ million	Asset	Liability	Fair value recorded in the statement of financial position	Profit & loss (expenses)/ income
Cross-currency swaps	21	(431)	(410)	(178)
Interest rate swaps	-	(10)	(10)	-
Total	21	(441)	(420)	(178)

Cross-currency and interest rate swaps

In the third quarter of 2020, the overall positive effect from cross-currency and interest rate swaps on finance cost amounted to \$7 million. This was recorded within note 8 of the condensed consolidated interim financial statements as a gain on the exchange of interest payments under interest rate and cross currency swaps.

PROFIT BEFORE TAX

In the third quarter of 2020, the group recognised profit before tax in amount \$638 million compared to \$848 million in previous quarter.

NET PROFIT

In the third quarter of 2020, net profit totalled \$516 million, compared to of \$684 million in the second quarter.

¹⁵ Weighted average interest rate is calculated as of the end of the period.

¹⁶ For additional information on cross-currency and interest rate swaps, see Note 14 of the condensed consolidated interim financial statements.

Adjusted net profit calculation

\$ million	3Q 2020	2Q 2020	Q-o-Q	9M 2020	9M 2019	Y-o-Y
Net profit for the period	516	684	(25%)	811	1,247	(35%)
impairment	-	-	N.A.	2	3	(33%)
loss / (gain) on derivative financial instruments, net	178	(73)	N.A.	639	17	N.A.
foreign exchange loss / (gain), net	77	(126)	N.A.	290	(200)	N.A.
Adjusted net profit	771	485	59%	1,742	1,067	63%
Total revenue	1,454	1,157	26%	3,483	2,718	28%
Adjusted net profit margin	53%	42%	11 ppts	50%	39%	11 ppts

Statement of financial position review
DEBT

The Company's gross debt decreased to \$3,932 million¹⁷ compared to \$4,160 million as at the end of the second quarter of 2020. In the reporting period, Polyus prepaid several credit facilities in a total amount of \$150 million. The Company's debt maturity profile remains smooth with limited debt maturities outstanding before the end of 2020.

As at 30 September 2020, the Company's cash position stood at \$1,633 million (30 June 2020: \$1,654 million) and its net debt position decreased compared to the previous quarter and amounted to \$2,299 million (30 June 2020: \$2,506 million).

The group's net liabilities under cross-currency and interest rate swaps related to RUB-denominated bank credit facilities and rouble bonds totalled approximately \$420 million as of the end of the third quarter (30 June 2020: net liabilities of \$290 million).

The share of fixed-rate liabilities within the Company's debt portfolio stood at 96% as at the end of the third quarter of 2020.

As of 30 September 2020, the group had a lease liability in the amount of \$70 million, which is discussed further in note 12 of the condensed consolidated interim financial statements.

Debt breakdown by type

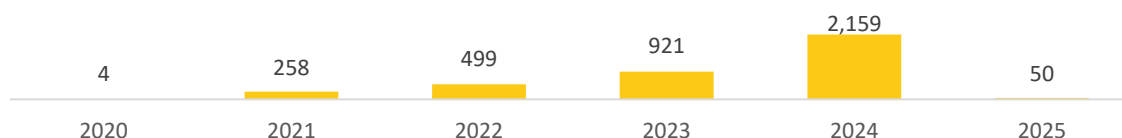
\$ million	30 September 2020	30 June 2020	31 December 2019	30 September 2019
Eurobonds	1,733	1,733	2,408	2,406
Convertible bonds	-	-	194	192
RUB bonds	540	553	536	247
Finance lease	70	74	80	81
Bank loans	1,589	1,800	1,836	2,005
Total	3,932	4,160	5,054	4,931

The group's debt portfolio remains dominated by USD-denominated instruments.

Debt breakdown by currency

	30 September 2020		30 June 2020		31 December 2019		30 September 2019	
	\$ million	% of total	\$ million	% of total	\$ million	% of total	\$ million	% of total
RUB	1,499	38%	1,714	41%	1,945	38%	1,560	32%
USD	2,433	62%	2,446	59%	3,109	62%	3,371	68%
Total	3,932	100%	4,160	100%	5,054	100%	4,931	100%

¹⁷ Including liabilities under cross-currency and interest rate swaps related to RUB-denominated bank credit facilities

Debt maturity schedule (as at 30 September 2020)¹⁸, \$ million

CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

As at 30 September 2020, the group's cash and cash equivalents and bank deposits totalled \$1,633 million, down 1% compared to the end of the second quarter of 2020. The group's cash position is primarily held in USD-denominated instruments. Existing cash balances cover almost all principal debt repayments through 2023.

Cash, cash equivalents, and bank deposits breakdown by currency

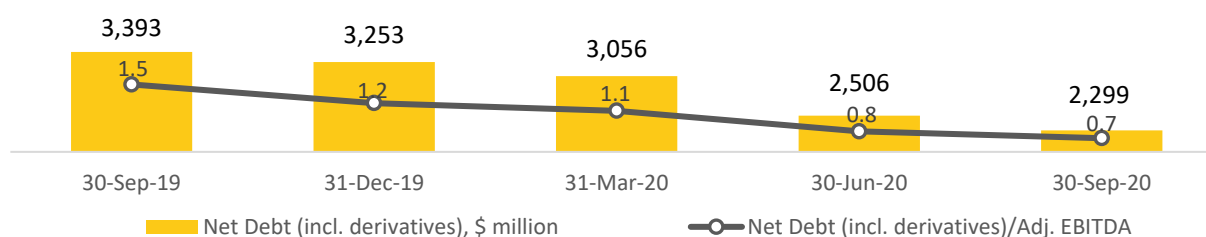
\$ million	30 September 2020	30 June 2020	31 December 2019	30 September 2019
RUB	118	115	142	128
USD	1,515	1,539	1,659	1,410
Total	1,633	1,654	1,801	1,538

NET DEBT

At the end of the third quarter of 2020, the group's net debt amounted to \$2,299 million, down 8% from \$2,506 million at the end of the second quarter of 2020.

Net debt calculation

\$ million	30 September 2020	30 June 2020	31 December 2019	30 September 2019
Non-current borrowings	3,670	4,137	4,351	4,234
+ Current borrowings	262	23	703	697
– Cash and cash equivalents	(1,633)	(1,654)	(1,801)	(1,538)
Net debt	2,299	2,506	3,253	3,393

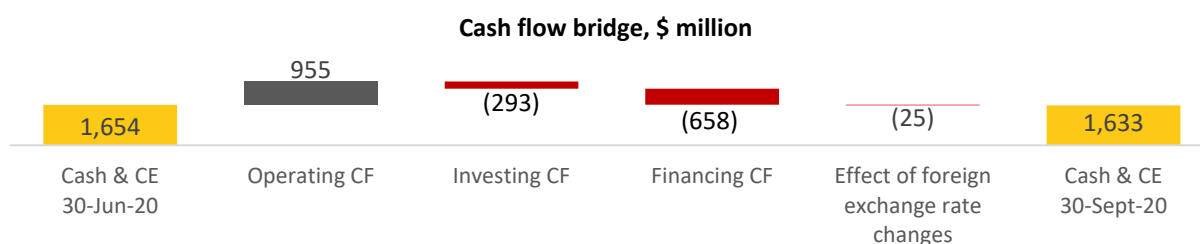
Net debt and net debt/adjusted EBITDA (last 12 months)¹⁹ ratio


The net debt/adjusted EBITDA ratio decreased to 0.7x compared to the end of the second quarter 2020, reflecting a decrease in the net debt and growth in adjusted EBITDA (last 12 months) in the reporting period

¹⁸ The breakdown is based on actual maturities and excludes \$23 million of banking commissions and lease liabilities recognised under IFRS 16 as of 30 September 2020 in amount of \$64 million (the remaining \$6 million of the total amount of lease liabilities of \$70 million presented in the Note 19 and included in the bridge).

¹⁹ Net debt to Adjusted EBITDA ratio is calculated as net debt as of the end of the relevant period divided by Adjusted EBITDA for the relevant period. For the purpose of the net debt to Adjusted EBITDA ratio as of 30 September 2020, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 September 2020 (being Adjusted EBITDA for 2019 less Adjusted EBITDA for the nine months ended 30 September 2019 plus Adjusted EBITDA for the nine months ended 30 September 2020). For the purpose of the net debt to Adjusted EBITDA ratio as of 30 June 2020, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 June 2020 (being Adjusted EBITDA for 2019 less Adjusted EBITDA for the six months ended 30 June 2019 plus Adjusted EBITDA for the six months ended 30 June 2020). For the purpose of the net debt to Adjusted EBITDA ratio as of 31 March 2020, Adjusted EBITDA is calculated as the trailing twelve months ended on 31 March 2020 (being Adjusted EBITDA for 2019 less Adjusted EBITDA for the three months ended 31 March 2019 plus Adjusted EBITDA for the three months ended 31 March 2020). For the purpose of the net debt to Adjusted EBITDA ratio as of 30 September 2019, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 September 2019 (being Adjusted EBITDA for 2018 less Adjusted EBITDA for the nine months ended 30 September 2018 plus Adjusted EBITDA for the nine months ended 30 September 2019).

Statement of cash flows review



In the third quarter, net cash generated from operations was \$955 million, compared to \$652 million in the second quarter, due to higher sales volumes and average gold sales price in the reporting period. Net cash utilised in investing activities increased to \$293 million compared to \$162 million in the previous quarter, due to acceleration of the buy-out of the LLC “RT Business Development” participation interest in SL Gold for the total amount of \$128 million. Net cash utilised in financing activities totalled \$658 million, representing the repayment of certain borrowings and dividend payments for the second half of 2019.

OPERATING CASH FLOW

In the third quarter, the group generated operational cash inflow of \$955 million, which was positively impacted by a working capital inflow of \$16 million. This figure primarily reflects an increase in payables related to accumulation of fuel and reagents stocks in the reporting period and the write-off of the deferred expenses at Alluvials due to the active phase of the washing season. However, this was partially offset by an inventory accumulation of ore stockpiles across hard rock deposits, as well as an increase in trade receivables related to sales of antimony-rich flotation concentrate.

INVESTING CASH FLOW

In the third quarter of 2020, capital expenditures remained broadly flat compared to the previous quarter, at \$130 million.

At Olimpiada, capital expenditures in the third quarter amounted to \$32 million, remaining flat compared to the second quarter. During the reporting period, Polyus procured two drill rigs for the Vostochnyi pit and delivered a new SAG-mill to Mill-3. The Company expects to replace the existing SAG-mill at Mill-3 in the fourth quarter of 2020. Over the course of the third quarter, Polyus continued with the refurbishment of BIO tanks at BIO-3 and conducted the retrofitting of two BIO tanks at BIO-2 into agitation tanks.

At Blagodatnoye, capital expenditures increased to \$14 million compared to \$6 million in the previous quarter, as the Company continued to upgrade its mining fleet. During the third quarter, Polyus paid in advance for the delivery of WK-20 excavator and other bulk mining equipment. In addition, the Company commenced the active phase of exploration drilling activities at the South-Eastern part of the pit.

Capital expenditures at Natalka decreased to \$23 million, down 18%, due to the active phase of the dams construction in the previous quarter. Polyus is progressing with construction activities at the operation’s main tailings storage facility, which is expected to be commissioned by the end of 2020.

The Company is progressing with a number of operational initiatives targeting further recovery improvement. During the reporting period, the Company installed the second flash flotation unit and completed the introduction of three CIL columns (out of eight) and is currently calibrating the optimal processing parameters. The Company targets the full scale commissioning of the flash flotation circuit at the Natalka Mill by the end of 2020.

At Verninskoye, capital expenditures increased to \$21 million in the third quarter compared to \$14 million in the previous quarter, due to the procurement of the additional ball mill to expand the capacity of the Verninskoye Mill to 3.5 mtpa.

At Kuranakh, capital expenditures remained broadly flat compared to the previous quarter. During the third quarter the Company proceeded with construction activities for the second heap leaching pad and the reconstruction of the tailings storage facility.

At Alluvials, capital expenditures amounted to \$4 million in the third quarter and consisted of the ongoing replacement of worn-out equipment, as well as exploration activity.

IT-related capital expenditures amounted to \$7 million, remaining flat throughout 2020. The Company continues to implement its ERP programme and other IT-related projects.

Capital expenditures at Sukhoi Log totalled \$11 million. The Company completed a comprehensive internal review of the Pre-Feasibility Study (“PFS”) and provided an overview of the key highlights. The PFS has identified the preferred development approach, confirming the economic viability of Sukhoi Log, in addition to selecting key areas of the project for further in-depth analysis.

The Company is proceeding with a drilling campaign. In the third quarter, Polyus completed its in-fill drilling programme for 2020 with 35,200 meters drilled, compared to the 30,000 meters initially planned. This will allow the Company to better define the gold mineralisation within the future pit area, where Polyus expects to carry out mining activities during the first years of Sukhoi Log’s operations. The Company is also proceeding with further geotechnical drilling (1,700 meters drilled in the third quarter of 2020 out of 3,000 meters planned for 2020). The results of this drilling programme will be used in future studies. In the reporting period, the Company also proceeded with additional drilling at Sukhoi Log’s flanks and deep levels.

Capex breakdown²⁰

\$ million	3Q 2020	2Q 2020	Q-o-Q	9M 2020	9M 2019	Y-o-Y
Olimpiada	32	33	(3%)	90	98	(8%)
Blagodatnoe	14	6	N.A.	28	27	4%
Natalka	23	28	(18%)	89	108	(18%)
Verninskoye	21	14	50%	51	37	38%
Alluvials	4	5	(20%)	13	16	(19%)
Kuranakh	8	9	(11%)	23	24	(4%)
Sukhoi Log	11	6	83%	21	21	0%
IT capex	7	7	0%	20	31	(35%)
Other ²¹	10	19	(47%)	46	48	(4%)
CAPEX	130	127	2%	381	410	(7%)
Omchak electricity transmitting line	9	10	(10%)	27	18	50%
Items capitalised ²² , net	35	28	25%	89	126	(29%)
Change in working capital for purchase of property, plant and equipment	(5)	1	N.A.	24	7	N.A.
Purchase of PP&E²³	169	166	2%	521	561	(7%)

In the third quarter of 2020, the total cash amount spent on the purchase of PP&E increased to \$169 million, compared to \$166 million in the previous quarter.

Following the completion of construction and receiving permits from state regulators, Natalka was connected to a new 220 kV power grid, Ust’- Omchug – Omchak. The total construction capex (excluding VAT) amounted to approximately RUB 10 bln (ca. \$126 mln). Approximately RUB 6.5 bln (ca. \$83 mln) out of the total capex spending is attributable to state subsidies, received by the Company in 2016-2019.

The new line provides additional energy transmission capacity, improving the reliability of low-cost renewable power supply in the region.

²⁰ The capex above presents the capital construction-in-progress unit as allocated to other business units, whilst in the consolidated financial statements capital construction-in-progress is presented as a separate business unit.

²¹ Reflects expenses related to exploration business unit, IT projects and construction of Razdolinskaya-Taiga, Peleduy-Mamakan grid lines.

²² Including capitalised stripping costs net of capitalised interest on loans and capitalised within capital construction-in-progress. For more details see Note 11 of the condensed consolidated interim financial statements.

²³ Presented net of the Sukhoi Log deposit license acquisition cost and payments to Rostec.

In the third quarter of 2020, Polyus exercised its right to accelerate the buy-out of the LLC “RT Business Development” participation interest in SL Gold, the holder of the Sukhoi Log deposit license, increasing its participation interest from 78% to 100% for a total consideration of approximately \$128.2 million.

Other investing activities in the third quarter reflect \$4 million of interest received.

FINANCING CASH FLOW

In the third quarter of 2020, net financing cash outflow totalled \$658 million compared to \$727 million of cash outflow in the prior period. This mainly reflects the payment of \$431 million of dividends for the second half of 2019 and repayment of \$150 million bank loans in advance of maturity.

DIVIDEND UPDATE

In September, the Board of Directors of PJSC Polyus recommended dividends for the first six months ended 30 June 2020 in the amount of 240.18 Russian roubles per ordinary share. The dividend amount is equivalent to approximately \$3.01 per ordinary share, or \$1.51 per depositary share (with two depositary shares representing interest in one ordinary share)²⁴.

The total recommended dividend payout for the first half of 2020 amounts to approximately \$410 million³, in line with the Company’s dividend policy. The dividend has been approved by the Company’s Extraordinary General Shareholders’ Meeting on 30 September 2020. The dividend record date was on 20 October 2020.

Outlook

TCC GUIDANCE

Polyus adjusts its TCC guidance for 2020 downwards, based on the Company’s operational performance for the nine months of 2020, with total cash costs now expected to stay within the range of \$375-\$425 per ounce for the full year 2020, compared to the previous estimate of \$400-\$450 per ounce. Polyus continues to apply the foreign exchange rate assumption of 60 rouble per dollar for TCC guidance calculation.

COVID-19 UPDATE

Strict protective measures and safety protocols remain in place across all the Company operations. These include special access control arrangements requiring all rotational employees to be tested for COVID-19 and quarantined in observation facilities prior to their transfer to Polyus’ sites. Besides that, the Company has introduced antibody blood testing of employees going to production sites (those with a sufficient amount of antibodies can enter production sites through a simplified procedure). In total, since the beginning of the pandemic Polyus has conducted 131 thousand COVID-19 tests and donated medical equipment to local hospitals in the regions of operations. Use of personal protective equipment is mandatory. All communal areas are regularly disinfected, and all employees working both at offices and production sites are subject to regular testing. In addition, the Company is carrying out daily temperature checks for all Polyus and contractor employees.

During the first nine months of 2020, the Company allocated \$106 million to measures aimed at preventing the spread of the COVID-19 pandemic. Out of the total amount the Company incurred \$72 million was recorded as part of Cost of gold sales (additional staff expenses related to extended working shifts) and Other expenses (COVID-19 test kits, medical services and support to regional hospitals) in amount of \$34 million and \$38 million, respectively. The remaining \$34 million was attributable to in-progress inventory and capitalised as part of property, plant and equipment in the Statement of Financial position. The expenses associated with COVID-19 and recognised as part of Cost of gold sales were excluded from both

²⁴ Based on the currency exchange rate of the Central Bank of Russia of 79.6845 Russian roubles per 1 U.S. dollar as of 30 September 2020. For additional information on dividends, see Note 18 and Note 29 of the condensed consolidated interim financial statements.

TCC and AISC calculations. At the same time, all P&L expenses related to COVID-19, in the amount of \$72 million were excluded from the adjusted EBITDA calculation, respectively.

CONSOLIDATION OF LENZOLOTO ASSETS

Polyus is proceeding with a transaction to consolidate 100% JSC GMC Lenzoloto (“GMC Lenzoloto”), which controls operational alluvial companies. Over the course of the transaction, the minority shareholders of PJSC Lenzoloto (“LNZL”) will be able to tender both ordinary and preferred shares of LNZL and apply for either (1) conversion of LNZL ordinary and preferred shares into Polyus ordinary shares, (2) cash settlement at the market value determined by the independent appraiser, or (3) a combination of the two options. The transaction provides an opportunity to LNZL minority shareholders for access to a liquid equity instrument, granting them with an option to convert their shares in LNZL into Polyus shares, as well as to streamline Polyus’s corporate structure and reduce administrative costs at Lenzoloto.

The transaction was approved by more than 50% of LNZL minority holders of ordinary shares participating in the shareholders meeting. LNZL shareholders who voted against the transaction may tender their ordinary shares to LNZL at the value determined by the independent appraiser. The amount that can be spent by LNZL on such redemption may not exceed 10% of LNZL’s net assets value.

Following completion of the tender, LNZL will distribute any remaining amount of cash on its balance sheet (less cash reserved for maintenance of the legal structure), in the form of dividend in 2021. Subsequently, LNZL may be liquidated, subject to receipt of all necessary corporate approvals.

Going concern

The financial position of the group, its cash flows, liquidity position, and borrowing facilities are set out in this MD&A on pages 17 to 21. As of 30 September 2020 the group held \$1,633 million in cash and cash equivalents and bank deposits and had a net debt of \$2,299 million, with \$1,152 million of undrawn but committed credit facilities, subject to covenant compliance. Details on borrowings and credit facilities are disclosed in note 19 to the condensed consolidated interim financial statements. In assessing its going-concern status, the directors have considered the uncertainties affecting future cash flows and have taken into account its financial position, anticipated future trading performance, borrowings, and other available credit facilities, as well as its forecast compliance with the covenants on those borrowings and its capital expenditure commitments and plans. In the event of certain reasonably possible adverse pricing and forex scenarios and the risks and uncertainties below, management has within its control the option of deferring uncommitted capital expenditure, or managing the dividend payment profile to maintain the group's funding position.

Having examined all the scenarios, the Directors concluded that no covenants will be breached in any of these adverse pricing scenarios for at least the next 12 months from the date of signing the consolidated financial statements. Accordingly, the Board is satisfied that the group's forecasts and projections, having taken into account reasonably possible changes in trading performance, show that the group has adequate resources to continue in operational existence for at least the next 12 months from the date of signing the consolidated financial statements.

Risks and uncertainties

The group's activities are associated with a variety of risks that could affect its operational and financial results and, consequently, shareholder returns. Successful risk management requires, among other things, identifying and assessing potential threats and developing measures to mitigate them.

The group's financial results depend largely on gold prices. The gold market follows cyclical patterns and is sensitive to general macroeconomic trends. The group constantly monitors the gold market, implements cost optimisation measures and reviews its investment program.

Starting from March 2014, a number of sanction packages have been imposed by the United States ("US") and the European Union ("EU") on certain Russian officials, businessmen and companies. The impact of further economic developments on future operations and financial position of the group is at this stage difficult to determine.

The Directors do not believe that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2019. Detailed explanation of the risks summarized below, together with the group's risk mitigation plans, can be found on pages 32 to 37 of the 2019 Annual Report which is available at http://www.polyus.com/upload/iblock/84d/polyus_ar19_eng.pdf

The health and safety of our employees remains the group's utmost focus. The group continues to monitor the COVID-19 threat level and assess the potential health risks for its employees, with all monitoring systems in place. For additional comments on operating environment, see note 26 of the condensed consolidated interim financial statements.

The group's activities expose it to a variety of financial risks, which are summarised below. The group uses derivative financial instruments to reduce exposure to foreign exchange and interest rate movements. The Board of Directors is responsible for overseeing the group's risk management framework.

Foreign exchange risk

As stated on page 8, the group's revenue is linked to the USD, as the gold price is quoted in this currency. Thus the group's strategy is to have mostly USD-denominated debt and to keep its cash and deposits in USD. As of 30 September 2020, 93% of the cash and cash equivalents and bank deposits of the group were in USD – see page 18 of this MD&A for a detailed description. As part of this strategy, the group entered into a number of cross-currency swaps with leading Russian banks economically to hedge interest payments and the exchange of the principal amounts (see page 16).

Interest rate risk

The group is exposed to interest rate risk, as 4% of the group's debt portfolio is made up of USD floating rate borrowings. Fluctuations in interest rates may affect the group's financial results.

Inflation risk

As stated on page 9, the group's earnings are exposed to inflationary trends in Russia, and inflation negatively impacts the group's earnings, increasing future operating costs. To mitigate rouble inflation risk, the group estimates possible inflation levels and incorporates them into its cost planning; it has implemented cost reduction initiatives at its operations, and its treasury team is responsible for ensuring that the majority of cash and cash equivalents are held in USD.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To Shareholders and Board of Directors of Public Joint Stock Company "Polyus":

Introduction

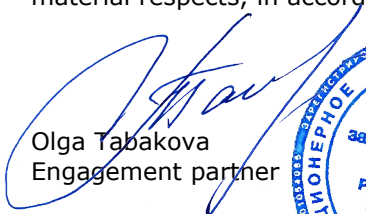
We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC "Polyus" and its subsidiaries (the "group") as at 30 September 2020, the related condensed consolidated interim statements of profit or loss, other comprehensive income for the three and nine months then ended, condensed consolidated interim statements of changes in equity and cash flows for the three and nine months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements is not prepared in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.


Olga Tabakova
Engagement partner

12 November 2020



The Entity: Public Joint Stock Company "Polyus"

Primary State Registration Number: 1068400002990

Certificate of registration in the Unified State Register № 84 000060259 of 17 March 2006, issued by Interdistrict Inspectorate of Federal Tax Authorities №2 of Krasnoyarsk territory, Taimyr (Dolgan-Nenetsk) and Evenki autonomous okrugs

Address: 123056, Russian Federation, Moscow, Krasina, 3/1, office 801.

Audit Firm: AO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulatory organization of auditors Association "Sodruzhestvo", ORNZ 12006020384.

PJSC “Polyus”

Condensed consolidated interim financial statements

*for the three and nine months ended
30 September 2020 (unaudited)*

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED) (in millions of US Dollars)

		Three months ended 30 September		Nine months ended 30 September	
	Notes	2020	2019	2020	2019
Gold sales	5	1,444	1,061	3,453	2,688
Other sales		10	9	30	30
Total revenue		1,454	1,070	3,483	2,718
Cost of gold sales	6	(386)	(388)	(993)	(990)
Cost of other sales		(7)	(7)	(25)	(24)
Gross profit		1,061	675	2,465	1,704
Selling, general and administrative expenses	7	(83)	(76)	(245)	(204)
Other expenses, net		(30)	(9)	(89)	(8)
Operating profit		948	590	2,131	1,492
Finance costs, net	8	(59)	(64)	(186)	(191)
Interest income		4	11	19	33
Loss on revaluation of derivative financial instruments, net	9	(178)	(105)	(639)	(17)
Foreign exchange (loss) / gain, net		(77)	(52)	(290)	200
Profit before income tax		638	380	1,035	1,517
Income tax expense		(122)	(80)	(224)	(270)
Profit for the period		516	300	811	1,247
Profit for the period attributable to:					
Shareholders of the Company		482	284	759	1,233
Non-controlling interests		34	16	52	14
		516	300	811	1,247
Weighted average number of ordinary shares '000					
- for basic earnings per share	18	134,261	133,196	133,894	132,957
- for dilutive earnings per share	18	134,621	133,551	134,367	133,179
Earnings per share (US Dollar per share)					
- basic		3.59	2.13	5.67	9.27
- dilutive		3.58	2.13	5.65	9.26

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

(in millions of US Dollars)

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Profit for the period	516	300	811	1,247
Other comprehensive (loss) / income for the period				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Effect of translation to presentation currency	(292)	(28)	(475)	41
Other comprehensive (loss) / income for the period	(292)	(28)	(475)	41
Total comprehensive income for the period	224	272	336	1,288
Total comprehensive income for the period attributable to:				
Shareholders of the Company	205	258	312	1,267
Non-controlling interests	19	14	24	21
	224	272	336	1,288

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2020 (UNAUDITED) (in millions of US Dollars)

	Notes	30 Sep. 2020	31 Dec. 2019
Assets			
Non-current assets			
Intangible assets	10	109	123
Property, plant and equipment	11	3,765	4,680
Inventories	13	454	431
Deferred tax assets		102	134
Derivative financial instruments	14	21	98
Other receivables		22	30
Other non-current assets		3	6
		4,476	5,502
Current assets			
Inventories	13	626	659
Deferred expenditure		17	17
Derivative financial instruments	14	-	1
Advances paid to suppliers and prepaid expenses		30	26
Trade and other receivables	15	86	197
Taxes receivable	16	87	111
Income tax prepaid		5	13
Cash and cash equivalents	17	1,633	1,801
		2,484	2,825
Total assets		6,960	8,327
Equity and liabilities			
Capital and reserves			
Share capital	18	5	5
Additional paid-in capital	18	2,814	2,049
Treasury shares	18	(436)	(103)
Translation reserve		(3,182)	(2,727)
Retained earnings		2,459	2,586
Equity attributable to shareholders of the Company		1,660	1,810
Non-controlling interests		126	103
		1,786	1,913
Non-current liabilities			
Borrowings	19	3,303	4,382
Derivative financial instruments	14	388	130
Deferred revenue	20	95	126
Deferred consideration	21	-	119
Deferred tax liabilities		216	308
Site restoration, decommissioning and environmental obligations		54	64
Other non-current liabilities		46	32
		4,102	5,161
Current liabilities			
Borrowings	19	209	704
Derivative financial instruments	14	53	7
Deferred consideration	21	-	57
Trade and other payables	22	698	355
Taxes payable	23	81	81
Income tax payable		31	49
		1,072	1,253
Total liabilities		5,174	6,414
Total equity and liabilities		6,960	8,327

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

(in millions of US Dollars)

Notes	Number of outstanding shares '000	Equity attributable to shareholders of the Company						Non- controlling interests	Total
		Share capital	Additional paid-in capital	Treasury shares	Translation reserve	Retained earnings	Total		
Balance at 31 December 2018	132,339	5	1,949	(67)	(2,824)	1,300	363	87	450
Profit for the period	-	-	-	-	-	1,233	1,233	14	1,247
Other comprehensive income	-	-	-	-	34	-	34	7	41
Total comprehensive income	-	-	-	-	34	1,233	1,267	21	1,288
Equity-settled share-based compensation (LTIP), net of tax	-	-	16	-	-	-	16	-	16
Shares awarded for LTIP	487	-	(18)	27	-	(12)	(3)	-	(3)
Purchase of additional ownership in SL Gold (payable in treasury shares)	370	-	6	20	3	-	29	-	29
Dividends declared to shareholders of non-controlling interests	-	-	-	-	-	-	-	(3)	(3)
Dividends declared to shareholders of the Company	-	-	-	-	-	(633)	(633)	-	(633)
Balance at 30 September 2019	133,196	5	1,953	(20)	(2,787)	1,888	1,039	105	1,144
Balance at 31 December 2019	133,196	5	2,049	(103)	(2,727)	2,586	1,810	103	1,913
Profit for the period	-	-	-	-	-	759	759	52	811
Other comprehensive loss	-	-	-	-	(447)	-	(447)	(28)	(475)
Total comprehensive income / (loss)	-	-	-	-	(447)	759	312	24	336
Equity-settled share-based compensation (LTIP), net of tax	18	-	20	-	-	-	20	-	20
Execution of conversion option by bondholders	19	-	317	43	(3)	-	357	-	357
Shares awarded for LTIP	18	-	(13)	36	(5)	(24)	(6)	-	(6)
Purchase of additional ownership in SL Gold	21	-	5	24	-	6	35	(6)	29
Issue of treasury shares to a subsidiary	18	-	436	(436)	-	-	-	-	-
Change of ownership in subsidiaries	28	-	-	-	-	(6)	(6)	6	-
Dividends declared to shareholders of non-controlling interests	-	-	-	-	-	-	-	(1)	(1)
Dividends declared to shareholders of the Company	18	-	-	-	-	(855)	(855)	-	(855)
Other	18	-	-	-	-	(7)	(7)	-	(7)
Balance at 30 September 2020	134,261	5	2,814	(436)	(3,182)	2,459	1,660	126	1,786

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED) (in millions of US Dollars)

		Three months ended 30 September		Nine months ended 30 September	
	Notes	2020	2019	2020	2019
Operating activities					
Profit before income tax		638	380	1,035	1,517
Adjustments for:					
Finance costs, net	8	59	64	186	191
Interest income		(4)	(11)	(19)	(33)
Loss on revaluation of derivative financial instruments, net	9	178	105	639	17
Depreciation and amortisation expense		93	95	253	262
Foreign exchange loss / (gain), net		77	52	290	(200)
Other		5	23	24	42
		1,046	708	2,408	1,796
Movements in working capital					
Inventories		(66)	(44)	(182)	(160)
Deferred expenditure		20	19	(5)	(4)
Trade and other receivables		(19)	(15)	89	-
Advances paid to suppliers and prepaid expenses		26	(1)	(11)	(12)
Taxes receivable		(15)	(1)	(8)	(10)
Trade and other payables and accrued expenses		41	6	68	26
Taxes payable		29	3	44	(3)
Cash flows from operations		1,062	675	2,403	1,633
Income tax paid		(107)	(72)	(252)	(141)
Net cash generated from operating activities		955	603	2,151	1,492
Investing activities¹					
Purchase of property, plant and equipment (excluding purchase of additional ownership in LLC SL Gold and construction of the Omchak high-voltage power grid)		(160)	(208)	(493)	(543)
Purchase of additional ownership in LLC SL Gold	21	(128)	-	(156)	(28)
Payments for the Omchak high voltage power grid	5	(9)	(5)	(27)	(18)
Interest received		4	11	19	33
Other		-	1	-	2
Net cash utilised in investing activities		(293)	(201)	(657)	(554)
Financing activities¹					
Proceeds from borrowings		-	-	112	989
Repayment of borrowings		(154)	(1)	(1,065)	(254)
Interest paid		(76)	(84)	(211)	(221)
Commissions on borrowings paid		-	-	(4)	(5)
Payments on initial exchange of principal amounts under cross currency swaps		-	-	-	(27)
Payments on expiration of cross-currency swaps		-	-	-	(472)
Repayments of lease liability		(4)	(4)	(12)	(11)
Net proceeds on exchange of interest payments under cross currency swaps	8	8	16	24	29
Net proceeds on exchange of interest payments under interest rate swaps	8	(1)	-	(1)	1
Payments for close out of revenue stabilizer programme	14	-	(30)	(32)	(30)
Dividends paid to shareholders of the Company	18	(430)	(1)	(430)	(296)
Dividends paid to shareholders of non-controlling interests		(1)	(3)	(1)	(3)
Net cash utilised in financing activities		(658)	(107)	(1,620)	(300)
Net increase / (decrease) in cash and cash equivalents		4	295	(126)	638
Cash and cash equivalents at the beginning of the period	17	1,654	1,249	1,801	896
Effect of foreign exchange rate changes on cash and cash equivalents		(25)	(6)	(42)	4
Cash and cash equivalents at the end of the period	17	1,633	1,538	1,633	1,538

¹ Significant non-cash transactions relating to investing (right-of-use assets recognition, LTIP and deferred consideration payments in treasury shares) and financing activities (lease liabilities recognition) are disclosed in the notes 12, 18 and 21 to these condensed consolidated interim financial statements, respectively.

PJSC “POLYUS”

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

(in millions of US Dollars)

1. GENERAL

Public Joint Stock Company Polyus (the “Company” or “Polyus”) was incorporated in Moscow, Russian Federation, on 17 March 2006.

The principal activities of the Company and its controlled entities (the “group”) are the extraction, refining and sale of gold. The mining and processing facilities of the group are located in the Krasnoyarsk, Irkutsk, Magadan regions and the Sakha Republic of the Russian Federation. The group also performs research and exploration works. Further details regarding the nature of the business of the significant subsidiaries of the group are presented in note 28.

The shares of the Company are “level one” listed on the Moscow Exchange. Global depository shares (“GDSs”) each representing interest in 1/2 of ordinary share in the Company are traded on the main market for listed securities of the London Stock Exchange plc (“LSE”). The controlling shareholder of the Company is Polyus Gold International Limited (“PGIL”), a company registered in Jersey. The most senior parent of the Company is Wandle Holdings Limited, a company registered in Cyprus. As of 30 September 2020 and 31 December 2019, the ultimate controlling party of the Company was Mr. Said Kerimov.

2. BASIS OF PREPARATION AND PRESENTATION

2.1. Going concern

In assessing the appropriateness of the going concern assumption, the Directors have taken account of the group’s financial position, expected future trading performance, its borrowings, available credit facilities and its capital expenditure commitments, expectations of the future gold price, currency exchange rates and other risks facing the group. After making appropriate enquiries, the Directors consider that the group has adequate resources to continue in operational existence for at least the next 12 months from the date of signing these condensed consolidated interim financial statements and that it is appropriate to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

2.2. Compliance with the International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”). Accordingly, the condensed consolidated interim financial statements do not include all information and disclosures required for a complete set of financial statements, and should be read in conjunction with the group’s consolidated financial statements for the year ended 31 December 2019.

2.3. Basis of presentation

The entities of the group maintain their accounting records in accordance with the laws, accounting and reporting regulations of the jurisdiction in which they are incorporated and registered. The accounting principles and financial reporting procedures in these jurisdictions may differ substantially from those generally accepted under IFRS. Accordingly, such financial information has been adjusted to ensure that the condensed consolidated interim financial statements are presented in accordance with IFRS.

The condensed consolidated interim financial statements of the group are prepared on the historical cost basis, except for derivative financial instruments and certain trade receivables, which are accounted for at fair value.

PJSC “POLYUS”

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED) (in millions of US Dollars)

2.4. IFRS standards first time applied in 2020

The following is a list of new or amended IFRS standards and interpretations that have been applied by the group in these condensed consolidated interim financial statements:

Title	Subject	Effective for annual periods beginning on or after	Effect on the condensed consolidated interim financial statements
Amendment IFRS 3	Business combinations	1 January 2020	No effect
Amendments IAS 1 and IAS 8	Definition of material	1 January 2020	No effect
Amendments to References to the Conceptual Framework in IFRS Standards	Updates of references to or from the Conceptual Frameworks to the IFRS standards	1 January 2020	No effect
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	Identification of interest rate in hedge accounting	1 January 2020	No effect

2.5. IFRS standards to be applied after 2020

The following standards and interpretations, which have not been applied in these condensed consolidated interim financial statements, were in issue but not yet effective:

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the condensed consolidated interim financial statements
Amendment to IFRS 16	Covid-19-related rent concessions	1 June 2020	No effect
IFRS 17	Insurance contracts	1 January 2023	No effect
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023	No effect

3. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial statements as were applied in the group's audited consolidated financial statements for the year ended 31 December 2019.

IAS 34 requires calculation of income tax benefit/expense for interim reporting periods to be based on the expected annual effective income tax rate. Non-taxable / (non-deductible) gains / (losses) on revaluation of certain *Derivative financial instruments* and foreign exchange revaluation of *Deferred consideration* liability as well as certain other items of less predictable nature are excluded from determining the expected annual effective income tax rate, which may result in significant variations of effective income tax rate between different interim periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgements, estimates and assumptions made by management of the group and applied in the accompanying condensed consolidated interim financial statements for the three and nine months ended 30 September 2020 are consistent with those applied in the preparation of the consolidated financial statements of the group for the year ended 31 December 2019.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)**
(in millions of US Dollars)

5. SEGMENT INFORMATION

For management purposes the group is organised by separate business segments identified on a combination of operating activities and geographical area bases with separate financial information available and reported regularly to the chief operating decision maker (“CODM”).

The following is a description of operations of the group’s identified reportable segments and those that do not meet the quantitative reporting threshold for reporting:

- **Olimpiada business unit** (Krasnoyarsk region of the Russian Federation) – mining (including initial processing) and sale of gold from the Olimpiada mine, as well as research, exploration and development work at the Olimpiada deposit.
- **Blagodatnoye business unit** (Krasnoyarsk region of the Russian Federation) – mining (including initial processing) and sale of gold from the Blagodatnoye mine, as well as research, exploration and development work at the Blagodatnoye deposit.
- **Natalka business unit** (Magadan region of the Russian Federation) – mining (including initial processing) and sale of gold from the Natalka mine, as well as research, exploration and development work at the Natalka deposit. Construction of the Omchak high-voltage power grid is not included within this segment, as it is funded by a government grant (note 20).
- **Verninskoye business unit** (Irkutsk region of the Russian Federation) – mining (including initial processing) and sale of gold from the Verninskoye mine, research, exploration and development works at the Smezhny and Medvezhy Zapadny deposits.
- **Kuranakh business unit** (Sakha Republic of the Russian Federation) – mining (including initial processing) and sale of gold from the Kuranakh mines.
- **Alluvials business unit** (Irkutsk region of the Russian Federation) – mining (including initial processing) and sale of gold from several alluvial deposits.
- **Exploration business unit** (Krasnoyarsk, Irkutsk, Amur and other regions of the Russian Federation) – exploration and evaluation works in several regions of the Russian Federation other than those related to Sukhoi Log deposit.
- **Sukhoi Log business unit** (Irkutsk region of the Russian Federation) – exploration and evaluation works at the Sukhoi Log deposit.
- **Unallocated** – the group does not allocate segment results of companies that perform management, investing activities and certain other functions. Neither standalone results nor the aggregated results of these companies are significant enough to be disclosed as operating segments because quantitative thresholds are not met.

The reportable gold production segments derive their revenue primarily from gold sales. The CODM performs an analysis of the operating results based on these separate business units and evaluates the reporting segment’s results, for purposes of resource allocation, based on the measurements of:

- Gold sales;
- Ounces of gold sold, in thousands;
- Adjusted earnings before interest, tax, depreciation and amortisation and other items (Adjusted EBITDA);
- Total cash cost (TCC);
- Total cash cost per ounce of gold sold (TCC per ounce); and
- Capital expenditure.

Business segment assets and liabilities are not reviewed by the CODM and therefore are not disclosed in these condensed consolidated interim financial statements. The group’s non-current assets are located in the Russian Federation.

PJSC “POLYUS”

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

(in millions of US Dollars)

Business units	Gold sales	Ounces of gold sold in thousands ²	Adjusted EBITDA	TCC ²	TCC per ounce (US dollar) ²	Capital expenditure
For the three months ended 30 September 2020						
Olimpiada	592	325	475	91	284	32
Blagodatnoye	226	118	174	42	359	14
Nataika	225	118	174	37	316	23
Verninskoye	130	69	102	22	323	21
Kuranakh	128	67	90	32	485	8
Alluvials	143	75	77	63	837	4
Exploration	-	-	-	-	-	2
Sukhoi Log	-	-	-	-	-	11
Unallocated	-	-	11	(2)	-	15
Total	1,444	772	1,103	285	369	130
For the three months ended 30 September 2019						
Olimpiada	454	319	323	100	317	38
Blagodatnoye	143	96	98	42	438	9
Nataika	148	101	92	43	420	37
Verninskoye	93	64	65	24	377	11
Kuranakh	101	68	61	35	505	10
Alluvials	122	81	53	63	768	5
Exploration	-	-	-	-	-	5
Sukhoi Log	-	-	-	-	-	7
Unallocated	-	-	13	(7)	-	35
Total	1,061	729	705	300	412	157
For the nine months ended 30 September 2020						
Olimpiada	1,438	841	1,097	268	320	90
Blagodatnoye	591	338	446	117	348	28
Nataika	566	323	404	116	360	89
Verninskoye	356	206	271	67	327	51
Kuranakh	307	175	197	90	518	23
Alluvials	195	105	98	85	811	13
Exploration	-	-	-	-	-	9
Sukhoi Log	-	-	-	-	-	21
Unallocated	-	-	39	(15)	-	57
Total	3,453	1,988	2,552	728	366	381
For the nine months ended 30 September 2019						
Olimpiada	1,252	942	899	287	306	98
Blagodatnoye	415	304	277	125	408	27
Nataika	375	273	228	111	405	108
Verninskoye	261	192	176	69	360	37
Kuranakh	224	162	123	84	518	24
Alluvials	161	111	64	86	772	16
Exploration	-	-	-	-	-	8
Sukhoi Log	-	-	-	-	-	21
Unallocated	-	-	30	(17)	-	71
Total	2,688	1,984	1,797	745	376	410

² Unaudited and not reviewed

PJSC “POLYUS”

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED) (in millions of US Dollars)

Adjusted EBITDA reconciles to the IFRS reported figures on a consolidated basis as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Profit before income tax	638	380	1,035	1,517
Finance costs, net (note 8)	59	64	186	191
Expenses related to COVID-19 (note 26)	36	-	72	-
Interest income	(4)	(11)	(19)	(33)
Depreciation and amortisation expense	93	95	253	262
Foreign exchange loss / (gain), net	77	52	290	(200)
Loss on revaluation of derivative financial instruments, net (note 9)	178	105	639	17
Equity-settled share-based plans (LTIP) (note 18)	22	14	65	27
Special charitable contributions	3	4	27	12
Property, plant and equipment impairment	-	2	2	3
Loss on disposal of property, plant and equipment and intangible assets	1	-	2	1
Adjusted EBITDA	1,103	705	2,552	1,797

The measurement of TCC per ounce of gold sold reconciles to the IFRS reported figures on a consolidated basis as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Cost of gold sales before by-product	397	393	1,005	1,007
Antimony by-product sales	(11)	(5)	(12)	(17)
Cost of gold sales (note 6)	386	388	993	990
Adjusted for:				
Depreciation and amortisation (note 6)	(102)	(98)	(313)	(251)
Effect of depreciation, amortisation, accrual and provisions in inventory change	16	10	82	6
Expenses related to COVID-19 in cost of gold sales	(15)	-	(34)	-
TCC³	285	300	728	745
Ounces of gold sold, in thousands ³	772	729	1,988	1,984
TCC per ounce of gold sold, USD per ounce³	369	412	366	376

Gold sales

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Refined gold	1,337	963	3,299	2,506
Gold in flotation concentrate	107	98	154	182
Total	1,444	1,061	3,453	2,688

Gold sales reported above represent revenue generated from external customers. There were no inter-segment gold sales during the three and nine months ended 30 September 2020 and 2019.

Gold sales in the Alluvial business unit are more heavily weighted towards the second half of the calendar year, with all annual sales usually occurring from May until October.

Reconciliation of capital expenditure to the property plant and equipment additions (note 11) is presented below:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Capital expenditure	130	157	381	410
Construction of the Omchak high-voltage power grid	9	5	27	18
Stripping activity assets additions (note 11)	43	59	145	185
Less: intangible and other non-current assets additions	(10)	(14)	(26)	(27)
Property plant and equipment additions (note 11)	172	207	527	586

³ Unaudited and not reviewed

PJSC “POLYUS”

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

(in millions of US Dollars)

6. COST OF GOLD SALES

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Depreciation and amortisation	102	98	313	251
Employee compensation	108	99	290	254
Consumables and spares	80	91	223	231
Tax on mining	71	54	169	135
Fuel	30	35	92	94
Power	15	15	46	43
Other	39	33	102	73
Total cost of production	445	425	1,235	1,081
Increase in stockpiles, gold-in-process and refined gold inventories	(59)	(37)	(242)	(91)
Total	386	388	993	990

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Employee compensation	59	53	181	135
Depreciation and amortisation	5	5	17	15
Taxes other than mining and income taxes	4	5	14	14
Distribution expenses related to gold flotation concentrate	5	5	9	14
Professional services	5	3	9	7
Other	5	5	15	19
Total	83	76	245	204

8. FINANCE COSTS, NET

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Interest on borrowings	50	75	182	216
Interest on lease liabilities	1	1	3	3
Gain on exchange of interest payments under cross currency swaps	(8)	(16)	(24)	(29)
Loss / (gain) on exchange of interest payments under interest rate swaps	1	-	1	(1)
Unwinding of discounts	4	4	9	11
Bank commission and write-off of unamortised debt cost due to early extinguishment	6	-	10	1
Loss on early redemption of deferred consideration (note 21)	5	-	5	-
Gain on debt modification	-	-	-	(10)
Total	59	64	186	191

9. LOSS ON REVALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS, NET

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Revaluation (loss) / gain on cross currency swaps	(178)	(48)	(497)	62
Revaluation loss on revenue stabiliser (note 14)	-	(14)	(29)	(11)
Revaluation loss on interest rate swaps	-	(2)	(8)	(8)
Revaluation loss on conversion option (note 19)	-	(41)	(105)	(60)
Total	(178)	(105)	(639)	(17)

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10. INTANGIBLE ASSETS

	Internally-generated software	Purchased software	Internally-generated other	Total
Cost	47	16	19	82
Accumulated amortisation and impairment	(4)	(4)	(1)	(9)
Net book value at 31 December 2018	43	12	18	73
Additions	18	6	4	28
Amortisation charge	(3)	(4)	(1)	(8)
Effect of translation to presentation currency	3	1	1	5
Cost	69	23	25	117
Accumulated amortisation and impairment	(8)	(8)	(3)	(19)
Net book value at 30 September 2019	61	15	22	98
Cost	85	28	30	143
Accumulated amortisation and impairment	(9)	(8)	(3)	(20)
Net book value at 31 December 2019	76	20	27	123
Additions	17	3	4	24
Reclassification	-	1	-	1
Amortisation charge	(3)	(5)	(1)	(9)
Effect of translation to presentation currency	(19)	(4)	(7)	(30)
Cost	80	24	29	133
Accumulated amortisation and impairment	(10)	(9)	(5)	(24)
Net book value at 30 September 2020	70	15	24	109

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11. PROPERTY, PLANT AND EQUIPMENT

	Fixed assets	Stripping activity assets	Capital construction in progress	Exploration and evaluation assets	Total
Cost	3,467	611	600	532	5,210
Accumulated depreciation and impairment	(1,192)	(222)	(49)	(27)	(1,490)
Net book value at 31 December 2018 before transition to IFRS 16	2,275	389	551	505	3,720
Recognition of right-of-use assets at the transition date according to IFRS 16	64	-	-	-	64
Net book value at 1 January 2019 after transition to IFRS 16	2,339	389	551	505	3,784
Additions	-	185	355	46	586
Transfers	297	-	(297)	-	-
Disposals	(1)	-	(3)	-	(4)
Depreciation charge	(269)	(50)	-	-	(319)
Impairment	-	-	(3)	-	(3)
Effect of translation to presentation currency	182	33	44	40	299
Other	31	-	-	(9)	22
Cost	4,109	846	704	611	6,270
Accumulated depreciation and impairment	(1,530)	(289)	(57)	(29)	(1,905)
Net book value at 30 September 2019	2,579	557	647	582	4,365
Cost	4,484	918	717	641	6,760
Accumulated depreciation and impairment	(1,686)	(301)	(63)	(30)	(2,080)
Net book value at 31 December 2019	2,798	617	654	611	4,680
Additions	-	145	340	42	527
Transfers	192	-	(183)	(9)	-
Disposals	(5)	-	(3)	-	(8)
Depreciation charge	(310)	(70)	-	-	(380)
Impairment	-	-	-	(2)	(2)
Effect of translation to presentation currency	(611)	(145)	(162)	(139)	(1,057)
Other	4	-	-	1	5
Cost	3,630	845	696	527	5,698
Accumulated depreciation and impairment	(1,562)	(298)	(50)	(23)	(1,933)
Net book value at 30 September 2020	2,068	547	646	504	3,765

Carrying value of rights-of-use assets included in fixed assets is disclosed in note 12.

Mineral rights

The carrying values of mineral rights included in fixed assets and exploration and evaluation assets were as follows:

	30 Sep. 2020	31 Dec. 2019
Mineral rights presented within:		
- fixed assets	54	72
- exploration and evaluation assets	321	413
Total	375	485

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Exploration and evaluation assets

The carrying values of exploration and evaluation assets were as follows:

	30 Sep. 2020	31 Dec. 2019
Sukhoi Log	371	452
Chertovo Koryto	29	34
Razdolinskoye	26	30
Olimpiada	20	23
Panimba	15	19
Bamsky	14	18
Burgakhchan area	15	14
Blagodatnoye	3	9
Natalka	7	8
Other	4	4
Total	504	611

Depreciation and amortisation charges are allocated as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Cost of gold sales	84	88	229	242
Depreciation in change in inventory	18	10	84	9
Depreciation and amortisation within cost of production (note 6)	102	98	313	251
Capitalised within property, plant and equipment	7	14	53	57
Selling, general and administrative expenses (note 7)	5	5	17	15
Cost of other sales	4	2	7	5
Total depreciation and amortisation	118	119	390	328
Less: amortisation of intangible and other non-current assets	(3)	(3)	(10)	(9)
Total depreciation of property, plant and equipment	115	116	380	319

12. LEASES

The most significant leases of the group are office leases. Movements of the right-of-use assets presented within *Property, Plant and Equipment* (note 11) were as follows:

	Nine months ended 30 September 2020			Nine months ended 30 September 2019		
	Related party transactions	Non-related party transactions	Total	Related party transactions	Non-related party transactions	Total
Carrying value as of the beginning of the period	58	22	80	59	9	68
Changes in right-of-use assets due to lease indexation and modification	1	(1)	-	-	13	13
Depreciation charge	(3)	(4)	(7)	(3)	(4)	(7)
Effect of translation to presentation currency	(12)	(8)	(20)	2	3	5
Carrying value as of the end of the period	44	9	53	58	21	79

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Movements of the lease liabilities presented within *Borrowings* (note 19) were as follows:

	Nine months ended 30 September 2020			Nine months ended 30 September 2019		
	Related party transactions	Non-related party transactions	Total	Related party transactions	Non-related party transactions	Total
Carrying value as of the beginning of the period	53	27	80	58	15	73
Changes in lease liabilities due to lease indexation and modification	1	(1)	-	-	14	14
Foreign exchange loss / (gain), net	8	12	20	(4)	(1)	(5)
Interest on lease liabilities	2	1	3	3	-	3
Repayments of lease liability	(4)	(9)	(13)	(5)	(6)	(11)
Effect of translation to presentation currency	(8)	(12)	(20)	1	6	7
Carrying value as of the end of the period	52	18	70	53	28	81

Change in lease liabilities and right-of-use assets reflects annual indexation of the lease payments in accordance with contractual terms of the lease agreement.

13. INVENTORIES

	30 Sep. 2020	31 Dec. 2019
Stockpiles	442	416
Gold-in-process	12	15
Inventories expected to be used after 12 months	454	431
Stockpiles	118	119
Gold-in-process	115	82
Antimony in gold-antimony flotation concentrate and silver	11	11
Refined gold and gold in flotation concentrate	17	4
Materials and supplies	391	474
Less: obsolescence provision for materials and supplies	(26)	(31)
Inventories expected to be used in the next 12 months	626	659
Total	1,080	1,090

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2020			31 December 2019		
	Non-Current	Current	Total	Non-Current	Current	Total
Cross currency swaps	21	-	21	98	-	98
Interest rate swaps	-	-	-	-	1	1
Total derivative financial assets	21	-	21	98	1	99
Cross currency swaps	378	53	431	62	-	62
Revenue stabiliser	-	-	-	-	7	7
Conversion option on convertible bonds	-	-	-	63	-	63
Interest rate swaps	10	-	10	5	-	5
Total derivative financial liabilities	388	53	441	130	7	137

Revenue stabiliser

During the nine months ended 30 September 2020, the group effectively closed out the revenue stabiliser programme, with a total premium of USD 32 million paid.

Cross currency swaps

The following terms were in place as of 30 September 2020:

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Expiration date	Nominal		Frequency	Interest payments	
	Group pays (USD million)	Group receives (RUB million)		Group pays (in USD)	Group receives (in RUB)
July 2021	173	10,000	semi-annually	LIBOR + 4.45%	12.1%
July 2021	82	5,300	semi-annually	5.9%	12.1%
March 2024	125	8,225	quarterly	5.09%	MosPrime 3m + 0.2%
April 2024	965	64,801	quarterly	5.00%	MosPrime 3m - 0.45%
October 2024	310	20,000	semi-annually	3.23%	7.4%
March 2025	125	8,169	quarterly	2.8%	MosPrime 3m + 0.27%

Interest rate swaps

The following terms were in place as of 30 September 2020:

Expiration date	Nominal (USD million)	Frequency	Interest payments	
			Group pays	Group receives
February 2024	150	monthly	2.425%-2.44%	LIBOR

15. TRADE AND OTHER RECEIVABLES

	30 Sep. 2020	31 Dec. 2019
Trade receivables for gold-bearing products	40	140
Other receivables	55	67
Less: allowance for other receivables	(9)	(10)
Total	86	197

16. TAXES RECEIVABLE

	30 Sep. 2020	31 Dec. 2019
Reimbursable value added tax	85	107
Other prepaid taxes	2	4
Total	87	111

17. CASH AND CASH EQUIVALENTS

	30 Sep. 2020	31 Dec. 2019
Bank deposits denominated in USD	328	1,467
Bank deposits denominated in RUB	75	97
Current USD bank accounts	1,187	192
Current RUB bank accounts	31	18
Cash in the Federal Treasury	12	27
Total	1,633	1,801

Bank deposits within Cash and cash equivalents include deposits with an original maturity less than three months or repayable on demand without loss of principal and accrued interest denominated in RUB and USD and accrue interest at the following rates:

Interest rates:

- Bank deposits denominated in USD	0.3-1.5%	0.7-4.3%
- Bank deposits denominated in RUB	3.9-4.4%	3.4-6.1%

18. SHARE CAPITAL

Authorised share capital of the Company as of 30 September 2020 comprised issued and fully paid 136,069 thousand ordinary shares at par value of RUB 1 each, of which 1,808 thousand were included within treasury shares (see below).

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Treasury shares

In June 2020, the Extraordinary General Meeting of Shareholders of the Company approved an increase of the share capital of the Company through the issuance and placement of up to 3,130 thousand new ordinary shares in the form of a closed subscription. As of 30 September 2020, the Company has issued 1,808 thousand shares at RUR 18,353 (USD 241) per share, all of which were acquired by JSC Polyus Krasnoyarsk, a wholly owned subsidiary, and are recorded as treasury shares in these condensed consolidated interim financial statements. Subsequent to the end of the reporting period (note 29), these new shares were transferred to PGIL in settlement of a share loan taken earlier in 2020 for the redemption of convertible bonds (note 19).

In September 2020, in connection with the share loan, a payment of USD 8 million was accrued (included within *Other* in the condensed consolidated interim statement of changes in equity), which was subsequently paid after the reporting date.

Equity-settled share-based compensation (long-term incentive plan)

PJSC Polyus grants long-term incentive awards according to which the members of management of the group are entitled to a conditional award in the form of PJSC Polyus' ordinary shares, which vest upon achievement of financial and non-financial performance targets on expiry of performance periods. Expenses arising from the LTIP are recognised in the condensed consolidated interim statement of profit or loss within *Employee compensation* included within *Selling, general and administrative expenses*.

Dividends

On 18 August 2020, Shareholders of the Company declared dividends of 244.75 RUR per share and equivalent of USD 450 million (at the CBR currency exchange rate as of 18 August 2020) in total in respect of the second half of financial year 2019.

On 30 September 2020, Shareholders of the Company declared dividends of 240.18 RUR per share and equivalent of USD 405 million (at the CBR currency exchange rate as of 30 September 2020) in total in respect of the first half of 2020 financial year (excluding dividends on treasury shares). Thus during the nine months ended 30 September 2020 the total amount of dividends declared was USD 855 million and the total amount of dividends paid in cash to the shareholders was USD 430 million (at the CBR currency exchange rate ruling at the date of payment).

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(in millions of US Dollars)

Weighted average number of ordinary shares

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share (“EPS”) is as follows (in thousands of shares):

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Ordinary shares in issue at the beginning of the period	134,261	133,196	133,196	132,339
Conversion of convertible bond	-	-	449	-
Shares awarded for LTIP	-	-	370	487
Purchase of additional ownership in SL Gold (payable in treasury shares)	-	-	246	370
Ordinary shares in issue at the end of the period	<u>134,261</u>	<u>133,196</u>	<u>134,261</u>	<u>133,196</u>
Weighted average number of ordinary shares – basic EPS	134,261	133,196	133,894	132,957
LTIP	360	355	473	222
Weighted average number of ordinary shares – dilutive EPS	<u>134,621</u>	<u>133,551</u>	<u>134,367</u>	<u>133,179</u>
Profit after tax attributable to the shareholders of the Company (million USD)	482	284	759	1,233
Profit after tax attributable to the shareholders of the Company for diluted EPS calculation (million USD)	<u>482</u>	<u>284</u>	<u>759</u>	<u>1,233</u>

19. BORROWINGS

	Nominal rate %	30 Sep. 2020	31 Dec. 2019
Eurobonds with fixed interest rate due in 2022	4.699%	481	480
Eurobonds with fixed interest rate due in 2023	5.250%	785	784
Eurobonds with fixed interest rate due in 2024	4.7%	467	467
Notes due in 2029 (Rusbonds) with noteholders' early repayment option in 2024	7.4%	250	322
Notes due in 2025 (Rusbonds) with noteholders' early repayment option in 2021	12.1%	189	244
Credit facilities with financial institutions nominated in USD with fixed interest rates	3.5%-5.0% Central bank rate + 2.3% MosPrime + 0.2% / +	73	331
Credit facilities with financial institutions nominated in RUR with variable interest rates	0.27% / - 0.45%	1,048	1,228
Credit facilities with financial institutions nominated in USD with variable interest rates	USD LIBOR + 1.40% / + 1.65%	149	148
Lease liabilities nominated in USD and RUR (note 12)	5.15%	70	80
Eurobonds with fixed interest rate due in 2020	5.625%	-	677
Convertible bonds with fixed interest rate due in 2021	1%	-	194
Credit facilities with financial institutions nominated in RUR with fixed interest rates	9.35%	-	131
Sub-total		<u>3,512</u>	<u>5,086</u>
Less: current portion of long-term borrowings due within 12 months		(209)	(704)
Long-term borrowings		<u>3,303</u>	<u>4,382</u>

Convertible bonds with fixed interest rate due in 2021

In May 2020, the group completed early redemption of all convertible bonds due 2021 together with accrued interest exercising an option, which became available to the group earlier in the year as the value of the GDSs deliverable on conversion exceeded 130% of the principal amount of the bonds. During the nine months ended 30 September 2020, 4,514 thousand GDSs were transferred to the converting bondholders, of which 3,616 thousand GDSs (in the form of shares) were borrowed from PGIL (note 18) and remaining balance was redeemed with *Treasury shares*, resulted in an increase of *Additional paid-in capital* in the amount of USD 289 million and USD 28 million respectively.

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Eurobonds with fixed interest rate due in 2020

In April 2020, the group redeemed Eurobonds in the amount of USD 677 million due to their maturity.

Credit facilities with financial institutions nominated in RUR with variable interest rate

In March 2020, the group entered into a credit facility agreement in the amount of RUR 8,169 million (USD 112 million translated at the exchange rate at the date of transaction) with a variable interest rate (Mosprime3m + 0.27% per annum) due in 2025. Proceeds from this credit agreement were used to extinguish in advance of maturity an existing credit facility nominated in RUB with fixed interest rate from another borrower.

Credit facilities with financial institutions nominated in USD with fixed interest rate

During the nine months ended 30 September 2020, the group repaid in advance of maturity credit facilities nominated in USD with a fixed interest rate in the amount of USD 265 million.

Unused credit facilities

As of 30 September 2020, the group has unused credit facilities in the total amount of USD 1,152 million (31 December 2019: USD 1,433 million) and a facility to borrow certain number of unpledged Company's shares from PGIL.

Pledge

As of 30 September 2020 and 31 December 2019, all shares of JSC TaigaEnergoStroy belonging to the group were pledged to secure a credit line. Additionally, the group pledged proceeds from certain gold sales agreements as a security for the Pre-Export Finance facility.

Other matters

There were a number of financial covenants under several loan agreements in effect as of 30 September 2020 according to which the respective subsidiaries of the Company and the Company itself are limited in its level of leverage and other financial and non-financial parameters.

The group tests covenants quarterly and was in compliance with the covenants as of 30 September 2020.

20. DEFERRED REVENUE

As of 30 September 2020, JSC Polyus Magadan, was a party to an agreement with the Ministry for the Development of the Russian Far East (“Minvestokrazvitiya”) under which Minvestokrazvitiya provided to JSC Polyus Magadan a government grant in the total amount RUB 8,797 million (USD 137 million, including VAT).

Under the agreement, the grant was used for the construction of an electricity transmission line, a distribution point and an electric power substation (Omchak high-voltage power grid). The construction is expected to be completed in 2020. JSC Polyus Krasnoyarsk is a guarantor under the agreement.

The movement in the carrying value of deferred revenue, associated with government grant was as follows:

	Nine months ended 30 September	
	2020	2019
Carrying value as of the beginning of the period	126	117
VAT attributable to construction of the Omchak high-voltage power grid	(3)	(6)
Effect of translation to presentation currency	(28)	9
Carrying value as of the end of the period	<u>95</u>	<u>120</u>

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21. DEFERRED CONSIDERATION

In March 2020, the group exercised the scheduled tranche of options in LLC SL Gold and increased its participation interest from 68.2% to 78.0%. The group paid approximately USD 28 million and transferred 246 thousand PJSC Polyus treasury shares (note 18) totalling USD 29 million.

In September 2020, the group and LLC “RT Business Development” (“RT”) amended the terms of a number of options relating to RT’s participation interest in LLC SL Gold that were entered into in July 2017, to allow the group to purchase an 11.3% interest in LLC SL Gold from RT at the initially agreed valuation of USD 65.7 million for cash consideration instead of Polyus’ shares and agreed to accelerate the exercise of all outstanding call options relating to RT’s interest in LLC SL Gold.

Following the amendment of the agreement the group completed acquisition of RT’s entire remaining stake of 22% in LLC SL Gold for USD 128 million, all paid in cash.

The movement in the carrying value of share option liabilities was as follows:

	Nine months ended 30 September	
	2020	2019
Carrying value as of the beginning of the period	176	225
Settled in shares	(29)	(29)
Settled in cash	(156)	(28)
Unwinding of interest on deferred consideration	5	5
Loss on early redemption of deferred consideration (note 8)	5	-
Foreign exchange loss / (gain), net	31	(15)
Effect of translation to presentation currency	(32)	16
Total carrying value as of the end of the period	-	174
Less: short-term part of the option liabilities	-	(56)
Long-term part of the option liabilities as of the end of the period	-	118

22. TRADE AND OTHER PAYABLES

	30 Sep. 2020	31 Dec. 2019
Employee compensation payable	67	95
Interest payable	34	77
Trade payables	62	49
Accrued annual leave	42	27
Dividends payable	411	2
Other accounts payable and accrued expenses	82	105
Total	698	355

23. TAXES PAYABLE

	30 Sep. 2020	31 Dec. 2019
Social taxes	23	20
Tax on mining	20	18
Value added tax	18	21
Property tax	4	5
Other taxes	16	17
Total	81	81

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24. RELATED PARTIES

There were no transactions with related parties throughout nine months ended 30 September 2020, except for those presented within notes 12 and 18 and compensation of the key management personnel as detailed below.

Key management personnel

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Short-term compensation to key management personnel accrued	4	4	18	18
Equity-settled share-based compensation (LTIP)	19	13	57	26
Total	23	17	75	44

25. COMMITMENTS

Commitments for future lease payments due under non-cancellable lease agreements excluded from the scope of IFRS 16

The Land in the Russian Federation on which the group's production facilities are located is owned by the state. The group leases this land through operating lease agreements, which expire in various years through to 2065. Future lease payments due under non-cancellable operating lease agreements excluded from IFRS 16 scope (note 12) were as follows:

	30 Sep. 2020	31 Dec. 2019
Due within one year	8	7
From one to five years	24	24
Thereafter	46	54
Total	78	85

Capital commitments

The group's contracted capital expenditure commitments are as follows:

	30 Sep. 2020	31 Dec. 2019
Project Natalka	68	65
Projects in Krasnoyarsk	104	49
Project Omchak high-voltage power grid	-	12
Other capital commitments	10	3
Total	182	129

26. OPERATING ENVIRONMENT

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Since March 30, in Russia, as in many countries where an outbreak of the virus was detected, a lockdown started; most businesses closed, but have been gradually reopening.

Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have major impacts on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the group may face the increasingly broad effects of COVID-19 because of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the group's business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy.

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The health and safety of our employees remains the group's utmost focus. Polyus conducts broad-based testing of its employees and contractors for COVID-19. The group continues to monitor the COVID-19 threat level and assess the potential health risks for its employees, with all monitoring systems in place. The group cannot reasonably estimate the length or severity of this pandemic and its impact on economy, including the gold market, however, at the date of approval of these condensed consolidated interim financial statements, the impact on the group's operations was principally limited to provision of temporary accommodation and treatment facilities at the group's production sites for the affected employees, implementation of additional sanitary measures, and charitable contributions to hospitals and other institutions in our operating regions.

In order to provide adequate quarantine and medical treatment conditions for the group employees affected by the COVID-19 outbreak at Olimpiada, temporary accommodation facilities and field hospital were organised by the company with the help of the Ministry of Defence and Krasnoyarsk regional administration. During the nine months ended 30 September 2020, operations at Olimpiada mine have not been interrupted.

Costs directly attributable to dealing with the COVID-19 pandemic comprise additional compensation paid to employees, donations to regional administrations, hospitals and other institutions as well as additional health and safety expenses. The group's direct and incremental costs related to COVID-19 were included in the following captions of the condensed consolidated interim financial statements as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Cost of gold sales (Employee compensation)	15	-	34	-
Other expenses, net	21	-	38	-
Total expenses related to COVID-19 recognised in profit or loss	36	-	72	-
Increase in stockpiles, gold-in-process and refined gold inventories	8	-	17	-
Property plant and equipment additions (infrastructure facilities and stripping activity asset)	6	-	17	-
Total costs related to COVID-19	50	-	106	-

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, current trade and other receivables and accounts payable approximate their fair value given the short-term nature of these instruments. Non-current other receivables are discounted at discount rates derived from observable market input data. Trade receivables for gold-bearing products are carried at fair value through profit or loss (Level 2 of the fair value hierarchy in accordance with IFRS 13).

The fair value of revenue stabiliser agreements was determined using a Monte Carlo simulation model. Input data used in the valuation model (spot gold prices and gold price volatility) corresponds to Level 2 of the fair value hierarchy in accordance with IFRS 13.

The fair value of cross-currency swaps is determined using a discounted cash flow valuation technique and is based on inputs (spot and forward currency exchange rates, USD LIBOR and RUB interest rates), which are observable in the market and are classified as Level 2 of the fair value hierarchy in accordance with IFRS 13.

The fair value of interest rate swaps is determined using a discounted cash flow valuation technique and is based on inputs (forward USD LIBOR rates), which are observable in the market and are classified as Level 2 of the fair value hierarchy in accordance with IFRS 13.

The fair value of conversion option on convertible bonds was determined with the reference to the group's credit spread, risk-free interest rate and share price volatility (Level 2 of the fair value hierarchy in accordance with IFRS 13).

The fair value of derivative financial instruments includes an adjustment for credit risk in accordance with IFRS 13. The adjustment is calculated based on the expected exposure. For positive expected exposures, credit risk is based on the observed credit default swap spreads for each particular counterparty or, if they are unavailable, for equivalent peers of the counterparty. For negative expected exposures, the credit risk is based on the observed credit default swap spread of the group's peer.

PJSC “POLYUS”

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

(in millions of US Dollars)

Borrowings and deferred consideration are carried at amortised cost. The fair value of the group's borrowings excluding lease liabilities is estimated as follows:

	30 September 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Eurobonds (Level 1)	1,733	1,849	2,408	2,535
Borrowings (Level 2)	1,270	1,275	1,838	1,894
Rusbonds (Level 1)	439	464	566	592
Convertible bonds (Level 2)	-	-	194	258
Total	3,442	3,588	5,006	5,279

The fair value of all of the group's borrowings except for the Eurobonds and Rusbonds is within Level 2 of the fair value hierarchy in accordance with IFRS 13. The fair value of the Eurobonds and Rusbonds is within Level 1 of the fair value hierarchy in accordance with IFRS 13, because the Eurobonds and Rusbonds are publicly traded in an active market. The fair value of borrowings and bonds is determined using a discounted cash flow valuation technique with reference to observable market inputs: spot currency exchange rates, forward USD LIBOR and RUB interest rates, the company's own credit risk and quoted price of the convertible bonds.

The fair value of deferred consideration on the date of initial recognition is based on inputs (spot currency exchange rates and discount rates), which are observable in the market and are classified as Level 2 of the fair value hierarchy in accordance with IFRS 13. As of 30 September 2020, the fair value of the deferred consideration equals nil due to its redemption (note 21) (31 December 2019: 180 million).

28. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

The basis of distribution of accumulated retained earnings for companies operating in the Russian Federation is defined by legislation as the current year net profit of the company, as calculated in accordance with Russian accounting standards. However, the legislation and other statutory laws and regulations dealing with profit distribution are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for distributable profits and reserves in these condensed consolidated interim financial statements.

Information about significant subsidiaries of the group

Subsidiaries	Nature of business	Effective % held at ⁴	
		30 Sep. 2020	31 Dec. 2019
Incorporated in Russian Federation			
JSC Polyus Krasnoyarsk	Mining (open pit)	100	100
JSC Polyus Aldan	Mining (open pit)	100	100
JSC Polyus Verninskoye	Mining (open pit)	100	100
PJSC Lenzoloto	Holding company of Alluvials business unit until 22 September 2020	64	64
JSC GMC Lenzoloto	Holding company of Alluvials business unit from 22 September 2020	100	66
JSC Polyus Magadan	Mining	100	100
LLC Polyus Stroy	Construction	100	100
LLC SL Gold (note 21)	Exploration and evaluation of the Sukhoi Log deposit	100	68

Change of ownership in subsidiaries

In September 2020, following the approval by the extraordinary general shareholders' meeting of PJSC Lenzoloto, JSC Polyus Krasnoyarsk acquired 94.4% of shares in JSC GMC Lenzoloto and paid cash consideration of approximately RUR 19,900 million to PJSC Lenzoloto (equivalent of

⁴ Effective % held by the Company, including holdings by other subsidiaries of the group.

PJSC “POLYUS”

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

(in millions of US Dollars)

USD 262 million at the CBR currency exchange rate as of 22 September 2020). JSC GMC Lenzoloto holds all production assets and mining licenses of the Alluvial business unit of the group.

Within the framework of the transaction the group offered holders of PJSC Lenzoloto ordinary and preferred shares to either sell their shares for cash and/or to exchange them for ordinary shares of PJSC Polyus and/or combination of both options. It is expected that following completion of the offer PJSC Lenzoloto will distribute any remaining amount of cash on its balance sheet (less cash reserved for maintenance of the legal structure), in the form of dividend in 2021. Subsequently, PJSC Lenzoloto may be liquidated, subject to receipt of all necessary corporate approvals.

29. EVENTS AFTER THE REPORTING DATE

There were no events subsequent to the reporting date that should adjust amounts of assets, liabilities, income or expenses or that should be disclosed in these condensed consolidated interim financial statements, except for the following:

- On 15 October 2020, the share loan from PGIL (note 19) was fully redeemed and respective dividends for the first half of 2020 were accrued on those shares (being treasury shares as of September 2020) at 240.18 RUR per 1 share in the total amount of USD 5 million.