Polyus Gold International Limited

Condensed consolidated interim financial statements for the six months ended 30 June 2016 (unaudited)

Polyus Gold International Limited

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RESPONSIBILITY STATEMENT FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2016

The responsibility statement below has been prepared in connection with the preparation of the condensed consolidated interim financial statements that present the financial position of the Polyus Gold International Limited (the “Company”) and its subsidiaries (collectively – the “Group”) as at 30 June 2016, and the results of its operations, cash flows and changes in equity for the six months then ended, in compliance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” as adopted by the European Union (EU).

In preparing the condensed consolidated interim financial information, we 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;
- providing additional disclosures when compliance with the specific requirements in IAS 34 as adopted by the EU 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;
- making an assessment of the Group’s ability to continue as a going concern.

We 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 condensed consolidated interim financial position of the Group, and which enable them to ensure that the condensed consolidated financial interim statements of the Group comply with IAS 34 as adopted by the EU;
- maintaining statutory accounting records in compliance with applicable legislation and accounting standards;
- 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 6 months ended 30 June 2016 were approved by the Board of Directors on 26 August 2016.

By order of the Board:

Sergei Nossoff
Executive Director

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To: Board of Directors of Polyus Gold International Limited

Introduction

We have reviewed the condensed consolidated financial information for the six months ended 30 June 2016 which comprises condensed consolidated interim statement of financial position of Polyus Gold International Limited and subsidiaries (collectively – the "Group") as of June 30, 2016 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as adopted by the European Union (EU). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information 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 information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Deloitte & Touche

26 August, 2016

Polyus Gold International Limited

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)
(in millions of US Dollars, except for earnings per share data)

	Notes	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Gold sales	4	1,069	1,005	2,159
Other sales		13	14	30
Total revenue		**1,082**	**1,019**	**2,189**
Cost of gold sales	5	(379)	(406)	(876)
Cost of other sales		(12)	(12)	(26)
Gross profit		**691**	**601**	**1,287**
Selling, general and administrative expenses	6	(66)	(74)	(166)
Reversal of impairment	7	1	4	22
Other expenses, net		(12)	–	(2)
Operating profit		**614**	**531**	**1,141**
Finance costs	8	(73)	(43)	(48)
Interest income on bank deposits and loans issued		17	31	59
(Loss) / gain on derivative financial instruments and investments, net	9	(142)	145	12
Foreign exchange gain / (loss), net		257	(5)	149
Profit before income tax		**673**	**659**	**1,313**
Current income tax expense		(151)	(79)	(198)
Deferred income tax (expense) / benefit		(28)	3	4
Profit for the period		**494**	**583**	**1,119**
Attributable to:				
Shareholders of the Company		460	552	1,033
Non-controlling interests		34	31	86
		494	**583**	**1,119**
Weighted average number of ordinary shares, million	15	2,477	3,032	3,032
Earnings per share (US Cents), basic		19	18	34
Earnings per share (US Cents), diluted[1]		19	18	34

[1] There were no financial instruments or any other instances which could cause an antidilutive effect on the earnings per share calculation.

Polyus Gold International Limited

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

(in millions of US Dollars)

		Six months ended 30 June		Year ended 31 December
	Notes	**2016**	**2015**	**2015**
Profit for the period		**494**	**583**	**1,119**
Other comprehensive income / (loss)				
Items that may be subsequently reclassified to profit or loss:				
(Decrease) / increase in revaluation of cash flow hedge reserve on revenue stabiliser	11	(51)	30	115
(Decrease) / increase in revaluation of cash flow hedge reserve on gold forward	11	(9)	1	15
Deferred tax relating to decrease / (increase) in revaluation of cash flow hedge reserve		12	–	(32)
		(48)	**31**	**98**
Items that will not be subsequently reclassified to profit or loss:				
Effect of translation to presentation currency		(62)	41	(678)
Items that have been reclassified through profit or loss:				
Cash flow hedge reserve reclassified to consolidated statement of profit or loss on revenue stabiliser	11	(33)	(35)	(91)
Cash flow hedge reserve reclassified to consolidated statement of profit or loss on gold forward	11	(8)	(9)	(25)
Deferred tax relating to cash flow hedge reserve reclassified to consolidated statement of profit or loss		8	19	22
		(33)	**(25)**	**(94)**
Other comprehensive (loss) / income		**(143)**	**47**	**(674)**
Total comprehensive income		**351**	**630**	**445**
Attributable to:				
Shareholders of the Company		315	594	417
Non-controlling interests		36	36	28
		351	**630**	**445**

Polyus Gold International Limited

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016 (UNAUDITED)
(in millions of US Dollars)

	Notes	30 June 2016	30 June 2015	31 December 2015
Assets				
Non-current assets				
Property, plant and equipment	10	2,440	2,449	2,023
Derivative financial instruments and investments	11	32	148	212
Inventories	12	216	236	184
Deferred tax assets		62	62	46
Other non-current assets		23	4	8
		2,773	**2,899**	**2,473**
Current assets				
Inventories	12	374	428	296
Derivative financial instruments and investments	11	11	–	20
Deferred expenditures		25	26	13
Other receivables		21	15	14
Advances paid to suppliers and prepaid expenses		15	16	18
Taxes receivable		67	54	63
Bank deposits	13	-	49	–
Cash and cash equivalents	14	1,676	1,328	2,039
		2,189	**1,916**	**2,463**
Total assets		**4,962**	**4,815**	**4,936**
Equity and liabilities				
Capital and reserves				
Share capital	15	1	1	1
Additional paid-in capital	15	1,493	2,153	2,159
Cash flow hedge revaluation reserve	11	31	114	112
Translation reserve		(2,732)	(2,009)	(2,665)
Retained earnings		193	1,626	2,107
Equity attributable to shareholders of the Company		**(1,014)**	**1,885**	**1,714**
Non-controlling interests		1	176	163
		(1,013)	**2,061**	**1,877**
Non-current liabilities				
Site restoration, decommissioning and environmental obligations		41	46	32
Borrowings	16	4,709	1,714	2,147
Derivative financial instruments	11	646	382	509
Deferred tax liabilities		165	144	133
Other non-current liabilities		26	23	21
		5,587	**2,309**	**2,842**
Current liabilities				
Borrowings	16	138	38	38
Derivative financial instruments	11	-	214	–
Trade, other payables and accrued expenses		193	148	150
Taxes payable		57	45	29
		388	**445**	**217**
Total liabilities		**5,975**	**2,754**	**3,059**
Total equity and liabilities		**4,962**	**4,815**	**4,936**

Polyus Gold International Limited

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)
(in millions of US Dollars)

			Equity attributable to shareholders of the Company							
		Number of outstanding shares, million	**Share capital**	**Additional paid-in capital**	**Cash flow hedge revaluation reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
Balance at 31 December 2014		**3,032**	**1**	**2,152**	**108**	**(2,045)**	**1,258**	**1,474**	**146**	**1,620**
Profit for the period		–	–	–	–	–	552	**552**	31	**583**
Increase in cash flow hedge revaluation reserve	11	–	–	–	6	–	–	**6**	–	**6**
Effect of translation to presentation currency		–	–	–	–	36	–	**36**	5	**41**
Total comprehensive income		**–**	**–**	**–**	**6**	**36**	**552**	**594**	**36**	**630**
Equity-settled share-based payment plans (Long Term Incentive Plan or "LTIP")	15	–	–	1	–	–	–	**1**	–	**1**
Dividends declared to:										
shareholders of the Company	15	–	–	–	–	–	(184)	**(184)**	–	**(184)**
shareholders of non-controlling interests		–	–	–	–	–	–	**–**	(6)	**(6)**
Balance at 30 June 2015		**3,032**	**1**	**2,153**	**114**	**(2,009)**	**1,626**	**1,885**	**176**	**2,061**
Profit for the period		–	–	–	–	–	481	**481**	55	**536**
Decrease in cash flow hedge revaluation reserve		–	–	–	(2)	–	–	**(2)**	–	**(2)**
Effect of translation to presentation currency		–	–	–	–	(656)	–	**(656)**	(63)	**(719)**
Total comprehensive income / (loss)		**–**	**–**	**–**	**(2)**	**(656)**	**481**	**(177)**	**(8)**	**(185)**
Equity-settled share-based payment plans (LTIP)	15	–	–	6	–	–	–	**6**	–	**6**
Dividends declared to:										
shareholders of non-controlling interests		–	–	–	–	–	–	**–**	(5)	**(5)**
Balance at 31 December 2015		**3,032**	**1**	**2,159**	**112**	**(2,665)**	**2,107**	**1,714**	**163**	**1,877**
Profit for the period		–	–	–	–	–	460	**460**	34	**494**
Decrease in cash flow hedge revaluation reserve	11	–	–	–	(81)	–	–	**(81)**	–	**(81)**
Effect of translation to presentation currency		–	–	–	–	(64)	–	**(64)**	2	**(62)**
Total comprehensive income		**–**	**–**	**–**	**(81)**	**(64)**	**460**	**315**	**36**	**351**
Equity-settled share-based payment plans (LTIP)	15	–	–	6	–	–	–	**6**	–	**6**
Purchase of interest from non-controlling shareholder		–	–	–	–	–	(2)	**(2)**	(1)	**(3)**
Buy-back and cancelation of treasury stock	15	(943)	–	(672)	–	–	(2,375)	**(3,047)**	(190)	**(3,237)**
Release of translation reserve due to disposal of subsidiary		–	–	–	–	(3)	3	**–**	–	**–**
Dividends declared to:										
shareholders of non-controlling interests		–	–	–	–	–	–	**–**	(7)	**(7)**
Balance at 30 June 2016		**2,089**	**1**	**1,493**	**31**	**(2,732)**	**193**	**(1,014)**	**1**	**(1,013)**

Polyus Gold International Limited

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)
(in millions of US Dollars)

	Notes	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Operating activities				
Profit before income tax		**673**	**659**	**1,313**
Adjustments for:				
Reversal of impairment	7	(1)	(4)	(22)
Finance costs	8	73	43	48
Interest income on bank deposits		(17)	(31)	(59)
Loss / (gain) on derivative financial instruments and investments	9	142	(145)	(12)
Amortisation and depreciation	10	66	62	128
Foreign exchange (gain) / loss, net		(257)	5	(149)
Other		7	(2)	5
		686	**587**	**1,252**
Movements in working capital				
Inventories		(40)	15	42
Deferred expenditures		(13)	(12)	(3)
Other receivables		(5)	(2)	(7)
Advances paid to suppliers and prepaid expenses		(2)	(2)	(11)
Taxes receivable		(6)	2	(11)
Trade and other payables and accrued expenses		(12)	8	27
Other non-current liabilities		-	–	5
Taxes payable		(4)	3	(1)
Cash flows from operations		**604**	**599**	**1,293**
Income tax paid		(127)	(84)	(217)
Net cash generated from operating activities		**477**	**515**	**1,076**
Investing activities				
Purchase of property, plant and equipment		(140)	(154)	(327)
Increase in bank deposits and loan issued		(19)	(71)	(74)
Proceeds from redemption of bank deposits and loan issued		19	291	340
Interest received		16	30	62
Payment for the currency collars	11	–	(217)	(494)
Proceeds from disposal of subsidiary, net of cash disposed of		10	–	–
Other		–	3	6
Net cash utilised in investing activities		**(114)**	**(118)**	**(487)**
Financing activities				
Interest paid		(110)	(62)	(122)
Proceeds from leaseback transactions		2	–	–
Repayments under lease		-	–	–
Net proceeds on exchange of interest payments under interest and cross currency rate swaps	11	16	24	52
Payment for buy-back of shares		(3,237)	–	–
Dividends paid to shareholders of the Company	15	–	(184)	(184)
Dividends paid to non-controlling interests		-	–	(9)
Proceeds from borrowings	16	2,591	–	621
Repayment of borrowings		(17)	(68)	(89)
Cash used to increase of ownership is subsidiaries		(3)	–	–
Net cash (utilised in) / generated from financing activities		**(758)**	**(290)**	**269**
Net (decrease) / increase in cash and cash equivalents		**(395)**	**107**	**858**
Cash and cash equivalents at beginning of the year	14	**2,039**	**1,217**	**1,217**
Effect of foreign exchange rate changes on cash and cash equivalents		32	4	(36)
Cash and cash equivalents at end of the period	14	**1,676**	**1,328**	**2,039**

1. GENERAL

Polyus Gold International Limited (the "Company") was incorporated on 26 September 2005 in Jersey and re-registered as a public limited company under the Companies (Jersey) Law 1991 on 18 November 2005. The Company's registered office is located at Queensway House, Hilgrove Street, St Helier, Jersey.

On 19 June 2012, the Company was admitted to the Official List of the UK Listing Authority and commenced trading on the London Stock Exchange's premium listed market. In December 2015, the Company completed its delisting from the London Stock Exchange's premium listed market.

The principal activity of the Company is to act as a holding company of PJSC Polyus ("Polyus"). The latter represents Group Polyus (the "Group") with the main activities being mining (including initial processing) and sale of gold in the Russian Federation.

The ultimate controlling party of the Company is Mr. Said Kerimov as of 30 June 2016 and 31 December 2015.

2. BASIS OF PREPARATION AND PRESENTATION

Going concern

In assessing its going concern status, 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, considerations of the 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 consolidated financial statements.

Compliance with International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, as adopted by the European Union (EU). 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 2015.

Except for, as disclosed in sections *Significant accounting policies* and *Critical accounting judgement, estimates and assumption and key sources of estimation uncertainty* as presented below, 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 2015.

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 International Financial Reporting Standards (IFRS) as adopted by the EU. Accordingly, such financial information has been adjusted to ensure that the condensed consolidated interim financial statements are presented in accordance with IFRS as adopted by the EU.

The condensed consolidated interim financial statements of the Group are prepared on the historical cost basis, except for *Financial instruments*, which are accounted for at amortised cost or at fair value.

(in millions of US Dollars)

IFRS standards update

The following is a list of standards (new or amended IFRS standards and interpretation that have been issued by the IASB) that have been applied in the preparation of these condensed consolidated interim financial statements for the six months ended 30 June 2016:

Title	Subject	Effective for annual periods beginning on or after	Effect on the condensed consolidated interim financial statements
IFRS 14	Regulatory deferral accounts	1 January 2016	No effect
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception	1 January 2016	No effect
Amendments to IAS 1	Disclosure initiative	1 January 2016	No effect
Annual Improvements to IFRSs 2012–2014 Cycle	Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2016	No effect
Amendments to IAS 27	Equity method in separate financial statements	1 January 2016	No effect
Amendments to IAS 16 and IAS 41	Agriculture: bearer plants	1 January 2016	No effect
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016	No effect
Amendments to IFRS 11	Accounting for acquisition of interests in joint operations	1 January 2016	No effect

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

Title	Subject	IASB effective for annual periods beginning on or after	Effect on the condensed consolidated interim financial statements
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	No effect
IFRS 9	Financial instruments	1 January 2018	No effect
IFRS 15	Revenue from contracts with customers	1 January 2018	To be determined
IFRS 16	Leases	1 January 2019	To be determined
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Date will be determined later	No effect

Management is currently considering the potential impact of the adoption of these standards and amendments. However, it is not practicable to provide a reasonable estimate of their effect until a detailed review has been completed.

Exchange rates

Exchange rates used in the preparation of these condensed consolidated interim financial statements were as follows:

Russian Rouble/US Dollar	30 June 2016	30 June 2015	31 December 2015
Period end rate	64.26	55.52	72.88

Starting form 1 January 2016, all income or expenses and respective cash flows are translated at the monthly average exchange rates. At the same time comparative financial information for the six months ended 30 June 2015 and year ended 31 December 2015 are presented at the average quarterly exchange rates.

3. SIGNIFICANT ACCOUNTING POLICIES

The critical accounting judgements, estimates and assumptions made by management of the Group and applied in the accompanying condensed consolidated interim financial statements for the six months ended 30 June 2016 are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2015.

In the preparation of these condensed consolidated interim financial statements, the management of the Group has implemented a new accounting policy for *Sales and leaseback transactions*.

4. 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"), identified as the Management Board (previously, Executive Committee). The following is a description of operations of the Group's seven identified reportable segments and those that do not meet the quantitative reporting threshold for reporting:

- ***Krasnoyarsk business unit*** (Krasnoyarsk region of the Russian Federation) – mining (including initial processing) and sale of gold from the Olimpiada, Blagodatnoye and Titimukhta mines, as well as research, exploration and development work at the Olimpiada and Blagodatnoye deposits;
- ***Irkutsk alluvial business unit*** (Irkutsk region, Bodaibo district of the Russian Federation) – mining (including initial processing) and sale of gold from several alluvial deposits;
- ***Irkutsk ore business unit*** (Irkutsk region, Bodaibo district 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;
- ***Yakutia Kuranakh business unit*** (Sakha Republic of the Russian Federation) – mining (including initial processing) and sale of gold from the Kuranakh mines;
- ***Magadan business unit*** (Magadan region of the Russian Federation) – Represented by JSC "Matrosova Mine" which performs development works at the Natalka deposit;
- ***Exploration business unit*** (Krasnoyarsk region, Irkutsk region, Amur region, and others) – 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 Natalka, Verninskoye, Olimpiada and other deposits;
- ***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 required 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 per number of ounce of gold sold (TCC); and
- capital expenditures.

Business segment assets and liabilities are not reviewed by the CODM and therefore are not disclosed in these consolidated financial statements.

The Group does not allocate the results of companies that perform management, investing activities and certain other administrative functions within its internal reporting.

	Gold sales	Ounces of gold sold in thousands [2]	Adjusted EBITDA[2]	Total cash cost per ounce of gold sold (USD per ounce) [2]	Capital expenditures
For the six months ended 30 June 2016					
Business units					
Krasnoyarsk	806	622	544	363	49
Irkutsk alluvial	42	33	13	550	11
Irkutsk ore	121	100	74	407	6
Yakutia Kuranakh	95	78	54	487	12
Exploration	5	4	1	1,010	3
Magadan	–	–	–	–	82
Capital construction	–	–	–	–	18
Unallocated	–	–	3	–	4
Total	**1,069**	**837**	**689**	**377**	**185**
For the six months ended 30 June 2015					
Business units					
Krasnoyarsk	792	621	492	413	15
Irkutsk alluvial	39	33	10	589	3
Irkutsk ore	96	79	58	462	8
Yakutia Kuranakh	78	66	33	640	2
Exploration	–	–	(1)	–	1
Magadan	–	–	–	–	38
Capital construction	–	–	1	–	28
Unallocated	–	–	(4)	–	1
Total	**1,005**	**799**	**589**	**436**	**96**
For the year ended 31 December 2015					
Business units					
Krasnoyarsk	1,611	1,293	1,007	399	58
Irkutsk alluvial	191	168	76	582	5
Irkutsk ore	189	161	115	417	21
Yakutia Kuranakh	165	144	70	598	10
Exploration	3	2	3	694	7
Magadan	–	–	–	–	111
Capital construction	–	–	1	–	53
Unallocated	–	–	(4)	–	3
Total	**2,159**	**1,768**	**1,268**	**424**	**268**

[2] unaudited and not reviewed

Gold sales reported above represent revenue generated from external customers (note 19). There were no inter-segment gold sales during the six months ended 30 June 2016 and 2015. Included within gold sales in the six months ended 30 June 2016 are realised gains on derivatives of USD 45 million (note 11) (the six months ended 30 June 2015: USD 44 million; the year ended 31 December 2015: USD 116 million).

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

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

	Six months ended 30 June		**Year ended 31 December**
	2016	**2015**	**2015**
Profit for the period	**494**	**583**	**1,119**
Income tax	179	76	194
Depreciation and amortisation (note 10)	66	62	128
Finance costs (note 8)	73	43	48
Delisting expenses	–	–	15
Long Term Incentive Plan (note 15)	6	1	7
Foreign exchange (gain) / loss, net	(257)	5	(149)
Interest income on bank deposits	(17)	(31)	(59)
Reversal of impairment (note 7)	(1)	(4)	(22)
Loss / (gain) on derivative financial instruments and investments (note 9)	142	(145)	(12)
Other	4	–	(1)
Adjusted EBITDA[3]	**689**	**589**	**1,268**

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

	Six months ended 30 June		**Year ended 31 December**
	2016	**2015**	**2015**
Cost of gold sales	**379**	**406**	**876**
Adjusted for:			
Depreciation and amortisation (note 10)	(62)	(64)	(126)
Other non-cash items in cost of gold sales	(1)	7	(1)
TCC	**316**	**349**	**749**
Ounces of gold sold, in thousands ounce	837	799	1,768
TCC per ounce of gold sold, USD per ounce[3]	**377**	**436**	**424**

[3] unaudited and not reviewed

(in millions of US Dollars)

Capital expenditures primarily related to the following projects:

- at the Magadan business unit: ongoing construction in all major areas of the Natalka mill. The tendering process is finished and the external contractors have been selected for the main process equipment in the gravity separation area as well as for the infrastructure construction.
- at the Krasnoyarsk business unit: launching works to reconfigure the Titimukhta mill and preparations for connecting to the new Razdolinskaya-Taiga grid, upgrading and expanding the Blagodatnoye mill.
- at the Yakutia Kuranakh business unit: projects to increase equipment productivity and preparation works related to heap leach installation, including tender procedures for main production circuit equipment and contractor mobilization.
- at the Construction business unit: the construction of the Razdolinskaya-Taiga electricity grid.
- at the Verninskoe business unit: launching works for debottlenecking and increase of mill current capacity to 2.5 million tones ore per year, consulting company AMC contracted to perform strategic development plan for the Irkutsk hub.

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

5. COST OF GOLD SALES

	Six months ended 30 June		Year ended 31 December
	2016	2015	2015
Labour	96	110	239
Consumables and spares	112	94	205
Tax on mining	60	70	140
Fuel	32	32	74
Power	12	17	35
Outsourced mining services	4	3	12
Refining costs	-	2	3
Other	16	25	57
Total cash operating costs	**332**	**353**	**765**
Amortisation and depreciation of operating assets (note 10)	65	64	126
Total cost of production	**397**	**417**	**891**
Increase in stockpiles, gold-in-process and refined gold inventories	(18)	(11)	(15)
Total	**379**	**406**	**876**

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June		Year ended 31 December
	2016	2015	2015
Salaries	45	53	103
Professional services	7	6	31
Taxes other than mining and income taxes	6	6	12
Amortisation and depreciation (note 10)	2	2	3
Other	6	7	17
Total	**66**	**74**	**166**

(in millions of US Dollars)

7. REVERSAL OF IMPAIRMENT / (IMPAIRMENT LOSSES)

	Six months ended 30 June		Year ended 31 December
	2016	**2015**	**2015**
Mine under development (note 10)	1	4	19
Exploration and evaluation assets (note 10)	–	–	5
Long-term stockpiles	–	–	(2)
Total	**1**	**4**	**22**

8. FINANCE COSTS

	Six months ended 30 June		Year ended 31 December
	2016	**2015**	**2015**
Interest on borrowings	115	65	134
Bank one-off commissions	15	–	–
Unwinding of discounts on site restoration, decommissioning and environmental liabilities	1	2	4
Gain on exchange of interest payments under cross currency swap (note 11)	(11)	(18)	(39)
Gain on exchange of interest payments under interest rate swaps (note 11)	(5)	(6)	(13)
Other	1	–	2
Sub-total finance cost	**116**	**43**	**88**
Interest capitalised in the cost of Mine under development and Capital construction in progress	(43)	–	(40)
Total finance cost expensed	**73**	**43**	**48**

Following temporary cessation of the active construction at Natalka during the year ended 31 December 2014 borrowing costs capitalisation has been suspended until 30 June 2015.

Natalka mine construction has been restarted in the second half of the 2015 year, and, respectively, the Group commenced the capitalisation of the related borrowing costs starting from 1 July 2015.

9. (LOSS) / GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS AND INVESTMENTS, NET

	Six months ended 30 June		Year ended 31 December
	2016	**2015**	**2015**
Gain on currency collars (note 11)	–	116	53
Revaluation (loss) / gain on cross currency swaps (note 11)	121	21	(106)
Revaluation (loss) / gain on ineffective part of the revenue stabiliser under Tranches 1 and 2 (note 11)	(66)	7	19
Revaluation (loss) / gain on ineffective part of the revenue stabiliser under Tranches 3 and 4 (note 11)	(224)	–	45
Revaluation gain on interest rate swap (note 11)	12	2	2
Gain on disposal of subsidiary	16	–	–
Other	(1)	(1)	(1)
Total	**(142)**	**145**	**12**

(in millions of US Dollars)

10. PROPERTY, PLANT AND EQUIPMENT

	Mineral rights	Fixed assets	Mine under development	Stripping activity assets	Capital construction in progress	Exploration and evaluation assets	Total
Cost							
Balance at 31 December 2014 – as previously reported	**–**	**1,538**	**1,134**	**203**	**199**	**307**	**3,381**
Reclassifications of mineral rights	258	(114)	(37)	–	–	(107)	**–**
Balance at 1 January 2015 – after reclassifications	**258**	**1,424**	**1,097**	**203**	**199**	**200**	**3,381**
Additions	–	–	38	57	55	3	**153**
Transfers from capital construction-in-progress	–	43	–	–	(43)	–	**–**
Change in site restoration, decommissioning and environmental obligations	–	(5)	–	–	–	–	**(5)**
Disposals	–	(12)	(1)	–	–	–	**(13)**
Effect of translation to presentation currency	4	21	16	5	–	2	**48**
Balance at 30 June 2015	**262**	**1,471**	**1,150**	**265**	**211**	**205**	**3,564**
Additions	–	–	73	47	91	8	**219**
Transfers from capital construction-in-progress	–	91	–	–	(91)	–	**–**
Change in site restoration, decommissioning and environmental obligations	–	(1)	–	–	–	–	**(1)**
Disposals	–	(26)	(2)	–	(1)	–	**(29)**
Reclassifications	15	–	–	–	(3)	3	**15**
Effect of translation to presentation currency	(63)	(355)	(281)	(69)	(54)	(50)	**(872)**
Balance at 31 December 2015	**214**	**1,180**	**940**	**243**	**153**	**166**	**2,896**
Reclassification	–	12	(3)	–	(2)	–	**7**
Additions	–	–	81	30	94	6	**211**
Transfers from capital construction-in-progress	–	48	–	–	(48)	–	**–**
Change in site restoration, decommissioning and environmental obligations	–	3	–	–	–	–	**3**
Disposals	–	(4)	(5)	–	–	–	**(9)**
Disposed on disposal of subsidiary	(65)	–	–	–	–	(40)	**(105)**
Effect of translation to presentation currency	17	162	132	36	28	12	**387**
Balance at 30 June 2016	**166**	**1,401**	**1,145**	**309**	**225**	**144**	**3,390**

(in millions of US Dollars)

	Mineral rights	Fixed assets	Mine under development	Stripping activity assets	Capital construction in progress	Exploration and evaluation assets	Total
Accumulated amortisation, depreciation and impairment							
Balance at 31 December 2014 – as previously reported	**–**	**(753)**	**(32)**	**(38)**	**(10)**	**(197)**	**(1,030)**
Reclassifications of mineral rights	(157)	69	–	–	–	88	**–**
Balance at 1 January 2015 – after reclassifications	**(157)**	**(684)**	**(32)**	**(38)**	**(10)**	**(109)**	**(1,030)**
Charge	(2)	(69)	–	(11)	–	–	**(82)**
Disposals	–	9	–	–	–	–	**9**
Reversal of impairment (note 7)	–	–	4	–	–	–	**4**
Effect of translation to presentation currency	(3)	(10)	(1)	–	(1)	(1)	**(16)**
Balance at 30 June 2015	**(162)**	**(754)**	**(29)**	**(49)**	**(11)**	**(110)**	**(1,115)**
Charge	(2)	(61)	–	(10)	–	–	**(73)**
Disposals	–	27	–	–	–	–	**27**
Reversal of impairment (note 7)	–	–	15	–	–	5	**20**
Effect of translation to presentation currency	39	182	5	14	4	24	**268**
Balance at 31 December 2015	**(125)**	**(606)**	**(9)**	**(45)**	**(7)**	**(81)**	**(873)**
Reclassification	–	(9)	–	–	–	–	**(9)**
Charge	(2)	(60)	–	(15)	–	–	**(77)**
Disposals	–	4	–	–	–	–	**4**
Disposed on disposal of subsidiary	65	–	–	–	–	40	**105**
Reversal of impairment (note 7)	–	–	1	–	–	–	**1**
Effect of translation to presentation currency	(5)	(86)	–	(8)	(2)	–	**(101)**
Balance at 30 June 2016	**(67)**	**(757)**	**(8)**	**(68)**	**(9)**	**(41)**	**(950)**
Net book value at							
Balance at 31 December 2014 – as previously reported	**–**	**785**	**1,102**	**165**	**189**	**110**	**2,351**
Balance at 1 January 2015 – after reclassifications	**101**	**740**	**1,065**	**165**	**189**	**91**	**2,351**
Balance at 30 June 2015	**100**	**717**	**1,121**	**216**	**200**	**95**	**2,449**
Balance at 31 December 2015	**89**	**574**	**931**	**198**	**146**	**85**	**2,023**
Balance at 30 June 2016	**99**	**644**	**1,137**	**241**	**216**	**103**	**2,440**

(in millions of US Dollars)

Mineral rights

The carrying values of mineral rights were allocated to the following business units:

	30 June 2016	30 June 2015	31 December 2015
Magadan	32	37	28
Exploration	17	20	15
Yakutia Kuranakh	30	18	27
Irkutsk ore	12	15	11
Krasnoyarsk	8	10	8
Total	**99**	**100**	**89**

Amortisation and depreciation charge

Amortisation and depreciation charge is allocated as follows:

	Six months ended 30 June		Year ended 31 December
	2016	2015	2015
Cost of gold sales	62	59	122
Depreciation in change in inventory	3	5	4
Sub-total: Cost of production (note 5)	**65**	**64**	**126**
Selling, general and administrative expenses (note 6)	2	2	3
Cost of other sales	2	1	3
Capitalised within capital construction-in-progress	8	15	23
Total	**77**	**82**	**155**

Mine under development and Capital construction in progress

Mine under development includes only the Natalka mine (Magadan business unit refer to note 8).

Included within *Mine under development* and *Capital construction in progress* are capitalised borrowing costs consisted of the following:

	Six months ended 30 June		Year ended 31 December
	2016	2015	2015
Interest expenses	43	–	40
Foreign exchange losses	1	–	1
Interest income on bank deposits	(5)	–	(5)
Total	**39**	**–**	**36**

(in millions of US Dollars)

Exploration and evaluation assets

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

	30 June 2016	30 June 2015	31 December 2015
Razdolinskoye	20	20	16
Olympiada	17	16	14
Panimba	15	16	13
Bamsky	14	13	11
Chertovo Koryto	9	10	8
Smezhny	8	9	7
Blagodatnoye	7	7	6
Burgakhchan area	6	–	5
Medvezhy Zapadny	2	3	2
Other	5	1	3
Total	**103**	**95**	**85**

11. DERIVATIVE FINANCIAL INSTRUMENTS AND INVESTMENTS

	30 June 2016	30 June 2015	31 December 2015
Non-current assets			
Revenue stabiliser	–	113	200
Interest rate swaps	28	11	11
Gold forward	–	22	–
Investment in joint venture	4	–	–
Loans receivable	–	2	1
Sub-total	**32**	**148**	**212**
Current assets			
Revenue stabiliser	11	–	–
Gold forward	–	–	20
Sub-total	**11**	**–**	**20**
Total assets	**43**	**148**	**232**
Non-current liabilities			
Cross currency swaps	450	382	509
Revenue stabiliser	196	–	–
Gold forward	–	–	–
Sub-total	**646**	**382**	**509**
Current liabilities			
Currency collars	–	214	–
Total liabilities	**646**	**596**	**509**

Strategic Price Protection Programme

In March 2014, the Group initiated a Strategic Price Protection Programme (the “Programme”).

Under the Programme, the Group has entered into a series of price protection arrangements comprised of two components:

- zero cost Asian gold collars (“revenue stabiliser”); and
- gold forward contracts.

Revenue stabiliser

The revenue stabiliser component 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 revenue stabiliser options are exercised quarterly in equal amounts.

Initially, the revenue stabiliser agreements are recognised at fair value using a Monte Carlo simulation model. Input data used in the valuation model (spot gold prices and volatility) corresponds to Level 2 of the fair value hierarchy in IFRS 13.

During the year ended 31 December 2015, the Group successfully completed the restructuring of Tranches 1 and 2 of the revenue stabiliser programme and started to sign agreements under Tranche 3 and 4. Restructuring of Tranches 1 and 2 resulted in the close out of a part of the fourth year options and lowering barriers on the remaining options for the first three years.

Tranche 1 and 2 of the revenue stabiliser arrangements are designated as a cash flow hedge. Any change in the intrinsic value of the collars is recognised in the *Cash flow hedge revaluation reserve* within the condensed consolidated interim statement of changes in equity, whilst the remaining change in the fair value of USD 66 million loss is reflected in the condensed consolidated interim statement of profit or loss (note 9) (the six months ended 30 June 2015: gain of USD 7 million; the year ended 31 December 2015: gain of USD 19 million).

During the six months ended 30 June 2016, under Tranches 1 and 2, USD 51 million of decrease was recognised in the *Cash flow hedge revaluation reserve* within the condensed consolidated interim statement of changes in equity (the six months ended 30 June 2015: increase of USD 30 million; the year ended 31 December 2015: increase of USD 115 million) and following the sale of the hedged volume of gold and the exercise of certain options USD 33 million was subsequently reclassified to *Gold sales* within the condensed consolidated interim statement of profit or loss (the six months ended 30 June 2015: USD 35 million; the year ended 31 December 2015: USD 91 million).

Tranche 3 and 4 are accounted at fair value through profit or loss. During the six months ended 30 June 2016, loss resulted from the change in its fair value totalled USD 224 million and is presented within the note 9 of the condensed consolidated interim statement of profit or loss (the year ended 31 December 2015: USD 45 million).

During the six months ended 30 June 2016, realised gain on expiration of the Tranche 3 and 4 collars in amount of USD 4 million (the six months ended 30 June 2015: nil; the year ended 31 December 2015: nil) is recognised within Gold sales line of the condensed consolidated interim statement of profit or loss.

Gold forward

During the year ended 31 December 2014, the Group has entered into financing contracts to sell a total of 310 thousand ounces of gold monthly in equal quantities over a period of two years starting from 1 July 2014 and ending on 30 June 2016 at a fixed price of USD 1,321 per ounce.

There are no outstanding balances in regard of gold forward as of 30 June 2016.

The gold forward contract is designated as a cash flow hedge. Any change in the forward fair value is recognised in *Cash flow hedge revaluation reserve* within the condensed consolidated interim statement of changes in equity. During the six months ended 30 June 2016, USD 9 million of loss was recognised in the *Cash flow hedge revaluation reserve* within the condensed consolidated interim statement of changes in equity (the six months ended 30 June 2015: USD 1 million of gain; the year ended 31 December 2015: USD 15 million of gain) and following the sale of the hedged amount of gold USD 8 million was reclassified from the *Cash flow hedge revaluation reserve* within condensed consolidated interim statement of changes in equity into *Gold sales* within the condensed consolidated interim statement of profit or loss (the six months ended 30 June 2015: USD 9 million; the year ended 31 December 2015: USD 25 million).

The fair value is determined using the Black-Scholes valuation technique. Input data used in the valuation model (forward gold prices and volatility) corresponds to Level 2 of the fair value hierarchy in IFRS 13. The Group performs prospective and retrospective effectiveness testing for the instruments designated as a cash flow hedge at least at each reporting date.

Currency collars

During the year ended 31 December 2014, in order to economically hedge its Russian rouble denominated expenses, the Group simultaneously purchased put options and sold call options for the total amount of USD 1,900 million. During the year ended 31 December 2015, all remaining options matured and resulted in a gain of USD 53 million (the six months ended 30 June 2015: realised loss of USD 217 million).

The Group classified these contracts as financial instruments at FVTPL. The fair value was determined using the Black-Scholes valuation technique using the inputs (forward currency exchange rates and volatility) which were observable in the market and correspondently classified as Level 2 in accordance with the hierarchy of fair value.

Cross currency swaps

RUB denominated credit facilities with fixed interest rate

The revenue of the Group is linked to US dollars, because the gold price is denominated in US dollars. The Group entered into cross currency swaps with leading Russian banks to economically hedge interest payments and principal amounts exchange nominated in RUB.

According to the cross currency swap agreements the Group quarterly pays to the banks LIBOR + Margin 2.47% in USD and receives from the banks 10.35% in RUB; and at maturity (9 April 2019) the Group exchanges principal amounts paying USD 1,023 million and receiving RUB 35,999 million.

Rusbonds

The Group entered into cross currency swaps with leading Russian banks for a total amount of RUB 10 billion to economically hedge interest and principal payments. According to the cross currency swap agreements the Group will semi-annually pay to the banks 6MLIBOR + Margin 4.45% in USD and receive from the banks 12.1% in RUB; and at maturity (16 July 2021) the Group will exchange principal amounts paying USD 173 million and receiving RUB 10 billion.

According to IAS 39 the swaps were not eligible to be designated as cash flow or fair value hedges. The Group accounted for these derivative financial instruments at fair value which was determined using a discounted cash flow valuation technique. Changes in the fair value of the cross currency swaps for the six months ended 30 June 2016 resulted in a revaluation gain of USD 121 million (the six months ended 30 June 2015: gain USD 21 million; the year ended 31 December 2015: loss USD 106 million) which was recognised in the condensed consolidated interim statement of profit or loss (note 9). During the six months ended 30 June 2016, gain on the exchange of interest payments in amount of USD 11 million (the six months ended 30 June 2015: gain USD 18 million; the year ended 31 December 2015: gain USD 39 million) is recognised within the *Finance cost* (note 8).

The fair value measurement is based on inputs (spot currency exchange rates and forward USD LIBOR and RUB rates), which are observable in the market and the Group classified them as Level 2 in accordance with the hierarchy of fair value.

Interest rate swaps

During the year ended 31 December 2014, the Group entered into an interest rate swap agreements with leading Russian banks, according to which the Group pays semi-annually and 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 purpose of this swap is to decrease the effective interest rate for the USD 750 million Eurobonds (note 16). According to IAS 39 the swaps were not eligible to be designated as either a cash flow or fair value hedge. The Group accounts for it at fair value which was determined using a discounted cash flow valuation technique.

(in millions of US Dollars)

During the six months ended 30 June 2016, the gain on changes in the fair value of the interest rate swaps in the amount of USD 12 million is recognised in the condensed consolidated interim statement of profit or loss (note 9) (the six months ended 30 June 2015: gain USD 2 million; the year ended 31 December 2015: gain USD 2 million). The gain on the exchange of interest payments in amount of USD 5 million is recognised within the *Finance cost* (note 8) (the six months ended 30 June 2015: gain USD 6 million; the year ended 31 December 2015: gain USD 13 million).

The fair value measurement is based on inputs (forward USD LIBOR rates), which are observable in the market and the Group classified them as Level 2 in accordance with the hierarchy of fair value.

12. INVENTORIES

	30 June 2016	30 June 2015	31 December 2015
Inventories expected to be recovered after 12 months			
Stockpiles	206	229	174
Gold-in-process	10	7	10
Sub-total	**216**	**236**	**184**
Inventories expected to be recovered in the next 12 months			
Stockpiles	63	76	44
Gold-in-process	84	79	59
Refined gold	7	9	13
Stores and materials	228	273	188
Less: provision for obsolete and slow-moving stores and materials	(8)	(9)	(8)
Sub-total	**374**	**428**	**296**
Total	**590**	**664**	**480**

13. BANK DEPOSITS

During the year ended 31 December 2015, the Group modified certain bank deposit agreements, so that as of 30 June 2016 and 31 December 2015 all of the deposits were available on demand and respectively were presented under the cash and cash equivalents caption (note 14).

As of 30 June 2015, all Group's deposit was denominated in USD and had an interest rate of 4.3% per annum.

14. CASH AND CASH EQUIVALENTS

	30 June 2016	30 June 2015	31 December 2015
Bank deposits			
- USD	1,192	1,074	1,630
- RUB	52	128	71
Current bank accounts			
- USD	230	68	273
- RUB	40	36	33
Other cash and cash equivalents	162	22	32
Total	**1,676**	**1,328**	**2,039**

(in millions of US Dollars)

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

- USD	0.2 – 6.0%	1.3 – 6.0%	1.0 − 6.0%
- RUB	8.0 – 11.0%	8.6 – 12.6%	8.0 − 11.1%

15. SHARE CAPITAL

The authorised share capital of the Company comprises 3,600 million ordinary shares with a par value of GBP 0.0001 per share.

The issued and fully paid up share capital of the Company as of 30 June 2016 (after the buy-back as described below) comprises 2,089,106,033 ordinary shares issued at a premium, resulting in share capital of USD 332 thousand.

Movement of number of issued and fully paid up ordinary shares, share capital of the Company at par value and additional paid in capital during the six months ended 30 June 2016 and 2015 and the year ended 31 December 2015 was as follows:

	Number of outstanding shares	Share capital	Additional paid-in capital
Balance as of 31 December 2014	**3,032**	**1**	**2,152**
Equity-settled share-based payment plans (LTIP)	−	−	1
Balance as of 30 June 2015	**3,032**	**1**	**2,153**
Equity-settled share-based payment plans (LTIP)	−	−	6
Balance as of 31 December 2015	**3,032**	**1**	**2,159**
Equity-settled share-based payment plans (LTIP)	−	−	6
Buy-back and cancelation of treasury stock	(943)	−	(672)
Balance as of 30 June 2016	**2,089**	**1**	**1,493**

Dividends in the total amount of USD 184 million (US 6.08 cents per share) were approved by the Annual General Meeting of shareholders on 15 May 2015 and paid during the six months ended 30 June 2015. There were no dividends declared and paid for the six months ended 30 June 2016 and second half of the year ended 31 December 2015.

Share buy-back

On 10 March 2016, the Board of Directors of the Company, approved the purchase of its own ordinary shares in the amount of 909,873,900 (or 30.04% of the share capital) from the shareholders. The purchase price per 1 (one) ordinary share was USD 3.41.

On 24 June 2016 the Board of Directors of the Company approved the purchase of its own ordinary shares in the amount of 33,170,029 (or 1.56% of the share capital) from the shareholder. The purchase price per 1 (one) ordinary share was USD 3.47.

On 11 March 2016 and on 27 June 2016, the Company executed the following transactions with its current shareholders:

Name of shareholders	Number of shares, million	Ownership*, %	Price per 1 share, USD	Consideration paid of, USD million
Sacturino Ltd.	757	25.00%	3.41	2,582
Wandle Holdings Ltd.	186	6.11%	3.41-3.47	636
Total	**943**	**31.11%**		**3,218**

* as of the buy-back date

Immediately after that all shares were cancelled.

(in millions of US Dollars)

Equity-settled share-based payment plans (Long Term Incentive Plan)

During the six months ended 30 June 2015, the Company approved a Long Term Incentive Plan (LTIP) according to which the members of top management of the Group are entitled to a conditional award in the form of the Company's ordinary shares linked to the achievement of a combination of financial and non-financial performance conditions.

The LTIP stipulates three 3-year rolling performance periods, starting from 2015, 2016 and 2017. The total number of shares that may be distributed under the LTIP is up to 1% of the total share capital of the Company which can be granted from newly issued ordinary shares or from treasury shares, if any.

Fair value of a share was identified at the grant date of 19 May 2015 as the closing price per London Stock Exchange. Total expense for the reporting period arising from LTIP was immediately recognised in the condensed consolidated interim statement of profit or loss within the line *Salaries* included within *Selling, general and administrative expenses* in the amount of USD 6 million (the six months ended 30 June 2015: USD 1 million; the year ended 31 December 2015: 7 million).

Weighted average number of ordinary shares for the six months ended 30 June 2016 and 2015 and the year ended 31 December 2015 including dilutive effect of potentially issuable shares is presented below:

	30 June 2016	30 June 2015	31 December 2015
Ordinary shares in issue at the beginning of the reporting period	**3,032**	**3,032**	**3,032**
Dilutive effect of LTIP (3 million shares starting from 19 May 2015)	5	2	5
Cancelation of shares (943 million shares starting from 11 March 2016)	(556)	–	–
Weighted average number of ordinary shares	**2,481**	**3,034**	**3,037**

16. BORROWINGS

	Nominal rate %	30 June 2016	30 June 2015	31 December 2015
Credit facilities with financial institutions nominated in USD with variable interest rates	USD LIBOR + margins ranging from 0.55% to 4.95%	3,350	355	785
Notes due in 2020 (Eurobonds)	5.625%	747	746	746
Credit facilities with financial institutions nominated in RUR with fixed interest rates	10.35%	523	604	461
Notes due in 2025 (Rusbonds) with noteholders' early repayment option in 2021	12.1%	155	–	137
Letters of credit with deferred payments terms with variable rates	Cost of fund (COF) + 2.7%, Euribor +1.8%, USD LIBOR + 2.35%	29	47	38
Credit facilities with financial institutions nominated in RUR with variable interest rates	Central bank rate + 2.3%	38	–	18
Lease liabilities nominated in USD with fixed interest rate	5%	5	–	–
Sub-total		**4,847**	**1,752**	**2,185**
Less: short-term borrowings and current portion of long-term borrowings due within 12 months		(138)	(38)	(38)
Long-term borrowings		**4,709**	**1,714**	**2,147**

The Company and subsidiaries of the Group from time to time obtain credit facilities from different financial institutions, raise financing from the noteholders to fund its general corporate purposes and to finance its capital investment projects and shares buy-back.

Unused credit facilities

In 2014, one of the Group's subsidiary entered into a five year RUB 40,000 million credit line with a bank to fund its general corporate purposes. As of 30 June 2016, the amount of unused credit facilities was RUB 40,000 million equivalent to USD 622 million.

In 2015, one of the Group's subsidiaries entered into an eleven year RUB 6,054 million credit line with a bank to fund Razdolinskaya-Taiga power grid construction. As of 30 June 2016, the credit facilities in the amount of USD 56 million (RUB 3,612 million) were unused.

Other matters

JSC "Gold Mining Company Polyus" guaranteed liabilities of all the companies in the Group for all borrowings.

There were a number of financial covenants under several loan agreements in effect as of 30 June 2016 according to which the respective subsidiaries of the Company and the Company itself are limited, namely:

- in the distribution of their assets. The Group is not allowed to divest more than 10% of its assets in any form of transaction without prior consent of the banks. This limitation is applicable to the most significant subsidiaries of the Group;
- in its right to dispose of the controlling share in certain significant subsidiaries of the Group; and
- in the transfer of non-core assets between certain subsidiaries of the Group.

The Group was in compliance with all of the financial covenants as of and for the six months ended 30 June 2016.

The fair value of the Notes due in 2020 and 2021 are within Level 1 of the fair value hierarchy. Whilst measured at amortised cost, the fair value of all of the borrowings, except for the Notes, are within Level 2 of the fair value hierarchy in accordance with IFRS 13. The fair value measurement is based on inputs (spot currency exchange rates and forward USD LIBOR and RUB interest rates), which are observable in the market and the Group classified them as Level 2 in accordance with the hierarchy of fair value. The fair value of the borrowings as of 30 June 2016 was equal to USD 4,431 million (30 June 2015: USD 1,616 million; 31 December 2015: USD 2,013 million).

17. RELATED PARTIES

Related parties include substantial shareholders, entities under common ownership and control within the Group and members of key management personnel. The Company and its subsidiaries, in the ordinary course of business, enter into purchase and service transactions with related parties.

As of and for the six months ended 30 June 2016 and 2015, the Group had neither outstanding balances nor transactions with its related parties other than remuneration of key management personnel described below and share buy-back transactions with the Company's shareholders as disclosed in note 15.

(in millions of US Dollars)

Key management personnel

	Six months ended 30 June		Year ended 31 December
	2016	**2015**	**2015**
Short-term compensation (including LTIP) of key management personnel	15	8	16
Long-term compensation of key management personnel (LTIP)	6	1	7

18. COMMITMENTS AND CONTINGENCIES

Capital commitments

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

	30 June 2016	30 June 2015	31 December 2015
Contracted capital expenditure commitments,	40	52	30
including contracted capital expenditure commitments related to the Natalka project	12	9	9

Operating leases: Group as a lessee

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 2062.

Future minimum lease payments due under non-cancellable operating lease agreements at the end of the year were as follows:

	30 June 2016	30 June 2015	31 December 2015
Due within one year	3	3	4
From one to five years	9	9	18
Thereafter	19	21	17
Total	**31**	**33**	**39**

Contingencies

Litigations

In the ordinary course of business, the Group is subject to litigation in a number of jurisdictions, the outcome of which is uncertain and could give rise to adverse outcomes. At the date of issuance of these condensed consolidated interim financial statements there were no material claims and litigation applicable to the Group.

Insurance

The insurance industry is not yet well developed in the Russian Federation and many forms of insurance protection common in more economically developed countries are not yet available on comparable terms. The Group does not have full insurance coverage for its mining, processing and transportation facilities, for business interruption, or for third party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations, other than limited coverage required by law.

The Group, as a participant in exploration and mining activities, may become subject to liability for risks that cannot be insured against, or against which it may elect not to be insured because of high premium costs. Losses from uninsured risks may cause the Group to incur costs that could have a material adverse effect on the Group's business and financial condition.

Taxation contingencies in the Russian Federation

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant. With regards to matters where practice concerning payment of taxes is unclear, management estimate that there were no tax exposures as of 30 June 2016.

Environmental matters

The Group is subject to extensive federal and local environmental controls and regulations in the regions in which it operates. The Group's operations involve the discharge of materials and contaminants into the environment, disturbance of land that could potentially impact on flora and fauna, and give rise to other environmental concerns. The Group's management believes that its mining and production technologies are in compliance with existing Russian environmental legislation. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change. Such change, if it occurs, may require that the Group modernises technology to meet more stringent standards.

The Group is obliged under the terms of various laws, mining licences and 'use of mineral rights' agreements to decommission mine facilities on cessation of its mining operations and to restore and rehabilitate the environment. Management of the Group regularly reassesses site restoration, decommissioning and environmental obligations for its operations. Estimations are based on management's understanding of the current legal requirements and the terms of the licence agreements. Should the requirements of applicable environmental legislation change or be clarified, the Group may incur additional site restoration, decommissioning and environmental obligations.

Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. In the first quarter of 2015 international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

During 2015 and first half of 2016, the economic situation has become more stable, although the above mentioned events have led to reduced access of Russian businesses to international capital markets, increased inflation, reduced economic growth and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

(in millions of US Dollars)

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT ACTIVITIES

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt which is borrowings (note 16) less banks deposits (note 13) and cash and cash equivalents (note 14), and equity of the Group.

Major categories of financial instruments

The Group's principal financial liabilities comprise borrowings, derivative financial instruments and investments and trade and other payables. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets such as cash and cash equivalents, bank deposits, trade and other receivables, derivative financial instruments and investments.

	30 June 2016	30 June 2015	31 December 2015
Financial assets			
Cash and cash equivalents	1,676	1,328	2,039
Derivative financial instruments	39	146	231
Investments in joint ventures	4	–	–
Other receivables	21	15	14
Loans receivable	–	2	1
Bank deposits	–	49	–
Total financial assets	**1,740**	**1,540**	**2,285**
Financial liabilities			
Borrowings	4,847	1,752	2,185
Derivative financial instruments	646	596	509
Trade and other payables	175	130	134
Total financial liabilities	**5,668**	**2,478**	**2,828**

Derivative financial instruments are carried at fair value.

The main risks arising from the Group's financial instruments are gold price, interest rate, foreign currency exchange rates, credit and liquidity risks.

Gold price risk

The Group is exposed to changes in the gold price due to its significant volatility. During 2014, the Group entered into a number of derivative transactions (revenue stabiliser and gold forward agreements) under a Strategic Price Protection Programme to limit its exposure to future possible fluctuations of gold price (as detailed previously in note 11). Under the terms of the revenue stabiliser the Group ensures a minimum selling gold price in the case of declines in the gold price and at the same time may benefit from increases in the gold price until certain barrier prices are reached on the call options, at which point the sale price is capped.

If the gold price was 10% higher / lower during the six months ended 30 June 2016 gold sales for the year would have increased / decreased by USD 46 million / USD 39 million, respectively (the six months ended 30 June 2015: USD 62 million / USD 61 million; the year ended 31 December 2015: USD 134 million / USD 138 million).

(in millions of US Dollars)

Interest rate risk

The Group is exposed to interest rate risk as it borrows funds. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's current policy considering the relatively low LIBOR rates is to borrow funds in USD with floating interest rates. During 2014, the Group, in order to align its borrowings with the policy, entered into a number of derivative transactions (refer to note 11):

- to swap cash flows under a 36 billion Rouble denominated credit facility from Sberbank with a fixed interest rate of 10.35% into USD dollar denominated cash flows with a floating interest rate of LIBOR+2.47%. The credit facility was initially arranged in RUB with the view to swapping it into a USD denominated cash flow, because this was more cost effective than obtaining funding directly in USD (note 16); and
- to swap interest payments under the 750 million Eurobond from a fixed rate of 5.625% into a floating rate of LIBOR+3.55% (note 16).

If the interest rate was 0.5% higher / lower during the six months ended 30 June 2016 interest expense (as well as equity and retained earnings) excluding effect of change in fair value of interest rate and cross currency swaps for the six months ended 30 June 2016 would have increased / decreased by USD 8 million (the six months ended 30 June 2015: USD 4 million; the year ended 31 December 2015: USD 8 million).

If interest rates used in calculations of fair values of interest rate and cross currency swaps as of 30 June 2016 would be 0.5% higher / lower, the gain on revaluation would be USD 35 million lower / higher respectively (the six months ended 30 June 2015: USD 39 million; the year ended 31 December 2015: USD 39 million).

0.5% is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible / negative change in interest rates.

Foreign currency exchange rate risk

Currency risk is the risk that the financial results of the Group will be adversely affected by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. Prices for gold are quoted in USD based on international quoted market prices. The majority of the Group's expenditures are denominated in RUB, accordingly, operating profits are adversely impacted by appreciation of the RUB against the USD.
In assessing this risk, management takes into consideration changes in the gold price.

During 2014, the Group entered into a number of derivative agreements, in the form of currency collars (refer to note 11) in order to economically hedge its Russian rouble denominated expenses. The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than the functional currencies of the individual Group entities were as follows:

	30 June 2016	**30 June 2015**	**31 December 2015**
Assets			
USD	1,588	1,340	2,135
EURO (presented in USD at closing exchange rate)	2	1	1
Total	**1,590**	**1,341**	**2,136**
Liabilities			
USD	4,846	1,748	2,084
EURO (presented in USD at closing exchange rate)	12	9	14
Total	**4,858**	**1,757**	**2,098**

(in millions of US Dollars)

Currency risk is monitored on a monthly basis by performing a sensitivity analysis of foreign currency positions in order to verify that potential losses are at an acceptable level.

The table below details the Group's sensitivity to changes in exchange rates by 25% which is the sensitivity rate used by the Group for internal analysis. The analysis was applied to monetary items at the reporting dates denominated in the respective currencies. If the USD or EURO exchange rate had increased by 25% for the six months ended 30 June 2016 and 2015; and the year ended 31 December 2015 compared to RUB as of the end of respective reporting periods, the Group would have incurred the following profits or losses:

	Six months ended 30 June		Year ended 31 December
	2016	**2015**	**2015**
Loss / (profit) (USD exchange rate increased compared to RUB)	814	102	(13)
Loss (EURO exchange rate increased compared to RUB)	2	2	3

Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group. Credit risk arises from cash, cash equivalents and deposits kept with banks, derivative agreements, loans granted, advances paid, trade and other receivables.

In order to mitigate credit risk, the Group conducts its business with creditworthy and reliable counterparties, and minimises advance payments to suppliers.

The Group employs a methodology for in-house financial analysis of banks and non-banking counterparties, which enables management to estimate an acceptable level of credit risk with regard to particular counterparties and to set appropriate individual risk limitations. Within the Group's core companies the procedures for preparing new agreements include analysis and contemplation of credit risk, estimation of the aggregate risk associated with a counterparty (arising both from an agreement under consideration and from previously existing contracts, if any) and verifying compliance with individual credit limits.

Credit risk inherent to the contract was incorporated in the fair value of derivative financial instruments at the reporting date. The credit risk incorporated into valuations is based on the quoted counterparty CDS for the counterparty risk. The Group's credit risk profile is regularly monitored by management in order to avoid undesirable increases in risk, to limit concentration of credit and to ensure compliance with the above mentioned policies and procedures.

Deposits, current bank accounts and derivative financial instruments are held with major Russian and international banks, with reasonable and appropriate diversification, which decreases concentration risk by spreading the credit risk exposure across several top rated banks.

Although the Group sells more than 90% of the total gold sales to 4 major customers, the Group is not economically dependent on these customers because of the high level of liquidity in the gold commodity market. A substantial portion of gold sales are made to banks on advance payment or immediate payment terms, therefore the credit risk related to trade receivables is minimal. There were no outstanding receivables for gold sales as of 30 June 2016, 2015 and 31 December 2015.

(in millions of US Dollars)

Gold sales to the Group's major customers are presented as follows:

	Six months ended 30 June		Year ended 31 December
	2016	**2015**	**2015**
VTB Bank	416	198	493
Sberbank	329	250	651
Otkritie Bank	160	338	668
MDM Bank	72	141	166
Other banks	92	78	181
Total gold sales	**1,069**	**1,005**	**2,159**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group's liquidity position is carefully monitored and managed. The Group manages liquidity risk by maintaining detailed budgeting and cash forecasting processes and matching the maturity profiles of financial assets and liabilities to help ensure that it has adequate cash available to meet its payment obligations.

For assessing own credit risk, a proxy CDS for the industry is used since Polyus does not have quoted CDS. Historically, the Group has not relied extensively on external financing. Following the development of new capital projects during 2013, the Group issued notes in 2013 and arranged certain external finance facilities with banks during year ended 31 December 2015 and six months ended 30 June 2016 (note 16).

The Group's cash management procedures include medium-term forecasting (a budget approved each financial year and updated on a quarterly basis), short-term forecasting (monthly cash-flow budgets are established for each business unit and a review of each entity's daily cash position is performed using a two-week rolling basis).

Presented below is the maturity profile of the Group's financial liabilities (except for derivative financial instruments) as at 30 June 2016 based on undiscounted contractual payments, including interest payments:

	Borrowings		Trade and other	
	Principal	**Interest**	**payables**	**Total**
Due in the first year	138	273	175	586
Due in the second year	302	276	–	578
Due in the third year	957	253	–	1,210
Due in the fourth year	810	191	–	1,001
Due in the fifth year	134	143	–	277
Thereafter	2,550	111	–	2,661
Total	**4,891**	**1,247**	**175**	**6,313**

(in millions of US Dollars)

20. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

		Effective % held[4] at		
Subsidiaries[5]	**Nature of business**	**30 June 2016[6]**	**30 June 2015**	**31 December 2015**
Incorporated in Russian Federation				
PJSC "Polyus"	Management company	93	95	95
JSC "Gold Mining Company Polyus"	Mining (open pit)	93	95	95
JSC "Aldanzoloto GRK"	Mining (open pit)	93	95	95
JSC "Pervenets"	Mining (open pit)	93	95	95
PJSC "Lenzoloto"	Market agent	60	61	61
JSC "ZDK Lenzoloto"	Mining (alluvial)	62	63	63
JSC "Svetliy"	Mining (alluvial)	52	53	53
JSC "Matrosova Mine"	Mining (development stage)	93	95	95
LLC "Polyus Stroy"	Construction	93	95	95
JSC "TaigaEnergoStroy"	Construction	93	95	95
Incorporated in British Virgin Islands				
Polyus Exploration Limited	Geological research	93	98	95

21. EVENTS AFTER THE REPORTING DATE

There were no events subsequent to the reporting date that should be disclosed in these condensed consolidated interim financial statements.

[4] Effective % held by the Company, including holdings by other subsidiaries of the Group.
[5] Following change in legislation, Group entities registered in Russia, which had a legal form of a limited liability company (LLC) or a closed joint stock company (CJSC) have changed or would have to change its legal from to a joint stock company (JSC); open joint stock companies (OJSC) have been renamed public joint stock companies (PJSC).
[6] In March 2016, LLC "Polyus-Invest" a 100% subsidiary of PJSC "Polyus", acquired 61 million of PJSC "Polyus" ordinary shares, of which 60 million was acquired from PGIL and remaining part from the market. The total consideration paid by LLC "Polyus-Invest" was USD 3,442 million, of which 3,423 million was received by PGIL. These transactions lead to change in effective ownership in all of the Group's subsidiaries.