

PJSC “Polyus”

**Condensed consolidated interim
financial statements**

*for the six months ended
30 June 2022 (unaudited)*

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

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MANAGEMENT RESPONSIBILITY STATEMENT FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

Management 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 June 2022, and the results of its operations, cash flows and changes in equity for the six months then ended, in compliance with International Accounting Standard 34 (“IAS 34”).

In preparing the condensed consolidated interim financial statements, Management is responsible for:

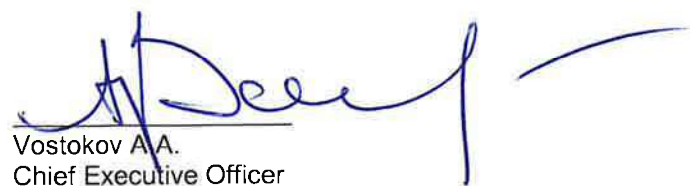
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- compliance with the requirements of IAS 34 and providing additional disclosures when compliance with 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.

Management is 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 six months ended 30 June 2022 were approved by Directors on 21 September 2022.

By order of the Board of Directors,



Vostokov A.A.
Chief Executive Officer



Stiskin M.B.
Deputy Chief Executive Officer,
Economics and Finance

Moscow, Russia
21 September 2022

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of PJSC "Polyus" and its subsidiaries (the "group") as of 30 June 2022, and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.


Tokarev Igor Valer'evich
General Director
AO "Business Solutions and Technologies"
(ORNZ #12006020384)



21 September 2022

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

(in millions of US Dollars)

	Notes	Six months ended 30 June	
		2022	2021
Gold sales	5	1,820	2,247
Other sales		32	26
Total revenue		1,852	2,273
Cost of gold sales	6	(589)	(656)
Cost of other sales		(28)	(24)
Gross profit		1,235	1,593
Selling, general and administrative expenses	7	(166)	(153)
Other expenses		(33)	(75)
Operating profit		1,036	1,365
Finance costs	8	(90)	(102)
Interest income		13	6
Gain on acquisition of subsidiaries	22	17	-
Gain on revaluation of derivative financial instruments and investments	9	537	57
Foreign exchange gain / (loss)		190	(13)
Profit before income tax		1,703	1,313
Income tax expense		(316)	(220)
Profit for the period		1,387	1,093
Profit / (loss) for the period attributable to:			
Shareholders of the Company		1,388	1,093
Non-controlling interests		(1)	-
		1,387	1,093
Weighted average number of ordinary shares '000			
- for basic earnings per share	15	135,271	134,848
- for diluted earnings per share	15	135,609	135,223
Earnings per share (US Dollar per share)			
- basic		10.26	8.11
- diluted		10.24	8.08

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

(in millions of US Dollars)

	Six months ended 30 June	
	2022	2021
Profit for the period	1,387	1,093
Other comprehensive income for the period		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Effect of translation to presentation currency	2,166	66
Other comprehensive income for the period	2,166	66
Total comprehensive income for the period	3,553	1,159
Total comprehensive income for the period attributable to:		
Shareholders of the Company	3,543	1,158
Non-controlling interests	10	1
	3,553	1,159

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022 (UNAUDITED) (in millions of US Dollars)

	Notes	30 Jun. 2022	31 Dec. 2021
Assets			
Non-current assets			
Intangible assets		240	161
Property, plant and equipment	10, 11	7,492	4,789
Inventories	12	1,039	633
Deferred tax assets		162	106
Derivative financial instruments and investments	16	355	47
Other receivables and non-current assets		40	25
		9,328	5,761
Current assets			
Inventories	12	1,261	633
Deferred expenditure		69	18
Derivative financial instruments and investments	16	68	-
Advances paid to suppliers and prepaid expenses	13	160	51
Trade and other receivables	13	44	42
Taxes receivable	13	170	147
Income tax prepaid		34	16
Cash and cash equivalents	14	780	1,343
		2,586	2,250
Total assets		11,914	8,011
Equity and liabilities			
Capital and reserves			
Share capital	15	5	5
Additional paid-in capital	15	2,371	2,411
Treasury shares	15	(133)	(226)
Translation reserve		(909)	(3,064)
Other revaluation reserve		2	2
Retained earnings		5,684	4,346
Equity attributable to shareholders of the Company		7,020	3,474
Non-controlling interests		34	25
		7,054	3,499
Non-current liabilities			
Borrowings	16, 11	3,101	2,765
Derivative financial instruments	16	17	290
Deferred tax liabilities		680	333
Site restoration, decommissioning and environmental obligations		107	62
Other non-current liabilities		51	47
		3,956	3,497
Current liabilities			
Borrowings	16, 11	361	507
Derivative financial instruments	16	-	1
Trade and other payables	17	419	391
Taxes other than income tax payable	17	115	94
Income tax payable		9	22
		904	1,015
Total liabilities		4,860	4,512
Total equity and liabilities		11,914	8,011

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

(in millions of US Dollars)

	Notes	Equity attributable to shareholders of the Company							Non-controlling interests	Total	
		Number of outstanding shares '000	Share capital	Additional paid-in capital	Treasury shares	Other reserves	Translation reserve	Retained earnings			Total
Balance at 31 December 2020		134,705	5	2,410	(288)	-	(3,044)	3,272	2,355	91	2,446
Profit for the period		-	-	-	-	-	-	1,093	1,093	-	1,093
Other comprehensive income		-	-	-	-	-	65	-	65	1	66
Total comprehensive income		-	-	-	-	-	65	1,093	1,158	1	1,159
Equity-settled share-based compensation (LTIP), net of tax		-	-	11	-	-	-	-	11	-	11
Shares awarded under LTIP		351	-	(34)	74	-	-	(39)	1	-	1
Share buyback		(62)	-	-	(14)	-	-	14	-	-	-
Dividends declared to shareholders of the Company		-	-	-	-	-	-	(711)	(711)	-	(711)
Dividends declared to shareholders of non-controlling interests		-	-	-	-	-	-	-	-	(31)	(31)
Decrease of non-controlling interests due to change in the net assets of the subsidiary		-	-	-	-	-	-	38	38	(38)	-
Other		11	-	-	2	-	-	-	2	-	2
Balance at 30 June 2021		135,005	5	2,387	(226)	-	(2,979)	3,667	2,854	23	2,877
Balance at 31 December 2021		135,005	5	2,411	(226)	2	(3,064)	4,346	3,474	25	3,499
Profit / (loss) for the period		-	-	-	-	-	-	1,388	1,388	(1)	1,387
Other comprehensive income		-	-	-	-	-	2,155	-	2,155	11	2,166
Total comprehensive income		-	-	-	-	-	2,155	1,388	3,543	10	3,553
Equity-settled share-based compensation (LTIP), net of tax	15	-	-	8	-	-	-	-	8	-	8
Shares awarded under LTIP	15	489	-	(48)	101	-	-	(50)	3	-	3
Share buyback	15	(70)	-	-	(8)	-	-	-	(8)	-	(8)
Dividends declared to shareholders of non-controlling interests		-	-	-	-	-	-	-	-	(1)	(1)
Balance at 30 June 2022		135,424	5	2,371	(133)	2	(909)	5,684	7,020	34	7,054

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

(in millions of US Dollars)

	Notes	Six months ended 30 June	
		2022	2021
Operating activities			
Profit before income tax		1,703	1,313
Adjustments for:			
Finance costs	8	90	102
Interest income		(13)	(6)
Gain on acquisition of subsidiaries	22	(17)	-
Gain on revaluation of derivative financial instruments and investments	9	(537)	(57)
Depreciation and amortisation		160	172
Foreign exchange (gain) / loss		(190)	13
Other		6	22
		1,202	1,559
Movements in working capital			
Inventories		(260)	(51)
Deferred expenditure		(23)	(22)
Trade and other receivables		23	93
Advances paid to suppliers and prepaid expenses		(51)	(23)
Taxes receivable		34	22
Trade and other payables and accrued expenses		(2)	14
Taxes other than income tax payable		(27)	(28)
		896	1,564
Cash flows from operations		896	1,564
Income tax paid		(195)	(185)
		701	1,379
Net cash generated by operating activities		701	1,379
Investing activities¹			
Purchase of property, plant and equipment and intangible assets		(551)	(417)
Acquisition of subsidiaries, net of cash acquired	22	(133)	-
Interest received		12	7
Loans issued	16	(136)	(17)
Proceeds from redemption of loans issued		8	-
Other		5	-
		(795)	(427)
Net cash utilised in investing activities		(795)	(427)
Financing activities¹			
Proceeds from borrowings	16	1	-
Repayment of borrowings	16	(491)	(7)
Interest paid		(98)	(92)
Payments of lease liability		(8)	(8)
Net proceeds on exchange of interest payments under cross currency swaps	8	23	1
Net payment on exchange of interest payments under interest rate swaps	8	-	(2)
Proceeds on termination of cross currency swaps	16	4	-
Increase of ownership in subsidiaries		-	(24)
Payment for share buyback	15	(8)	(32)
Dividends paid to shareholders of the Company		-	(701)
Other		-	2
		(577)	(863)
Net cash utilised in financing activities		(577)	(863)
Net (decrease) / increase in cash and cash equivalents		(671)	89
Cash and cash equivalents at the beginning of the period	14	1,343	1,445
Effect of foreign exchange rate changes on cash and cash equivalents		108	(2)
		780	1,532
Cash and cash equivalents at the end of the period	14	780	1,532

¹ Significant non-cash transactions relating to investing (right-of-use assets recognition and LTIP payments in treasury shares) and financing activities (lease liabilities recognition) are disclosed in the notes 11 and 15 to these condensed consolidated interim financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (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 22.

The shares of the Company are “level one” listed on the Moscow Exchange. Global depository shares (“GDSs”) each representing interest in ½ of an ordinary share in the Company are traded on the main market for listed securities of the London Stock Exchange plc (“LSE”). As of 30 June 2022, there was no controlling shareholder and ultimate controlling party of the Company (as of 31 December 2021: Polyus Gold International Limited (“PGIL”), a company registered in Jersey, (most senior parent - Wandle Holdings Limited, a company registered in Cyprus), and Mr. Said Kerimov, respectively). As of 30 June 2022, the major shareholders of the Company were as follows: IJSC Wandle Holdings Limited (100% owner is Fund for support of Islamic foundations) directly owned 46.35% of the Company’s shares and Akropol Group Ltd (99% owner is Mr. Akhmet Palankoyev) directly owned 29.99% of the Company’s shares.

2. BASIS OF PREPARATION AND PRESENTATION

2.1. Going concern

In assessing the appropriateness of the going concern assumption, management has 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, management considers 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 (“IFRS”)

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 2021.

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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

(in millions of US Dollars)

2.4. IFRS standards first time applied in 2022

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:

<u>Title</u>	<u>Subject</u>	<u>Effective for annual periods beginning on or after</u>	<u>Effect on the condensed consolidated interim financial statements</u>
Amendment IFRS 3	Updates of references to or from the Conceptual Frameworks to the IFRS standards	1 January 2022	No effect
Amendment IAS 16	Proceeds before Intended Use	1 January 2022	No effect
Amendment IFRS 1	Subsidiary as a first-time adopter	1 January 2022	No effect
Amendment IAS 41	Taxation in fair value measurements	1 January 2022	No effect
Amendment IAS 37	Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022	No effect
Amendment IFRS 9	Fees in the ‘10 per cent’ test for derecognition of financial liabilities	1 January 2022	No effect

2.5. IFRS standards to be applied after 2022

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

<u>Title</u>	<u>Subject</u>	<u>Effective for annual periods beginning on or after</u>	<u>Effect on the condensed consolidated interim financial statements</u>
IFRS 17	Insurance contracts	1 January 2023	No effect
Amendments to IFRS 17	Insurance contracts	1 January 2023	No effect
Amendment IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023	No effect
Amendment IAS 8	New definition of the accounting estimates	1 January 2023	No effect
Amendment IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	No effect
Amendment IAS 1	Disclosure of accounting policy	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 2021.

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* 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.

The group presents its condensed consolidated interim financial statements in the US Dollar (“USD”), as management believes it is a more convenient presentation currency for international users of the condensed consolidated interim financial statements of the group as it is a common presentation currency in the mining industry. As of 30 June 2022, RUB/ US Dollar exchange rate used in the preparation of the condensed consolidated interim financial statements was 51.16 (31 December 2021: 74.29).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

(in millions of US Dollars)

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 six months ended 30 June 2022 are consistent with those applied in the preparation of the consolidated financial statements of the group for the year ended 31 December 2021.

5. SEGMENT INFORMATION

The reporting segment's results for the six months ended 30 June were as follows:

Business units	Gold sales		Adjusted EBITDA	
	2022	2021	2022	2021
Olimpiada	707	936	477	680
Blagodatnoye	290	377	189	281
Natalka	374	432	263	309
Verninskoye	242	258	168	196
Kuranakh	191	198	103	121
Alluvials	16	46	(5)	14
Unallocated	-	-	20	37
Total	1,820	2,247	1,215	1,638

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

	Six months ended 30 June	
	2022	2021
Operating profit for the period	1,036	1,365
Depreciation and amortisation	160	172
Equity-settled share-based plans (LTIP) (note 15)	1	22
Certain items included in <i>Other expenses</i> (expenses related to COVID-19, special charitable contributions, impairment of property, plant and equipment and (gain) / loss on disposal of property, plant and equipment and intangible assets)	18	79
Adjusted EBITDA	1,215	1,638

Gold sales primarily represent refined gold sales within Russian Federation. Gold sales represent revenue generated from external customers. There were no inter-segment gold sales during the six months ended 30 June 2022 and 2021.

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.

6. COST OF GOLD SALES

	Six months ended 30 June	
	2022	2021
Depreciation and amortisation	224	187
Employee compensation	191	179
Consumables and spares	166	134
Mineral extraction tax	108	111
Fuel	76	51
Power	34	30
Other	77	56
Total cost of production	876	748
Increase in stockpiles, gold-in-process and refined gold inventories	(287)	(92)
Total	589	656

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED) (in millions of US Dollars)

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2022	2021
Employee compensation	105	112
Depreciation and amortisation	18	13
Professional services	15	5
Taxes other than mineral extraction tax and income taxes	10	9
Distribution expenses related to gold flotation concentrate	-	1
Other	18	13
Total	166	153

8. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
Interest on borrowings	105	96
Interest on lease liabilities	4	2
Gain on exchange of interest payments under cross currency swaps	(23)	(1)
Loss on exchange of interest payments under interest rate swaps	-	2
Unwinding of discounts	4	3
Total	90	102

9. GAIN ON REVALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS AND INVESTMENTS

	Six months ended 30 June	
	2022	2021
Revaluation gain on cross currency swaps	540	55
Revaluation gain on interest rate swaps	-	2
Other	(3)	-
Total	537	57

10. PROPERTY, PLANT AND EQUIPMENT

	Fixed assets	Stripping activity assets	Capital construction in progress	Exploration and evaluation assets	Total
Cost	4,130	971	629	590	6,320
Accumulated depreciation and impairment	(1,767)	(346)	(61)	(25)	(2,199)
Net book value at 31 December 2020	2,363	625	568	565	4,121
Additions	-	143	243	49	435
Transfers	237	-	(237)	-	-
Disposals	(2)	-	(2)	-	(4)
Depreciation charge	(206)	(40)	-	-	(246)
Impairment	-	-	(5)	-	(5)
Effect of translation to presentation currency	52	15	11	12	90
Other	18	-	(1)	(6)	11
Cost	4,461	1,138	642	646	6,887
Accumulated depreciation and impairment	(1,999)	(395)	(65)	(26)	(2,485)
Net book value at 30 June 2021	2,462	743	577	620	4,402

PJSC “POLYUS”

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

(in millions of US Dollars)

	Fixed assets	Stripping activity assets	Capital construction in progress	Exploration and evaluation assets	Total
Cost	4,727	1,064	718	692	7,201
Accumulated depreciation and impairment	(2,137)	(217)	(31)	(27)	(2,412)
Net book value at 31 December 2021	2,590	847	687	665	4,789
Additions	-	169	317	52	538
Acquisition of subsidiaries (note 22)	-	-	-	138	138
Transfers	251	-	(251)	-	-
Disposals	-	-	(7)	-	(7)
Depreciation charge	(232)	(58)	-	-	(290)
Effect of translation to presentation currency	1,177	440	343	336	2,296
Other	28	-	-	-	28
Cost	7,196	1,793	1,131	1,237	11,357
Accumulated depreciation and impairment	(3,382)	(395)	(42)	(46)	(3,865)
Net book value at 30 June 2022	3,814	1,398	1,089	1,191	7,492

Carrying value of rights-of-use assets included in fixed assets is disclosed in note 11.

11. 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 10) for the six months ended 30 June were as follows:

	Related party transactions		Non-related party transactions		Total	
	2022	2021	2022	2021	2022	2021
Carrying value as of the beginning of the period	44	46	35	19	79	65
Changes in right-of-use assets due to lease indexation, modification and recognition of new contracts	7	-	5	16	12	16
Depreciation charge	(2)	(2)	(4)	(3)	(6)	(5)
Effect of translation to presentation currency	24	1	17	1	41	2
Carrying value as of the end of the period	73	45	53	33	126	78

Movements of the lease liabilities presented within *Borrowings* (note 16) for the six months ended 30 June were as follows:

	Related party transactions		Non-related party transactions		Total	
	2022	2021	2022	2021	2022	2021
Carrying value as of the beginning of the period	51	51	33	19	84	70
Changes in lease liabilities due to lease indexation, modification and recognition of new contracts	7	-	5	16	12	16
Foreign exchange loss	6	(1)	(1)	-	5	(1)
Interest on lease liabilities	3	2	1	-	4	2
Payments of lease liability	(4)	(3)	(4)	(3)	(8)	(6)
Effect of translation to presentation currency	30	1	15	-	45	1
Carrying value as of the end of the period	93	50	49	32	142	82

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED) (in millions of US Dollars)

12. INVENTORIES

	<u>30 Jun. 2022</u>	<u>31 Dec. 2021</u>
Stockpiles	997	617
Gold-in-process	42	16
Inventories expected to be used after 12 months	<u>1,039</u>	<u>633</u>
Stockpiles	332	182
Gold-in-process	304	113
Antimony in gold-antimony flotation concentrate and silver	5	1
Refined gold and gold in flotation concentrate	42	-
Materials and supplies	613	362
Less: obsolescence provision for materials and supplies	<u>(35)</u>	<u>(25)</u>
Inventories expected to be used in the next 12 months	<u>1,261</u>	<u>633</u>
Total	<u>2,300</u>	<u>1,266</u>

The carrying value of long-term stockpiles was as follows:

	<u>30 Jun. 2022</u>	<u>31 Dec. 2021</u>
Nataalka	384	230
Blagodatnoye	222	145
Verninskoye	185	105
Olimpiada	70	48
Kuranakh	62	32
Titimukhta	60	41
Other long-term ore	<u>14</u>	<u>16</u>
Total long-term stockpiles	<u>997</u>	<u>617</u>

As of 30 June 2022 and 31 December 2021, there were no stockpiles measured at net realisable value.

13. RECEIVABLES

	<u>30 Jun. 2022</u>	<u>31 Dec. 2021</u>
Trade receivables for gold-bearing products	-	18
Other receivables	65	42
Less: allowance for other receivables	<u>(21)</u>	<u>(18)</u>
Total trade and other receivables	<u>44</u>	<u>42</u>
Reimbursable value added tax	169	146
Other prepaid taxes	<u>1</u>	<u>1</u>
Total taxes receivable	<u>170</u>	<u>147</u>

As of 30 June 2022, *Advances paid to suppliers and prepaid expenses* included advances for materials and supplies in amount of USD 133 million (31 December 2021: USD 31 million).

14. CASH AND CASH EQUIVALENTS

	<u>30 Jun. 2022</u>	<u>31 Dec. 2021</u>
Current and brokerage USD accounts	385	799
Current and brokerage RUB accounts	209	20
Current and brokerage accounts in other currencies (primarily yuan)	160	-
Bank deposits denominated in USD	-	410
Bank deposits denominated in RUB	<u>26</u>	<u>114</u>
Total	<u>780</u>	<u>1,343</u>

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(in millions of US Dollars)

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

Interest rates:

- Bank deposits denominated in USD	-	0.7-1.0%
- Bank deposits denominated in RUB	8.45%-8.7%	7.3-9.0%

15. SHARE CAPITAL AND RESERVES

Authorised share capital of the Company as of 30 June 2022 comprised issued and fully paid 136,069 thousand ordinary shares at par value of RUB 1 each, of which 645 thousand was included within treasury shares.

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 *Selling, general and administrative expenses*.

Share buyback

During the six months ended 30 June 2022, the group started an open market share buyback programme and acquired 70 thousand of the Company's ordinary shares in the amount of USD 8 million.

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):

	Six months ended 30 June	
	2022	2021
Weighted average number of ordinary shares in issue – basic EPS	135,271	134,848
Dilutive effect of potentially issuable shares under LTIP	338	375
Weighted average number of ordinary shares in issue – diluted EPS	135,609	135,223
Profit after tax attributable to the shareholders of the Company for basic and diluted EPS calculation (million USD)	1,388	1,093
Basic EPS (US Dollar per share)	10.26	8.11
Diluted EPS (US Dollar per share)	10.24	8.08

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16. BORROWINGS, DERIVATIVE FINANCIAL INSTRUMENTS AND INVESTMENTS

As of 30 June 2022, borrowings were as follows:

	30 Jun. 2022	31 Dec. 2021
Eurobonds due in 2023	330	329
Eurobonds due in 2024	323	322
Eurobonds due in 2028	696	696
Notes due in 2029 with noteholders' early repayment option in 2024	390	269
Credit facilities with financial institutions with fixed interest rate 8.0%	1,238	847
Credit facilities with financial institutions with fixed interest rate 8.75%	158	108
Credit facilities with financial institutions with variable interest rate MosPrime + 0.27%	159	110
Credit facilities with financial institutions with variable interest rate Central bank rate + 2.3%	26	25
Lease liabilities	142	84
Eurobonds due in 2022	-	482
Sub-total	3,462	3,272
Less: current portion of long-term borrowings due within 12 months	(361)	(507)
Long-term borrowings	3,101	2,765

Eurobonds with fixed interest rate due in 2022

In March 2022, the group redeemed Eurobonds in the amount of USD 483 million due to their maturity.

Derivative financial instruments and investments

As of 30 June 2022, derivative financial instruments and investments were as follows:

	30 June 2022			31 December 2021		
	Non-current	Current	Total	Non-current	Current	Total
Cross currency swaps	247	-	247	23	-	23
Loans receivable	108	68	176	24	-	24
Total derivative financial assets and investments	355	68	423	47	-	47
Cross currency swaps	17	-	17	290	1	291
Total derivative financial liabilities	17	-	17	290	1	291

Cross currency swaps

During the six months ended 30 June 2022, the group terminated in advance of maturity one of cross currency swaps. Net cash inflow related to proceeds on termination of cross currency swaps amounted to USD 4 million. The following terms were in place as of 30 June 2022:

Expiration date	Nominal		Frequency	Interest payments	
	Group pays (USD million)	Group receives (RUB million)		Group pays (in USD)	Group receives (in RUB)
March 2024	125	8,225	quarterly	5.04%	8.75%
April 2024	915	61,416	quarterly	4.96%	8,1%
October 2024	310	20,000	semi-annually	3.23%	7.4%
March 2025	125	8,169	quarterly	2.8%	MosPrime 3m + 0.27%

Loans receivable

As of 30 June 2022, loans receivable were as follows:

	30 Jun. 2022	31 Dec. 2021
Loans receivable denominated in USD with fixed interest rate	110	-
Other	66	24
Total loans receivable	176	24

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(in millions of US Dollars)

Unused credit facilities

As of 30 June 2022, the group has unused credit facilities in the total amount of USD 1,661 million (31 December 2021: USD 1,276 million).

Pledge

As of 30 June 2022 and 31 December 2021, all shares of JSC TaigaEnergostroy belonging to the group were pledged to secure a credit line.

Other matters

There were a number of financial covenants under several loan agreements in effect as of 30 June 2022 according to which the respective subsidiaries of the Company and the Company itself are limited in their 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 June 2022.

17. PAYABLES

	30 Jun. 2022	31 Dec. 2021
Employee compensation payable	115	106
Trade payables	79	65
Capital expenditures payables	69	109
Accrued annual leave	54	31
Interest payable	50	46
Other accounts payable and accrued expenses	52	34
Total trade and other payables	419	391
Social taxes	37	29
Value added tax	35	24
Mineral extraction tax	22	17
Property tax	7	4
Other taxes	14	20
Total taxes other than income tax payable	115	94

18. RELATED PARTIES

There were no transactions with related parties throughout the six months ended 30 June 2022, except for those presented within note 11 and compensation of the key management personnel as detailed below.

Key management personnel

	Six months ended 30 June	
	2022	2021
Short-term compensation to key management personnel accrued	13	10
Equity-settled share-based compensation (LTIP)	1	17
Total	14	27

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

(in millions of US Dollars)

19. COMMITMENTS

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 lease agreements, which expire in various years through to 2065. Future lease payments due under lease agreements excluded from IFRS 16 scope (note 11) were as follows:

	30 Jun. 2022	31 Dec. 2021
Due within one year	21	10
From one to five years	56	33
Thereafter	97	56
Total	174	99

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

	30 Jun. 2022	31 Dec. 2021
Projects in Krasnoyarsk	437	337
Project Natalka	92	145
Project Sukhoi Log	63	49
Other capital commitments	70	50
Total	662	581

20. OPERATING ENVIRONMENT

Special military operation in Ukraine. Further to the developments described in the annual consolidated financial statements for the year ended 31 December 2021, on 21 July 2022 the EU and UK banned the import of gold produced in Russia. The group is analysing the impact of these measures.

At the date when these condensed consolidated interim financial statements are authorized for issuance the sanctions on certain Russian officials, businessmen, companies and governmental bodies imposed by US, UK, EU and other countries have not significantly affected the group’s operations. The group monitors and analyses the geopolitical situation and takes necessary actions to mitigate possible negative consequences. There is still a high level of uncertainty regarding the impact of these events and possible subsequent changes in the economic situation on future operations and financial position of the group.

21. 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).

As of 30 June 2022, the group changed the approach of the fair value valuation of cross-currency swaps due to the absence of access to certain observable inputs. As of 30 June 2022, the fair value of cross-currency swaps is determined by independent banks using a discounted cash flow valuation technique and is based on inputs (spot currency exchange rates, USD and RUB interest rates), which are observable in the market, and unobservable adjustments categorised within Level 3 of the fair value hierarchy in accordance with IFRS 13. As of 31 December 2021, the fair value of cross-currency swaps was determined using a discounted cash flow valuation technique and was based on inputs (spot currency exchange rates, USD 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. Unobservable inputs have a significant impact on the valuation of the fair value of cross-currency swaps (in particular, an increase in adjusted RUB interest rates will decrease the fair value of cross-currency swaps).

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(in millions of US Dollars)

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

	30 June 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Eurobonds (Level 1)	1,349	363	1,829	1,847
Borrowings (Level 2)	1,581	1,571	1,090	1,111
Rusbonds (Level 1)	390	377	269	262
Total	3,320	2,311	3,188	3,220

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 is determined using a discounted cash flow valuation technique with reference to observable market inputs: forward USD and RUB interest rates and the company's own credit risk. The fair value was determined on the basis of quotations obtained from an international provider of market information reflecting non-Russian market for the instruments.

22. 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 ²	
		30 Jun. 2022	31 Dec. 2021
Incorporated in Russian Federation			
JSC Polyus Krasnoyarsk	Mining (including initial processing) and sale of gold	100	100
JSC Polyus Aldan	Mining (including initial processing) and sale of gold	100	100
JSC Polyus Verninskoye	Mining (including initial processing) and sale of gold	100	100
JSC GMC Lenzoloto	Mining (including initial processing) and sale of gold	100	100
JSC Polyus Magadan	Mining (including initial processing) and sale of gold	100	100
LLC Polyus Stroy	Construction	100	100
LLC Polyus Sukhoi Log	Exploration and evaluation of the Sukhoi Log deposit	100	100

Acquisition of Chulbatkan

In June 2022, following the completion of sale by Kinross Gold Corporation of 100 percent of its Russian assets to the Highland Gold Mining group of companies the group acquired 100 percent participation interests in Udinsk Gold Limited Liability Company and Berill Gold Limited Liability Company from the Highland Gold Mining group of companies for total consideration of USD 140 million paid and customary adjustments of USD 9 million that are yet to be paid to the seller. The acquisition was considered as a bargain purchase, resulting in a gain in the amount of USD 17 million recognised in the condensed consolidated interim statement of profit or loss.

² Effective % held by the Company, including holdings by other subsidiaries of the group.

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(in millions of US Dollars)

Acquired companies give the group 100 percent stake in the Chulbatkan gold deposit, a high-grade greenfield project located in the Khabarovsk region of the Russian Far East. In accordance with IFRS 3 the group preliminary assessed amounts of fair values of the identified assets and liabilities of the acquired companies at the acquisition date. These amounts are provisional and may be adjusted during measurement period (not exceeding one year from the date of acquisition).

	Provisional fair value amounts at the acquisition date
Property, plant and equipment	138
Non-current inventories	5
Deferred tax assets	5
Trade and other receivables	9
Taxes receivable	5
Cash and cash equivalents	7
Taxes payable	(2)
Trade and other payables	(1)
Total identifiable net assets	166
Cash consideration paid	(140)
Payables recognised in trade and other payables	(9)
Total consideration	(149)
Gain on acquisition of subsidiaries	17

For the period from the date of acquisition to 30 June 2022, the acquired companies had no effect on the group's profit for the period and revenue. The acquired companies would have decreased the group's profit for the six months ended 30 June 2022 by an additional USD 2 million, if the acquisition had occurred in January 2022, with no effect on revenue.

23. EVENTS AFTER THE REPORTING DATE

In August 2022, the group issued yuan-denominated notes in the amount of CNY 4.6 billion (USD 665 million) with coupon rate 3.80% and maturity date in August 2027.

Since 30 June 2022, the group faced intermittence of communication from the paying agent in respect of the group's eurobonds coupon payments. The group transferred the funds within the applicable grace period to the trustee of the eurobonds due in 2024 («Eurobonds») for onward payment to the holders of the Eurobonds, the rights to which are recorded in foreign depositories. The group expects that the funds would be transferred to the clearing systems for onward payment to the holders of the Eurobonds, the rights to which are recorded in foreign depositories. According to the terms of the Eurobonds, the group considers that it has fulfilled its obligations under the Eurobonds. The group expects to apply the same measures to other issues of eurobonds should the situation develop in a similar way.