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**PJSC Polyus  
Management Report  
30 September 2019**

5 November 2019



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## **Cautionary statement**

5 November 2019 – 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 the three and nine months ended 30 September 2019.

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 2019, and the results of its operations, cash flows and changes in equity for three and nine months ended, in compliance with International Accounting Standard 34 (the “IAS 34”) “Interim Financial Statements”.

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 consolidated 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 2019 were approved by Directors on 5 November 2019.

By order of the Board of Directors,

Chief Executive Officer and Director



Pavel Grachev

## Management Discussion and Analysis

### The third quarter 2019 key metrics overview

\$ million (if not mentioned otherwise)	3Q 2019	2Q 2019	Q-o-Q	3Q 2018	Y-o-Y	9M 2019	9M 2018	Y-o-Y
<b>Operating highlights</b>								
Gold production (koz) <sup>1</sup>	753	684	10%	691	9%	2,037	1,800	13%
Gold sold (koz)	729	685	6%	699	4%	1,984	1,689	17%
<b>Realised prices</b>								
Average realised refined gold price (excluding effect of SPPP) (\$/oz) <sup>2</sup>	1,482	1,314	13%	1,209	23%	1,372	1,275	8%
Average realised refined gold price (including effect of SPPP) (\$/oz)	1,482	1,314	13%	1,213	22%	1,372	1,277	7%
<b>Financial performance</b>								
Total revenue	1,070	897	19%	832	29%	2,718	2,141	27%
Operating profit	590	506	17%	442	33%	1,492	1,159	29%
Operating profit margin	55%	56%	(1) ppts	53%	2 ppts	55%	54%	1 ppts
Profit for the period	300	419	(28%)	144	N.A.	1,247	502	N.A.
Earnings per share – basic (US Dollar)	2.13	3.13	(32%)	1.02	N.A.	9.27	3.72	N.A.
Earnings per share – diluted (US Dollar)	2.13	3.15	(32%)	1.00	N.A.	9.26	3.53	N.A.
Adjusted net profit <sup>3</sup>	459	365	26%	355	29%	1,067	1,035	3%
Adjusted net profit margin	43%	41%	2 ppts	43%	0 ppts	39%	48%	(9) ppts
Adjusted EBITDA <sup>4</sup>	705	604	17%	537	31%	1,797	1,381	30%
Adjusted EBITDA margin	66%	67%	(1) ppts	65%	1 ppts	66%	65%	1 ppts
Net cash flow from operations	603	451	34%	423	43%	1,492	1,060	41%
Capital expenditure <sup>5</sup>	157	154	2%	146	8%	410	547	(25%)
<b>Cash costs</b>								
Total cash cost (TCC) per ounce sold (\$/oz) <sup>6</sup>	412	352	17%	345	19%	376	355	6%
All-in sustaining cash cost (AISC) per ounce sold (\$/oz) <sup>7</sup>	628	584	8%	555	13%	602	593	2%
<b>Financial position</b>								
Cash and cash equivalents	1,538	1,249	23%	1,000	54%	1,538	1,000	54%
Net debt <sup>8</sup>	3,317	3,639	(9%)	3,029	10%	3,317	3,029	10%
Net debt/adjusted EBITDA (x) <sup>9</sup>	1.5	1.7	(12%)	1.6	(6%)	1.5	1.6	(6%)

<sup>1</sup> - Gold production is comprised of 650 thousand ounces of refined gold and 103 thousand ounces of gold in flotation concentrate in the third quarter of 2019 and 615 thousand ounces of refined gold and 69 thousand ounces of gold in flotation concentrate in the second quarter of 2019 respectively.

<sup>2</sup> - The Strategic Price Protection Programme ("SPPP") comprises a series of zero-cost Asian gold collars ("revenue stabiliser").

<sup>3</sup> - 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 and investments, net, foreign exchange (gain) / loss, net, and associated deferred income tax related to such items.

<sup>4</sup> - Adjusted EBITDA is defined by the group as profit for the period before income tax, depreciation and amortisation, (gain) / loss on derivative financial instruments and investments (including the effect of the disposal of a subsidiary and subsequent accounting at equity method), finance costs, net, interest income, foreign exchange 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 and special charitable contributions as required to ensure calculation of the Adjusted EBITDA is comparable with the prior period. The group has made these adjustments in calculating Adjusted EBITDA to provide a clearer view of the performance of its underlying business operations and to generate a metric that it believes will give greater comparability over time with peers in its industry. The group believes that Adjusted EBITDA is a meaningful indicator of its profitability and performance. This measure should not be considered as an alternative to profit for the period and operating cash flows based on IFRS, and should not necessarily be construed as a comprehensive indicator of the group's measure of profitability or liquidity. The group calculates Adjusted EBITDA margin as Adjusted EBITDA divided by total revenue.

<sup>5</sup> - 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 21.

<sup>6</sup> - TCC is defined by the group as the cost of gold sales, less property, plant and equipment depreciation and amortisation, employee benefits obligation cost and change in allowance for obsolescence of inventory and adjusted by inventories. 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.

<sup>7</sup> - 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.

<sup>8</sup> - Net debt is defined as non-current borrowings plus current borrowings less cash and cash equivalents and bank deposits. Net debt excludes derivative financial instrument assets/liabilities, 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.

<sup>9</sup> - The group calculates net debt to Adjusted EBITDA as net debt divided by Adjusted EBITDA. For details see reconciliation on page 19.

## Key highlights for the third quarter 2019

1. Total gold sales volumes amounted to 729 thousand ounces, a 6% increase compared to the second quarter of 2019. This includes 79 thousand ounces of gold contained in concentrate from Olimpiada.
2. Revenue for the third quarter was \$1,070 million, up 19% compared to \$897 million in the previous quarter, driven by the increase in average realised gold price (\$1,482 per ounce in the third quarter compared to \$1,314 per ounce in the second quarter) during the reporting period. This was supported by a seasonal increase in refined gold output from the alluvial operations and higher gold production at Kuranakh, Natalka and Verninskoye.
3. In the third quarter, the group's TCC increased 17% to \$412 per ounce compared to the previous quarter due to the seasonal increase in output at the structurally higher cost alluvial operations and scheduled maintenance works at Olimpiada, Blagodatnoye, Natalka and Verninskoye. 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 a 7% increase in hourly throughput (1,533 t/h in the third quarter compared to 1,430 t/h in the second quarter) at Natalka and higher average grade in ore processed (1.72 grams per tonne in the third quarter compared to 1.61 grams per tonne in the second quarter) at Blagodatnoye.
4. Polyus amends its TCC guidance for the full year of 2019 and now expects the group's TCC to remain in a range of \$375-\$425 per ounce, as compared to the previous forecast, which set TCC guidance at below \$425 per ounce.
5. Adjusted EBITDA for the third quarter was \$705 million, up 17% compared to \$604 million in the previous quarter, driven by higher average realised gold price and higher gold sales volumes during the reporting period.
6. In the third quarter, net profit totaled \$300 million, compared to \$419 million in the second quarter. This decrease in net profit reflects the impact of non-cash items.
7. Adjusted net profit amounted to \$459 million, representing a 26% increase from the second quarter.
8. Net cash generated from operations was \$603 million in the third quarter, compared to \$451 million in the previous quarter.
9. Capital expenditures ("capex") amounted to \$157 million, remained almost flat compared with the previous quarter.
10. In 2019, Polyus plans to invest approximately \$650-\$700 million across the business. Previous guidance was set at \$725 million. This downwards adjustment reflects a capex carry-forward from 2019 to 2020, related to several infrastructure development projects.
11. Cash and cash equivalents as at 30 September 2019 amounted to \$1,538 million, compared to \$1,249 million as at 30 June 2019.
12. Net debt decreased to \$3,317 million, compared to \$3,639 million as at the end of the second quarter, supported by free cash flow generation during the reporting period. In the fourth quarter of 2019, the Company paid out the dividends for the first half of 2019 in the amount of 21.7 billion Russian roubles, which corresponds to \$341 million<sup>10</sup>, representing 30% of the Company's EBITDA for the first half of 2019, in line with the Company's dividend policy. The dividend amount is equivalent to approximately \$2.56 per ordinary share, or \$1.28 per depositary share.
13. The net debt/adjusted EBITDA ratio decreased to 1.5x compared to 1.7x as at the end of the second quarter 2019, reflecting a decrease in the net debt position and growth in adjusted EBITDA.

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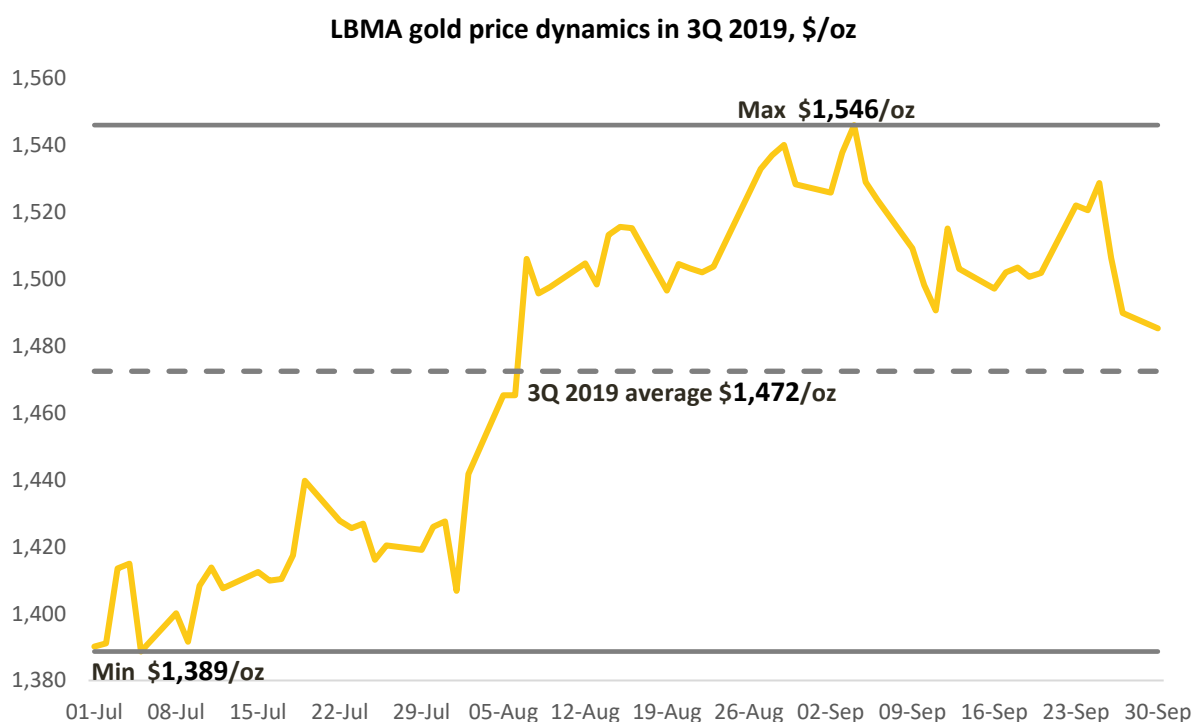
<sup>10</sup> Based on the currency exchange rate of the Central Bank of Russia of 63.6336 Russian roubles per 1 U.S. dollar as of 23 October 2019

## 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

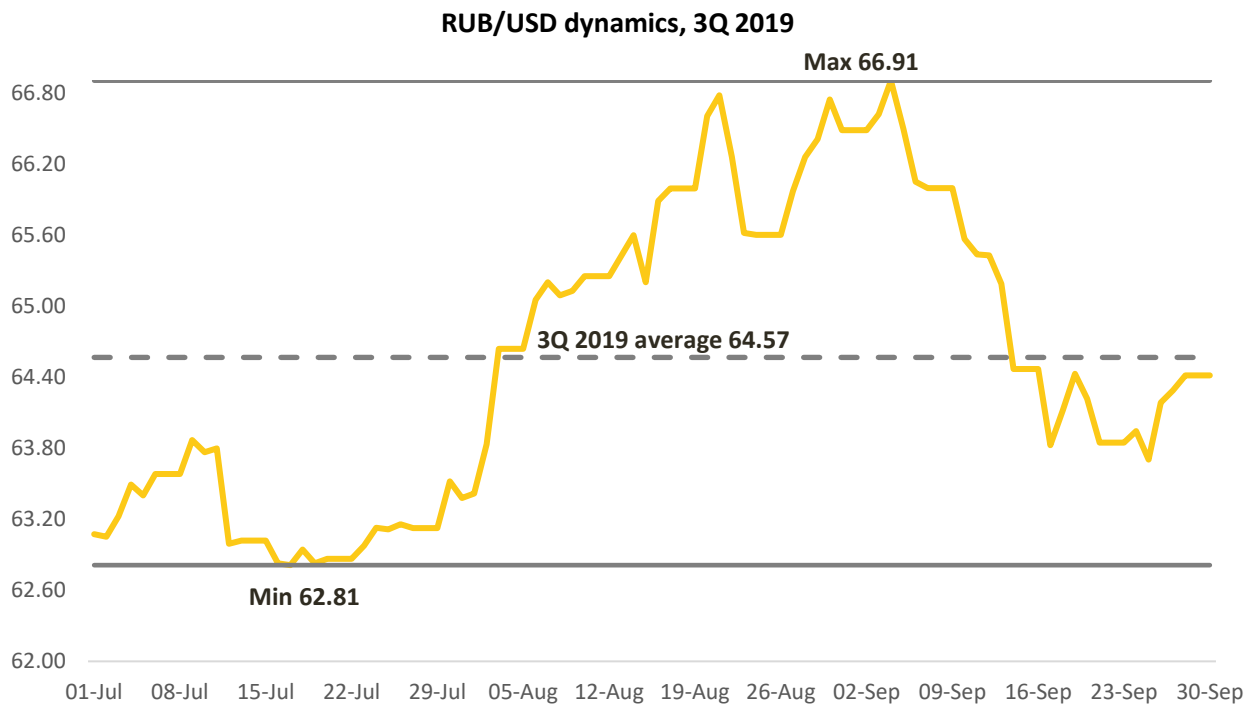
The market price of gold is a significant factor that influences the group's profitability and operating cash flow generation. In the third quarter of 2019, the average London Bullion Market Association (LBMA) gold price was \$1,472 per ounce, compared to \$1,309 per ounce in the previous quarter.



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 2019, the average RUB/USD exchange rate amounted to 64.57, compared to 64.56 in the previous quarter.



Source: The Central Bank of the Russian Federation

**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 4.0% as of the end of the third quarter of 2019, compared to 4.7% as of the end of the previous quarter and 3.4% as of the end of the third quarter of 2018.

## Financial review of the third quarter of 2019

### Statement of profit or loss review

#### REVENUE ANALYSIS

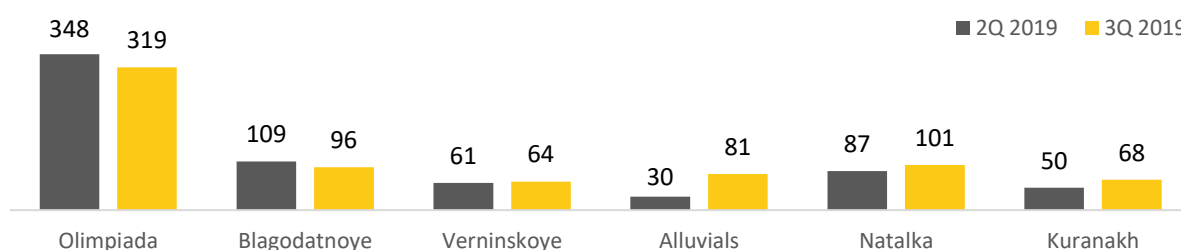
	3Q 2019	2Q 2019	Q-o-Q	9M 2019	9M 2018	Y-o-Y
Gold sales (koz)	729	685	6%	1,984	1,689	17%
Average realised refined gold price (excluding effect of SPPP) (\$/oz)	1,482	1,314	13%	1,372	1,275	8%
Average realised refined gold price (including effect of SPPP) (\$/oz)	1,482	1,314	13%	1,372	1,277	7%
Average afternoon gold LBMA price fixing (\$/oz)	1,472	1,309	12%	1,364	1,282	6%
Premium of average selling price (including effect of SPPP) over average LBMA price fixing (\$/oz)	10	5	100%	8	(5)	N.A.
Gold sales (\$ million)	1,061	886	20%	2,688	2,112	27%
Other sales (\$ million)	9	11	(18%)	30	29	3%
<b>Total revenue (\$ million)</b>	<b>1,070</b>	<b>897</b>	<b>19%</b>	<b>2,718</b>	<b>2,141</b>	<b>27%</b>

In the third quarter, the group's revenue from gold sales was \$1,061 million, a 20% increase compared to the previous quarter. Gold sales totaled 729 thousand ounces, up 6% compared to the previous quarter, mainly driven by a seasonal increase in refined gold output from the alluvial operations and higher gold production at Kuranakh, Natalka and Verninskoye.

The average realised refined gold price was 13% higher compared to the second quarter of 2019 and amounted to \$1,482 per ounce (including effect of SPPP).

#### Revenue breakdown by business units, 3Q 2019 vs. 2Q 2019

Assets	3Q 2019 (\$ million)			2Q 2019 (\$ million)		
	Gold sales	Other sales	Total sales	Gold sales	Other sales	Total sales
Olimpiada	454	2	456	443	1	444
Blagodatnoye	143	-	143	142	-	142
Verninskoye	93	-	93	81	-	81
Alluvials	122	1	123	39	1	40
Kuranakh	101	-	101	66	1	67
Natalka	148	2	150	115	2	117
Other	-	4	4	-	6	6
<b>Total</b>	<b>1,061</b>	<b>9</b>	<b>1,070</b>	<b>886</b>	<b>11</b>	<b>897</b>

**Gold sold by mine, koz**

**CASH COSTS ANALYSIS**

In the third quarter of 2019, the group's cost of gold sales increased 21% compared to the previous quarter, to \$388 million, while cash operating costs increased 20% compared to the prior period, to \$327 million. This increase was primarily driven by a seasonally higher production volumes at the alluvial operations and scheduled maintenance works at Olimpiada, Blagodatnoye, Natalka and Verninskoye.

**Cost of sales breakdown**

\$ million	3Q 2019	2Q 2019	Q-o-Q	9M 2019	9M 2018	Y-o-Y
<b>Cash operating costs<sup>11</sup></b>	<b>327</b>	<b>273</b>	<b>20%</b>	<b>830</b>	<b>637</b>	<b>30%</b>
Depreciation and amortisation (D&A) of operating assets	98	81	21%	251	193	30%
<b>Total cost of production</b>	<b>425</b>	<b>354</b>	<b>20%</b>	<b>1,081</b>	<b>830</b>	<b>30%</b>
Increase in stockpiles, gold-in-process and refined gold inventories	(37)	(34)	9%	(91)	(86)	6%
<b>Cost of gold sales</b>	<b>388</b>	<b>320</b>	<b>21%</b>	<b>990</b>	<b>744</b>	<b>33%</b>

**Cash operating costs – breakdown by item**

\$ million	3Q 2019	2Q 2019	Q-o-Q	9M 2019	9M 2018	Y-o-Y
Consumables and spares	91	77	18%	231	173	34%
Labour	99	87	14%	254	205	24%
Mineral Extraction Tax ("MET")	54	44	23%	135	119	13%
Fuel	35	31	13%	94	65	45%
Power	15	13	15%	43	27	59%
Outsourced mining services	7	2	N.A.	9	4	N.A.
Other <sup>11</sup>	26	19	37%	64	44	45%
<b>Total</b>	<b>327</b>	<b>273</b>	<b>20%</b>	<b>830</b>	<b>637</b>	<b>30%</b>

In the third quarter, consumables and spares expenses increased by 18% compared to the previous quarter due to the aforementioned factors related to the alluvial operations and maintenance works across almost all the hard rock deposits.

Labour costs increased by 14% compared to the previous quarter. This mainly reflects the aforementioned factors related to the alluvial operations.

<sup>11</sup>The group calculates cash operating costs as the sum of the following costs within cost of sales for the period: Labour, Consumables and spares, "MET", Fuel, Power, Outsourced mining services and other costs, including Refining, logistics and costs on explosives.

**Management Report for the three and nine months ended 30 September 2019**

MET expenses increased by 23% due to the higher production volumes of dore gold and increase in sales volumes of flotation concentrate during the period. Additional impact came on the back of the increase in average gold price in the third quarter.

Fuel costs in the third quarter increased by 13% compared to the second quarter due to the aforementioned factors related to the active phase of the washing season at Alluvials.

Power costs increased by 15% compared to the previous quarter mainly driven by the increase in power tariffs at Nataalka due to the redistribution of power supply volumes in the region.

**Cash operating costs – breakdown by key business units<sup>12</sup>, 3Q 2019 vs. 2Q 2019**

\$ million	Olimpiada		Blagodatnoye		Verninskoye		Alluvials		Kuranakh		Nataalka	
	3Q 2019	2Q 2019	3Q 2019	2Q 2019	3Q 2019	2Q 2019	3Q 2019	2Q 2019	3Q 2019	2Q 2019	3Q 2019	2Q 2019
Consumables and spares	37	36	15	11	7	7	10	4	7	6	14	11
Labour	20	21	10	10	9	9	24	12	10	11	11	13
MET	29	27	10	9	1	1	8	3	6	4	-	-
Fuel	7	8	5	4	2	1	9	4	4	4	7	7
Power	5	6	2	2	1	1	2	2	2	2	6	4
Outsourced mining services	-	-	-	-	-	-	7	2	-	-	-	-
Other	13	7	7	7	6	6	7	4	3	3	12	10
<b>Total</b>	<b>111</b>	<b>105</b>	<b>49</b>	<b>43</b>	<b>26</b>	<b>25</b>	<b>67</b>	<b>31</b>	<b>32</b>	<b>30</b>	<b>50</b>	<b>45</b>

**TOTAL CASH COSTS**
**TCC calculation**

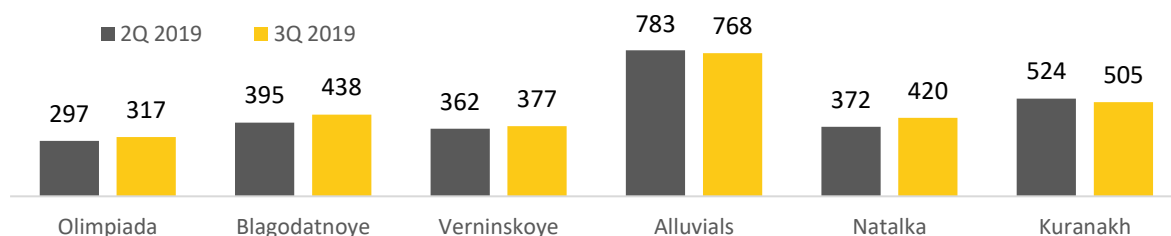
\$ million	3Q 2019	2Q 2019	Q-o-Q	9M 2019	9M 2018	Y-o-Y
<b>Cost of gold sales before by-product</b>	<b>393</b>	<b>328</b>	<b>20%</b>	<b>1,007</b>	<b>772</b>	<b>30%</b>
Antimony by-product credit	(5)	(8)	(38%)	(17)	(28)	(39%)
<b>Cost of gold sales</b>	<b>388</b>	<b>320</b>	<b>21%</b>	<b>990</b>	<b>744</b>	<b>33%</b>
property, plant and equipment depreciation	(98)	(81)	21%	(251)	(193)	30%
employee benefit obligations cost	-	-	N.A.	-	1	(100%)
change in allowance for obsolescence of inventory	-	(2)	(100%)	(3)	(2)	50%
non-monetary changes in inventories	10	3	N.A.	9	50	(82%)
<b>TCC</b>	<b>300</b>	<b>240</b>	<b>25%</b>	<b>745</b>	<b>600</b>	<b>24%</b>
Gold sold (koz)	729	685	6%	1,984	1,689	17%
<b>TCC per ounce sold (\$/oz)</b>	<b>412</b>	<b>352</b>	<b>17%</b>	<b>376</b>	<b>355</b>	<b>6%</b>

In the third quarter, the group's TCC increased 17% to \$412 per ounce compared to the previous quarter due to the seasonal increase in output at the structurally higher cost alluvial operations and scheduled maintenance works at Olimpiada, Blagodatnoye, Nataalka and Verninskoye. 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 a 7% increase in hourly throughput (1,533 t/h in the third quarter compared to 1,430 t/h in the second quarter) at Nataalka and a higher average grade in ore processed

<sup>12</sup> Calculated on standalone basis and do not include other non-producing business units and consolidation adjustments.

(1.72 grams per tonne in the third quarter compared to 1.61 grams per tonne in the second quarter) at Blagodatnoye.

#### TCC performance by mine, \$/oz



In the third quarter, TCC at Olimpiada increased to \$317 per ounce, up 7% compared to the second quarter. This increase reflected lower sales of antimony-rich flotation concentrate, which resulted in a decrease in by-product credit (\$16 per ounce in the third quarter compared to \$23 per ounce in the second quarter) and scheduled maintenance works. These factors were partially offset by higher share of lower cost flotation concentrate in total gold sold during the quarter.

At Blagodatnoye, TCC amounted to \$438 per ounce, up 11% compared to the second quarter, mainly due to scheduled maintenance works and higher consumption of reagents in the reporting period. These factors were partially offset by higher average grade in ore processed (1.72 grams per tonne in the third quarter compared to 1.61 grams per tonne in the second quarter).

TCC at Verninskoye amounted to \$377 per ounce, up 4% compared to the second quarter due to scheduled maintenance works at the Verninskoye Mill, which were completed in September 2019.

At Kuranakh, TCC declined to \$505 per ounce, a 4% decrease 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.

TCC at Alluvials declined to \$768 per ounce, compared to \$783 per ounce reflecting the improved equipment efficiency due to lower boulderiness of sands washed during the active phase of the washing season.

At Natalka, TCC increased 13% to \$420 per ounce compared to the second quarter due to scheduled maintenance works. At the same time, a weather-related emergency led to unscheduled idle time of the Natalka Mill and downscaling of mining activities at lower benches of the open pit, which have been temporarily flooded. Consequently, the share of higher-grade material in ore mined declined in the reporting period, resulting in a lower average grade in ore processed (1.51 grams per tonne in the third quarter compared to 1.56 grams per tonne in the second quarter). In addition, the increase in power tariff also negatively impacted the cost performance. These factors were partially offset by the increase in hourly throughput (1,533 t/h in the third quarter compared to 1,430 t/h in the second quarter).

#### **SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES**

The group's selling, general, and administrative (SG&A) expenses amounted to \$76 million, a 13% increase compared to the second quarter due to higher expenses under a long-term incentive plan ("LTIP").

**SG&A breakdown by item**

\$ million	3Q 2019	2Q 2019	Q-o-Q	9M 2019	9M 2018	Y-o-Y
Salaries	53	41	29%	135	103	31%
Distribution expenses related to gold-bearing products	5	6	(17%)	14	13	8%
Taxes other than mining and income taxes	5	4	25%	14	11	27%
Professional services	3	3	0%	7	6	17%
Amortisation and depreciation	5	5	0%	15	7	N.A.
Other	5	8	(38%)	19	17	12%
<b>Total</b>	<b>76</b>	<b>67</b>	<b>13%</b>	<b>204</b>	<b>157</b>	<b>30%</b>

**ALL-IN SUSTAINING COSTS (AISC)**

In the third quarter, the group's AISC increased to \$628 per ounce, up 8% compared to the second quarter, trending in line with TCC per ounce. This was partially offset by the decrease in stripping expenses and sustaining capital expenditures during the reporting period.

**All-in sustaining costs calculation**

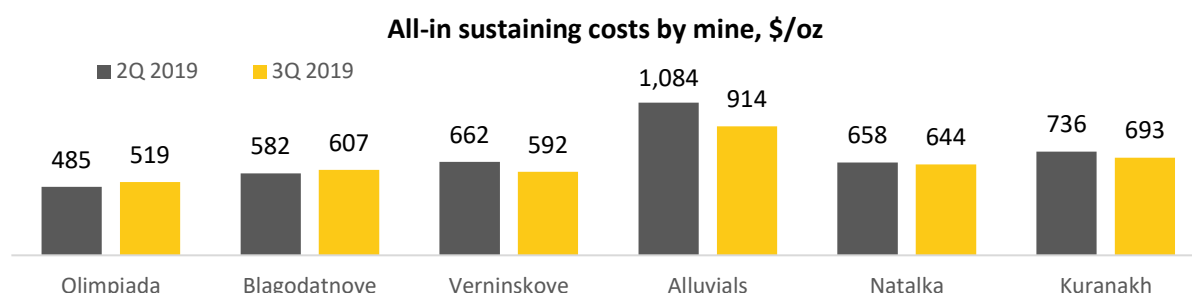
\$ million	3Q 2019	2Q 2019	Q-o-Q	9M 2019	9M 2018	Y-o-Y
<b>Total TCC</b>	<b>300</b>	<b>240</b>	<b>25%</b>	<b>745</b>	<b>600</b>	<b>24%</b>
selling, general and administrative expenses	76	67	13%	204	157	30%
amortisation and depreciation related to SG&A	(5)	(5)	0%	(15)	(7)	N.A.
stripping activity asset additions <sup>13</sup>	43	47	(9%)	137	125	10%
sustaining capital expenditure <sup>14</sup>	43	48	(10%)	117	122	(4%)
unwinding of discounts on decommissioning liabilities	1	1	0%	3	3	0%
<b>adding back expenses excluded from cost of gold sales</b>						
employee benefit obligations cost	-	-	N.A.	-	(1)	(100%)
change in allowance for obsolescence of inventory	-	2	(100%)	3	2	50%
<b>Total all-in sustaining costs</b>	<b>458</b>	<b>400</b>	<b>15%</b>	<b>1,194</b>	<b>1,001</b>	<b>19%</b>
Gold sold (koz)	729	685	6%	1,984	1,689	17%
<b>All-in-sustaining cost (\$/oz)</b>	<b>628</b>	<b>584</b>	<b>8%</b>	<b>602</b>	<b>593</b>	<b>2%</b>

In the third quarter, AISC at Olimpiada increased to \$519 per ounce, while AISC at Blagodatnoye increased to \$607 per ounce, both driven by higher TCC for the period. AISC at Verninskoye decreased to \$592 per ounce, primarily due to the lower stripping and lower sustaining capital expenditures in the reporting period. AISC at Kuranakh decreased to \$693 per ounce, driven by lower TCC for the period. AISC at Natalka decreased to \$644 per ounce driven by lower sustaining capital expenditures during the period. AISC at

<sup>13</sup> Following an update of the methodology and extraction of the depreciation included in the additions to the stripping activity asset. The amount of non-cash depreciation was \$16 million in the third quarter of 2019, \$17 million in the second quarter of 2019, \$12 million in the third quarter of 2018.

<sup>14</sup> 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.

Alluvials decreased to \$914 per ounce, driven by lower TCC and sustaining capital expenditures in the reporting period.



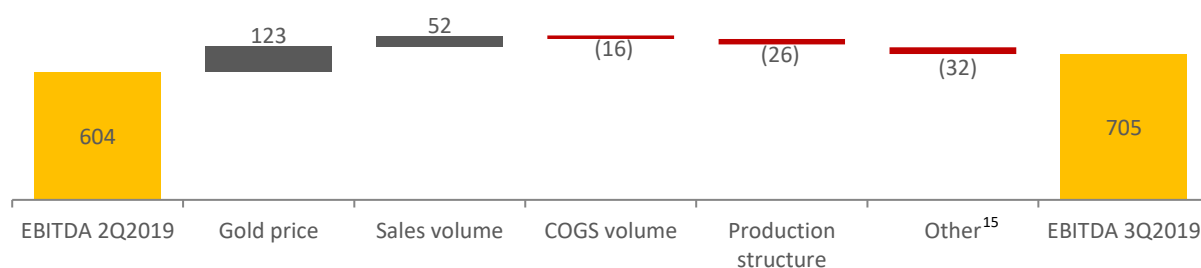
### ADJUSTED EBITDA

In the third quarter, the group's adjusted EBITDA amounted to \$705 million, a 17% increase compared to \$604 million in the previous quarter, driven by higher average realised gold price and higher gold sales volumes during the reporting period.

#### Adjusted EBITDA calculation

\$ million	3Q 2019	2Q 2019	Q-o-Q	9M 2019	9M 2018	Y-o-Y
<b>Profit for the period</b>	<b>300</b>	<b>419</b>	<b>(28%)</b>	<b>1,247</b>	<b>502</b>	<b>N.A.</b>
Income tax expense	80	89	(10%)	270	35	N.A.
Depreciation and amortisation	95	85	12%	262	154	70%
Loss on derivative financial instruments, net	105	9	N.A.	17	134	(87%)
Finance costs, net	64	64	0%	191	143	34%
Equity-settled share-based payment plans	14	7	100%	27	10	N.A.
Foreign exchange loss / (gain), net	52	(63)	N.A.	(200)	363	N.A.
Interest income	(11)	(12)	(8%)	(33)	(18)	83%
Impairment	2	-	N.A.	3	36	(92%)
Special charitable contributions	4	5	(20%)	12	21	(43%)
Loss on disposal of property, plant and equipment	-	1	(100%)	1	1	0%
<b>Adjusted EBITDA</b>	<b>705</b>	<b>604</b>	<b>17%</b>	<b>1,797</b>	<b>1,381</b>	<b>30%</b>
Total revenue	1,070	897	19%	2,718	2,141	27%
<b>Adjusted EBITDA margin (%)</b>	<b>66%</b>	<b>67%</b>	<b>(1) pts</b>	<b>66%</b>	<b>65%</b>	<b>1 pts</b>

#### Adjusted EBITDA bridge, \$ million



<sup>15</sup> Includes operational factors and FX effects.

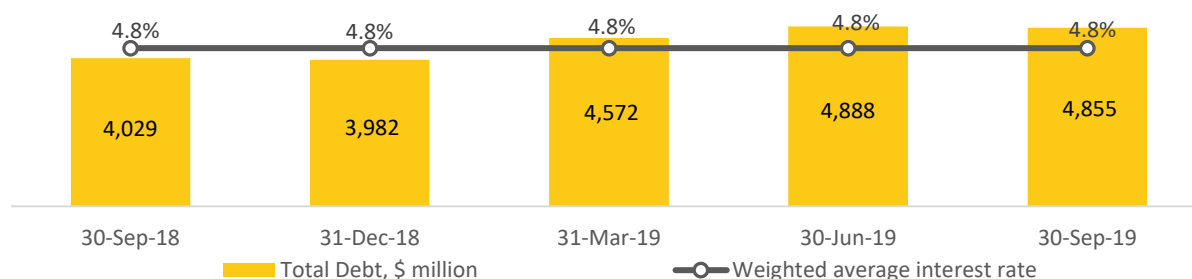
**Adjusted EBITDA breakdown by business units, \$ million**

\$ million	3Q 2019	2Q 2019	Q-o-Q	9M 2019	9M 2018	Y-o-Y
Olimpiada	323	325	(1%)	899	823	9%
Blagodatnoye	98	95	3%	277	273	1%
Verninskoye	65	52	25%	176	141	25%
Alluvials	53	14	N.A.	64	37	73%
Kuranakh	61	34	79%	123	89	38%
Natalka	92	71	30%	228	11	N.A.
Other <sup>16</sup>	13	13	0%	30	7	N.A.
<b>Total</b>	<b>705</b>	<b>604</b>	<b>17%</b>	<b>1,797</b>	<b>1,381</b>	<b>30%</b>

**FINANCE COST ANALYSIS**

\$ million	3Q 2019	2Q 2019	Q-o-Q	9M 2019	9M 2018	Y-o-Y
Interest on borrowings	75	77	(3%)	216	205	5%
Interest on lease liabilities	1	-	N.A.	3	-	N.A.
Write-off of unamortised debt costs due to early extinguishment of debt and bank one-off commissions	-	1	(100%)	1	13	(92%)
Unwinding of discounts	4	4	0%	11	11	0%
Gain on debt modification <sup>17</sup>	-	(10)	(100%)	(10)	-	N.A.
Gain on an early redemption of financial liabilities	-	-	N.A.	-	(5)	(100%)
Gain on exchange of interest payments under cross currency swap and interest rate swap	(16)	(8)	100%	(30)	(28)	7%
<b>Sub-total finance cost, net</b>	<b>64</b>	<b>64</b>	<b>0%</b>	<b>191</b>	<b>196</b>	<b>(3%)</b>
Interest included in the cost of qualifying assets	-	-	N.A.	-	(53)	(100%)
<b>Total finance cost expended</b>	<b>64</b>	<b>64</b>	<b>0%</b>	<b>191</b>	<b>143</b>	<b>34%</b>

The group's total finance costs remained flat compared to the second quarter of 2019, at \$64 million. Interest on borrowings decreased 3% to \$75 million compared to the second quarter of 2019. This figure reflects the decline in gross debt in the third quarter of 2019.

**Weighted average interest rate dynamics<sup>18</sup>**


<sup>16</sup> Reflects consolidation adjustments of Sukhoi Log and non-producing business units, including the exploration business unit, capital construction business unit and unallocated segments.

<sup>17</sup> For additional information on gain on debt modification, see Note 17 of the condensed consolidated interim financial statements.

<sup>18</sup> Weighted average interest rate is calculated as of the end of the period.

**Foreign exchange loss and derivatives**

The group's foreign exchange loss was \$52 million, compared to a \$63 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 2019 due to FX rate fluctuation.

**Valuation of derivative financial instruments as at 30 September and for the three and nine months ended 30 September 2019**

\$ million	Asset	Liability	Fair value recorded in the statement of financial position	Profit & loss (expenses)/ income
Revenue stabiliser	-	(8)	(8)	(11)
Cross-currency swaps	8	(80)	(72)	62
Interest rate swaps	3	(7)	(4)	(8)
Conversion option on convertible bonds	-	(65)	(65)	(60)
<b>Total</b>	<b>11</b>	<b>(160)</b>	<b>(149)</b>	<b>(17)</b>

**Revenue stabiliser<sup>19</sup>**

The Company adjusted part of its revenue stabiliser agreements, which effectively resulted in a partial close out and an increase in strikes and "knock-in" barriers for certain call options expiring in 2019-2020, with total premium of \$30 million paid.

In July, the Company adjusted the call options for 2020, resetting call strike price to call barriers. In August, call options for 210 thousand ounces were relocated from the fourth quarter of 2019 to the fourth quarter of 2020 with call strikes and barriers adjusted upwards. Following that, the callable amount for 2020 was cut in half from 560 thousand ounces to 280 thousand ounces in September.

As a result of the abovementioned adjustments, there are no call options left for the remainder of 2019. The amounts under call options for 2020 stay at 280 thousand ounces with no gold hedges outstanding post 2020.

**Cross-currency and interest rate swaps**

In the third quarter of 2019, the overall positive effect from cross-currency and interest rate swaps on finance cost amounted to \$16 million. This was recorded within note 8 of the condensed consolidated interim financial statement as a realised gain on the exchange of interest payments under interest rate and cross currency swaps.

**Conversion option on convertible bonds**

As at 30 September 2019, the fair value of conversion option of \$65 million was determined with reference to the quoted market price and is presented within note 12 of the condensed consolidated interim financial statements. In the third quarter of 2019, the overall loss from the conversion option amounted to \$41 million compared to \$11 million loss recognised in the second quarter of 2019.

<sup>19</sup> For additional information on revenue stabiliser, cross-currency and interest rate swaps, see Note 12 of the condensed consolidated interim financial statements.

**PROFIT BEFORE TAX & INCOME TAXES**

In the third quarter of 2019, profit before tax decreased to \$380 million compared to \$508 million in the previous reporting period. This was primarily driven by foreign exchange loss and a higher loss on revaluation of derivative financial instruments in the reporting period. Income tax amounted to \$80 million, resulting in an effective income tax rate of 21%.

**NET PROFIT**

In the third quarter of 2019, net profit totaled \$300 million, compared to net profit of \$419 million in the second quarter. The net profit decrease reflects the impact of non-cash items.

**Adjusted net profit calculation**

\$ million	3Q 2019	2Q 2019	Q-o-Q	9M 2019	9M 2018	Y-o-Y
<b>Net profit for the period</b>	<b>300</b>	<b>419</b>	<b>(28%)</b>	<b>1,247</b>	<b>502</b>	<b>N.A.</b>
impairment	2	-	N.A.	3	36	(92%)
Loss on derivative financial instruments, net	105	9	N.A.	17	134	(87%)
foreign exchange loss / (gain), net	52	(63)	N.A.	(200)	363	N.A.
<b>Adjusted net profit</b>	<b>459</b>	<b>365</b>	<b>26%</b>	<b>1,067</b>	<b>1,035</b>	<b>3%</b>
Total revenue	1,070	897	19%	2,718	2,141	27%
<b>Adjusted net profit margin</b>	<b>43%</b>	<b>41%</b>	<b>2 pts</b>	<b>39%</b>	<b>48%</b>	<b>(9) pts</b>

**Statement of financial position review**
**DEBT**

The Company's gross debt decreased to \$4,855 million, compared to \$4,888 million as at the end of the second quarter of 2019.

As at 30 September 2019, the Company's estimated cash position increased to \$1,538 million (30 June 2019: \$1,249 million) and its estimated net debt position decreased, compared to the previous quarter and amounted to \$3,317 million (30 June 2019: \$3,639 million).

The share of fixed-rate liabilities within the Company's debt portfolio stood at 97% as at the end of third quarter of 2019.

As of 30 September 2019, the group had a lease liability in the amount of \$81 million, which is discussed further within note 2 of the condensed consolidated interim financial statements. This follows the introduction of IFRS 16 "Leases" approved by the International Accounting Standard Board.

**Debt breakdown by type**

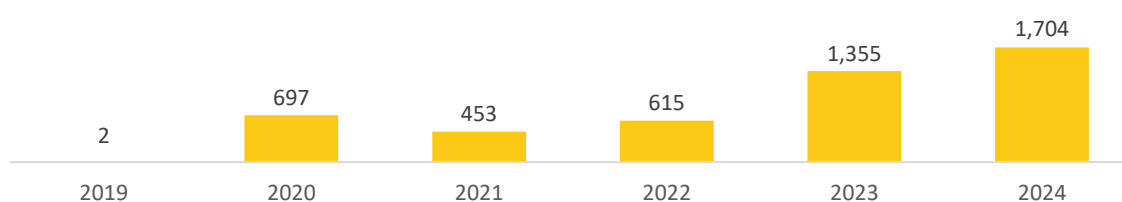
\$ million	30 September 2019	30 June 2019	31 December 2018	30 September 2018
Eurobonds	2,406	2,406	2,404	2,400
Convertible bonds	192	191	186	185
RUB bonds	235	240	218	232
Lease	81	83	10	11
Bank loans	1,941	1,968	1,164	1,201
<b>Total</b>	<b>4,855</b>	<b>4,888</b>	<b>3,982</b>	<b>4,029</b>

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

**Debt breakdown by currency**

	30 September 2019		30 June 2019		31 December 2018		30 September 2018	
	\$ million	% of total	\$ million	% of total	\$ million	% of total	\$ million	% of total
RUB	1,560	32%	1,594	33%	762	19%	813	20%
USD	3,295	68%	3,294	67%	3,220	81%	3,216	80%
<b>Total</b>	<b>4,855</b>	<b>100%</b>	<b>4,888</b>	<b>100%</b>	<b>3,982</b>	<b>100%</b>	<b>4,029</b>	<b>100%</b>

The Company's debt maturity profile remains smooth with limited debt maturities outstanding before the end of 2019. Existing cash balances cover the dominant portion of all principal debt repayments up to the end of 2022.

**Debt maturity schedule (as at 30 September 2019)<sup>20</sup>, \$ million**

**CASH AND CASH EQUIVALENTS AND BANK DEPOSITS**

As of the end of the third quarter 2019, the group's cash and cash equivalents and bank deposits totaled \$1,538 million, up 23% compared to the end of the second quarter of 2019.

The group's cash position is primarily denominated in USD.

**Cash, cash equivalents and bank deposits breakdown by currency**

\$ million	30 September 2019	30 June 2019	31 December 2018	30 September 2018
RUB	128	124	132	117
USD	1,410	1,125	764	883
<b>Total</b>	<b>1,538</b>	<b>1,249</b>	<b>896</b>	<b>1,000</b>

**NET DEBT**

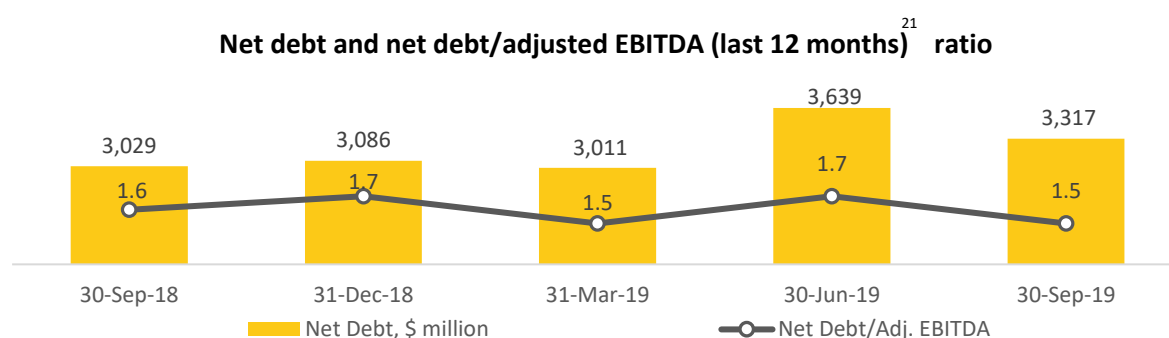
At the end of the third quarter of 2019, the group's net debt amounted to \$3,317 million, down 9% compared to the end of the second quarter.

**Net debt calculation**

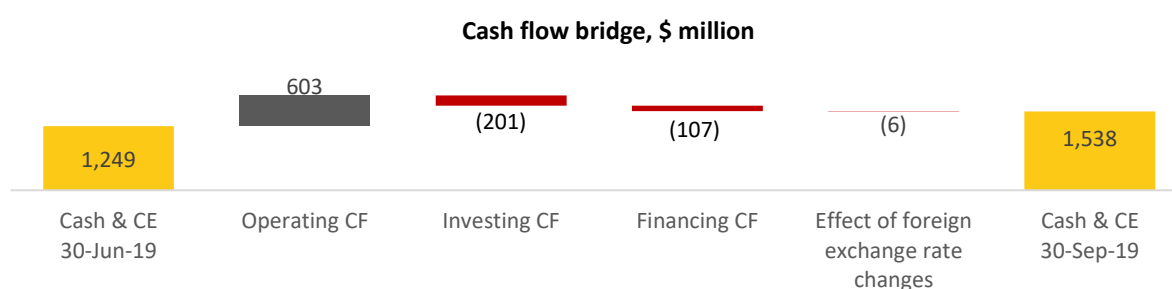
\$ million	30 September 2019	30 June 2019	31 December 2018	30 September 2018
Non-current borrowings	4,156	4,192	3,975	4,021
+ Current borrowings	699	696	7	8
– Cash and cash equivalents	(1,538)	(1,249)	(896)	(1,000)
<b>Net debt</b>	<b>3,317</b>	<b>3,639</b>	<b>3,086</b>	<b>3,029</b>

The net debt/adjusted EBITDA ratio decreased to 1.5x compared to 1.7x as at the end of the second quarter 2019, reflecting a decrease in the net debt position and growth in adjusted EBITDA.

<sup>20</sup> The breakdown is based on actual maturities and excludes \$44 million of banking commissions and deduction of conversion option component of convertible bonds and the lease liabilities recognised under IFRS 16 as of 30 September 2019 in amount of \$81 million.



## Statement of cash flows review



In the third quarter, net cash generated from operations was \$603 million, compared to \$451 million in the second quarter. Net cash utilised in investing activities increased to \$201 million compared to \$183 million in the previous quarter. Net cash outflow from financing activities totaled \$107 million compared to \$584 million of cash outflow in the prior period.

### OPERATING CASH FLOW

In the third quarter of 2019, the group generated operational cash flow of \$603 million, which was negatively impacted by a working capital outflow of \$33 million. This figure primarily reflects an inventory accumulation of ore stockpiles at Olimpiada, Natalka and Verninskoye, as well as an increase in receivables related to sales of merchant gold containing flotation concentrate and antimony-rich flotation concentrate. At the same time, this was partially offset by the write-off of the deferred expenses at Alluvials due to active phase of the washing season.

### INVESTING CASH FLOW

In the third quarter of 2019, capital expenditures (“capex”) remained broadly flat compared to the previous quarter and stood at \$157 million.

Capital expenditures at Natalka decreased to \$37 million in the third quarter compared to \$48 million in the previous period. Construction at the Natalka Mill’s auxiliary and infrastructure facilities is in progress.

<sup>21</sup> 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 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). For the purpose of the net debt to Adjusted EBITDA ratio as of 30 June 2019, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 June 2019 (being Adjusted EBITDA for 2018 less Adjusted EBITDA for the six months ended 30 June 2018 plus Adjusted EBITDA for the six months ended 30 June 2019). For the purpose of the net debt to Adjusted EBITDA ratio as of 31 March 2018, Adjusted EBITDA is calculated as the trailing twelve months ended on 31 March 2018 (being Adjusted EBITDA for 2018 less Adjusted EBITDA for the three months ended 31 March 2018 plus Adjusted EBITDA for the three months ended 31 March 2019). For the purpose of the net debt to Adjusted EBITDA ratio as of 30 September 2018, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 September 2018 (being Adjusted EBITDA for 2017 less Adjusted EBITDA for the nine months ended 30 September 2017 plus Adjusted EBITDA for the nine months ended 30 September 2018).

This includes site excavation and rock embankment construction for the slurry pipeline and starter dams at a new tailings facility. The Company completed the construction of additional water wells and the fuel warehouse.

The Company is continuing to implement operational initiatives targeting further recovery rate improvement. In the reporting period, Polyus expanded the first stage of gravity concentration via introduction of two additional Knelson concentrators, bringing the total number of concentrators operating at the first stage to 22. Polyus plans to install a belt magnet to remove recirculating scrap metal at the ball mill at Nataika, which is expected to reduce equipment wear.

At Olimpiada, capital expenditures increased to \$38 million in the third quarter compared to \$35 million in the second quarter. The Company continued its expansion of throughput capacity at the mills to 13.4 million tonnes per annum as well as the upgrade of its mining fleet. In the reporting period, 2 units of large-load haul trucks (CAT 793D) were put into operation. Polyus is also working on introduction of the second stage of alkaline leaching, with construction works being close to completion. In addition, Polyus is continuing to install three Jameson Cell flotation units at Mill No. 1 and Mill No. 3.

At Blagodatnoye, capital expenditures amounted to \$9 million in the third quarter. The Company proceeds with works on the mill expansion project to reach throughput capacity of 9.0 million tonnes per annum. This includes the replacement of pumps at hydrocyclones, upgrade of the milling circuit and the installation of a Jameson Cell flotation unit at Mill No. 4, aiming at further recovery improvement at the flotation circuit.

At Verninskoye, capital expenditures amounted to \$11 million in the third quarter, down from \$15 million in the second quarter. The Company proceeds with the mill's throughput expansion to 3.5 million tonnes per annum, conducting construction works at the extension to the main building, where an additional grinding circuit will be installed.

At Kuranakh, capital expenditures remained flat compared with the previous quarter at \$10 million. Polyus installed a new crusher as part of the mill's throughput expansion. At the Kuranakh heap leaching operations interlift liners for the second lift were laid and mobile conveyor equipment was delivered.

At Alluvials, capital expenditures amounted to \$5 million in the third quarter and consisted of ongoing replacement of worn-out equipment as well as the exploration activity.

IT-related capital expenditures amounted to \$13 million. The Company continues to implement the ERP programme and other IT related projects.

Capital expenditures at Sukhoi Log totaled \$7 million. At the end of the third quarter of 2019, the Company completed the exploration programme of approximately 204 kilometers, which was launched in 2017. The Company is now proceeding with a comprehensive assessment of the drilling samples. The final fire assays results are anticipated by the end of 2019. Based on the assessment results, the Company expects to provide a further update on the Inferred & Indicated Mineral Resources estimates and a maiden Ore Reserve estimate for Sukhoi Log in the first half of 2020.

Polyus is currently finalising hydrogeological and geotechnical surveys at Sukhoi Log. Outstanding drilling activities scheduled for 2019 include 4,000 meters of geotechnical drilling and 1,700 meters of hydrogeological drilling.

In 2020, Polyus plans to complete an additional 30,000 meters of in-fill drilling at Sukhoi Log. The drilling works will be focused on the future pit area, where Polyus expects to carry out mining activities during the first years of Sukhoi Log's operations. This will allow the Company to better define the gold mineralisation within this area and support more accurate planning and sequence of mining works. The Company also plans to conduct additional drilling at Sukhoi Log's flanks and deep levels in 2020.

**Capex breakdown<sup>22</sup>**

\$ million	3Q 2019	2Q 2019	Q-o-Q	9M 2019	9M 2018	Y-o-Y
Natalka, including						
Purchase of equipment	-	-	N.A.	-	127	(100%)
Capitalisation of borrowing costs	-	-	N.A.	-	54	(100%)
Operating costs	-	-	N.A.	-	25	(100%)
Net proceeds from selling gold produced during the ramp-up period	-	-	N.A.	-	(20)	(100%)
Natalka, total	37	48	(23%)	108	186	(42%)
Olimpiada	38	35	9%	98	146	(33%)
Blagodatnoe	9	12	(25%)	27	57	(53%)
Verninskoye	11	15	(27%)	37	30	23%
Alluvials	5	6	(17%)	16	18	(11%)
Kuranakh	10	10	0%	24	33	(27%)
Sukhoi Log	7	8	(13%)	21	15	40%
IT Capex	13	9	44%	31	26	19%
Other <sup>23</sup>	27	11	N.A.	48	36	33%
<b>CAPEX</b>	<b>157</b>	<b>154</b>	<b>2%</b>	<b>410</b>	<b>547</b>	<b>(25%)</b>
Omchak electricity transmitting line	5	6	(17%)	18	27	(33%)
Items capitalised <sup>24</sup> , net	45	41	10%	126	43	N.A.
Change in payables for purchase of property, plant and equipment	6	(6)	N.A.	7	(4)	N.A.
<b>Purchase of PP&amp;E<sup>25</sup></b>	<b>213</b>	<b>195</b>	<b>9%</b>	<b>561</b>	<b>613</b>	<b>(8%)</b>

In the third quarter, the total cash amount spent on the purchase of PP&E increased to \$213 million, compared to \$195 million in the previous quarter. Other investing activities in the third quarter include \$11 million of interest received.

**FINANCING CASH FLOW**

In the third quarter, net financing cash outflow totaled \$107 million compared to \$584 million of cash outflow in the prior period.

**RECENT CORPORATE DEVELOPMENTS**

In the fourth quarter of 2019, the Company has entered into cross-currency swaps with banks to convert 20 billion 10-year (with a put option in 5 years) rouble bonds into a fixed-rate USD liability, following the placement on 4 October 2019. The interest rate was set at 3.23%.

**DIVIDEND UPDATE**

In the fourth quarter of 2019, the Company paid out the dividends for the first half of 2019 in the amount of 21.7 billion Russian roubles, which corresponds to \$341 million, representing 30% of the Company's EBITDA for the first half of 2019, in line with the Company's dividend policy. The dividend amount is equivalent to approximately \$2.56 per ordinary share, or \$1.28 per depositary share (with two depositary shares representing interest in one ordinary share).

<sup>22</sup> 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.

<sup>23</sup> Reflects expenses related to exploration business unit, IT projects and construction of Razdolinskaya-Taiga, Peleduy-Mamakan grid lines.

<sup>24</sup> Including capitalised stripping costs net of capitalised interest on loans and capitalised amortisation within capital construction-in-progress. For more details see Note 10 of the condensed consolidated interim financial statements.

<sup>25</sup> Presented net of the Sukhoi Log deposit license acquisition cost and payments to Rostec.

**Outlook****TCC GUIDANCE**

Polyus amends its TCC guidance for the full year of 2019 and now expects the group's TCC to remain in a range of \$375-\$425 per ounce, as compared to the previous forecast, which set TCC guidance at below \$425 per ounce.

**CAPEX GUIDANCE**

In 2019, Polyus plans to invest approximately \$650-\$700 million across the business. Previous guidance was set at \$725 million. This downwards adjustment reflects a capex carry-forward from 2019 to 2020, related to several infrastructure development projects.

## **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 2019 the group held \$1,538 million in cash and cash equivalents and bank deposits and had a net debt of \$3,317 million, with \$1,426 million of unused credit facilities, subject to covenant compliance. Details on borrowings and credit facilities are disclosed in note 17 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 condensed consolidated interim 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 condensed consolidated interim 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 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 2018. Detailed explanation of the risks summarized below, together with the group's risk mitigation plans, can be found on pages 32 to 34 of the 2018 Annual Report which is available at <http://www.polyus.com/upload/iblock/52e/polyus-annual-review-2018-eng-1.pdf>

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 commodity price, foreign exchange, and interest rate movements. The Board of Directors is responsible for overseeing the group's risk management framework.

**Commodity price risk**

The group's earnings are exposed to price movements in gold, which is the group's main source of revenue. The group sells most of its gold output at prevailing market prices. However, to protect its earnings and balance sheet from a potential significant fall in gold prices the group initiated a Strategic Price Protection Programme, which includes a revenue stabiliser.

**Foreign exchange risk**

As stated on page 7, 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 2019, 92% 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 3% 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 8, 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 (collectively – the "Group") as at 30 September 2019 and the related condensed consolidated interim statements of profit or loss, comprehensive income for the three and nine months then ended, condensed consolidated interim statements of changes in equity and cash flows for the nine months then ended, and selected explanatory notes. Directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these 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 condensed consolidated 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 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

  
Olga Tabakova  
Engagement partner

5 November 2019



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

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-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484.

# **PJSC “Polyus”**

## **Condensed consolidated interim financial statements**

*for the three and nine months ended  
30 September 2019 (unaudited)*

## PJSC “POLYUS”

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of US Dollars, except for earnings per share data)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
Gold sales	5	1,061	821	2,688	2,112
Other sales		9	11	30	29
<b>Total revenue</b>		<b>1,070</b>	<b>832</b>	<b>2,718</b>	<b>2,141</b>
Cost of gold sales	6	(388)	(305)	(990)	(744)
Cost of other sales		(7)	(4)	(24)	(21)
<b>Gross profit</b>		<b>675</b>	<b>523</b>	<b>1,704</b>	<b>1,376</b>
Selling, general and administrative expenses	7	(76)	(57)	(204)	(157)
Other expenses, net		(9)	(24)	(8)	(60)
<b>Operating profit</b>		<b>590</b>	<b>442</b>	<b>1,492</b>	<b>1,159</b>
Finance costs, net	8	(64)	(50)	(191)	(143)
Interest income		11	7	33	18
Loss on revaluation of derivative financial instruments, net	9	(105)	(81)	(17)	(134)
Foreign exchange (loss) / gain, net		(52)	(121)	200	(363)
<b>Profit before income tax</b>		<b>380</b>	<b>197</b>	<b>1,517</b>	<b>537</b>
Income tax expense		(80)	(53)	(270)	(35)
<b>Profit for the period</b>		<b>300</b>	<b>144</b>	<b>1,247</b>	<b>502</b>
Profit for the period attributable to:					
Shareholders of the Company		284	135	1,233	492
Non-controlling interests		16	9	14	10
		<b>300</b>	<b>144</b>	<b>1,247</b>	<b>502</b>
Weighted average number of ordinary shares '000					
- for basic earnings per share		133,196	132,339	132,957	132,221
- for dilutive earnings per share		133,551	136,460	133,179	136,423
Earnings per share (US Dollar)					
- basic		2.13	1.02	9.27	3.72
- dilutive		2.13	1.00	9.26	3.53

## PJSC “POLYUS”

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of US Dollars)

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
<b>Profit for the period</b>	<b>300</b>	<b>144</b>	<b>1,247</b>	<b>502</b>
<b>Other comprehensive (loss) / income for the period</b>				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Effect of translation to presentation currency	(28)	(24)	41	(90)
<b>Other comprehensive (loss) / income for the period</b>	<b>(28)</b>	<b>(24)</b>	<b>41</b>	<b>(90)</b>
<b>Total comprehensive income for the period</b>	<b>272</b>	<b>120</b>	<b>1,288</b>	<b>412</b>
Total comprehensive income / (loss) for the period attributable to:				
Shareholders of the Company	258	117	1,267	415
Non-controlling interests	14	3	21	(3)
	<b>272</b>	<b>120</b>	<b>1,288</b>	<b>412</b>

# PJSC “POLYUS”

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2019 (UNAUDITED) (in millions of US Dollars)

	Notes	30 Sep. 2019	31 Dec. 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		98	73
Property, plant and equipment	10	4,365	3,720
Inventories	11	367	277
Deferred tax assets		131	120
Derivative financial instruments and investments	12	8	6
Other receivables		63	60
Other non-current assets		6	9
		<u>5,038</u>	<u>4,265</u>
<b>Current assets</b>			
Inventories	11	700	557
Deferred expenditure		19	14
Derivative financial instruments and investments	12	3	1
Advances paid to suppliers and prepaid expenses		41	30
Trade and other receivables	13	100	94
Taxes receivable	14	108	166
Cash and cash equivalents	15	1,538	896
		<u>2,509</u>	<u>1,758</u>
<b>Total assets</b>		<u><b>7,547</b></u>	<u><b>6,023</b></u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	16	5	5
Additional paid-in capital	16	1,953	1,949
Treasury shares	16	(20)	(67)
Translation reserve		(2,787)	(2,824)
Retained earnings		1,888	1,300
		<u>1,039</u>	<u>363</u>
<b>Equity attributable to shareholders of the Company</b>		<u><b>1,039</b></u>	<u><b>363</b></u>
Non-controlling interests		105	87
		<u>1,144</u>	<u>450</u>
<b>Non-current liabilities</b>			
Borrowings	17	4,156	3,975
Derivative financial instruments	12	156	118
Deferred revenue	18	120	117
Deferred consideration	19	118	168
Deferred tax liabilities		265	207
Site restoration, decommissioning and environmental obligations		53	40
Other non-current liabilities		39	29
		<u>4,907</u>	<u>4,654</u>
<b>Current liabilities</b>			
Borrowings	17	699	7
Derivative financial instruments	12	4	510
Deferred consideration	19	56	57
Trade and other payables	20	656	289
Taxes payable	21	81	56
		<u>1,496</u>	<u>919</u>
<b>Total liabilities</b>		<u><b>6,403</b></u>	<u><b>5,573</b></u>
<b>Total equity and liabilities</b>		<u><b>7,547</b></u>	<u><b>6,023</b></u>

## PJSC “POLYUS”

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of US Dollars)

Notes	Number of outstanding shares'000	Equity attributable to shareholders of the Company						Total	Non- controlling interests	Total
		Share capital	Additional paid-in capital	Treasury shares	Other reserves	Translation reserve	Retained earnings			
<b>Balance at 31 December 2017</b>	<b>131,924</b>	<b>5</b>	<b>1,948</b>	<b>(89)</b>	<b>(2)</b>	<b>(2,723)</b>	<b>1,425</b>	<b>564</b>	<b>92</b>	<b>656</b>
Profit for the period	-	-	-	-	-	-	492	492	10	502
Effect of translation to presentation currency	-	-	-	-	-	(77)	-	(77)	(13)	(90)
<b>Total comprehensive income / (loss)</b>	-	-	-	-	-	(77)	492	415	(3)	412
Equity-settled share-based payment plans (LTIP), net of tax	-	-	6	-	-	-	-	6	-	6
Exercise of the first performance period under LTIP 2016	415	-	(17)	22	-	-	(6)	(1)	-	(1)
Increase ownership in subsidiaries	-	-	-	-	-	-	-	-	(2)	(2)
Dividends declared to shareholders of non-controlling interests	-	-	-	-	-	-	-	-	(1)	(1)
Dividends declared to shareholders of the Company	-	-	-	-	-	-	(575)	(575)	-	(575)
<b>Balance at 30 September 2018</b>	<b>132,339</b>	<b>5</b>	<b>1,937</b>	<b>(67)</b>	<b>(2)</b>	<b>(2,800)</b>	<b>1,336</b>	<b>409</b>	<b>86</b>	<b>495</b>
<b>Balance at 31 December 2018</b>	<b>132,339</b>	<b>5</b>	<b>1,949</b>	<b>(67)</b>	<b>-</b>	<b>(2,824)</b>	<b>1,300</b>	<b>363</b>	<b>87</b>	<b>450</b>
Profit for the period	-	-	-	-	-	-	1,233	1,233	14	1,247
Effect of translation to presentation currency	-	-	-	-	-	34	-	34	7	41
<b>Total comprehensive income</b>	-	-	-	-	-	34	1,233	1,267	21	1,288
Equity-settled share-based payment plans (LTIP), net of tax	16	-	16	-	-	-	-	16	-	16
Exercise of the second performance period under LTIP 2016	16	487	(18)	27	-	-	(12)	(3)	-	(3)
Purchase of additional ownership in SL Gold through issuance of treasury shares	19	370	6	20	-	3	-	29	-	29
Dividends declared to shareholders of non-controlling interests	-	-	-	-	-	-	-	-	(3)	(3)
Dividends declared to shareholders of the Company	16	-	-	-	-	-	(633)	(633)	-	(633)
<b>Balance at 30 September 2019</b>	<b>133,196</b>	<b>5</b>	<b>1,953</b>	<b>(20)</b>	<b>-</b>	<b>(2,787)</b>	<b>1,888</b>	<b>1,039</b>	<b>105</b>	<b>1,144</b>

# PJSC “POLYUS”

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of US Dollars)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
<b>Operating activities</b>					
<b>Profit before income tax</b>		<b>380</b>	<b>197</b>	<b>1,517</b>	<b>537</b>
Adjustments for:					
Finance costs, net	8	64	50	191	143
Interest income		(11)	(7)	(33)	(18)
Loss on revaluation of derivative financial instruments, net	9	105	81	17	134
Depreciation and amortisation	10	95	68	262	154
Foreign exchange loss / (gain), net		52	121	(200)	363
Other		23	16	42	43
		<b>708</b>	<b>526</b>	<b>1,796</b>	<b>1,356</b>
Movements in working capital					
Inventories		(44)	(45)	(160)	(117)
Deferred expenditure		19	22	(4)	(7)
Trade and other receivables		(15)	(55)	-	(21)
Advances paid to suppliers and prepaid expenses		(1)	-	(12)	(6)
Taxes receivable		(1)	(5)	(10)	2
Trade and other payables and accrued expenses		6	34	26	23
Taxes payable		3	3	(3)	(28)
		<b>675</b>	<b>480</b>	<b>1,633</b>	<b>1,202</b>
Income tax paid		(72)	(57)	(141)	(142)
		<b>603</b>	<b>423</b>	<b>1,492</b>	<b>1,060</b>
<b>Net cash generated from operating activities</b>					
<b>Investing activities<sup>1</sup></b>					
Purchase of property, plant and equipment (excluding purchase of additional ownership in LLC SL Gold and construction of the Omchak high-voltage power grid)		(208)	(188)	(543)	(586)
Purchase of additional ownership in LLC SL Gold	19	-	-	(28)	-
Payments for the Omchak high voltage power grid	5	(5)	(10)	(18)	(27)
Interest received		11	6	33	17
Other		1	-	2	2
		<b>(201)</b>	<b>(192)</b>	<b>(554)</b>	<b>(594)</b>
<b>Net cash utilised in investing activities</b>					
<b>Financing activities<sup>1</sup></b>					
Proceeds from borrowings		-	80	989	1,125
Repayment of borrowings		(1)	(131)	(254)	(1,247)
Interest paid		(84)	(83)	(221)	(210)
Commissions on borrowings paid		-	-	(5)	(17)
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)	(1)	(11)	(3)
Net proceeds on exchange of interest payments under cross currency swaps	8	16	12	29	27
Net proceeds on exchange of interest payments under interest rate swaps	8	-	-	1	1
Increase of ownership in subsidiaries		-	-	-	(2)
Payments for modification and partial close out of revenue stabiliser	12	(30)	-	(30)	-
Dividends paid to shareholders of the Company		(1)	(12)	(296)	(305)
Dividends paid to shareholders of non-controlling interests		(3)	(1)	(3)	(1)
		<b>(107)</b>	<b>(136)</b>	<b>(300)</b>	<b>(632)</b>
<b>Net cash utilised in financing activities</b>					
<b>Net increase / (decrease) in cash and cash equivalents</b>					
		<b>295</b>	<b>95</b>	<b>638</b>	<b>(166)</b>
<b>Cash and cash equivalents at the beginning of the period</b>					
	15	<b>1,249</b>	<b>908</b>	<b>896</b>	<b>1,204</b>
Effect of foreign exchange rate changes on cash and cash equivalents		(6)	(3)	4	(38)
<b>Cash and cash equivalents at the end of the period</b>					
	15	<b>1,538</b>	<b>1,000</b>	<b>1,538</b>	<b>1,000</b>

<sup>1</sup> Significant non-cash transactions relating to investing and financing activities are disclosed in the notes 2.4 and 19 to these condensed consolidated interim financial statements.

# PJSC “POLYUS”

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of US Dollars)

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### 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 24.

The shares of the Company are “level one” listed on the Moscow Exchange. Global depositary shares (GDSs) representing Polyus’ shares (with two global depositary shares representing interest in one Polyus share) 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 public limited company registered in Jersey. The most senior parent of the Company is Wandle Holdings Limited, a company registered in Cyprus. As at 30 September 2019 and 31 December 2018, 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 2018.

#### 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 2019 (UNAUDITED)

(in millions of US Dollars)

#### 2.4. IFRS standards first time applied in 2019

The following is a list of new or amended IFRS standards and interpretations that have been applied by the Group for the first time 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
IFRS 16	Leases	1 January 2019	For the effect see below
Amendments to IFRS 9	Prepayment Features with Negative Compensation and modifications of financial liabilities	1 January 2019	No effect
IFRIC 23	Uncertainty over Income Tax Treatment	1 January 2019	No effect
Amendments IAS 12	Income tax consequences of dividends	1 January 2019	No effect
Amendments IAS 19	Plan Amendments, Curtailment and Settlement	1 January 2019	No effect
Amendments IAS 23	Treatment of borrowings after the related asset is ready for its intended use or sale	1 January 2019	No effect

#### IFRS 16

Starting from 1 January 2019, the Group applied, for the first time, IFRS 16 “Leases” (hereinafter “IFRS 16”) issued by the International Accounting Standard Board.

IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requires the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group reassessed whether all contracts contained leases at the date of initial application of IFRS 16 and starting from 1 January 2019, recognised a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. Previously, such a liability except for finance leases was not presented in the financial statements due to the fact that it was treated as an operating lease in accordance with IAS 17 “Leases”.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate which is determined based on observable market inputs which are classified as Level 2 in accordance with the hierarchy of fair value (yield to maturity for bonds traded on the active market and adjusted for LIBOR spreads and credit risks).

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within *Borrowings* in the condensed consolidated interim statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of US Dollars)

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The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make such adjustments during the current reporting period as there were no such modifications.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within *Property, Plant and Equipment* in the condensed consolidated interim statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss when incurred.

#### Transition to IFRS 16

The Group applied IFRS 16 on a modified retrospective basis with the overall effect of the initial application of the standard, presented below:

- In these condensed consolidated interim financial statements for the nine months ended 30 September 2019, the Group has not restated comparative information for the nine months ended 30 September 2018 and as of 31 December 2018;
- As of 1 January 2019, the Group recognised a lease liability in the amount of USD 63 million, calculated as net present value of the remaining lease payments (as of the application date), discounted using the Group's weighted average incremental borrowing rate of 5.15% as of 1 January 2019;
- As of 1 January 2019, the Group recognised an asset in the form of a right-of-use in the amount of USD 64 million;
- The Group applies IAS 36 Impairment of Assets to an asset in the form of a right-of-use. As of 1 January 2019, no such indicators of impairment were identified.

The Group has applied the following practical expedients at the transition date and for the subsequent accounting:

- An exemption for short-term lease agreements that expire within 12 months from the date of initial application;
- Not including initial direct costs in the measurement of the right-of-use asset as of the date of initial application;
- Applying a single discounting rate related to the portfolio of agreements with reasonably similar characteristics.

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The Group excluded the following lease agreements from the measurement of lease liabilities and continues to account lease payments associated with those leases as an expense:

- With variable lease payments that do not depend on index or a rate; and
- Those to explore for or use minerals and similar non-regenerative resources (note 23).

The following table reconciles the Group’s operating lease obligations at 31 December 2018, as previously disclosed in the Group’s consolidated financial statements, to the lease obligations recognised on initial application of IFRS 16 at 1 January 2019.

	Related party transactions	Non-related party transactions	Total
<b>Operating lease commitments at 31 December 2018</b>	<b>74</b>	<b>56</b>	<b>130</b>
Exemption of land to explore for or use minerals, leases with variable payments, short term leases	-	(46)	(46)
Effect of inflation based indexation of lease payments	7	1	8
Effect of discounting	(23)	(6)	(29)
Finance lease liabilities under IAS 17	-	10	10
<b>Lease liabilities recognised as of 1 January 2019</b>	<b>58</b>	<b>15</b>	<b>73</b>
Accumulated depreciation on leased assets under IAS 17	-	(6)	(6)
Effect of discounting of deposit under lease agreement	1	-	1
<b>Rights-of-use assets recognised as of 1 January 2019 (including USD 4 million of assets previously recognised under IAS 17)</b>	<b>59</b>	<b>9</b>	<b>68</b>

#### ***Right-of-use assets***

Movements of the right-of-use assets for the nine months ended 30 September 2019 are as follows:

	Related party transactions	Non-related party transactions	Total
<b>Rights-of-use assets as of 1 January 2019 (including USD 4 million of assets previously recognised under IAS 17)</b>	<b>59</b>	<b>9</b>	<b>68</b>
Additions	-	13	13
Depreciation charge	(3)	(4)	(7)
Effect of translation to presentation currency	2	3	5
<b>Right-of-use assets as of 30 September 2019</b>	<b>58</b>	<b>21</b>	<b>79</b>

The most significant leases of the Group are office leases.

#### ***Lease liabilities***

Movements of the lease liabilities for the nine months ended 30 September 2019 are as follows:

	Related party transactions	Non-related party transactions	Total
<b>Lease liabilities as of 1 January 2019</b>	<b>58</b>	<b>15</b>	<b>73</b>
New lease contracts	-	14	14
Forex	(4)	(1)	(5)
Interest on lease liabilities	3	-	3
Repayments of lease liability	(5)	(6)	(11)
Effect of translation to presentation currency	1	6	7
<b>Lease liabilities as of 30 September 2019</b>	<b>53</b>	<b>28</b>	<b>81</b>

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#### **Maturity profile of lease liabilities**

Future minimum undiscounted lease payments due under lease agreements as of 30 September 2019 were as follows:

	<b>Related party transactions</b>	<b>Non-related party transactions</b>	<b>Total</b>
Due within one year	6	7	13
From one to five years	28	28	56
Thereafter	38	1	39
<b>Total</b>	<b>72</b>	<b>36</b>	<b>108</b>

#### **Lease expenses**

Lease expenses for the three and nine months ended 30 September 2019 includes the following components:

	<b>Three months ended 30 September 2019</b>	<b>Nine months ended 30 September 2019</b>
Expenses for leases with variable lease payments that do not depend on index or a rate	2	4
Other	1	2
<b>Sub-total</b>	<b>3</b>	<b>6</b>
Interest on lease liabilities	1	3
Depreciation of rights-of-use assets	3	7
<b>Sub-total</b>	<b>4</b>	<b>10</b>
<b>Total lease expenses</b>	<b>7</b>	<b>16</b>

#### **2.5. IFRS standards to be applied after 2019**

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

<b>Title</b>	<b>Subject</b>	<b>Effective for annual periods beginning on or after</b>	<b>Expected effect on the condensed consolidated interim financial statements</b>
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
IFRS 17	Insurance Contracts	1 January 2021	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 2018, except for changes introduced by the adoption of the new accounting standard on leases as described in Note 2.4.

### **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 2019 are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2018.

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of US Dollars)

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#### 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 the 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 nine 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. Results of Titimukhta mine are included within Olimpiada business unit because extraction from the Titimukhta deposit is insignificant and Titimukhta processing facilities are now being used to process Olimpiada ore.
- **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 18).
- **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) – research and exploration works in several regions of the Russian Federation.
- **Capital construction unit** - represented by LLC Polyus Stroy, JSC TaigaEnergostroy and JSC VitimEnergostroy, which perform construction works at Verninskoye, Olimpiada, Natalka and other deposits.
- **Sukhoi Log business unit** (Irkutsk region of the Russian Federation) – represented by LLC SL Gold which performs 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;
- Total cash cost (TCC) per ounce of gold sold; 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.

# PJSC “POLYUS”

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of US Dollars)

	Gold sales	Ounces of gold sold in thousands <sup>2</sup>	Adjusted EBITDA	Total cash costs	TCC (USD per ounce) <sup>2</sup>	Capital expenditure
<b>For the three months ended 30 September 2019</b>						
<b>Business units</b>						
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
Capital construction	-	-	(2)	-	-	12
Sukhoi Log	-	-	-	-	-	7
Unallocated	-	-	15	(7)	-	23
<b>Total</b>	<b>1,061</b>	<b>729</b>	<b>705</b>	<b>300</b>	<b>412</b>	<b>157</b>
<b>For the three months ended 30 September 2018</b>						
<b>Business units</b>						
Olimpiada	429	375	323	87	233	46
Blagodatnoye	134	110	88	40	358	6
Nataika	32	27	9	18	685	40
Verninskoye	72	60	47	20	340	11
Kuranakh	52	44	29	22	482	10
Alluvials	102	83	32	61	725	4
Exploration	-	-	-	-	-	1
Capital construction	-	-	-	-	-	4
Sukhoi Log	-	-	-	-	-	6
Unallocated	-	-	9	(7)	-	18
<b>Total</b>	<b>821</b>	<b>699</b>	<b>537</b>	<b>241</b>	<b>345</b>	<b>146</b>
<b>For the nine months ended 30 September 2019</b>						
<b>Business units</b>						
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
Capital construction	-	-	(4)	-	-	16
Sukhoi Log	-	-	-	-	-	21
Unallocated	-	-	34	(17)	-	55
<b>Total</b>	<b>2,688</b>	<b>1,984</b>	<b>1,797</b>	<b>745</b>	<b>376</b>	<b>410</b>
<b>For the nine months ended 30 September 2018</b>						
<b>Business units</b>						
Olimpiada	1,149	932	823	265	284	146
Blagodatnoye	407	317	273	113	356	57
Nataika	32	27	11	18	685	186
Verninskoye	221	172	141	64	374	30
Kuranakh	171	134	89	70	520	33
Alluvials	132	107	37	77	718	18
Exploration	-	-	-	-	-	5
Capital construction	-	-	(1)	-	-	12
Sukhoi Log	-	-	-	-	-	15
Unallocated	-	-	8	(7)	-	45
<b>Total</b>	<b>2,112</b>	<b>1,689</b>	<b>1,381</b>	<b>600</b>	<b>355</b>	<b>547</b>

<sup>2</sup> Unaudited and not reviewed

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (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	
	2019	2018	2019	2018
<b>Profit for the period</b>	<b>300</b>	<b>144</b>	<b>1,247</b>	<b>502</b>
Income tax expense	80	53	270	35
Depreciation and amortisation (note 10)	95	68	262	154
Finance costs, net (note 8)	64	50	191	143
Equity-settled share-based plans (LTIP) (note 16)	14	5	27	10
Foreign exchange loss / (gain), net	52	121	(200)	363
Loss on revaluation of derivative financial instruments, net (note 9)	105	81	17	134
Interest income	(11)	(7)	(33)	(18)
Special charitable contributions	4	12	12	21
Impairment	2	9	3	36
Loss on disposal of property, plant and equipment	-	1	1	1
<b>Adjusted EBITDA</b>	<b>705</b>	<b>537</b>	<b>1,797</b>	<b>1,381</b>

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	
	2019	2018	2019	2018
Cost of gold sales before by-product	393	328	1,007	772
Antimony by-product sales	(5)	(23)	(17)	(28)
<b>Cost of gold sales</b>	<b>388</b>	<b>305</b>	<b>990</b>	<b>744</b>
<i>Adjusted for:</i>				
Depreciation and amortisation (note 10)	(98)	(84)	(251)	(193)
Effect of depreciation, amortisation, accrual and provisions in inventory change	10	20	6	49
<b>TCC</b>	<b>300</b>	<b>241</b>	<b>745</b>	<b>600</b>
Ounces of gold sold, in thousands <sup>3</sup>	729	699	1,984	1,689
<b>TCC per ounce of gold sold, USD per ounce<sup>3</sup></b>	<b>412</b>	<b>345</b>	<b>376</b>	<b>355</b>

#### Gold sales

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Refined gold	963	734	2,506	1,980
Other gold-bearing products	98	84	182	129
Realised gains on derivatives	-	3	-	3
<b>Total</b>	<b>1,061</b>	<b>821</b>	<b>2,688</b>	<b>2,112</b>

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 2019 and 2018.

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 10) is presented below:

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
<b>Capital expenditure</b>	<b>157</b>	<b>146</b>	<b>410</b>	<b>547</b>
Construction of the Omchak high-voltage power grid	5	10	18	27
Stripping activity assets additions (note 10)	59	57	185	156
Right-of-use assets additions (note 2.4)	-	-	13	-
Less: intangible and other non-current assets additions	(14)	(9)	(27)	(25)
<b>Property plant and equipment additions (note 10)</b>	<b>207</b>	<b>204</b>	<b>599</b>	<b>705</b>

The Group's non-current assets are located in the Russian Federation.

<sup>3</sup> Unaudited and not reviewed

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of US Dollars)

#### 6. COST OF GOLD SALES

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Employee compensation	99	85	254	205
Depreciation and amortisation of operating assets (note 10)	98	84	251	193
Consumables and spares	91	67	231	173
Tax on mining	54	46	135	119
Fuel	35	30	94	65
Power	15	10	43	27
Other	33	20	73	48
<b>Total cost of production</b>	<b>425</b>	<b>342</b>	<b>1,081</b>	<b>830</b>
Increase in stockpiles, gold-in-process and refined gold inventories	(37)	(37)	(91)	(86)
<b>Total</b>	<b>388</b>	<b>305</b>	<b>990</b>	<b>744</b>

#### 7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Employee compensation	53	35	135	103
Depreciation and amortisation (note 10)	5	3	15	7
Taxes other than mining and income taxes	5	5	14	11
Distribution expenses related to gold-bearing products	5	7	14	13
Professional services	3	2	7	6
Other	5	5	19	17
<b>Total</b>	<b>76</b>	<b>57</b>	<b>204</b>	<b>157</b>

#### 8. FINANCE COSTS, NET

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Interest on borrowings	75	66	216	205
Gain on exchange of interest payments under cross currency swaps	(16)	(12)	(29)	(27)
Gain on exchange of interest payments under interest rate swaps	-	-	(1)	(1)
Interest on lease liabilities	1	-	3	-
Gain on an early redemption of financial liabilities	-	(3)	-	(5)
Unwinding of discounts	4	4	11	11
Gain on debt modification	-	-	(10)	-
Bank commission and write-off of unamortised debt cost due to early extinguishment	-	2	1	13
<b>Sub-total finance cost, net</b>	<b>64</b>	<b>57</b>	<b>191</b>	<b>196</b>
Interest included in the cost of qualifying assets	-	(7)	-	(53)
<b>Total</b>	<b>64</b>	<b>50</b>	<b>191</b>	<b>143</b>

#### 9. (LOSS) / GAIN ON REVALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS, NET

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Revaluation (loss) / gain on cross currency swaps	(48)	(99)	62	(206)
Revaluation (loss) / gain on revenue stabiliser	(14)	19	(11)	55
Revaluation (loss) / gain on interest rate swaps	(2)	1	(8)	-
Revaluation (loss) / gain on conversion option (note 12)	(41)	(2)	(60)	17
<b>Total</b>	<b>(105)</b>	<b>(81)</b>	<b>(17)</b>	<b>(134)</b>

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of US Dollars)

### 10. PROPERTY, PLANT AND EQUIPMENT

	Fixed assets	Mine under development	Stripping activity assets	Capital construction in progress	Exploration and evaluation assets	Total
<b>Cost</b>						
<b>Balance at 31 December 2017</b>	<b>2,014</b>	<b>1,876</b>	<b>522</b>	<b>335</b>	<b>592</b>	<b>5,339</b>
Additions	-	190	156	334	25	705
Transfers	258	-	-	(258)	-	-
Change in site restoration, decommissioning and environmental obligations	(3)	-	-	-	-	(3)
Disposals	(29)	(18)	(26)	(1)	-	(74)
Natalka mine commissioning	1,447	(1,816)	-	368	1	-
Reclassification to inventory	-	(81)	-	-	-	(81)
Gross up of accumulated depreciation	89	-	-	-	-	89
Effect of translation to presentation currency	(334)	(151)	(71)	(63)	(74)	(693)
<b>Balance at 30 September 2018</b>	<b>3,442</b>	<b>-</b>	<b>581</b>	<b>715</b>	<b>544</b>	<b>5,282</b>
<b>Balance at 31 December 2018</b>	<b>3,467</b>	<b>-</b>	<b>611</b>	<b>600</b>	<b>532</b>	<b>5,210</b>
Recognition of right-of-use assets at the transition date according to IFRS 16 (note 2.4)	64	-	-	-	-	64
<b>Balance at 1 January 2019 after transition to IFRS 16</b>	<b>3,531</b>	<b>-</b>	<b>611</b>	<b>600</b>	<b>532</b>	<b>5,274</b>
Additions	13	-	185	355	46	599
Transfers	306	-	-	(297)	(9)	-
Change in site restoration, decommissioning and environmental obligations	9	-	-	-	-	9
Disposals	(28)	-	-	(3)	-	(31)
Effect of translation to presentation currency	278	-	50	49	42	419
<b>Balance at 30 September 2019</b>	<b>4,109</b>	<b>-</b>	<b>846</b>	<b>704</b>	<b>611</b>	<b>6,270</b>
<b>Accumulated amortisation, depreciation and impairment</b>						
<b>Balance at 31 December 2017</b>	<b>(1,120)</b>	<b>(13)</b>	<b>(158)</b>	<b>(11)</b>	<b>(32)</b>	<b>(1,334)</b>
Charge	(162)	-	(87)	-	-	(249)
Disposals	27	18	26	-	-	71
Impairment	-	(23)	-	(13)	-	(36)
Natalka mine commissioning (reclassification of accumulated impairment)	-	13	-	(13)	-	-
Reclassification to inventory provision	-	4	-	-	-	4
Gross up of accumulated depreciation	(89)	-	-	-	-	(89)
Effect of translation to presentation currency	149	1	21	2	4	177
<b>Balance at 30 September 2018</b>	<b>(1,195)</b>	<b>-</b>	<b>(198)</b>	<b>(35)</b>	<b>(28)</b>	<b>(1,456)</b>
<b>Balance at 31 December 2018</b>	<b>(1,192)</b>	<b>-</b>	<b>(222)</b>	<b>(49)</b>	<b>(27)</b>	<b>(1,490)</b>
Charge	(269)	-	(50)	-	-	(319)
Disposals	27	-	-	-	-	27
Impairment	-	-	-	(3)	-	(3)
Effect of translation to presentation currency	(96)	-	(17)	(5)	(2)	(120)
<b>Balance at 30 September 2019</b>	<b>(1,530)</b>	<b>-</b>	<b>(289)</b>	<b>(57)</b>	<b>(29)</b>	<b>(1,905)</b>
<b>Net book value at</b>						
<b>31 December 2017</b>	<b>894</b>	<b>1,863</b>	<b>364</b>	<b>324</b>	<b>560</b>	<b>4,005</b>
<b>30 September 2018</b>	<b>2,247</b>	<b>-</b>	<b>383</b>	<b>680</b>	<b>516</b>	<b>3,826</b>
<b>31 December 2018 before transition to IFRS 16</b>	<b>2,275</b>	<b>-</b>	<b>389</b>	<b>551</b>	<b>505</b>	<b>3,720</b>
<b>1 January 2019 after transition to IFRS 16</b>	<b>2,339</b>	<b>-</b>	<b>389</b>	<b>551</b>	<b>505</b>	<b>3,784</b>
<b>30 September 2019</b>	<b>2,579</b>	<b>-</b>	<b>557</b>	<b>647</b>	<b>582</b>	<b>4,365</b>

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#### Mineral rights

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

	<b>30 Sep. 2019</b>	<b>31 Dec. 2018</b>
Mineral rights presented within:		
- fixed assets	70	67
- exploration and evaluation assets	397	370
<b>Total</b>	<b>467</b>	<b>437</b>

#### Exploration and evaluation assets

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

	<b>30 Sep. 2019</b>	<b>31 Dec. 2018</b>
Sukhoi Log	428	377
Chertovo Koryto	30	26
Razdolinskoye	28	24
Olimpiada	19	12
Panimba	18	16
Bamsky	17	15
Smezhny and Medvezhy Zapadny <sup>4</sup>	13	11
Burgakhchan area	12	9
Natalka	7	7
Blagodatnoye	7	7
Other	3	1
<b>Total</b>	<b>582</b>	<b>505</b>

Amounts related to Sukhoi Log license were capitalised as follows:

<b>Balance at 31 December 2018</b>	<b>377</b>
Additions	21
Effect of translation to presentation currency	30
<b>Balance at 30 September 2019</b>	<b>428</b>

Depreciation and amortisation charges are allocated as follows:

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Cost of gold sales	88	64	242	144
Depreciation in change in inventory	10	20	9	49
<b>Depreciation and amortisation within cost of production (note 6)</b>	<b>98</b>	<b>84</b>	<b>251</b>	<b>193</b>
Capitalised within property, plant and equipment	14	18	57	56
Selling, general and administrative expenses (note 7)	5	3	15	7
Cost of other sales	2	1	5	3
<b>Total depreciation and amortisation</b>	<b>119</b>	<b>106</b>	<b>328</b>	<b>259</b>
Less: amortisation of intangible and other non-current assets	(3)	(4)	(9)	(10)
<b>Total depreciation of property, plant and equipment</b>	<b>116</b>	<b>102</b>	<b>319</b>	<b>249</b>

<sup>4</sup> Exploration and evaluation activities at Medvezhy Zapadny are conducted together with those at Smezhny deposit

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#### 11. INVENTORIES

	30 Sep. 2019	31 Dec. 2018
Stockpiles	354	265
Gold-in-process	13	12
<b>Inventories expected to be used after 12 months</b>	<b>367</b>	<b>277</b>
Stockpiles	114	112
Gold-in-process	126	85
Antimony in gold-antimony flotation concentrate	16	15
Refined gold and gold in flotation concentrate	10	13
Stores and materials	454	348
Less: obsolescence provision for stores and materials	(20)	(16)
<b>Inventories expected to be used in the next 12 months</b>	<b>700</b>	<b>557</b>
<b>Total</b>	<b>1,067</b>	<b>834</b>

#### 12. DERIVATIVE FINANCIAL INSTRUMENTS AND INVESTMENTS

	30 Sep. 2019	31 Dec. 2018
<b><i>Non-current derivative financial assets and investments</i></b>		
Cross currency swaps	8	1
Interest rate swaps	-	5
<b>Total non-current derivative financial assets and investments</b>	<b>8</b>	<b>6</b>
<b><i>Current derivative financial assets and investments</i></b>		
Interest rate swaps	3	-
Cross currency swaps	-	1
<b>Total current derivative financial assets and investments</b>	<b>3</b>	<b>1</b>
<b>Total derivative financial assets and investments</b>	<b>11</b>	<b>7</b>
<b><i>Non-current derivative financial liabilities</i></b>		
Cross currency swaps	80	96
Revenue stabiliser	5	16
Conversion option on convertible bonds	65	4
Interest rate swaps	6	2
<b>Total non-current derivative financial liabilities</b>	<b>156</b>	<b>118</b>
<b><i>Current derivative financial liabilities</i></b>		
Cross currency swaps	-	500
Interest rate swaps	1	-
Revenue stabiliser	3	10
<b>Total current derivative financial liabilities</b>	<b>4</b>	<b>510</b>
<b>Total derivative financial liabilities</b>	<b>160</b>	<b>628</b>

#### Revenue stabiliser

The revenue stabiliser represents a series of zero cost Asian barrier collar agreements to purchase put options and sell call options with “knock-out” and “knock-in” barriers.

The Group entered into revenue stabiliser agreements in 2014-2016. In 2015, the Group restructured several revenue stabiliser agreements, resulting in a partial close out of the fourth year options and lowering barriers on the remaining options for the first three years of each instrument.

During nine months ended 30 September 2019 the Group restructured some of its revenue stabiliser agreements, effectively resulting in a partial close out, and an increase in strikes and “knock-in” barriers for certain call options expiring in 2019-2020. The premium paid amounted to approximately USD 30 million.

The revenue stabiliser options are exercised quarterly and accounted at fair value through profit and loss. The change in their fair value is presented in note 9 within the line *Revaluation (loss) / gain on revenue stabiliser*.

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As of 30 September 2019, the remaining revenue stabiliser options have the following summarised terms:

	Put options with barriers (1 October 2019 - 31 March 2020)	Call options without barriers (1 January 2020 - 31 December 2020)	Call options with barriers (1 October 2020 - 31 December 2020)
Volume, thousand ounces	360	175	105
Average strike, USD per ounce	983	1,617	1,531
Average knock-out/in barrier, USD per ounce	933	-	1,731

The fair value of revenue stabiliser agreements is 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 IFRS 13.

#### Cross currency swaps

In April 2019, on expiration of cross currency swaps the Group exchanged principal amounts paying USD 1,023 million and receiving RUB 35,999 million.

In March 2019, the Group entered into new cross currency swap agreements with leading Russian banks to economically hedge interest payments and principal amounts nominated in RUB.

In April-May 2019, the Group amended previous cross currency contracts and entered into new swap to fix interest rates, so that the following terms were in place as of 30 September 2019:

- The Group semi-annually pays to the banks LIBOR + 4.45% for RUB 10 billion and 5.9% for RUB 5.3 billion in USD and receives from the banks 12.1% in RUB; and at maturity (July 2021) the Group will exchange principal amounts paying USD 255 million and receiving RUB 15.3 billion;
- At 5 March 2019 the Group exchanged principal amounts paying RUB 8,225 million and receiving USD 125 million. The Group starting from 12 March 2019 quarterly pays to the banks 5.09% in USD and receives from the banks MosPrime 3m + 0.2% in RUB; and at maturity (12 March 2024) the Group will exchange principal amounts paying USD 125 million and receiving RUB 8,225 million.
- At 13 March 2019 the Group exchanged principal amounts paying RUB 8,169 million and receiving USD 125 million. The Group starting from 14 March 2019 quarterly pays to the banks 4.99% in USD and receives from the banks 9.35% in RUB; and at maturity (14 March 2024) the Group will exchange principal amounts paying USD 125 million and receiving RUB 8,169 million.
- The Group starting from 9 July 2019 quarterly pays to the banks 5.00% in USD and receives from the banks MosPrime 3m - 0.45% in RUB; and at maturity (9 April 2024) the Group will exchange principal amounts paying USD 965 million and receiving RUB 64,801 million.

The Group accounted for the cross currency swaps at fair value through profit or loss. Changes in the fair value of the cross currency swaps are recognised within the *Loss on revaluation of derivative financial instruments, net* of the condensed consolidated interim statement of profit or loss (note 9). The gain or loss on the exchange of interest payments is recognised within *Finance cost, net* (note 8).

The fair value measurement 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 in accordance with the hierarchy of fair value measurement.

#### Interest rate swaps

In February 2019, the Group entered into new interest rate swap agreements to swap interest payments on Pre-Export Finance facility agreement from variable into fixed. The Group monthly pays 2.425%-2.44% and receives LIBOR until maturity from March 2023 to February 2024.

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Additionally, as of 30 September 2019, the Group was a party to interest rate swap agreements, concluded in 2014 and 2016 according to which:

- The Group pays semi-annually until 29 April 2020 LIBOR + 3.55% in USD and receives 5.625% in USD in respect of a USD 750 million nominal amount;
- The Group pays semi-annually until 29 April 2020 5.342% in USD and receives LIBOR + 3.55% in USD in respect of a USD 750 million nominal amount, to effectively swap variable interest rate payments under 2014 interest rate swaps into fixed ones.

The purpose of these swaps was to decrease the effective interest rate for the Eurobonds due in 2020.

The Group accounts for the interest rate swaps at fair value through profit or loss. Changes in the fair value of the interest rate swaps are recognised within *Loss on revaluation of derivative financial instruments, net* of the condensed consolidated interim statement of profit or loss (note 9). The gain or loss on the exchange of interest payments is recognised within *Finance cost, net* (note 8).

The fair value measurement 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 in accordance with the hierarchy of fair value.

#### Conversion option on convertible bonds

In January 2018, the Group issued USD 250 million of convertible bonds due in 2021 that have a fixed coupon of 1.0% per annum payable on a semi-annual basis in arrears. The bonds could be converted by the bondholders into the Group's GDSs listed on the London Stock Exchange at a conversion price of USD 50.0427 per GDS representing a 30% premium to the market price at the time of issue, but subject to standard adjustments for the issue by the Group of dilutive equity instruments and payment of dividends, starting from 8 March 2018 and until 7 days before maturity. Upon request for conversion, the Group has a right to settle in cash. The Group will have an option to redeem all of the bonds in issue at any time after 16 February 2020 at their principal amount together with accrued interest, if the value of the GDSs deliverable on conversion exceeds 130% of the principal amount of the bonds.

As at 30 September 2019, the fair value of conversion option of USD 65 million 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). The resulting change in the fair value of the conversion option for the period is disclosed in note 9 under heading of *Revaluation (loss) / gain on conversion option*.

#### Adjustment for credit risk

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.

### 13. TRADE AND OTHER RECEIVABLES

	30 Sep. 2019	31 Dec. 2018
Trade receivables for gold-bearing products at FVTPL (Level 2)	58	57
Other receivables	51	46
Less: allowance for other receivables	(9)	(9)
<b>Total</b>	<b>100</b>	<b>94</b>

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#### 14. TAXES RECEIVABLE

	<u>30 Sep.</u> <u>2019</u>	<u>31 Dec.</u> <u>2018</u>
Reimbursable value added tax	103	90
Income tax prepaid	3	74
Other prepaid taxes	2	2
<b>Total</b>	<b><u>108</u></b>	<b><u>166</u></b>

#### 15. CASH AND CASH EQUIVALENTS

	<u>30 Sep.</u> <u>2019</u>	<u>31 Dec.</u> <u>2018</u>
Bank deposits		
- USD	1,259	661
- RUB	78	54
Current bank accounts		
- USD	151	101
- RUB	17	33
Cash in the Federal Treasury	33	45
Other cash equivalents	-	2
<b>Total</b>	<b><u>1,538</u></b>	<b><u>896</u></b>

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 on bank deposits denominated in:

- USD	1.0-4.4%	0.6-4.4%
- RUB	5.5-6.6%	5.5-7.5%

#### 16. SHARE CAPITAL

On 30 September 2019, Shareholders of the Company approved an increase of authorised share capital of the Company by 700 thousand of the Company's ordinary shares at par value of RUB 1 each to be issued in form of closed subscription in favour of a 100% subsidiary JSC Polyus Krasnoyarsk and to be used for the purposes of the LTIP for 2020 and as consideration under the next tranche of option agreements to further increase the Group's participation interest in LLC SL Gold scheduled for 2020 (Note 19). At the time of publication of these interim condensed consolidated financial statements the shares were not issued. Accordingly, authorised share capital of the Company as of 30 September 2019 comprised 134,261 thousand ordinary shares at par value of RUB 1, while issued and fully paid share capital consisted of 133,561 thousand ordinary shares at par value of RUB 1, of which 365 thousand was included within treasury shares.

##### Equity-settled share-based payment plans (long-term incentive plan)

In 2016, the Board of Directors of PJSC Polyus approved a long-term incentive plan (LTIP 2016) according to which the members of top 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.

The LTIP 2016 stipulated three performance periods: 2016-2017, 2016-2018 and 2017-2019. During the nine months ended 30 September 2019 the options in respect of the second performance period of the LTIP 2016 vested and the Group issued 487 thousand shares from the treasury stock of USD 27 million.

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In December 2018, the Board of Directors of PJSC Polyus approved three new performance periods: 2018-2020, 2019-2021, 2020-2022; and extended the number of LTIP participants for such new periods (LTIP 2018).

Total expense for the nine months ended 30 September 2019 arising from the LTIP was recognised in the condensed consolidated interim statement of profit or loss within *Employee compensation* included within *Selling, general and administrative expenses* in the amount of USD 27 million (nine months ended 30 September 2018: USD 10 million).

#### Dividends

On 6 May 2019, Shareholders of the Company declared dividends of 143.62 RUR per 1 share in the total amount of USD 296 million for the second half of 2018 financial year.

On 30 September 2019, Shareholders of the Company declared dividends of 162.98 RUR per 1 share in the total amount of USD 337 million for the first half of 2019 financial year. Thus the total amount of dividends declared during the nine months ended 30 September 2019 was USD 633 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):

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
<b>Ordinary shares in issue at the beginning of the period</b>	<b>133,196</b>	<b>132,339</b>	<b>132,339</b>	<b>131,924</b>
Exercise of LTIP 2016	-	-	487	415
Purchase of additional ownership in LLC SL Gold through issuance of treasury shares	-	-	370	-
<b>Ordinary shares in issue at the end of the period</b>	<b>133,196</b>	<b>132,339</b>	<b>133,196</b>	<b>132,339</b>
<b>Weighted average number of ordinary shares – basic EPS</b>	<b>133,196</b>	<b>132,339</b>	<b>132,957</b>	<b>132,221</b>
Convertible bonds (note 12) <sup>5</sup>	-	1,998	-	2,154
Potential shares to be issued upon increase in LLC SL Gold ownership interest (note 19)	-	1,736	-	1,736
LTIP	355	387	222	312
<b>Weighted average number of ordinary shares – dilutive EPS</b>	<b>133,551</b>	<b>136,460</b>	<b>133,179</b>	<b>136,423</b>
Profit after tax attributable to the shareholders of the Company (million USD)	284	135	1,233	492
Effect of potential dilution (million USD)	-	2	-	(10)
<b>Profit after tax attributable to the shareholders of the Company for diluted EPS calculation (million USD)</b>	<b>284</b>	<b>137</b>	<b>1,233</b>	<b>482</b>

<sup>5</sup> During the nine months ended 30 September 2019 convertible bonds caused antidilutive effect and were excluded from the calculation of the dilutive earnings per share.

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

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#### 17. BORROWINGS

	<u>Nominal rate %</u>	<u>30 Sep. 2019</u>	<u>31 Dec. 2018</u>
Eurobonds with fixed interest rate due in 2020	5.625%	676	675
Eurobonds with fixed interest rate due in 2022	4.699%	480	479
Eurobonds with fixed interest rate due in 2023	5.250%	783	782
Eurobonds with fixed interest rate due in 2024	4.7%	467	468
Convertible bonds with fixed interest rate due in 2021	1%	192	186
Notes due in 2025 (Rusbonds) with noteholders' early repayment option in 2021	12.1%	235	218
Credit facilities with financial institutions nominated in USD with fixed interest rates	4.1%-5.7%	487	620
Credit facilities with financial institutions nominated in RUR with fixed interest rates	9.35%	126	481
	Central bank rate + 2.3%		
Credit facilities with financial institutions nominated in RUR with variable interest rates	MosPrime + 0.2% / - 0.45%	1,180	63
Credit facilities with financial institutions nominated in USD with variable interest rates	USD LIBOR + 1.65%	148	-
Lease liabilities nominated in USD and RUR	5.15%	81	10
<b>Sub-total</b>		<b>4,855</b>	<b>3,982</b>
Less: short-term borrowings and current portion of long-term borrowings due within 12 months		(699)	(7)
<b>Long-term borrowings</b>		<b>4,156</b>	<b>3,975</b>

The Company and subsidiaries of the Group obtain credit facilities from different financial institutions and issue notes to finance capital investment projects and for general corporate purposes.

#### **Credit facilities with financial institutions nominated in USD with fixed interest rates**

In January 2019, the Group drew down USD 75 million on the credit facility signed at the end of 2018 with a fixed interest rate of 5% and maturing in 2024.

In April 2019, the Group repaid in advance of maturity USD 250 million of credit facilities nominated in USD with fixed interest rates.

#### **Credit facilities with financial institutions nominated in RUR with fixed interest rates**

In March 2019, the Group entered into a new credit facility agreement in amount of RUB 15,000 million (USD 232 million). On 14 March 2019, the Group drew down the first tranche in the amount of RUB 8,169 million (USD 125 million, translated at the exchange rate at the date of transaction). The tranche is at a fixed interest rate of 9.35% per annum and is due in 2024. The remaining unused credit facility in the amount of RUB 6,831 million (USD 106 million) is available for draw down until 11 March 2024.

In April 2019, the Group drew down an additional RUB 31 billion under the existing credit facility agreement with the fixed rate to finance the liabilities under the cross-currency swaps (note 12). In April - May 2019 the Group has refinanced RUB 64.8 billion with a new credit facility due in 2024 with a floating interest rate of MosPrime 3m – 0.45%. This was treated as a non-substantial debt modification and resulted in USD 10 million gain reflected in line *Gain on debt modification* within *Finance costs, net* (note 8).

#### **Credit facilities with financial institutions nominated in RUR with variable interest rates**

In March 2019, the Group entered into a new credit facility agreement for RUB 8,225 million (USD 125 million, translated at the exchange rate at the date of transaction) at MosPrime 3m + 0.2% per annum and due in 2024.

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#### Credit facilities with financial institutions nominated in USD with variable interest rates

In February 2019, the Group entered into Pre-Export Finance facility agreement in amount of USD 150 million at an interest rate of Libor 1m + 1.65% per annum. The facility was drawn down in full on 21 February 2019 and is to be repaid in four equal instalments quarterly starting from March 2023.

#### Unused credit facilities

As of 30 September 2019, the Group has unused credit facilities in the total amount of USD 1,426 million.

#### Pledge

As at 30 September 2019 and 31 December 2018, 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 2019 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 2019.

#### Fair value measurements

The fair value of the Group's borrowings is estimated as follows:

	30 September 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Eurobonds (Level 1)	2,406	2,522	2,404	2,368
Borrowings (Level 2)	2,022	2,001	1,174	1,151
Rusbonds (Level 1)	235	251	218	232
Convertible bonds (Level 2)	192	259	186	188
<b>Total</b>	<b>4,855</b>	<b>5,033</b>	<b>3,982</b>	<b>3,939</b>

Whilst accounted for at amortised cost, the fair value measurement 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, because the Eurobonds and Rusbonds are publicly traded in an active market.

The fair value measurement of borrowings and bonds was 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.

## 18. DEFERRED REVENUE

As of 30 September 2019, JSC Polyus Magadan, was a party to an agreement with the Ministry for the Development of the Russian Far East (“Minvostokrazvitiya”) under which Minvostokrazvitiya was to provide 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 must be 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 2019. Any unutilised balance of the grant will have to be returned to Minvostokrazvitiya. JSC Polyus Krasnoyarsk is a guarantor under the agreement.

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

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
<b>Carrying value as of the beginning of the period</b>	<b>125</b>	<b>119</b>	<b>117</b>	<b>132</b>
VAT attributable to construction of the Omchak high-voltage power grid	(3)	(1)	(6)	(3)
Effect of translation to presentation currency	(2)	(5)	9	(16)
<b>Carrying value as of the end of the period</b>	<b>120</b>	<b>113</b>	<b>120</b>	<b>113</b>

#### 19. DEFERRED CONSIDERATION

In March 2019, the Group exercised the next tranche of options in LLC SL Gold and increased its participation interest from 58.4% to 68.2%. The Group paid approximately USD 28 million for a 4.8% participation interest and transferred 370 thousand PJSC Polyus treasury shares (note 16) totalling USD 29 million for a 5% participation interest in LLC SL Gold. Under the remaining outstanding option agreements the Group is expected to increase its ownership in LLC SL Gold to 100% by 2022 with a right to accelerate.

Under the First set of options the consideration is equal to a fixed US Dollar amount and shall be payable in cash at following dates with a right to accelerate:

- Approximately USD 21 million for 3.6% of participation interest in the first half of 2017 (exercised in May 2017);
- Approximately USD 28 million for 4.8% of participation interest at the beginning of 2019 (exercised in March 2019);
- Approximately USD 28 million for 4.8% of participation interest at the beginning of 2020;
- Approximately USD 28 million for 4.8% of participation interest at the beginning of 2021; and
- Approximately USD 34 million for 5.9% of participation interest at the beginning of 2022.

Under the Second set of options (payable in Polyus shares) the consideration is equal to a fixed US Dollar amount and shall be payable by a variable number of the Company's shares with a right to accelerate:

- Approximately USD 22 million for 3.8% of participation interest in the second half of 2017 (exercised in July 2017);
- Approximately USD 29 million for 5.0% of participation interest at the beginning of 2019 (exercised in March 2019);
- Approximately USD 29 million for 5.0% of participation interest at the beginning of 2020;
- Approximately USD 29 million for 5.0% of participation interest at the beginning of 2021; and
- Approximately USD 37 million for 6.3% of participation interest at the beginning of 2022.

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

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
<b>Carrying value as of the beginning of the period</b>	<b>172</b>	<b>221</b>	<b>225</b>	<b>216</b>
Settled in shares	-	-	(29)	-
Settled in cash	-	-	(28)	-
Unwinding of interest on deferred consideration	2	3	5	7
Foreign exchange (gain) / loss, net	2	8	(15)	27
Effect of translation to presentation currency	(2)	(9)	16	(27)
<b>Total carrying value as of the end of the period</b>	<b>174</b>	<b>223</b>	<b>174</b>	<b>223</b>
Less: short-term part of the option liabilities	(56)	(56)	(56)	(56)
<b>Long-term part of the option liabilities as of the end of the period</b>	<b>118</b>	<b>167</b>	<b>118</b>	<b>167</b>

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The fair value measurement 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 in accordance with the hierarchy of fair value measurements. As of 30 September 2019, the fair value of the *Deferred consideration* approximately equals USD 177 million (2018: USD 222 million).

#### 20. TRADE AND OTHER PAYABLES

	30 Sep. 2019	31 Dec. 2018
Wages and salaries payable	77	78
Interest payable	53	66
Trade payables	81	52
Accrued annual leave	33	21
Dividends payable	339	2
Other accounts payable and accrued expenses	73	70
<b>Total</b>	<b>656</b>	<b>289</b>

#### 21. TAXES PAYABLE

	30 Sep. 2019	31 Dec. 2018
Social taxes	12	14
Tax on mining	17	12
Value added tax	15	12
Property tax	5	5
Income tax payable	22	4
Other taxes	10	9
<b>Total</b>	<b>81</b>	<b>56</b>

#### 22. RELATED PARTIES

Related parties include substantial shareholders, entities under common ownership and control within the Group and members of key management. The Group, in the ordinary course of business, has entered into property lease agreement which is accounted for in accordance with IFRS 16 with an entity that was subsequently acquired by members of key management. Accordingly, the balances and transactions recognised during the period are presented within note 2.4.

##### *Key management personnel*

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Short-term compensation to key management personnel accrued	4	5	18	21
Equity-settled share-based payments plans (LTIP)	13	5	26	11
<b>Total</b>	<b>17</b>	<b>10</b>	<b>44</b>	<b>32</b>

#### 23. COMMITMENTS

##### ***Commitments for future lease payments due under non-cancellable operating 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 2.4) were as follows:

	30 Sep. 2019	31 Dec. 2018
Due within one year	3	11
From one to five years	10	39
Thereafter	35	80
<b>Total</b>	<b>48</b>	<b>130</b>

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of US Dollars)

#### Capital commitments

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

	30 Sep. 2019	31 Dec. 2018
Projects in Krasnoyarsk	82	78
Project Nataika	57	44
Project Omchak high-voltage power grid	11	15
Other capital commitments	10	10
<b>Total</b>	<b>160</b>	<b>147</b>

#### 24. 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 <sup>6</sup>	
		30 Sep. 2019	31 Dec. 2018
<b>Incorporated in Russian Federation</b>			
JSC Polyus Krasnoyarsk (renamed, previously JSC Gold Mining Company Polyus)	Mining (open pit)	100	100
JSC Polyus Aldan (renamed, previously JSC Aldanzoloto GRK)	Mining (open pit)	100	100
JSC Polyus Verninskoye (renamed, previously JSC Pervenets)	Mining (open pit)	100	100
PJSC Lenzoloto	Holding company	64	64
JSC ZDK Lenzoloto	Mining (alluvial)	66	66
JSC Svetliy	Mining (alluvial)	56	56
JSC Polyus Magadan (renamed, previously JSC Matrosova Mine)	Mining (open pit from 1 August 2018, before - development stage)	100	100
LLC Polyus Stroy	Construction	100	100
LLC SL Gold <sup>7</sup>	Exploration and evaluation of the Sukhoi Log deposit	68	58

#### 25. 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 those mentioned below.

In October 2019, the Group issued rouble bonds due 2029 with a put option in 2024 at a coupon rate of 7.4% per annum and with the nominal value of RUB 20 billion. Following the placement the Group has entered into cross-currency swaps with banks to convert RUB 20 billion bonds into USD liability at a fixed rate 3.23% per annum. Besides, the Group repaid in advance of maturity USD 150 million of a credit facility nominated in USD with fixed interest rate.

<sup>6</sup> Effective % held by the Company, including holdings by other subsidiaries of the Group.

<sup>7</sup> In March 2019, the Group increased effective ownership in SL Gold (note 19) from 58.4% to 68.2% for a cash consideration of USD 28 million and a transfer of PJSC Polyus shares valued at USD 29 million.