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**PJSC Polyus  
Management Report  
31 March 2020**

**1 June 2020**



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## **Cautionary statement**

1 June 2020 – PJSC Polyus (the “Company” or “Polyus”) issues this Interim Management Report (“IMR”) to summarise recent operational activities and to provide trading guidance in respect of the condensed consolidated interim financial statements for the three months ended 31 March 2020.

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

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

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

## Responsibility statement

Directors of PJSC “Polyus” are responsible for the preparation of the condensed consolidated interim financial statements that present fairly the financial position of PJSC “Polyus” and its subsidiaries (the “group”) as of 31 March 2020, and the results of its operations, cash flows and changes in equity for the three months then ended, in compliance with International Accounting Standard 34 (“IAS 34”).

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

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

Directors are also responsible for:

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

The condensed consolidated interim financial statements of the group for the three months ended 31 March 2020 were approved by Directors on 1 June 2020.

By order of the Board of Directors,

Chief Executive Officer and Director



Pavel Grachev

## Management Discussion and Analysis

### the first quarter 2020 key metrics overview

\$ million (if not mentioned otherwise)	1Q 2020	4Q 2019	Q-o-Q	1Q 2020	1Q 2019	Y-o-Y
<b>Operating highlights</b>						
Gold production (koz) <sup>1</sup>	595	804	(26%)	595	601	(1%)
Gold sold (koz)	544	894	(39%)	544	570	(5%)
<b>Realised prices</b>						
Average realised refined gold price (excluding effect of SPPP) (\$/oz) <sup>2</sup>	1,592	1,482	7%	1,592	1,308	22%
Average realised refined gold price (including effect of SPPP) (\$/oz)	1,592	1,482	7%	1,592	1,308	22%
<b>Financial performance</b>						
Total revenue	872	1,287	(32%)	872	751	16%
Operating profit	481	725	(34%)	481	396	21%
Operating profit margin	55%	56%	(1) ppts	55%	53%	2 ppts
(Loss) / profit for the period	(389)	697	N.A.	(389)	528	N.A.
(Loss) / earnings per share – basic (US Dollar)	(3.06)	5.25	N.A.	(3.06)	4.02	N.A.
(Loss) / earnings per share – diluted (US Dollar)	(3.06)	5.22	N.A.	(3.06)	4.00	N.A.
Adjusted net profit <sup>3</sup>	486	520	(7%)	486	243	100%
Adjusted net profit margin	56%	40%	16 ppts	56%	32%	24 ppts
Adjusted EBITDA <sup>4</sup>	589	883	(33%)	589	488	21%
Adjusted EBITDA margin	68%	69%	(1) ppts	68%	65%	3 ppts
Net cash flow from operations	544	682	(20%)	544	438	24%
Capital expenditure <sup>5</sup>	124	220	(44%)	124	99	25%
<b>Cash costs</b>						
Total cash cost (TCC) per ounce sold (\$/oz) <sup>6</sup>	394	341	16%	394	358	10%
All-in sustaining cash cost (AISC) per ounce sold (\$/oz) <sup>7</sup>	684	576	19%	684	589	16%
<b>Financial position</b>						
Cash and cash equivalents	1,878	1,801	4%	1,878	1,561	20%
Net debt (incl. derivatives) <sup>8</sup>	3,056	3,253	(6%)	3,056	3,555	(14%)
Net debt (incl. derivatives)/adjusted EBITDA (x) <sup>9</sup>	1.1	1.2	(8%)	1.1	1.8	(39%)

<sup>1</sup> - Gold production is comprised of 533 thousand ounces of refined gold and 62 thousand ounces of gold in flotation concentrate in the first quarter of 2020 and 721 thousand ounces of refined gold and 83 thousand ounces of gold in flotation concentrate in the fourth 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 22.

<sup>6</sup> - TCC is defined by the group as the cost of gold sales, less property, plant and equipment depreciation and amortisation, provision for annual vacation payment, 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 also includes assets and liabilities under cross-currency and interest rate swaps at the reporting date. Net debt excludes derivative financial instrument assets/liabilities other than cross-currency and interest rate swaps, site restoration and environmental obligations, deferred tax, deferred revenue, deferred consideration for the Sukhoi Log licence and other non-current liabilities. Net debt should not be considered as an alternative to current and non-current borrowings, and should not necessarily be construed as a comprehensive indicator of the group's overall liquidity.

<sup>9</sup> - The group calculates net debt (incl. derivatives) to Adjusted EBITDA as net debt (including derivatives) divided by Adjusted EBITDA.

## Key highlights for the first quarter 2020

1. Total gold sales volumes amounted to 544 thousand ounces, down 39% compared to the fourth quarter of 2019. This includes 11 thousand ounces of gold contained in concentrate from Olimpiada.
2. Revenue for the first quarter of 2020 totalled \$872 million, down 32% compared to the previous quarter, driven by lower volumes of refined gold output from Olimpiada, Blagodatnoye, Natalka and Kuranakh as well as a seasonal slowdown in production at Alluvials. At Olimpiada, Blagodatnoye and Natalka, a decrease in refined gold volumes mainly reflects changes in gold in inventory at the refinery. In addition, a decline in flotation concentrate sales to 11 thousand ounces, compared to 172 thousand ounces in the fourth quarter of 2019, also resulted in lower gold sales volumes during the period. At the same time, the average realised refined gold price was 7% higher compared to the fourth quarter, at \$1,592 per ounce.
3. In the first quarter, the group's TCC increased to \$394 per ounce compared to \$341 per ounce in the previous quarter. This reflects the lower average grade in the ore processed at Olimpiada (3.20 grams per tonne in the first quarter compared to 3.88 grams per tonne in the fourth quarter, following a temporary decline in average grades in ore mined) and a decline in the share of lower cost flotation concentrate in total gold sold during the quarter. The absence of sales of antimony-rich flotation concentrate, which resulted in a zero by-product credit in the first quarter compared to \$15 per ounce in the fourth quarter of 2019 also negatively impacted the cost performance. These factors were partially offset by the local currency depreciation during the reporting period and a seasonal downscale of the alluvial operations.
4. Adjusted EBITDA for the first quarter of 2020 amounted to \$589 million, a 33% decrease compared to \$883 million in the previous quarter, driven by lower gold sales volumes over the period.
5. In the first quarter of 2020, net loss amounted to \$389 million, compared to net profit of \$697 million in the fourth quarter. The net profit decline primarily reflects the impact of non-cash items and trended in line with the change in operating profit. Polyus recognised a foreign exchange loss of \$339 million and a loss on derivative financial instruments and investments of \$534 million in the first quarter of 2020.
6. Adjusted net profit amounted to \$486 million in the first quarter of 2020, down 7% compared to the fourth quarter of 2019.
7. Net cash generated from operations was \$544 million in the first quarter, compared to \$682 million in the previous quarter.
8. Capital expenditures ("capex") for the period decreased to \$124 million, from \$220 million in the previous quarter.
9. Cash and cash equivalents as at 31 March 2020 increased to \$1,878 million (31 December 2019: \$1,801 million). The estimated net debt position decreased compared to the previous quarter and amounted to \$2,683 million (31 December 2019: \$3,285 million), while the estimated net debt position, including the net liabilities under cross currency and interest rate swaps, decreased to \$3,056 million (31 December 2019: \$3,253 million). The group's net liabilities under cross currency and interest rate swaps related to RUB-denominated bank credit facilities and rouble bonds amounted to approximately \$373 million as of the end of the first quarter of 2020 (31 December 2019: net assets of \$32 million).
10. The net debt (incl. derivatives)/adjusted EBITDA ratio decreased to 1.1x compared to 1.2x as at the end of 2019, reflecting a lower net debt position and adjusted EBITDA growth over the last twelve months.

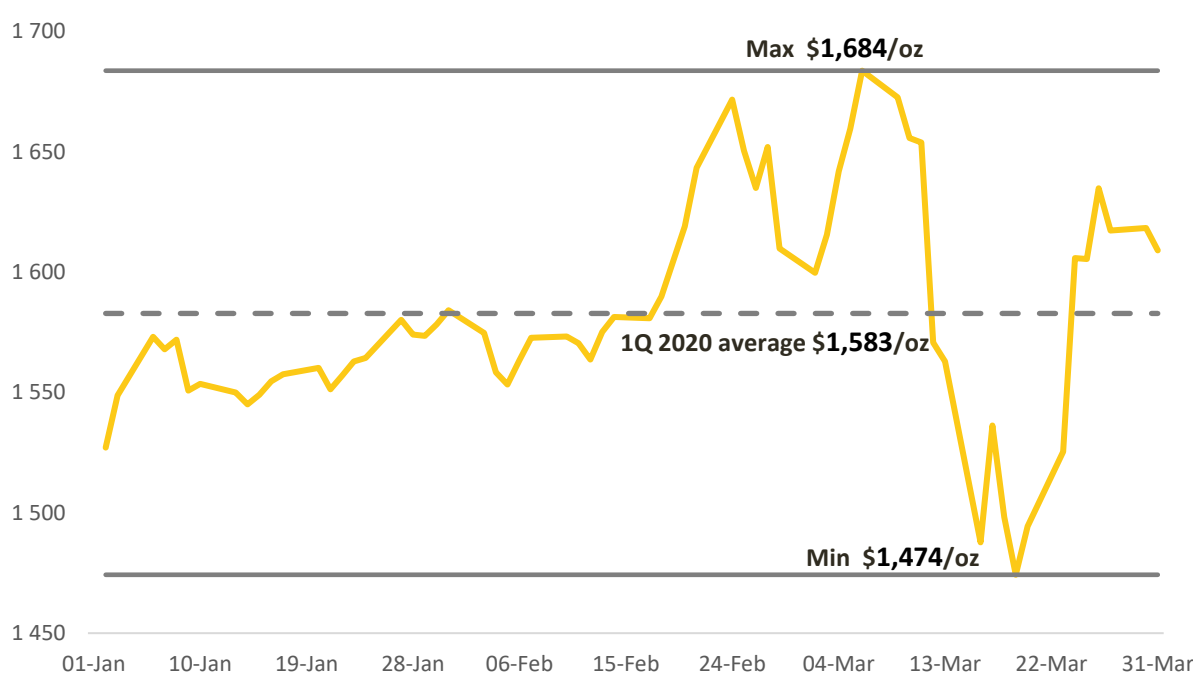
## Review of external factors

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 first quarter of 2020, the average London Bullion Market Association (LBMA) gold price was \$1,583 per ounce, compared to \$1,481 per ounce in the previous quarter and \$1,304 per ounce in the first quarter of 2019.

**LBMA gold price dynamics in 1Q 2020, \$/oz**

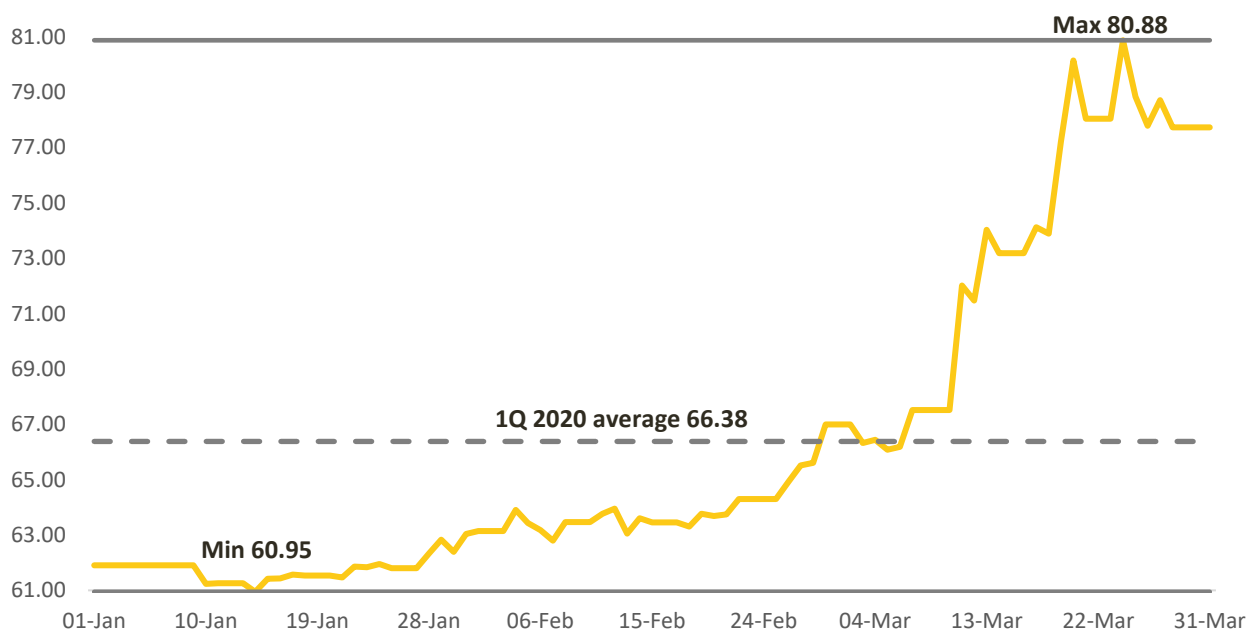


Source: London Bullion Market Association

### Rouble exchange rate dynamics

The group's revenue from gold sales is linked to the US dollar (USD), whereas most of the group's operating expenses are denominated in Russian roubles (RUB). The strengthening of the RUB against the USD can negatively impact the group's margins by increasing the USD value of its RUB-denominated costs, while a weaker RUB positively affects its margins as it reduces the USD value of the group's RUB-denominated costs. In the first quarter of 2020, the average RUB/USD exchange rate amounted to 66.38, compared to 63.72 in the previous quarter and 66.13 in the first quarter of 2019.

**RUB/USD dynamics, 1Q 2020**



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 2.5% as of the end of the first quarter of 2020, compared to 3.0% as of the end of the previous quarter and 5.3% as of the end of the first quarter of 2019.

## Financial review of the first quarter of 2020

### Statement of profit or loss review

#### REVENUE ANALYSIS

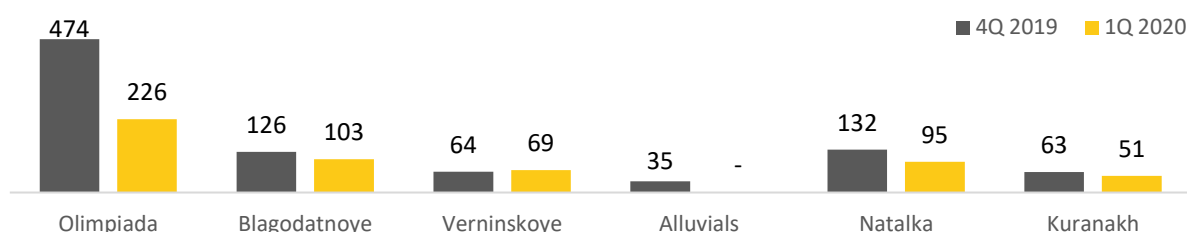
	1Q 2020	4Q 2019	Q-o-Q	1Q 2020	1Q 2019	Y-o-Y
Gold sales (koz)	544	894	(39%)	544	570	(5%)
Average realised refined gold price (excluding effect of SPPP) (\$/oz)	1,592	1,482	7%	1,592	1,308	22%
Average realised refined gold price (including effect of SPPP) (\$/oz)	1,592	1,482	7%	1,592	1,308	22%
Average afternoon gold LBMA price fixing (\$/oz)	1,583	1,481	7%	1,583	1,304	21%
Premium of average selling price (including effect of SPPP) over average LBMA price fixing (\$/oz)	9	1	N.A.	9	4	N.A.
Gold sales (\$ million)	861	1,277	(33%)	861	741	16%
Other sales (\$ million)	11	10	10%	11	10	10%
<b>Total revenue (\$ million)</b>	<b>872</b>	<b>1,287</b>	<b>(32%)</b>	<b>872</b>	<b>751</b>	<b>16%</b>

In the first quarter, the group's revenue from gold sales amounted to \$861 million, a 33% decrease compared to the previous quarter. Gold sales totalled 544 thousand ounces, a 39% decrease compared to the previous quarter, driven by lower volumes of refined gold output from Olimpiada, Blagodatnoye, Nataalka and Kuranakh as well as a seasonal slowdown in production at Alluvials. At Olimpiada, Blagodatnoye and Nataalka, a decrease in refined gold volumes mainly reflects changes in gold in inventory at the refinery. In addition, a decline in flotation concentrate sales to 11 thousand ounces, compared to 172 thousand ounces in the fourth quarter of 2019, also resulted in lower gold sales volumes during the period. This was primarily due to shipment schedule and negotiations with off-takers over the improved pricing terms for the current year, which took place in the first quarter.

At the same time, the average realised refined gold price was 7% higher compared to the fourth quarter, at \$1,592 per ounce, which positively impacted the revenue in the reporting period.

#### Revenue breakdown by business unit, 1Q 2020 vs. 4Q 2019

Assets	1Q 2020 (\$ million)			4Q 2019 (\$ million)		
	Gold sales	Other sales	Total sales	Gold sales	Other sales	Total sales
Olimpiada	357	3	360	654	1	655
Blagodatnoye	165	-	165	187	-	187
Verninskoye	108	1	109	96	1	97
Alluvials	-	1	1	51	1	52
Kuranakh	80	2	82	93	2	95
Nataalka	151	2	153	196	1	197
Other	-	2	2	-	4	4
<b>Total</b>	<b>861</b>	<b>11</b>	<b>872</b>	<b>1,277</b>	<b>10</b>	<b>1,287</b>

**Gold sold by mine, koz**

**CASH COSTS ANALYSIS**

In the first quarter of 2020, the group's cost of gold sales decreased by 32% compared to the previous quarter, to \$281 million, while cash operating costs decreased by 9% compared to the prior period, to \$278 million. This was primarily driven by the seasonal downscale of production at Alluvials.

**Cost of sales breakdown**

\$ million	1Q 2020	4Q 2019	Q-o-Q	1Q 2020	1Q 2019	Y-o-Y
<b>Cash operating costs<sup>10</sup></b>	<b>278</b>	<b>305</b>	<b>(9%)</b>	<b>278</b>	<b>230</b>	<b>21%</b>
Depreciation and amortisation (D&A) of operating assets	96	98	(2%)	96	72	33%
<b>Total cost of production</b>	<b>374</b>	<b>403</b>	<b>(7%)</b>	<b>374</b>	<b>302</b>	<b>24%</b>
(Increase) / decrease in stockpiles, gold-in-process and refined gold inventories	(93)	12	N.A.	(93)	(20)	N.A.
<b>Cost of gold sales</b>	<b>281</b>	<b>415</b>	<b>(32%)</b>	<b>281</b>	<b>282</b>	<b>(0%)</b>

**Cash operating costs – breakdown by item**

\$ million	1Q 2020	4Q 2019	Q-o-Q	1Q 2020	1Q 2019	Y-o-Y
Consumables and spares	71	94	(24%)	71	63	13%
Labour	80	83	(4%)	80	68	18%
Mineral Extraction Tax ("MET")	44	57	(23%)	44	37	19%
Fuel	35	35	0%	35	28	25%
Power	16	16	0%	16	15	7%
Other <sup>10</sup>	32	20	60%	32	19	68%
<b>Total</b>	<b>278</b>	<b>305</b>	<b>(9%)</b>	<b>278</b>	<b>230</b>	<b>21%</b>

In the first quarter, consumables and spares expenses decreased by 24% compared to the previous quarter due to downscale of activities at Alluvials, as well as a decrease in maintenance expenses at Olimpiada. The seasonal stoppage of the heapleaching operations at Kuranakh also contributed to lower consumables expenses.

Labour costs decreased by 4% compared to the previous quarter. This reflects the seasonal downscale of activities at the Alluvials operations.

Power costs remained flat quarter-on-quarter. An increase in power tariffs at Olimpiada and Blagodatnoye was fully offset by the aforementioned factors related to the alluvial operations and the local currency depreciation in the reporting period.

<sup>10</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, Tax on mining, Fuel, Power, Outsourced mining services and other costs, including Refining, logistics and costs on explosives.

**Management Report for the three months ended 31 March 2020**

A quarterly decrease in the group's MET expenses was driven by lower sales volumes of flotation concentrate during the reporting period compared to the fourth quarter of 2019 and aforementioned factors related to the alluvial operations.

In the first quarter, fuel costs remained flat compared to the fourth quarter.

**Cash operating costs – breakdown by key business units<sup>11</sup>, 1Q 2020 vs. 4Q 2019**

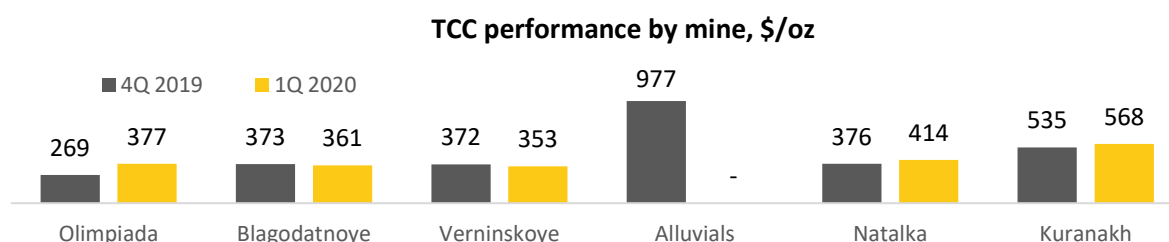
\$ million	Olimpiada		Blagodatnoye		Verninskoye		Alluvials		Kuranakh		Natalka	
	1Q 2020	4Q 2019	1Q 2020	4Q 2019	1Q 2020	4Q 2019	1Q 2020	4Q 2019	1Q 2020	4Q 2019	1Q 2020	4Q 2019
Consumables and spares	33	43	11	16	7	8	-	3	5	8	15	15
Labour	20	19	11	10	9	9	-	10	11	9	14	12
MET	26	38	12	11	1	1	-	2	5	5	-	-
Fuel	7	7	6	7	3	3	-	3	5	4	9	10
Power	6	5	2	2	1	1	-	2	2	2	6	6
Other	21	7	8	11	8	7	-	2	3	5	13	12
<b>Total</b>	<b>113</b>	<b>119</b>	<b>50</b>	<b>57</b>	<b>29</b>	<b>29</b>	<b>-</b>	<b>22</b>	<b>31</b>	<b>33</b>	<b>57</b>	<b>55</b>

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

\$ million	1Q 2020	4Q 2019	Q-o-Q	1Q 2020	1Q 2019	Y-o-Y
<b>Cost of gold sales before by-product</b>	<b>281</b>	<b>428</b>	<b>(34%)</b>	<b>281</b>	<b>286</b>	<b>(2%)</b>
Antimony by-product credit	-	(13)	(100%)	-	(4)	(100%)
<b>Cost of gold sales</b>	<b>281</b>	<b>415</b>	<b>(32%)</b>	<b>281</b>	<b>282</b>	<b>(0%)</b>
property, plant and equipment depreciation	(96)	(98)	(2%)	(96)	(72)	33%
change in allowance for obsolescence of inventory	1	(12)	N.A.	1	(1)	N.A.
non-monetary changes in inventories	29	-	N.A.	29	(4)	N.A.
<b>TCC</b>	<b>215</b>	<b>305</b>	<b>(30%)</b>	<b>215</b>	<b>205</b>	<b>5%</b>
Gold sold (koz)	544	894	(39%)	544	570	(5%)
<b>TCC per ounce sold (\$/oz)</b>	<b>394</b>	<b>341</b>	<b>16%</b>	<b>394</b>	<b>358</b>	<b>10%</b>

In the first quarter, the group's TCC increased to \$394 per ounce compared to \$341 per ounce in the previous quarter. This reflects the lower average grade in the ore processed at Olimpiada (3.20 grams per tonne in the first quarter compared to 3.88 grams per tonne in the fourth quarter, following a temporary decline in average grades in ore mined) and a decline in the share of lower cost flotation concentrate in total gold sold during the quarter. The absence of sales of antimony-rich flotation concentrate in the first quarter, resulting in a zero by-product credit compared to \$15 per ounce in the fourth quarter of 2019 also negatively impacted the group's TCC. These factors were partially offset by the local currency depreciation during the reporting period and a seasonal downscale of the alluvial operations.

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



In the first quarter, TCC at Olimpiada increased to \$377 per ounce, up 40% compared to the fourth quarter of 2019. This was driven by lower average grade in ore processed (3.20 grams per tonne in the first quarter compared to 3.88 grams per tonne in the fourth quarter, following a temporary decline in average grades in ore mined) and a decreased share of lower cost flotation concentrate in total gold sold during the quarter. The absence of sales of antimony-rich flotation concentrate, which resulted in a zero by-product credit in the first quarter compared to \$27 per ounce in the fourth quarter of 2019, also negatively impacted the group's TCC.

At Blagodatnoye, TCC amounted to \$361 per ounce, down 3% compared to the fourth quarter, primarily driven by the local currency depreciation during the reporting period. This factor was partially offset by higher maintenance expenses in the first quarter of 2020 compared the previous quarter.

TCC at Verninskoye amounted to \$353 per ounce, down 5% compared to the fourth quarter. Among other factors, a 6% increase in hourly throughput (398 t/h in the first quarter of 2020 compared to 374 t/h in the fourth quarter of 2019) contributed to the improved cost performance.

At Kuranakh, TCC amounted to \$568 per ounce, up 6% compared to the fourth quarter, primarily due to the seasonal downscaling of heap leaching operations.

At Natalka, TCC increased to \$414 per ounce, up 10% compared to the previous quarter primarily due to scheduled maintenance works at the Natalka Mill, which were completed in February 2020. A lower recovery rate of 70.7% compared to 72.3% in the previous quarter also negatively impacted the cost performance for the period. This reflects the calibration of comminution parameters, following the installation of rubber-steel lining in the ball mill repair and temporary variations in the feed composition, with a higher share of ore from the Northern pit area with lower gravity recoverability.

Due to the seasonality of activity at placer deposits, no gold was produced at Alluvials in the first quarter of 2020. The washing season ended in November 2019, and was resumed in April 2020 as usual.

## SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The group's selling, general, and administrative (SG&A) expenses amounted to \$86 million, a 5% decrease compared to the previous quarter. This reflects a decrease in distribution expenses due to lower sales volumes of flotation concentrate as well as lower professional service expenses during the period.

### SG&A breakdown by item

\$ million	1Q 2020	4Q 2019	Q-o-Q	1Q 2020	1Q 2019	Y-o-Y
Salaries	66	53	25%	66	41	61%
Distribution expenses related to gold-bearing products	1	11	(91%)	1	3	(67%)
Taxes other than mining and income taxes	5	6	(17%)	5	5	0%
Professional services	2	5	(60%)	2	1	100%
Depreciation and amortisation	6	6	0%	6	5	20%
Other	6	10	(40%)	6	6	0%
<b>Total</b>	<b>86</b>	<b>91</b>	<b>(5%)</b>	<b>86</b>	<b>61</b>	<b>41%</b>

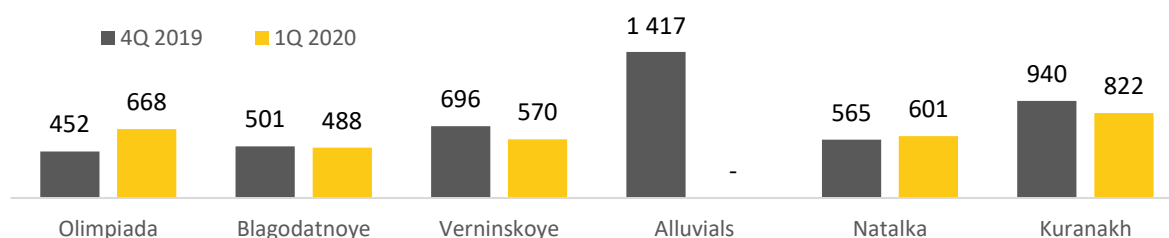
**ALL-IN SUSTAINING COSTS (AISC)**

In the first quarter, the group's AISC increased to \$684 per ounce, up 19% reflecting higher TCC per ounce for the period.

**All-in sustaining costs calculation**

\$ million	1Q 2020	4Q 2019	Q-o-Q	1Q 2020	1Q 2019	Y-o-Y
<b>Total TCC</b>	<b>215</b>	<b>305</b>	<b>(30%)</b>	<b>215</b>	<b>205</b>	<b>5%</b>
selling, general and administrative expenses	86	91	(5%)	86	61	41%
depreciation and amortisation related to SG&A	(6)	(6)	0%	(6)	(5)	20%
stripping activity asset additions <sup>12</sup>	38	42	(10%)	38	47	(19%)
sustaining capital expenditure <sup>13</sup>	39	70	(44%)	39	26	50%
unwinding of discounts on decommissioning liabilities	1	1	-	1	1	-
<b>adding back expenses excluded from cost of gold sales</b>						
change in allowance for obsolescence of inventory	(1)	12	N.A.	(1)	1	N.A.
<b>Total all-in sustaining costs</b>	<b>372</b>	<b>515</b>	<b>(28%)</b>	<b>372</b>	<b>336</b>	<b>11%</b>
Gold sold (koz)	544	894	(39%)	544	570	(5%)
<b>All-in-sustaining cost (\$/oz)</b>	<b>684</b>	<b>576</b>	<b>19%</b>	<b>684</b>	<b>589</b>	<b>16%</b>

In the first quarter, AISC at Olimpiada increased to \$668 per ounce, driven by higher TCC for the period. AISC at Blagodatnoye decreased to \$488 per ounce, while AISC at Verninskoye decreased to \$570 per ounce, both driven by lower sustaining capital expenditures during the period. AISC at Kuranakh decreased to \$822 per ounce due to lower sustaining capital expenditures and lower levels of stripping activity in the reporting period. AISC at Nataalka increased to \$601 per ounce driven by higher TCC for the period.

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


<sup>12</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 \$15 million in the first quarter of 2020, \$16 million in the fourth quarter of 2019 and \$16 million in the first quarter 2019

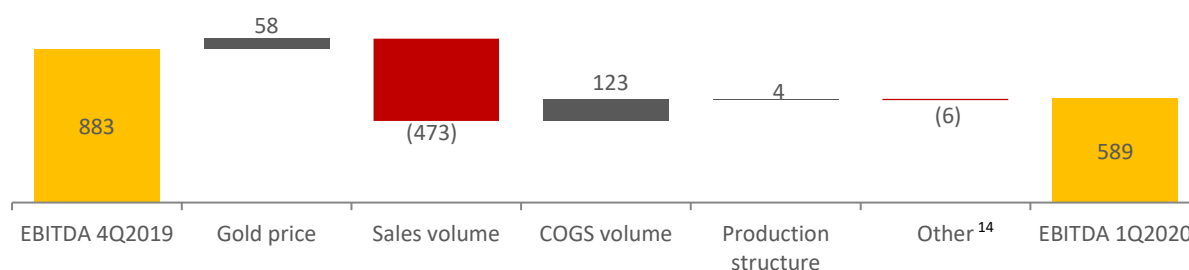
<sup>13</sup> Sustaining capital expenditures represent capital expenditures at existing operations comprising mine development costs and ongoing replacement of mine equipment and other capital facilities, and does not include capital expenditures for major growth projects or enhancement capital for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

**ADJUSTED EBITDA**

In the first quarter of 2020, the group's adjusted EBITDA amounted to \$589 million, a 33% decrease compared to \$883 million in the previous quarter, driven by lower gold sales volumes over the period.

**Adjusted EBITDA calculation**

\$ million	1Q	4Q	Q-o-Q	1Q	1Q	Y-o-Y
	2020	2019		2020	2019	
<b>(Loss) / profit for the period</b>	<b>(389)</b>	<b>697</b>	<b>N.A.</b>	<b>(389)</b>	<b>528</b>	<b>N.A.</b>
Income tax (benefit) / expense	(62)	163	N.A.	(62)	101	N.A.
Depreciation and amortisation	74	105	(30%)	74	82	(10%)
Loss / (gain) on derivative financial instruments, net	534	(110)	N.A.	534	(97)	N.A.
Finance costs, net	70	63	11%	70	63	11%
Equity-settled share-based payment plans	26	13	100%	26	6	N.A.
Foreign exchange loss / (gain), net	339	(73)	N.A.	339	(189)	N.A.
Interest income	(11)	(15)	(27%)	(11)	(10)	10%
Impairment	2	6	(67%)	2	1	100%
Special charitable contributions	5	31	(84%)	5	3	67%
Loss on disposal of property, plant and equipment and intangible assets	1	3	(67%)	1	-	N.A.
<b>Adjusted EBITDA</b>	<b>589</b>	<b>883</b>	<b>(33%)</b>	<b>589</b>	<b>488</b>	<b>21%</b>
Total revenue	872	1,287	(32%)	872	751	16%
<b>Adjusted EBITDA margin (%)</b>	<b>68%</b>	<b>69%</b>	<b>(1) ppts</b>	<b>68%</b>	<b>65%</b>	<b>3 ppts</b>

**Adjusted EBITDA bridge, \$ million**

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

\$ million	1Q	4Q	Q-o-Q	1Q	1Q	Y-o-Y
	2020	2019		2020	2019	
Olimpiada	252	482	(48%)	252	251	0%
Blagodatnoye	117	138	(15%)	117	84	39%
Verninskoye	78	61	28%	78	59	32%
Alluvials	(4)	10	N.A.	(4)	(3)	33%
Kuranakh	44	51	(14%)	44	28	57%
Natalka	94	133	(29%)	94	65	45%
Other <sup>15</sup>	8	8	0%	8	4	100%
<b>Total</b>	<b>589</b>	<b>883</b>	<b>(33%)</b>	<b>589</b>	<b>488</b>	<b>21%</b>

<sup>14</sup> Includes operating efficiency and FX effects.

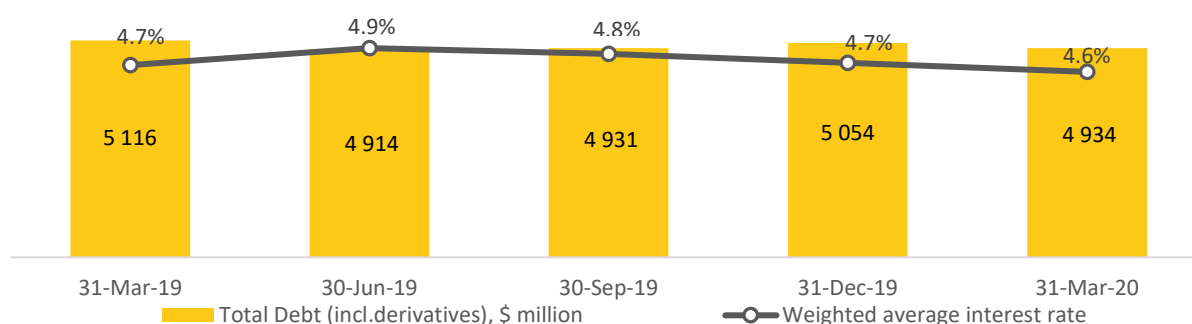
<sup>15</sup> Reflects Sukhoi log and non-producing business units, including exploration business unit, capital construction business unit and unallocated segments.

**FINANCE COST ANALYSIS**

\$ million	1Q 2020	4Q 2019	Q-o-Q	1Q 2020	1Q 2019	Y-o-Y
Interest on borrowings	71	78	(9%)	71	64	11%
Interest on lease liabilities	1	2	(50%)	1	2	(50%)
Write-off of unamortised debt costs due to early extinguishment of debt and bank commissions	4	2	100%	4	-	N.A.
Unwinding of discounts	4	2	100%	4	3	33%
Gain on debt modification	-	(7)	(100%)	-	-	N.A.
Gain on exchange of interest payments under cross currency swap and interest rate swap	(10)	(14)	(29%)	(10)	(6)	67%
<b>Total finance cost expended</b>	<b>70</b>	<b>63</b>	<b>11%</b>	<b>70</b>	<b>63</b>	<b>11%</b>

The group's total finance costs amounted to \$70 million, compared to \$63 million in the fourth quarter.

Interest on borrowings decreased 9% to \$71 million compared to the fourth quarter of 2019. This figure reflects the decline in gross debt in the first quarter of 2020.

**Weighted average interest rate dynamics<sup>16</sup>**

**Foreign exchange loss and derivatives**

The group's foreign exchange loss was \$339 million, compared to a \$73 million gain in the fourth quarter, which reflects the revaluation of USD-denominated bank deposits, USD-denominated accounts receivables and USD-denominated liabilities as at 31 March 2020 due to FX rate fluctuation.

**Valuation of derivative financial instruments as at 31 March and for the three months ended 31 March 2020**

\$ million	Asset	Liability	Fair value recorded in the statement of financial position	Profit & loss (expenses)/ income
Revenue stabiliser	-	-	-	(29)
Cross-currency swaps	25	(388)	(363)	(437)
Interest rate swaps	1	(11)	(10)	(7)
Conversion option on convertible bonds	-	(106)	(106)	(61)
<b>Total</b>	<b>26</b>	<b>(505)</b>	<b>(479)</b>	<b>(534)</b>

<sup>16</sup> Weighted average interest rate is calculated as of the end of the period.

**Revenue stabiliser<sup>17</sup>**

In February, the Company adjusted the call options for 2020, with call strikes and barriers adjusted upwards and 242.5 thousand ounces out of 280 thousand ounces remaining under call options for 2020 relocated to 2021 with no premium paid.

Subsequently, in March 2020, the Company decided to fully close out its revenue stabiliser programme, with total premium of approximately \$32 million paid. In the first quarter of 2020, there was no SPPP effect on the Company's revenue. There are no gold hedges outstanding as at 31 March 2020.

**Cross-currency and interest rate swaps<sup>17</sup>**

In the first quarter of 2020, the overall positive effect from cross-currency and interest rate swaps on finance cost amounted to \$10 million. This was recorded within note 8 of the condensed consolidated interim financial statement as a gain on the exchange of interest payments under interest rate and cross currency swaps.

**Conversion option on convertible bonds**

As at 31 March 2020, the fair value of conversion option of \$106 million was determined with reference to the quoted market price and is presented within note 14 of the condensed consolidated interim financial statements.

**PROFIT BEFORE TAX & INCOME TAXES**

In the first quarter of 2020, the group recognised loss before tax in amount of \$451 million. This was primarily driven by loss on derivative financial instruments and foreign exchange loss in the reporting period. Income tax benefit amounted to \$62 million, resulting in an effective income tax rate of 14%.

**NET PROFIT**

In the first quarter of 2020, net loss totalled \$389 million, compared to net profit of \$697 million in the fourth quarter. The net profit decline primarily reflects the impact of non-cash items and trended in line with the change in operating profit.

**Adjusted net profit calculation**

\$ million	1Q 2020	4Q 2019	Q-o-Q	1Q 2020	1Q 2019	Y-o-Y
<b>Net (loss) / profit for the period</b>	<b>(389)</b>	<b>697</b>	<b>N.A.</b>	<b>(389)</b>	<b>528</b>	<b>N.A.</b>
impairment	2	6	(67%)	2	1	100%
loss / (gain) on revaluation of derivative financial instruments, net	534	(110)	N.A.	534	(97)	N.A.
foreign exchange loss / (gain), net	339	(73)	N.A.	339	(189)	N.A.
<b>Adjusted net profit</b>	<b>486</b>	<b>520</b>	<b>(7%)</b>	<b>486</b>	<b>243</b>	<b>100%</b>
Total revenue	872	1,287	(32%)	872	751	16%
<b>Adjusted net profit margin</b>	<b>56%</b>	<b>40%</b>	<b>16 pts</b>	<b>56%</b>	<b>32%</b>	<b>24 pts</b>

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

The Company's gross debt decreased to \$4,561 million, compared to \$5,086 million as at the end of the fourth quarter of 2019. At the same time, the Company's gross debt, including liabilities under cross-

<sup>17</sup> For additional information on revenue stabiliser, cross-currency and interest rate swaps, see Note 14 of the condensed consolidated interim financial statements.

currency and interest rate swaps related to RUB-denominated bank credit facilities decreased to \$4,934 million, compared to \$5,054 million in the previous quarter. In the reporting period, Polyus prepaid several credit facilities in a total amount of approximately \$115 million.

As at 31 March 2020, the Company's cash position was \$1,878 million (31 December 2019: \$1,801 million). The net debt position decreased compared to the previous quarter and amounted to \$2,683 million (31 December 2019: \$3,285 million), while the net debt position, including the liabilities under cross currency and interest rate swaps decreased to \$3,056 million (31 December 2019: \$3,253 million). The group's net liabilities under cross currency and interest rate swaps related to RUB-denominated bank credit facilities and rouble bonds totalled approximately \$373 million as of the end of the first quarter (31 December 2019: net assets of \$32 million).

In April, the Company repaid the principal amount of \$677 million notes outstanding from its own cash.

In May, Polyus fully redeemed its 2021 convertible bonds, with the principal amount and accrued interest of \$186 million notes outstanding as at 31 March 2020. All holders opted for the conversion option and approximately 1.5% of the total share capital was delivered. The group borrowed approximately 1.35% of the total share capital from PGIL, its shareholder, in order to deliver the GDRs. Polyus intends to return the shares upon the completion of the additional share issue.

The share of fixed-rate liabilities within the Company's debt portfolio stood at 97% as at the end of the first quarter of 2020.

As of 31 March 2020, the group had a lease liability in the amount of \$75 million, which is further discussed within note 12 of the condensed consolidated interim financial statements.

#### **SPPP programme update**

In February, the Company adjusted the call options for 2020, with call strikes and barriers adjusted upwards and 242.5 thousand ounces out of 280 thousand ounces remaining under call options for 2020 relocated to 2021 with no premium paid.

Subsequently, in March 2020, the Company decided to fully close out its revenue stabiliser programme, with total premium of ca. \$32 million paid. In the first quarter of 2020, there was no SPPP effect on the Company's revenue. There are no gold hedges outstanding as at 31 March 2020.

#### **Debt breakdown by type**

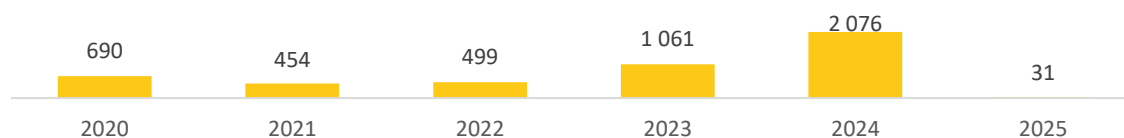
<b>\$ million</b>	<b>31 March 2020</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Eurobonds	2,408	2,408	2,405
Convertible bonds	181	194	188
RUB bonds	451	566	234
Lease liability	75	80	71
Bank loans	1,446	1,838	1,674
<b>Total</b>	<b>4,561</b>	<b>5,086</b>	<b>4,572</b>

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

#### **Debt breakdown by currency**

	<b>31 March 2020</b>		<b>31 December 2019</b>		<b>31 March 2019</b>	
	<b>\$ million</b>	<b>% of total</b>	<b>\$ million</b>	<b>% of total</b>	<b>\$ million</b>	<b>% of total</b>
RUB	1,546	34%	1,945	38%	1,072	23%
USD	3,015	66%	3,141	62%	3,500	77%
<b>Total</b>	<b>4,561</b>	<b>100%</b>	<b>5,086</b>	<b>100%</b>	<b>4,572</b>	<b>100%</b>

Existing cash balances cover the dominant portion of all principal debt repayments up to the end of 2022.

**Debt maturity schedule (as at 31 March 2020)<sup>18</sup>, \$ million**

**CASH AND CASH EQUIVALENTS AND BANK DEPOSITS**

As at 31 March 2020, the group's cash and cash equivalents and bank deposits totalled 1,878 million, up 4% compared to the end of the fourth quarter of 2019. The group's cash position is primarily held in USD-denominated instruments. Existing cash balances cover all principal debt repayments up to 2022.

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

\$ million	31 March 2020	31 December 2019	31 March 2019
RUB	121	142	136
USD	1,757	1,659	1,425
<b>Total</b>	<b>1,878</b>	<b>1,801</b>	<b>1,561</b>

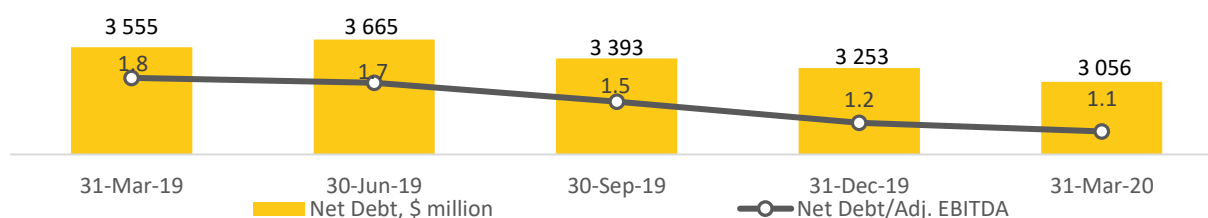
**NET DEBT**

At the end of the first quarter of 2020, the group's net debt, including liabilities under cross currency and interest rate swaps amounted to \$3,056 million, down 6% from \$3,253 million compared to the end of the fourth quarter and down 14% compared to the end of the first quarter of 2019.

**Net debt calculation**

\$ million	31 March 2020	31 December 2019	31 March 2019
Non-current borrowings	3,680	4,382	4,558
+ Current borrowings	881	704	14
– Cash and cash equivalents	(1,878)	(1,801)	(1,561)
<b>Net debt</b>	<b>2,683</b>	<b>3,285</b>	<b>3,011</b>
<b>Net debt (incl. derivatives)<sup>19</sup></b>	<b>3,056</b>	<b>3,253</b>	<b>3,555</b>

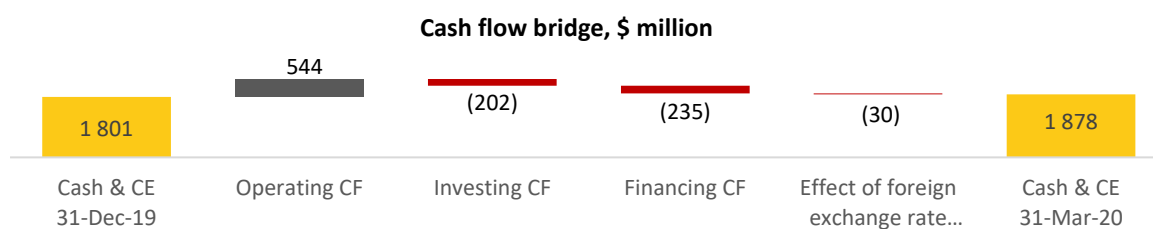
The net debt (incl. derivatives)/adjusted EBITDA ratio decreased to 1.1x compared to the end of 2019, reflecting a decrease in the net debt and growth in adjusted EBITDA (last 12 months) in the reporting period.

**Net debt and net debt/adjusted EBITDA (last 12 months)<sup>20</sup> ratio**


<sup>18</sup> The breakdown is based on actual maturities and excludes \$39 million of banking commissions, conversion option component of convertible bonds and the lease liabilities recognised under IFRS 16 as of 31 March 2020 in amount of \$75 million.

<sup>19</sup> Net debt includes liabilities under cross-currency and interest rate swaps at the reporting date.

<sup>20</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 31 March 2020, Adjusted EBITDA is calculated as the trailing twelve months ended on 31 March 2020 (being Adjusted EBITDA for 2019 less Adjusted EBITDA for the three months ended 31 March 2019 plus Adjusted EBITDA for the three months ended 31 March 2020). For the purpose of the net debt to Adjusted EBITDA ratio as of 30 September 2019, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 September 2019 (being Adjusted EBITDA for 2018 less Adjusted EBITDA for the nine months ended 30 September 2018 plus Adjusted EBITDA for the nine months ended 30 September 2019). 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 2019, Adjusted EBITDA is calculated as the trailing twelve months ended on 31 March 2019 (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).

**Statement of cash flows review**


In the first quarter, net cash generated from operations amounted to \$544 million, compared to \$682 million in the fourth quarter, due to lower sales volumes in the reporting period. Net cash utilised in investing activities increased to \$202 million compared to \$194 million in the previous quarter, as lower capex spending during the period was offset by \$28 million of cash paid for the stake in SL Gold. Net cash utilised in financing activities totalled \$235 million.

**OPERATING CASH FLOW**

In the first quarter, the group generated operational cash inflow of \$544 million, which was positively impacted by a working capital release of \$38 million. This figure primarily reflects a decrease in trade receivables related to sales of merchant gold containing flotation concentrate and antimony-rich flotation concentrate and an increase in payables related to stocks of fuel, reagents and spares in the reporting period. However, this was partially offset by an increase in the amount of gold in inventory at the refinery and an inventory accumulation of ore stockpiles at Blagodatnoye, Nataлка and Verninskoye as well as an increase of the flotation concentrate inventory.

**INVESTING CASH FLOW**

In the first quarter of 2020, capital expenditures decreased to \$124 million, from \$220 million in the fourth quarter of 2019. This reflects lower capital expenditures across all business units.

Capital expenditures at Nataлка decreased by 19% to \$38 million in the first quarter compared to \$47 million in the previous reporting period. Over the course of the first quarter, Polyus progressed with the construction of auxiliary infrastructure at the Nataлка Mill. The Company plans to complete the construction and commissioning of the main tailings storage facility in 2020.

The Company continues to implement operational initiatives targeting further improvement in recovery rate at Nataлка. Polyus is currently proceeding with the installation of the first Outotec flotation machine. The Company targets the roll out of flash flotation technology at the Nataлка Mill in 2020.

In the reporting period, Polyus's technical team completed the introduction of a magnetic separation to remove recirculating scrap metal at the ball mill and at the intensive cyanidation tailings circuit. In addition, the Company commissioned two concentration shaker tables at the first and the fourth stages of the gravity circuit to increase the productivity of intensive cyanidation.

At Olimpiada, capital expenditures in the first quarter decreased to \$25 million compared to \$67 million in the fourth quarter, as the Company completed the procurement of dump trucks in 2019 (11 units in the fourth quarter). In addition, in the fourth quarter of 2019 Polyus proceeded with the initiatives, targeting recovery improvement. In the first quarter of 2020, the Company started exploration, hydrogeological and geomechanical drilling activities at the deep levels of the Vostochnyi pit at Olimpiada. Polyus continued to upgrade and expand its existing BIO units. This includes the modernization of two reactors at BIO-3 unit and the introduction of magnetic separation, which improves the quality of flotation concentrate, fed into the BIO-reactors. In addition, Polyus is proceeding with the calibration of processing parameters of the

Jameson Cell flotation unit at Mill No. 1, while two Jameson Cell flotation units at Mill No. 3 were fully ramped up during the first quarter of 2020.

At Blagodatnoye, capital expenditures decreased by 20% to \$8 million in the first quarter compared to \$10 million in the previous quarter. In the first quarter of 2020, the Company fully ramped up the Jameson Cell flotation unit at Mill No. 4, targeting further recovery improvement. Polyus is now proceeding with the Feasibility Study for the construction of a new mill (Mill No. 5). The Company expects to complete the Feasibility Study in 2020.

At Verninskoye, capital expenditures decreased to \$16 million in the first quarter compared to \$20 million in the previous quarter. In the first quarter of 2020, the Company implemented a number of initiatives, including an optimisation of particle size distribution, installation of an additional HP300 cone crusher and the temporary addition of a Knelson concentrator at the first stage of gravity concentration, which led to an increase in hourly throughput. Polyus continues further expansion of the Verninskoye Mill to 3.5 million tonnes per annum.

At Kuranakh, capital expenditures decreased more than two-fold to \$6 million in the first quarter, reflecting the scheduled replacement of the mining fleet during the fourth quarter of 2019. In the reporting period, Polyus tendered conveyor equipment and contractors for the construction of the second heap leaching pad.

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

IT-related capital expenditures amounted to \$6 million. The Company continues to implement the ERP programme and other IT related projects.

Capital expenditures at Sukhoi Log totaled \$4 million. In the reporting period, the Company proceeded with the Project's capital estimate. The Project's mine plan is currently being finalised with the focus on optimising mining and stripping volumes to provide for smooth ramp-up and optimal grades in processing. Other parts of the Pre-Feasibility Study, including metallurgy and processing, project infrastructure, environment and logistics have been completed and are undergoing a comprehensive internal review.

In the first quarter of 2020, Polyus completed 5,417 meters of a 30,000 meter in-fill drilling programme planned for 2020. The drilling works are 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 enable more accurate planning and sequence of the mining works.

**Capex breakdown<sup>21</sup>**

\$ million	1Q 2020	4Q 2019	Q-o-Q	1Q 2020	1Q 2019	Y-o-Y
Natalka	38	47	(19%)	38	23	65%
Olimpiada	25	67	(63%)	25	25	0%
Blagodatnoe	8	10	(20%)	8	6	33%
Verninskoye	16	20	(20%)	16	11	45%
Alluvials	4	5	(20%)	4	5	(20%)
Kuranakh	6	15	(60%)	6	4	50%
Sukhoi Log	4	7	(43%)	4	6	(33%)
IT capex	6	20	(70%)	6	9	(33%)
Other <sup>22</sup>	17	29	(41%)	17	10	70%
<b>CAPEX</b>	<b>124</b>	<b>220</b>	<b>(44%)</b>	<b>124</b>	<b>99</b>	<b>25%</b>
Omchak electricity transmitting line	8	8	0%	8	7	14%
Items capitalised <sup>23</sup> , net	26	35	(26%)	26	40	(35%)
Change in working capital for purchase of property, plant and equipment	27	(29)	N.A.	27	7	N.A.
<b>Purchase of PP&amp;E<sup>24</sup></b>	<b>185</b>	<b>234</b>	<b>(21%)</b>	<b>185</b>	<b>153</b>	<b>21%</b>

In the first quarter of 2020, the total cash amount spent on the purchase of PP&E decreased to \$185 million, compared to \$234 million in the previous quarter. This mainly reflects the respective decrease in total capital expenditures outlined above.

In March 2020, the Company exercised the next tranche of options in SL Gold, the Sukhoi Log deposit JV, and increased its participation interest from 68.2% to 78%. The Company paid approximately \$29 million equivalent in Polyus' existing treasury shares for a 5% stake and \$28 million in cash for 4.8% stake in SL Gold. These payments were executed in line with the remaining outstanding option agreements, which are presented within note 21 of the condensed consolidated interim financial statements.

Other investing activities in the first quarter reflect \$11 million of interest received.

**FINANCING CASH FLOW**

In the first quarter of 2020, net financing cash outflow remained almost flat compared to the previous quarter, at \$235 million.

<sup>21</sup> The capex above presents the capital construction-in-progress unit as allocated to other business units, whilst in the condensed consolidated interim financial statements capital construction-in-progress is presented as a separate business unit.

<sup>22</sup> Reflects expenses related to exploration business unit, IT projects and construction of Razdolinskaya-Taiga, Peleduy-Mamakan grid lines.

<sup>23</sup> Including stripping activity assets additions minus depreciation capitalised within property, plant and equipment. For more details see Note 11 of the condensed consolidated interim financial statements.

<sup>24</sup> Presented net of the Sukhoi Log deposit license acquisition cost and payments to Rostec.

## **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 21 to 23. As of 31 March 2020 the group held \$1,878 million in cash and cash equivalents and bank deposits and had a net debt of \$2,683 million, with \$1,331 million of undrawn credit facilities, subject to covenant compliance. Details on borrowings and credit facilities are disclosed in note 19 to the consolidated financial statements. In assessing its going-concern status, the directors have considered the uncertainties affecting future cash flows and have taken into account its financial position, anticipated future trading performance, borrowings, and other available credit facilities, as well as its forecast compliance with the covenants on those borrowings and its capital expenditure commitments and plans. In the event of certain reasonably possible adverse pricing and forex scenarios and the risks and uncertainties below, management has within its control the option of deferring uncommitted capital expenditure, or managing the dividend payment profile to maintain the group's funding position.

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

## **Risks and uncertainties**

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

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

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

The Directors do not believe that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2019. Detailed explanation of the risks summarized below, together with the group's risk mitigation plans, can be found on pages 32 to 37 of the 2019 Annual Report which is available at [http://www.polyus.com/upload/iblock/84d/polyus\\_ar19\\_eng.pdf](http://www.polyus.com/upload/iblock/84d/polyus_ar19_eng.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.

**Foreign exchange risk**

As stated on page 8, the group's revenue is linked to the USD, as the gold price is quoted in this currency. Thus the group's strategy is to have mostly USD-denominated debt and to keep its cash and deposits in USD. As of 31 March 2020, 94% 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 9, the group's earnings are exposed to inflationary trends in Russia, and inflation negatively impacts the group's earnings, increasing future operating costs. To mitigate rouble inflation risk, the group estimates possible inflation levels and incorporates them into its cost planning; it has implemented cost reduction initiatives at its operations, and its treasury team is responsible for ensuring that the majority of cash and cash equivalents are held in USD.

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

### Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC "Polyus" and its subsidiaries (the "Group") as at 31 March 2020, the related condensed consolidated interim statements of profit or loss, other comprehensive income for the three months then ended, condensed consolidated interim statements of changes in equity and cash flows for the three months then ended, and selected 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*. 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, *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*.

Olga Tabakova  
Engagement partner

1 June 2020



The Entity: Public Joint Stock Company "Polyus"

Primary State Registration Number: 1068400002990

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

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

Audit Firm: AO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

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

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

# **PJSC “Polyus”**

## **Condensed consolidated interim financial statements**

*for the three months ended  
31 March 2020 (unaudited)*

# PJSC “POLYUS”

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

	Notes	Three months ended 31 March	
		2020	2019
Gold sales	5	861	741
Other sales		11	10
<b>Total revenue</b>		<b>872</b>	<b>751</b>
Cost of gold sales	6	(281)	(282)
Cost of other sales		(10)	(8)
<b>Gross profit</b>		<b>581</b>	<b>461</b>
Selling, general and administrative expenses	7	(86)	(61)
Other expenses, net		(14)	(4)
<b>Operating profit</b>		<b>481</b>	<b>396</b>
Finance costs, net	8	(70)	(63)
Interest income		11	10
(Loss) / gain on revaluation of derivative financial instruments, net	9	(534)	97
Foreign exchange (loss) / gain, net		(339)	189
<b>(Loss) / profit before income tax</b>		<b>(451)</b>	<b>629</b>
Income tax benefit / (expense)		62	(101)
<b>(Loss) / profit for the period</b>		<b>(389)</b>	<b>528</b>
(Loss) / profit for the period attributable to:			
Shareholders of the Company		(408)	532
Non-controlling interests		19	(4)
		<b>(389)</b>	<b>528</b>
Weighted average number of ordinary shares '000			
- for basic earnings per share	18	133,308	132,469
- for dilutive earnings per share	18	133,550	134,579
(Loss) / earnings per share (US Dollar per share)			
- basic		(3.06)	4.02
- dilutive		(3.06)	4.00

## PJSC “POLYUS”

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

	Three months ended	
	2020	2019
(Loss) / profit for the period	(389)	528
Other comprehensive (loss) / income for the period		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Effect of translation to presentation currency	(361)	42
Other comprehensive (loss) / income for the period	(361)	42
Total comprehensive (loss) / income for the period	(750)	570
Total comprehensive (loss) / income for the period attributable to:		
Shareholders of the Company	(746)	568
Non-controlling interests	(4)	2
	(750)	570

# PJSC “POLYUS”

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020 (UNAUDITED) (in millions of US Dollars)

	Notes	31 Mar. 2020	31 Dec. 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	102	123
Property, plant and equipment	11	3,766	4,680
Inventories	13	379	431
Deferred tax assets		103	134
Derivative financial instruments	14	25	98
Other receivables		24	30
Other non-current assets		3	6
		<b>4,402</b>	<b>5,502</b>
<b>Current assets</b>			
Inventories	13	558	659
Deferred expenditure		30	17
Derivative financial instruments	14	1	1
Advances paid to suppliers and prepaid expenses		34	26
Trade and other receivables	15	97	197
Taxes receivable	16	85	124
Cash and cash equivalents	17	1,878	1,801
		<b>2,683</b>	<b>2,825</b>
<b>Total assets</b>		<b>7,085</b>	<b>8,327</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	18	5	5
Additional paid-in capital	18	2,054	2,049
Treasury shares	18	(28)	(103)
Translation reserve		(3,073)	(2,727)
Retained earnings		2,156	2,586
<b>Equity attributable to shareholders of the Company</b>		<b>1,114</b>	<b>1,810</b>
Non-controlling interests		97	103
		<b>1,211</b>	<b>1,913</b>
<b>Non-current liabilities</b>			
Borrowings	19	3,680	4,382
Derivative financial instruments	14	399	130
Deferred revenue	20	99	126
Deferred consideration	21	63	119
Deferred tax liabilities		158	308
Site restoration, decommissioning and environmental obligations		53	64
Other non-current liabilities		36	32
		<b>4,488</b>	<b>5,161</b>
<b>Current liabilities</b>			
Borrowings	19	881	704
Derivative financial instruments	14	106	7
Deferred consideration	21	57	57
Trade and other payables	22	264	355
Taxes payable	23	78	130
		<b>1,386</b>	<b>1,253</b>
<b>Total liabilities</b>		<b>5,874</b>	<b>6,414</b>
<b>Total equity and liabilities</b>		<b>7,085</b>	<b>8,327</b>

## PJSC “POLYUS”

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

	Notes	Equity attributable to shareholders of the Company						Non-controlling interests	Total	
		Number of outstanding shares '000	Share capital	Additional paid-in capital	Treasury shares	Translation reserve	Retained earnings			Total
<b>Balance at 31 December 2018</b>		<b>132,339</b>	<b>5</b>	<b>1,949</b>	<b>(67)</b>	<b>(2,824)</b>	<b>1,300</b>	<b>363</b>	<b>87</b>	<b>450</b>
Profit / (loss) for the period		-	-	-	-	-	532	532	(4)	528
Other comprehensive income		-	-	-	-	36	-	36	6	42
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>532</b>	<b>568</b>	<b>2</b>	<b>570</b>
Equity-settled share-based compensation (LTIP), net of tax		-	-	4	-	-	-	4	-	4
Shares awarded for LTIP		487	-	(18)	27	3	(15)	(3)	-	(3)
Purchase of additional ownership in SL Gold (payable in treasury shares)		370	-	6	20	3	-	29	-	29
<b>Balance at 31 March 2019</b>		<b>133,196</b>	<b>5</b>	<b>1,941</b>	<b>(20)</b>	<b>(2,782)</b>	<b>1,817</b>	<b>961</b>	<b>89</b>	<b>1,050</b>
<b>Balance at 31 December 2019</b>		<b>133,196</b>	<b>5</b>	<b>2,049</b>	<b>(103)</b>	<b>(2,727)</b>	<b>2,586</b>	<b>1,810</b>	<b>103</b>	<b>1,913</b>
Profit / (loss) for the period		-	-	-	-	-	(408)	(408)	19	(389)
Other comprehensive income / (loss)		-	-	-	-	(338)	-	(338)	(23)	(361)
<b>Total comprehensive income / (loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(338)</b>	<b>(408)</b>	<b>(746)</b>	<b>(4)</b>	<b>(750)</b>
Equity-settled share-based compensation (LTIP), net of tax	18	-	-	9	-	-	-	9	-	9
Execution of conversion option by bondholders	19	156	-	4	15	(3)	-	16	-	16
Shares awarded for LTIP	18	370	-	(13)	36	(5)	(24)	(6)	-	(6)
Purchase of additional ownership in SL Gold (payable in treasury shares)	21	246	-	5	24	-	2	31	(2)	29
<b>Balance at 31 March 2020</b>		<b>133,968</b>	<b>5</b>	<b>2,054</b>	<b>(28)</b>	<b>(3,073)</b>	<b>2,156</b>	<b>1,114</b>	<b>97</b>	<b>1,211</b>

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## PJSC “POLYUS”

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

	Notes	Three months ended 31 March	
		2020	2019
<b>Operating activities</b>			
<b>(Loss) / profit before income tax</b>		<b>(451)</b>	<b>629</b>
Adjustments for:			
Finance costs, net	8	70	63
Interest income		(11)	(10)
Loss / (gain) on revaluation of derivative financial instruments, net	9	534	(97)
Depreciation and amortisation		74	82
Foreign exchange loss / (gain), net		339	(189)
Other		13	8
		<b>568</b>	<b>486</b>
<b>Movements in working capital</b>			
Inventories		(53)	(54)
Deferred expenditure		(19)	(15)
Trade and other receivables		78	25
Advances paid to suppliers and prepaid expenses		(15)	(11)
Taxes receivable		9	7
Trade and other payables and accrued expenses		24	27
Taxes payable		14	(4)
		<b>606</b>	<b>461</b>
<b>Cash flows from operations</b>		<b>606</b>	<b>461</b>
Income tax paid		(62)	(23)
		<b>544</b>	<b>438</b>
<b>Net cash generated from operating activities</b>		<b>544</b>	<b>438</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)		(177)	(146)
Purchase of additional ownership in LLC SL Gold	21	(28)	(28)
Payments for the Omchak high voltage power grid	5	(8)	(7)
Interest received		11	10
Other		-	1
		<b>(202)</b>	<b>(170)</b>
<b>Net cash utilised in investing activities</b>		<b>(202)</b>	<b>(170)</b>
<b>Financing activities<sup>1</sup></b>			
Proceeds from borrowings		112	474
Repayment of borrowings		(230)	(1)
Interest paid		(87)	(80)
Commissions on borrowings paid		(4)	(5)
Payments for close out of revenue stabilizer programme	14	(32)	-
Repayments of lease liability		(4)	(3)
Net proceeds on exchange of interest payments under cross currency swaps	8	10	6
		<b>(235)</b>	<b>391</b>
<b>Net cash (utilised in) / generated from financing activities</b>		<b>(235)</b>	<b>391</b>
<b>Net increase in cash and cash equivalents</b>		<b>107</b>	<b>659</b>
<b>Cash and cash equivalents at the beginning of the period</b>	17	<b>1,801</b>	<b>896</b>
Effect of foreign exchange rate changes on cash and cash equivalents		(30)	6
		<b>1,878</b>	<b>1,561</b>
<b>Cash and cash equivalents at the end of the period</b>	17	<b>1,878</b>	<b>1,561</b>

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

# PJSC “POLYUS”

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (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 28.

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 of 31 March 2020 and 31 December 2019, the ultimate controlling party of the Company was Mr. Said Kerimov.

### 2. BASIS OF PREPARATION AND PRESENTATION

#### 2.1. Going concern

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

#### 2.2. Compliance with the International Financial Reporting Standards

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

#### 2.3. Basis of presentation

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

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

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

#### 2.4. IFRS standards first time applied in 2020

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

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

#### 2.5. IFRS standards to be applied after 2020

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

<u>Title</u>	<u>Subject</u>	<u>Effective for annual periods beginning on or after</u>	<u>Expected effect on the condensed consolidated interim financial statements</u>
IFRS 17	Insurance Contracts	1 January 2021	No effect
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2022	No effect

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 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 months ended 31 March 2020 are consistent with those applied in the preparation of the consolidated financial statements of the group for the year ended 31 December 2019.

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (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 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.
- **Blagodatnoye business unit** (Krasnoyarsk region of the Russian Federation) – mining (including initial processing) and sale of gold from the Blagodatnoye mine, as well as research, exploration and development work at the Blagodatnoye deposit.
- **Natalka business unit** (Magadan region of the Russian Federation) – mining (including initial processing) and sale of gold from the Natalka mine, as well as research, exploration and development work at the Natalka deposit. Construction of the Omchak high-voltage power grid is not included within this segment, as it is funded by a government grant (note 20).
- **Verninskoye business unit** (Irkutsk region of the Russian Federation) – mining (including initial processing) and sale of gold from the Verninskoye mine, research, exploration and development works at the Smezhny and Medvezhy Zapadny deposits.
- **Kuranakh business unit** (Sakha Republic of the Russian Federation) – mining (including initial processing) and sale of gold from the Kuranakh mines.
- **Alluvials business unit** (Irkutsk region of the Russian Federation) – mining (including initial processing) and sale of gold from several alluvial deposits.
- **Exploration business unit** (Krasnoyarsk, Irkutsk, Amur and other regions of the Russian Federation) – exploration and evaluation works in several regions of the Russian Federation other than those related to Sukhoi Log deposit.
- **Capital construction unit** – construction works at group’s deposits.
- **Sukhoi Log business unit** (Irkutsk region of the Russian Federation) – exploration and evaluation works at the Sukhoi Log deposit.
- **Unallocated** – the group does not allocate segment results of companies that perform management, investing activities and certain other functions. Neither standalone results nor the aggregated results of these companies are significant enough to be disclosed as operating segments because quantitative thresholds are not met.

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

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

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

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

Business units	Gold sales	Ounces of gold sold in thousands <sup>2</sup>	Adjusted EBITDA	TCC <sup>2</sup>	TCC per ounce (US dollar) <sup>2</sup>	Capital expenditure
<b>For the three months ended 31 March 2020</b>						
Olimpiada	357	226	252	85	377	25
Blagodatnoye	165	103	117	37	361	8
Natalka	151	95	94	39	414	38
Verninskoye	108	69	78	24	353	16
Kuranakh	80	51	44	29	568	6
Alluvials	-	-	(4)	-	-	4
Exploration	-	-	-	-	-	4
Capital construction	-	-	(3)	-	-	1
Sukhoi Log	-	-	-	-	-	4
Unallocated	-	-	11	1	-	18
<b>Total</b>	<b>861</b>	<b>544</b>	<b>589</b>	<b>215</b>	<b>394</b>	<b>124</b>
<b>For the three months ended 31 March 2019</b>						
Olimpiada	355	275	251	83	304	25
Blagodatnoye	130	99	84	40	393	6
Natalka	112	85	65	36	422	23
Verninskoye	87	67	59	23	343	11
Kuranakh	57	44	28	23	533	4
Alluvials	-	-	(3)	-	-	5
Exploration	-	-	-	-	-	1
Capital construction	-	-	(1)	-	-	3
Sukhoi Log	-	-	-	-	-	6
Unallocated	-	-	5	-	-	15
<b>Total</b>	<b>741</b>	<b>570</b>	<b>488</b>	<b>205</b>	<b>358</b>	<b>99</b>

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

	Three months ended 31 March	
	2020	2019
<b>(Loss) / profit for the period</b>	<b>(389)</b>	<b>528</b>
Finance costs, net (note 8)	70	63
Interest income	(11)	(10)
Income tax (benefit) / expense	(62)	101
Depreciation and amortisation	74	82
Foreign exchange loss / (gain), net	339	(189)
Loss / (gain) on revaluation of derivative financial instruments, net (note 9)	534	(97)
Equity-settled share-based plans (LTIP) (note 18)	26	6
Special charitable contributions	5	3
Property, plant and equipment impairment	2	1
Loss on disposal of property, plant and equipment and intangible assets	1	-
<b>Adjusted EBITDA</b>	<b>589</b>	<b>488</b>

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

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

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

	Three months ended 31 March	
	2020	2019
Cost of gold sales before by-product	281	286
Antimony by-product sales	-	(4)
<b>Cost of gold sales (note 6)</b>	<b>281</b>	<b>282</b>
<i>Adjusted for:</i>		
Depreciation and amortisation (note 11)	(96)	(72)
Effect of depreciation, amortisation, accrual and provisions in inventory change	30	(5)
<b>TCC<sup>3</sup></b>	<b>215</b>	<b>205</b>
Ounces of gold sold, in thousands <sup>3</sup>	544	570
<b>TCC per ounce of gold sold, USD per ounce<sup>3</sup></b>	<b>394</b>	<b>358</b>

#### Gold sales

	Three months ended 31 March	
	2020	2019
Refined gold	848	718
Gold in flotation concentrate	13	23
<b>Total</b>	<b>861</b>	<b>741</b>

Gold sales reported above represent revenue generated from external customers. There were no inter-segment gold sales during the three months ended 31 March 2020 and 2019.

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

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

	Three months ended 31 March	
	2020	2019
<b>Capital expenditure</b>	<b>124</b>	<b>99</b>
Construction of the Omchak high-voltage power grid	8	7
Stripping activity assets additions (note 11)	53	63
Less: intangible and other non-current assets additions	(9)	(4)
<b>Property plant and equipment additions (note 11)</b>	<b>176</b>	<b>165</b>

## 6. COST OF GOLD SALES

	Three months ended 31 March	
	2020	2019
Depreciation and amortisation	96	72
Employee compensation	80	68
Consumables and spares	71	63
Tax on mining	44	37
Fuel	35	28
Power	16	15
Other	32	19
<b>Total cost of production</b>	<b>374</b>	<b>302</b>
Increase in stockpiles, gold-in-process and refined gold inventories	(93)	(20)
<b>Total</b>	<b>281</b>	<b>282</b>

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

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED) *(in millions of US Dollars)*

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

	Three months ended 31 March	
	2020	2019
Employee compensation	66	41
Depreciation and amortisation	6	5
Taxes other than mining and income taxes	5	5
Professional services	2	1
Distribution expenses related to gold flotation concentrate	1	3
Other	6	6
<b>Total</b>	<b>86</b>	<b>61</b>

#### 8. FINANCE COSTS, NET

	Three months ended 31 March	
	2020	2019
Interest on borrowings	71	64
Gain on exchange of interest payments under cross currency swaps	(10)	(6)
Interest on lease liabilities	1	2
Unwinding of discounts	4	3
Bank commission and write-off of unamortised debt cost due to early extinguishment	4	-
<b>Total</b>	<b>70</b>	<b>63</b>

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

	Three months ended 31 March	
	2020	2019
Revaluation (loss) / gain on cross currency swaps	(437)	90
Revaluation (loss) / gain on revenue stabiliser	(29)	17
Revaluation loss on interest rate swaps	(7)	(2)
Revaluation loss on conversion option (note 14)	(61)	(8)
<b>Total</b>	<b>(534)</b>	<b>97</b>

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

#### 10. INTANGIBLE ASSETS

	Internally-generated software	Purchased software	Internally-generated other	Total
Cost	47	16	19	82
Accumulated amortisation and impairment	(4)	(4)	(1)	(9)
<b>Net book value at 31 December 2018</b>	<b>43</b>	<b>12</b>	<b>18</b>	<b>73</b>
Additions	4	1	1	6
Amortisation charge	(1)	(1)	-	(2)
Effect of translation to presentation currency	3	1	1	5
Cost	55	18	22	95
Accumulated amortisation and impairment	(6)	(5)	(2)	(13)
<b>Net book value at 31 March 2019</b>	<b>49</b>	<b>13</b>	<b>20</b>	<b>82</b>
Cost	85	28	30	143
Accumulated amortisation and impairment	(9)	(8)	(3)	(20)
<b>Net book value at 31 December 2019</b>	<b>76</b>	<b>20</b>	<b>27</b>	<b>123</b>
Additions	5	1	2	8
Reclassification	-	1	-	1
Amortisation charge	(1)	(2)	(1)	(4)
Effect of translation to presentation currency	(16)	(4)	(6)	(26)
Cost	72	24	26	122
Accumulated amortisation and impairment	(8)	(8)	(4)	(20)
<b>Net book value at 31 March 2020</b>	<b>64</b>	<b>16</b>	<b>22</b>	<b>102</b>

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

#### 11. PROPERTY, PLANT AND EQUIPMENT

	Fixed assets	Stripping activity assets	Capital construction in progress	Exploration and evaluation assets	Total
Cost	3,467	611	600	532	5,210
Accumulated depreciation and impairment	(1,192)	(222)	(49)	(27)	(1,490)
<b>Net book value at 31 December 2018 before transition to IFRS 16</b>	<b>2,275</b>	<b>389</b>	<b>551</b>	<b>505</b>	<b>3,720</b>
Recognition of right-of-use assets at the transition date according to IFRS 16	64	-	-	-	64
<b>Net book value at 1 January 2019 after transition to IFRS 16</b>	<b>2,339</b>	<b>389</b>	<b>551</b>	<b>505</b>	<b>3,784</b>
Additions	-	63	90	12	165
Transfers	66	-	(66)	-	-
Disposals	-	-	(1)	-	(1)
Depreciation charge	(85)	(13)	-	-	(98)
Impairment	-	-	(1)	-	(1)
Effect of translation to presentation currency	169	30	39	38	276
Other	3	-	-	-	3
Cost	3,844	720	667	584	5,815
Accumulated depreciation and impairment	(1,352)	(251)	(55)	(29)	(1,687)
<b>Net book value at 31 March 2019</b>	<b>2,492</b>	<b>469</b>	<b>612</b>	<b>555</b>	<b>4,128</b>
Cost	4,484	918	717	641	6,760
Accumulated depreciation and impairment	(1,686)	(301)	(63)	(30)	(2,080)
<b>Net book value at 31 December 2019</b>	<b>2,798</b>	<b>617</b>	<b>654</b>	<b>611</b>	<b>4,680</b>
Additions	-	53	112	11	176
Transfers	69	-	(69)	-	-
Disposals	(1)	-	-	-	(1)
Depreciation charge	(108)	(18)	-	-	(126)
Impairment	-	-	-	(2)	(2)
Effect of translation to presentation currency	(566)	(130)	(139)	(126)	(961)
Other	(1)	-	-	1	-
Cost	3,615	776	609	519	5,519
Accumulated depreciation and impairment	(1,424)	(254)	(51)	(24)	(1,753)
<b>Net book value at 31 March 2020</b>	<b>2,191</b>	<b>522</b>	<b>558</b>	<b>495</b>	<b>3,766</b>

#### Mineral rights

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

	31 Mar. 2020	31 Dec. 2019
Mineral rights presented within:		
- fixed assets	57	72
- exploration and evaluation assets	329	413
<b>Total</b>	<b>386</b>	<b>485</b>

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

#### Exploration and evaluation assets

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

	31 Mar. 2020	31 Dec. 2019
Sukhoi Log	365	452
Chertovo Koryto	27	34
Razdolinskoye	26	30
Olimpiada	17	23
Panimba	15	19
Bamsky	14	18
Burgakhchan area	12	14
Blagodatnoye	8	9
Natalka	7	8
Other	4	4
<b>Total</b>	<b>495</b>	<b>611</b>

For right-of-use assets please refer to note 12.

Depreciation and amortisation charges are allocated as follows:

	Three months ended 31 March	
	2020	2019
Cost of gold sales	67	76
Depreciation in change in inventory	29	(4)
<b>Depreciation and amortisation within cost of production (note 6)</b>	<b>96</b>	<b>72</b>
Capitalised within property, plant and equipment	27	23
Selling, general and administrative expenses (note 7)	6	5
Cost of other sales	1	1
<b>Total depreciation and amortisation</b>	<b>130</b>	<b>101</b>
Less: amortisation of intangible and other non-current assets	(4)	(3)
<b>Total depreciation of property, plant and equipment</b>	<b>126</b>	<b>98</b>

## 12. LEASES

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

	Three months ended 31 March 2020			Three months ended 31 March 2019		
	Related party transactions	Non-related party transactions	Total	Related party transactions	Non-related party transactions	Total
<b>Carrying value as of the beginning of the period</b>	<b>58</b>	<b>22</b>	<b>80</b>	<b>59</b>	<b>9</b>	<b>68</b>
Changes in right-of-use assets due to lease modifications	1	-	1	-	-	-
Depreciation charge	(1)	(1)	(2)	(1)	(1)	(2)
Effect of translation to presentation currency	(13)	(6)	(19)	2	4	6
<b>Carrying value as of the end of the period</b>	<b>45</b>	<b>15</b>	<b>60</b>	<b>60</b>	<b>12</b>	<b>72</b>

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

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

	Three months ended 31 March 2020			Three months ended 31 March 2019		
	Related party transactions	Non-related party transactions	Total	Related party transactions	Non-related party transactions	Total
<b>Carrying value as of the beginning of the period</b>	<b>53</b>	<b>27</b>	<b>80</b>	<b>58</b>	<b>15</b>	<b>73</b>
Changes in lease liabilities due to lease modifications	1	-	1	-	-	-
Foreign exchange loss / (gain), net	12	2	14	(4)	-	(4)
Interest on lease liabilities	1	-	1	1	1	2
Repayments of lease liability	(2)	(3)	(5)	(2)	(1)	(3)
Effect of translation to presentation currency	(12)	(4)	(16)	1	2	3
<b>Carrying value as of the end of the period</b>	<b>53</b>	<b>22</b>	<b>75</b>	<b>54</b>	<b>17</b>	<b>71</b>

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

### 13. INVENTORIES

	31 Mar. 2020	31 Dec. 2019
Stockpiles	367	416
Gold-in-process	12	15
<b>Inventories expected to be used after 12 months</b>	<b>379</b>	<b>431</b>
Stockpiles	102	119
Gold-in-process	91	82
Antimony in gold-antimony flotation concentrate	12	11
Refined gold and gold in flotation concentrate	9	4
Materials and supplies	369	474
Less: obsolescence provision for materials and supplies	(25)	(31)
<b>Inventories expected to be used in the next 12 months</b>	<b>558</b>	<b>659</b>
<b>Total</b>	<b>937</b>	<b>1,090</b>

### 14. DERIVATIVE FINANCIAL INSTRUMENTS

	31 March 2020			31 December 2019		
	Non-Current	Current	Total	Non-Current	Current	Total
Cross currency swaps	25	-	25	98	-	98
Interest rate swaps	-	1	1	-	1	1
<b>Total derivative financial assets</b>	<b>25</b>	<b>1</b>	<b>26</b>	<b>98</b>	<b>1</b>	<b>99</b>
Cross currency swaps	388	-	388	62	-	62
Revenue stabiliser	-	-	-	-	7	7
Conversion option on convertible bonds	-	106	106	63	-	63
Interest rate swaps	11	-	11	5	-	5
<b>Total derivative financial liabilities</b>	<b>399</b>	<b>106</b>	<b>505</b>	<b>130</b>	<b>7</b>	<b>137</b>

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

#### Revenue stabiliser

During the three months ended 31 March 2020, the group effectively closed out revenue stabiliser programme, with total premium of USD 32 million paid.

#### Cross currency swaps

The following terms were in place as of 31 March 2020:

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

#### Interest rate swaps

The following terms were in place as of 31 March 2020:

Expiration date	Nominal (USD million)	Frequency	Interest payments	
			Group pays	Group receives
February 2024	150	monthly	2.425%-2.44%	LIBOR
April 2020	750	semi-annually	LIBOR + 3.55%	5.625%
April 2020	750	semi-annually	5.342%	LIBOR + 3.55%

#### 15. TRADE AND OTHER RECEIVABLES

	31 Mar. 2020	31 Dec. 2019
Trade receivables for gold-bearing products at fair value through profit or loss (Level 2)	50	140
Other receivables	55	67
Less: allowance for other receivables	(8)	(10)
<b>Total</b>	<b>97</b>	<b>197</b>

#### 16. TAXES RECEIVABLE

	31 Mar. 2020	31 Dec. 2019
Reimbursable value added tax	74	107
Income tax prepaid	10	13
Other prepaid taxes	1	4
<b>Total</b>	<b>85</b>	<b>124</b>

#### 17. CASH AND CASH EQUIVALENTS

	31 Mar. 2020	31 Dec. 2019
Bank deposits denominated in USD	1,572	1,467
Bank deposits denominated in RUB	82	97
Current USD bank accounts	185	192
Current RUB bank accounts	21	18
Cash in the Federal Treasury	18	27
<b>Total</b>	<b>1,878</b>	<b>1,801</b>

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

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

#### Interest rates:

- Bank deposits denominated in USD	0.2-2.1%	0.7-4.3%
- Bank deposits denominated in RUB	4.2-5.8%	3.4-6.1%

## 18. SHARE CAPITAL

Authorised share capital of the Company as of 31 March 2020 comprised issued and fully paid 134,261 thousand ordinary shares at par value of RUB 1, of which 293 thousand was included within treasury shares.

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

PJSC Polyus grants long-term incentive awards according to which the members of 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 on expiry of performance periods. Expenses arising from the LTIP are recognised in the consolidated statement of profit or loss within *Employee compensation* included within *Selling, general and administrative expenses*.

#### 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 31 March	
	2020	2019
<b>Ordinary shares in issue at the beginning of the period</b>	<b>133,196</b>	<b>132,339</b>
Execution of conversion option by bondholders	156	-
Shares awarded for LTIP	370	487
Purchase of additional ownership in SL Gold (payable in treasury shares)	246	370
<b>Ordinary shares in issue at the end of the period</b>	<b>133,968</b>	<b>133,196</b>
<b>Weighted average number of ordinary shares – basic EPS</b>	<b>133,308</b>	<b>132,469</b>
Convertible bonds (note 19) <sup>4</sup>	-	1,998
LTIP	242	112
<b>Weighted average number of ordinary shares – dilutive EPS</b>	<b>133,550</b>	<b>134,579</b>
Profit after tax attributable to the shareholders of the Company (million USD)	(408)	532
Effect of potential dilution (million USD)	-	6
<b>Profit after tax attributable to the shareholders of the Company for diluted EPS calculation (million USD)</b>	<b>(408)</b>	<b>538</b>

<sup>4</sup> During the three months ended 31 March 2020 convertible bonds caused antidilutive effect and were excluded from the calculation of the dilutive earnings per share.

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

#### 19. BORROWINGS

	<u>Nominal rate %</u>	<u>31 Mar. 2020</u>	<u>31 Dec. 2019</u>
Eurobonds with fixed interest rate due in 2020	5.625%	677	677
Eurobonds with fixed interest rate due in 2022	4.699%	480	480
Eurobonds with fixed interest rate due in 2023	5.250%	784	784
Eurobonds with fixed interest rate due in 2024	4.7%	467	467
Convertible bonds with fixed interest rate due in 2021	1%	181	194
Notes due in 2029 (Rusbonds) with noteholders' early repayment option in 2024	7.4%	257	322
Notes due in 2025 (Rusbonds) with noteholders' early repayment option in 2021	12.1%	194	244
Credit facilities with financial institutions nominated in USD with fixed interest rates	3.5%-5.0%	218	331
Credit facilities with financial institutions nominated in RUR with variable interest rates	Central bank rate + 2.3% MosPrime + 0.2% / + 0.27% / - 0.45%	1,080	1,228
Credit facilities with financial institutions nominated in USD with variable interest rates	USD LIBOR + 1.40% / + 1.65%	148	148
Lease liabilities nominated in USD and RUR (note 12)	5.15%	75	80
Credit facilities with financial institutions nominated in RUR with fixed interest rates	9.35%	-	131
<b>Sub-total</b>		<b>4,561</b>	<b>5,086</b>
Less: current portion of long-term borrowings due within 12 months		(881)	(704)
<b>Long-term borrowings</b>		<b>3,680</b>	<b>4,382</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 RUR with variable interest rate

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

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

In March 2020, the group entered into a credit facility agreement in the amount of USD 150 million with a variable interest rate (Libor 3m + 1.40% per annum) and availability period up to September 2020. At the reporting date the facility was not drawn down and was included into *unused credit facilities* below.

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

During three months ended 31 March 2020 the group repaid in advance of maturity credit facilities nominated in USD with a fixed interest rate in amount of USD 115 million.

#### Unused credit facilities

As of 31 March 2020, the group has unused credit facilities in the total amount of USD 1,331 million (31 December 2019: USD 1,433 million) and an unused facility to borrow certain number of unpledged Company's shares from PGIL.

#### Pledge

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

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

#### Convertible bonds

During the three months ended 31 March 2020, USD 14 million of convertible debt was redeemed through transfer of Company’s GDS to bondholders.

#### Other matters

There were a number of financial covenants under several loan agreements in effect as of 31 March 2020 according to which the respective subsidiaries of the Company and the Company itself are limited in its level of leverage and other financial and non-financial parameters.

The group tests covenants quarterly and was in compliance with the covenants as of 31 March 2020.

#### 20. DEFERRED REVENUE

As of 31 March 2020, JSC Polyus Magadan, was a party to an agreement with the Ministry for the Development of the Russian Far East (“Minvostokrazvitiya”) under which Minvostokrazvitiya provided to JSC Polyus Magadan a government grant in the total amount RUB 8,797 million (USD 113 million, including VAT).

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

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

	Three months ended 31 March	
	2020	2019
Carrying value as of the beginning of the period	126	117
VAT attributable to construction of the Omchak high-voltage power grid	(1)	(1)
Effect of translation to presentation currency	(26)	9
Carrying value as of the end of the period	<u>99</u>	<u>125</u>

#### 21. DEFERRED CONSIDERATION

As of 31 March 2020, the group was a party to the following options agreements to increase its ownership in LLC SL Gold to 100% by 2022 with a right to accelerate:

	First set of options (payable in cash)		Second set of options (payable in Polyus shares)	
	Participation interest	Amount	Participation interest	Amount
To be exercised up to February 2021	4.8%	28	5.0%	29
To be exercised up to February 2022	5.9%	34	6.3%	37
<b>Total</b>	<b>10.7%</b>	<b>62</b>	<b>11.3%</b>	<b>66</b>

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

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED) (in millions of US Dollars)

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

	Three months ended 31 March	
	2020	2019
<b>Carrying value as of the beginning of the period</b>	<b>176</b>	<b>225</b>
Settled in shares	(29)	(29)
Settled in cash	(28)	(28)
Unwinding of interest on deferred consideration	2	2
Foreign exchange (gain) / loss, net	32	(10)
Effect of translation to presentation currency	(33)	10
<b>Total carrying value as of the end of the period</b>	<b>120</b>	<b>170</b>
Less: short-term part of the option liabilities	(57)	(55)
<b>Long-term part of the option liabilities as of the end of the period</b>	<b>63</b>	<b>115</b>

#### 22. TRADE AND OTHER PAYABLES

	31 Mar. 2020	31 Dec. 2019
Employee compensation payable	68	95
Interest payable	53	77
Trade payables	51	49
Accrued annual leave	30	27
Dividends payable	2	2
Other accounts payable and accrued expenses	60	105
<b>Total</b>	<b>264</b>	<b>355</b>

#### 23. TAXES PAYABLE

	31 Mar. 2020	31 Dec. 2019
Income tax payable	11	49
Value added tax	15	21
Social taxes	25	20
Tax on mining	14	18
Property tax	5	5
Other taxes	8	17
<b>Total</b>	<b>78</b>	<b>130</b>

#### 24. RELATED PARTIES

There were no transactions with related parties throughout three months ended 31 March 2020, except for those presented within note 12.

##### *Key management personnel*

	Three months ended 31 March	
	2020	2019
Short-term compensation to key management personnel accrued	6	6
Equity-settled share-based compensation (LTIP)	23	6
<b>Total</b>	<b>29</b>	<b>12</b>

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

#### 25. COMMITMENTS

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

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

	31 Mar. 2020	31 Dec. 2019
Due within one year	7	7
From one to five years	24	24
Thereafter	54	54
<b>Total</b>	<b>85</b>	<b>85</b>

##### **Capital commitments**

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

	31 Mar. 2020	31 Dec. 2019
Project Nataika	74	65
Projects in Krasnoyarsk	39	49
Project Omchak high-voltage power grid	9	12
Other capital commitments	6	3
<b>Total</b>	<b>128</b>	<b>129</b>

#### 26. OPERATING ENVIRONMENT

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Since March 30, in Russia, as in many countries where an outbreak of the virus has been detected, a lockdown has started; most businesses have been closed, except life-supporting or continuous production, most office employees have been transferred to remote working.

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

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

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

#### 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, current trade and other receivables, loans receivable and accounts payable approximate their fair value given the short-term nature of these instruments. Non-current other receivables are discounted at discount rates derived from observable market input data.

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 accordance with IFRS 13.

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

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

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

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

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

	31 March 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Eurobonds (Level 1)	2,408	2,442	2,408	2,535
Borrowings (Level 2)	1,446	1,449	1,838	1,894
Rusbonds (Level 1)	451	463	566	592
Convertible bonds (Level 2)	181	282	194	258
<b>Total</b>	<b>4,486</b>	<b>4,636</b>	<b>5,006</b>	<b>5,279</b>

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

The fair value of deferred consideration on the date of initial recognition is based on inputs (spot currency exchange rates and discount rates), which are observable in the market and are classified as Level 2 of the fair value hierarchy in accordance with IFRS 13. As of 31 March 2020, the fair value of the deferred consideration approximately equals USD 119 million (31 December 2019: 180 million).

#### 28. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

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

## PJSC “POLYUS”

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of US Dollars)

#### Information about significant subsidiaries of the group

Subsidiaries	Nature of business	Effective % held at <sup>5</sup>	
		31 Mar. 2020	31 Dec. 2019
<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 of Alluvials business unit	64	64
JSC Polyus Magadan (renamed, previously JSC Matrosova Mine)	Mining	100	100
LLC Polyus Stroy	Construction	100	100
LLC SL Gold <sup>6</sup>	Exploration and evaluation of the Sukhoi Log deposit	78	68

#### 29. EVENTS AFTER THE REPORTING DATE

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

- completion of early redemption of convertible bonds due 2021 in May 2020. The group exercised an option to redeem all of the bonds in issue at their principal amount together with accrued interest, as the value of the GDSs deliverable on conversion exceeded 130% of the principal amount of the bonds. Holders of all outstanding bonds exercised their conversion right and, overall, since the conversion period commencement date in March 2018, a total of 4,513,871 GDSs were transferred to the converting bondholders. The group borrowed approximately 1.35% of the total share capital from PGIL in order to deliver the GDSs with the intention to return the shares upon the completion of the additional share issue;
- redemption of Eurobonds in April 2020 in the amount of USD 677 million due to their maturity;
- In May, there was a substantial growth of group's employees with COVID-positive test results at the Olimpiada mine. In order to provide adequate quarantine and medical treatment conditions, temporary accommodation facilities and field hospital were organised by the company with the help of the Ministry of Defence and Krasnoyarsk Region administration. Operations at Olimpiada mine have not been interrupted.

<sup>5</sup> Effective % held by the Company, including holdings by other subsidiaries of the group.

<sup>6</sup> In February 2020 the group increased effective ownership in SL Gold (note 21) from 68.2% to 78.0% for a cash consideration of USD 28 million and a transfer of PJSC Polyus shares valued at USD 29 million.