PJSC Polyus

Management Report

30 September 2018

7 November 2018

Contents

Cautionary statement

7 November 2018 – PJSC Polyus (the "Company" or "Polyus") issues this Interim Management Report ("IMR") to summarise recent operational activities and to provide trading guidance in respect of the condensed consolidated interim financial statements for three and nine months ended 30 September 2018.

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” and its subsidiaries (the “Group”) are responsible for the preparation of the condensed consolidated interim financial statements that present fairly the financial position of the Group as of 30 September 2018, and the results of its operations, cash flows and changes in equity for the three and nine months then ended, in compliance with International Accounting Standard 34 (the “IAS 34”) “Interim Financial Information”.

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

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

Directors are also responsible for:

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

The condensed consolidated interim financial statements of the Group for the three and nine months ended 30 September 2018 were approved by Directors on 7 November 2018.

By order of the Board of Directors,

Chief Executive Officer and Director

Pavel Grachev

Management Discussion and Analysis

the third quarter 2018 key metrics overview

$ million (if not mentioned otherwise)	**3Q 2018**	**2Q 2018**	**Q-o-Q**	**3Q 2017**	**Y-o-Y**	**9M 2018**	**9M 2017**	**Y-o-Y**
Operating highlights								
Gold production (koz)[1]	691	602	15%	642	8%	1,800	1,580	14%
Gold sold (koz)	699	531	32%	578	21%	1,689	1,561	8%
Realised prices								
Average realised refined gold price (excluding effect of SPPP) ($/oz)[2]	1,209	1,300	(7%)	1,279	(5%)	1,275	1,254	2%
Average realised refined gold price (including effect of SPPP) ($/oz)	1,213	1,300	(7%)	1,279	(5%)	1,277	1,269	1%
Financial performance								
Total revenue	832	692	20%	744	12%	2,141	1,978	8%
Operating profit	442	385	15%	410	8%	1,159	1,064	9%
Operating profit margin	53%	56%	(3) ppts	55%	(2) ppts	54%	54%	0 ppts
Profit for the period	144	114	26%	371	(61%)	502	974	(48%)
Earnings per share – basic (US Dollar)	1.02	0.83	23%	2.74	(63%)	3.72	7.60	(51%)
Earnings per share – diluted (US Dollar)	1.00	0.74	35%	2.73	(63%)	3.53	7.60	(54%)
Adjusted net profit[3]	355	457	(22%)	298	19%	1,035	773	34%
Adjusted net profit margin	43%	66%	(23) ppts	40%	3 ppts	48%	39%	9 ppts
Adjusted EBITDA[4]	537	457	18%	475	13%	1,381	1,237	12%
Adjusted EBITDA margin	65%	66%	(1) ppts	64%	1 ppts	65%	63%	2 ppts
Net cash generated from operations	423	376	13%	398	6%	1,060	948	12%
Capital expenditure[5]	146	219	(33%)	205	(29%)	547	525	4%
Cash costs								
Total cash cost (TCC) per ounce sold ($/oz)[6]	345	345	0%	380	(9%)	355	380	(7%)
All-in sustaining cash cost (AISC) per ounce sold ($/oz)[7]	571	601	(5%)	599	(5%)	611	606	1%
Financial position								
Cash and cash equivalents	1,000	908	10%	1,121	(11%)	1,000	1,121	(11%)
Net debt[8]	3,029	3,208	(6%)	3,151	(4%)	3,029	3,151	(4%)
Net debt/adjusted EBITDA (x)[9]	1.6	1.8	(11%)	1.9	(16%)	1.6	1.9	(16%)

[1] - Gold production is comprised of 624 thousand ounces of refined gold and 67 thousand ounces of gold in flotation concentrate in the third quarter of 2018 and 539 thousand ounces of refined gold and 63 thousand ounces of gold in flotation concentrate in the second quarter of 2018 respectively.

[2] - The Strategic Price Protection Programme ("SPPP") comprises a series of zero-cost Asian gold collars ("revenue stabiliser").

[3] - 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.

[4] - 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.

[5] - Capital expenditure figures are presented on an accrual basis (here presented net of the Sukhoi Log deposit license acquisition cost and net of Omchak power grid construction cost). For details see reconciliation on page 21.

[6] - 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.

[7] - 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

[8] - Net debt is defined as non-current borrowings plus current borrowings less cash and cash equivalents and bank deposits.Net debt excludes derivative financial instrument assets/liabilities, site restoration and environmental obligations, deferred tax, deferred revenue, deferred consideration for the Sukhoi Log licence and other non-current liabilities. Net debt should not be considered as an alternative to current and non-current borrowings, and should not necessarily be construed as a comprehensive indicator of the Group's overall liquidity.

[9] - The Group calculates net debt to Adjusted EBITDA as net debt divided by Adjusted EBITDA.

Key highlights for 3Q 2018

1. Total gold sales volumes of 699 thousand ounces, up 32% compared to the second quarter. This includes 92 thousand ounces of gold contained in concentrate from Olimpiada.
2. Revenue of $832 million, up 20% compared to $692 million in the second quarter, driven by a seasonal increase in sales from the alluvial operations and higher flotation concentrate sales volumes from Olimpiada. The group's revenue includes sales from Natalka, following the cessation of its capitaisation from 1st of August 2018.
3. The group's TCC remained flat at $345 per ounce. This figure includes TCC at Natalka, which amounted to $685 per ounce in the third quarter. A seasonal increase in output at the structurally higher cost alluvial operations put additional pressure on the group's TCC. These factors were fully mitigated by the local currency depreciation as well as by-product credit from sales of antimony-rich flotation concentrate, which amounted to $33 per ounce in the third quarter.
4. Adjusted EBITDA was $537 million, an 18% increase from the second quarter 2018, driven by higher gold sales volumes. Adjusted EBITDA margin stood at 65%.
5. Profit for the period increased to $144 million, reflecting the increase in operating profit and the impact of non-cash items. Foreign exchange loss was lower compared to the previous quarter.
6. Adjusted net profit was $355 million, a 22% decrease from the previous quarter, which reflects the impact of non-cash item such as lower foreign exchange loss in the period.
7. Net cash generated from operations was $423 million, compared to $376 million in the previous quarter.
8. Capital expenditures ("capex") was $146 million, a decrease on the previous quarter, reflecting lower capital expenditures across most of the business units. Separately, as of 1st of August 2018 the Company ceased the capitalisation of borrowing costs and other directly attributable operating costs at Natalka.
9. Cash and cash equivalents as at 30 September 2018 were $1,000 million, compared to $908 million as at 30 June 2018. The increase was driven by the strong operational performance in the reporting period.
10. Net debt decreased to $3,029 million, compared to $3,208 million as at the end of the second quarter.
11. The net debt/adjusted EBITDA ratio decreased to 1.6x compared to 1.8x as at 30 June 2018, reflecting a decrease in the net debt position and growth in adjusted EBITDA.

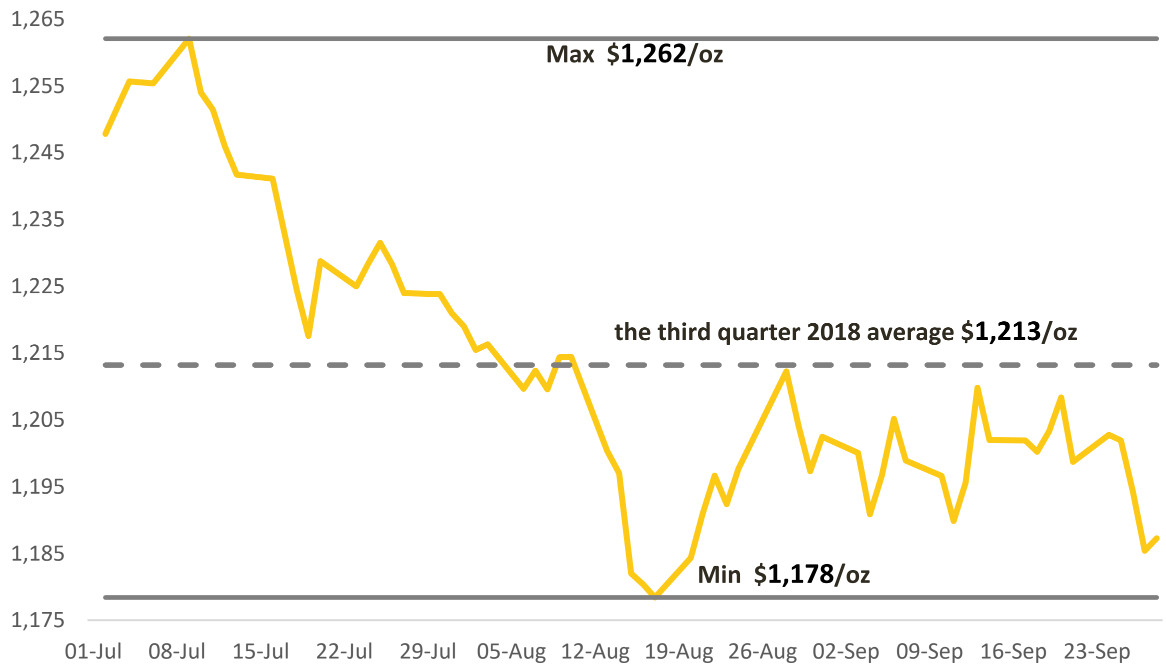
Review of external factors

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

Gold price dynamics

The market price of gold is a significant factor that influences the Group's profitability and operating cash flow generation. In the third quarter of 2018, the average London Bullion Market Association (LBMA) gold price was $1,213 per ounce, compared to $1,306 per ounce in the previous quarter and $1,278 per ounce in the third quarter of 2017.

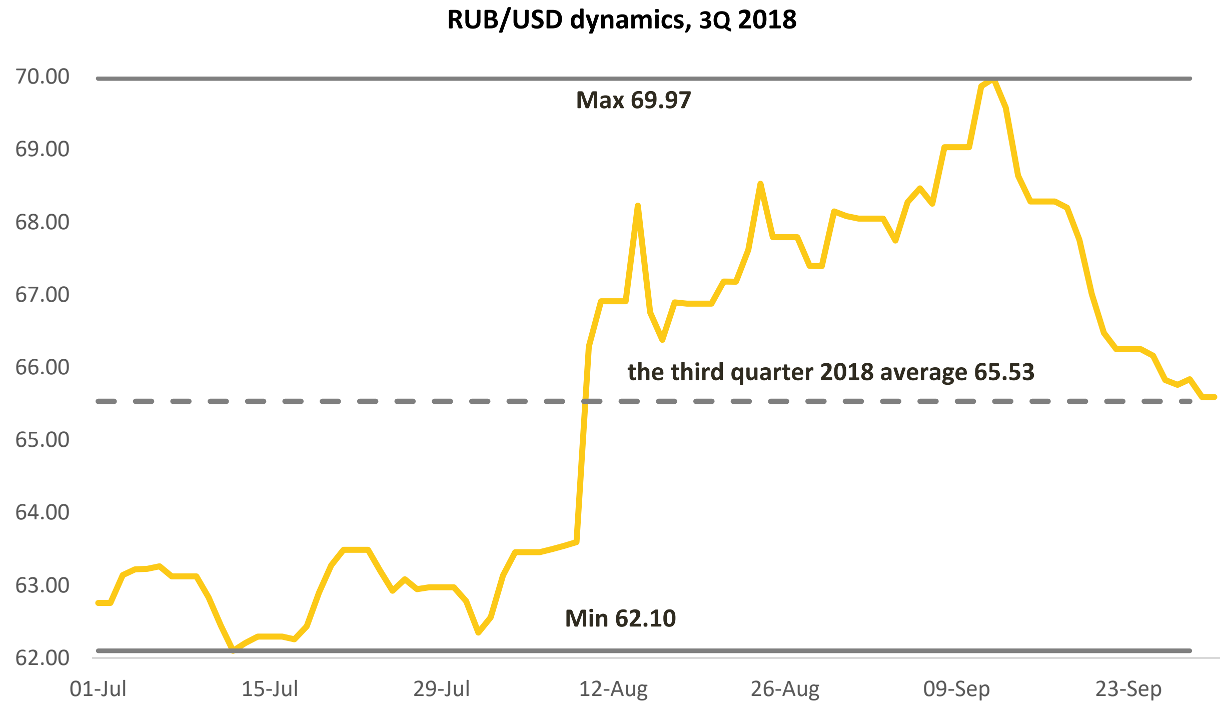
LBMA gold price dynamics in 3Q 2018, $/oz



Source: London Bullion Market Association

Rouble exchange rate dynamics

The Group's revenue from gold sales is linked to the US dollar (USD), whereas most of the Group's operating expenses are denominated in Russian roubles (RUB). The strengthening of the RUB against the USD can negatively impact the Group's margins by increasing the USD value of its RUB-denominated costs, while a weaker RUB positively affects its margins as it reduces the USD value of the Group's RUB-denominated costs. In the third quarter of 2018, the average USD/RUB exchange rate amounted to 65.53, compared to 61.80 in the previous quarter and 59.02 in the third quarter of 2017.



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 3.4% as of the end of the third quarter of 2018, compared to 2.3% as of the end of the previous quarter and 3.0% as of the end of the third quarter of 2017.

Financial review of the third quarter of 2018

Statement of profit or loss review

REVENUE ANALYSIS

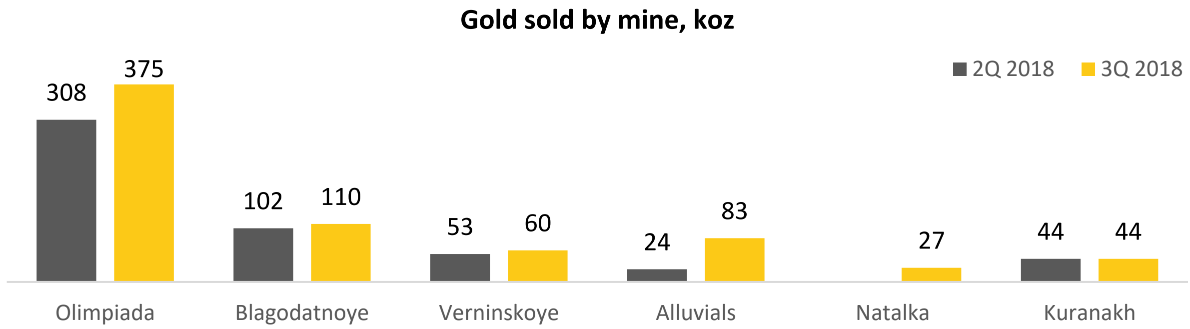
	3Q 2018	2Q 2018	Q-o-Q	9M 2018	9M 2017	Y-o-Y
Gold sales (koz)	699	531	32%	1,689	1,561	8%
Average realised refined gold price (excluding effect of SPPP) ($/oz)	1,209	1,300	(7%)	1,275	1,254	2%
Average realised refined gold price (including effect of SPPP) ($/oz)	1,213	1,300	(7%)	1,277	1,269	1%
Average afternoon gold LBMA price fixing ($/oz)	1,213	1,306	(7%)	1,282	1,251	2%
Premium of average selling price (including effect of SPPP) over average LBMA price fixing ($/oz)	-	(6)	N.A.	(5)	18	N.A.
Gold sales ($ million)	821	683	20%	2,112	1,950	8%
Other sales ($ million)	11	9	22%	29	28	4%
Total revenue ($ million)	**832**	**692**	**20%**	**2,141**	**1,978**	**8%**

The Group's revenue from gold sales was $821 million, a 20% increase compared to the second quarter. Gold sales totaled 699 thousand ounces, a 32% increase compared to the previous quarter. This positive dynamic was mainly driven by a seasonal increase in sales from the alluvial operations and higher flotation concentrate sales volumes from Olimpiada. The group's revenue includes sales from Natalka starting from this reporting period.

The average realised refined gold price was 7% lower compared to the second quarter of 2018 and amounted to $1,213 per ounce (including effect of SPPP).

Revenue breakdown by business unit, 3Q 2018 vs. 2Q 2018

Assets	3Q 2018 ($ million)			2Q 2018 ($ million)		
	Gold sales	Other sales	Total sales	Gold sales	Other sales	Total sales
Olimpiada	429	1	430	393	-	393
Blagodatnoye	134	-	134	133	-	133
Verninskoye	72	-	72	70	-	70
Alluvials	102	1	103	30	1	31
Kuranakh	52	-	52	57	1	58
Natalka	32	1	33	-	-	-
Other	-	8	8	-	7	7
Total	**821**	**11**	**832**	**683**	**9**	**692**



CASH COSTS ANALYSIS

The group's cost of gold sales was $305 million. The 37% increase compared to the second quarter reflects higher gold sales volumes in the reporting period and positive impact of the local currency depreciation. At the same time, cash operating costs increased 35% compared to the prior period, to $258 million. This increase was primarily driven by seasonally higher production volumes at the alluvial operations and the inclusion of costs related to Natalka into the cost of gold sales.

Cost of sales breakdown

$ million	3Q 2018	2Q 2018	Q-o-Q	9M 2018	9M 2017	Y-o-Y
Cash operating costs[10]	**258**	**191**	**35%**	**637**	**600**	**6%**
Depreciation and amortisation (D&A) of operating assets	84	56	50%	193	134	44%
Total cost of production	**342**	**247**	**38%**	**830**	**734**	**13%**
Increase in stockpiles, gold-in-process and refined gold inventories	(37)	(24)	54%	(86)	(15)	N.A.
Cost of gold sales	**305**	**223**	**37%**	**744**	**719**	**3%**

Cash operating costs – breakdown by item

$ million	3Q 2018	2Q 2018	Q-o-Q	9M 2018	9M 2017	Y-o-Y
Consumables and spares	67	53	26%	173	163	6%
Labour	85	64	33%	205	206	0%
Mineral Extraction Tax ("MET")	46	39	18%	119	106	12%
Fuel	30	18	67%	65	56	16%
Power	10	8	25%	27	21	29%
Outsourced mining services	3	1	N.A.	4	6	(33%)
Other[10]	17	8	N.A.	44	42	5%
Total	**258**	**191**	**35%**	**637**	**600**	**6%**

[10] 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. Other costs, including Refining, logistics and costs on explosives.

Consumables and spares expenses, labour costs and power costs increased 26%, 33% and 25%, respectively, compared to the second quarter. This reflects the aforementioned factors relating to the Alluvials and Natalka operations.

MET expenses increased 18% compared to the second quarter of 2018. This was partially offset by the decline in average gold price in the third quarter.

Fuel costs increased 67% compared to the second quarter of 2018 due to the aforementioned factors relating to the Alluvials and Natalka operations. Diesel prices across all business units rose compared to the previous quarter.

Cash operating costs – breakdown by key business units[11], 3Q 2018 vs. 2Q 2018

$ million	Olimpiada		Blagodatnoye		Verninskoye		Alluvials		Kuranakh		Natalka	
	3Q 2018	2Q 2018	3Q 2018	2Q 2018	3Q 2018	2Q 2018	3Q 2018	2Q 2018	3Q 2018	2Q 2018	3Q 2018	2Q 2018
Consumables and spares	27	25	11	10	6	6	9	4	7	6	6	-
Labour	16	17	9	10	9	6	26	11	10	10	7	-
MET	27	24	9	9	-	-	6	3	4	3	-	-
Fuel	6	4	5	4	1	1	9	4	4	3	4	-
Power	4	4	1	2	2	-	3	2	4	-	2	-
Outsourced mining services	-	-	-	-	-	-	3	1	-	-	-	-
Other	7	11	6	7	8	-	6	2	5	-	6	-
Total	**87**	**85**	**41**	**42**	**26**	**13**	**62**	**27**	**34**	**22**	**25**	**-**

TOTAL CASH COSTS

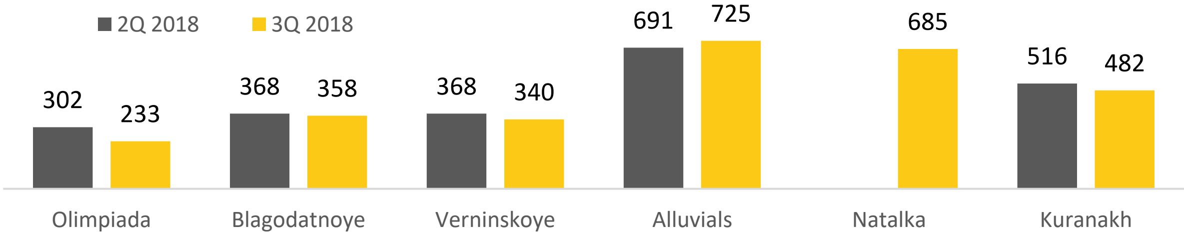
TCC calculation

$ million	3Q 2018	2Q 2018	Q-o-Q	9M 2018	9M 2017	Y-o-Y
Cost of gold sales before by-product	328	228	44%	772	719	7%
Antimony by-product credit	(23)	(5)	N.A.	(28)	-	N.A.
Cost of gold sales	305	223	37%	744	719	3%
property, plant and equipment depreciation	(84)	(56)	50%	(193)	(134)	44%
provision for annual vacation payment	-	-	N.A.	-	(5)	N.A.
employee benefit obligations cost	-	1	N.A.	1	1	0%
change in allowance for obsolescence of inventory	(1)	-	N.A.	(2)	-	N.A.
non-monetary changes in inventories	21	15	40%	50	11	N.A.
TCC	**241**	**183**	**32%**	**600**	**592**	**1%**
Gold sold (koz)	699	531	32%	1,689	1,561	8%
TCC per ounce sold ($/oz)	**345**	**345**	**0%**	**355**	**380**	**(7%)**

The group's TCC remained flat at $345 per ounce compared to the previous quarter. This figure includes TCC at Natalka, which amounted to $685 per ounce in the third quarter. A seasonal increase in output at the structurally higher cost alluvial operations put additional pressure on the group's TCC. These factors were fully mitigated by the local currency depreciation as well as by-product credit from sales of antimony-rich flotation concentrate, which amounted to $33 per ounce in the third quarter.

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

TCC performance by mine, $/oz



During the period TCC at Olimpiada amounted to $233 per ounce, down 23% compared to the second quarter. This decline was mainly attributable to an increased share of lower cost flotation concentrate in the total gold sold during the quarter as well as by-product credit from sales of antimony-rich flotation concentrate in the amount of $61 per ounce. The local currency depreciation also contributed to the improved cost performance. These factors were partially offset by higher maintenance expenses and diesel price inflation.

At Blagodatnoye, TCC amounted to $358 per ounce, down 3% compared to the second quarter of 2018, mainly due to the local currency depreciation. Inflation in diesel prices was offset by lower maintenance expenses and higher gold sales volumes.

TCC at Verninskoye was $340 per ounce, down 8% compared to the second quarter of 2018, mainly due to the local currency depreciation during the period. Higher gold sales volumes fully offset higher maintenance costs.

At Kuranakh, TCC amounted to $482 per ounce, down 7% compared to the second quarter of 2018 mainly due to the local currency depreciation.

TCC at Alluvials was $725 per ounce, up 5% compared to $691 per ounce in the second quarter of 2018, reflecting the write-off of seasonal deferred expenditures and increase in fuel prices. These factors were partially offset by the local currency depreciation and lower spare parts and explosives costs.

At Natalka, TCC amounted to $685 per ounce. Starting from 1st of August 2018 the group includes operating costs related to Natalka within the cost of gold sales.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The group’s selling, general, and administrative (SG&A) expenses amounted to $57 million, a 19% increase compared to the second quarter of 2018, following the cessation of Natalka’s capitalisation. Distribution expenses increased in line with the rise in flotation concentrate sales volumes in the period.

SG&A breakdown by item

$ million	3Q 2018	2Q 2018	Q-o-Q	9M 2018	9M 2017	Y-o-Y
Salaries	35	31	13%	103	93	11%
Distribution expenses related to gold-bearing products	7	3	N.A.	13	7	86%
Taxes other than mining and income taxes	5	3	67%	11	9	22%
Professional services	2	2	0%	6	11	(45%)
Amortisation and depreciation	3	2	50%	7	5	40%
Other	5	7	(29%)	17	15	13%
Total	**57**	**48**	**19%**	**157**	**140**	**12%**

ALL-IN SUSTAINING COSTS (AISC)

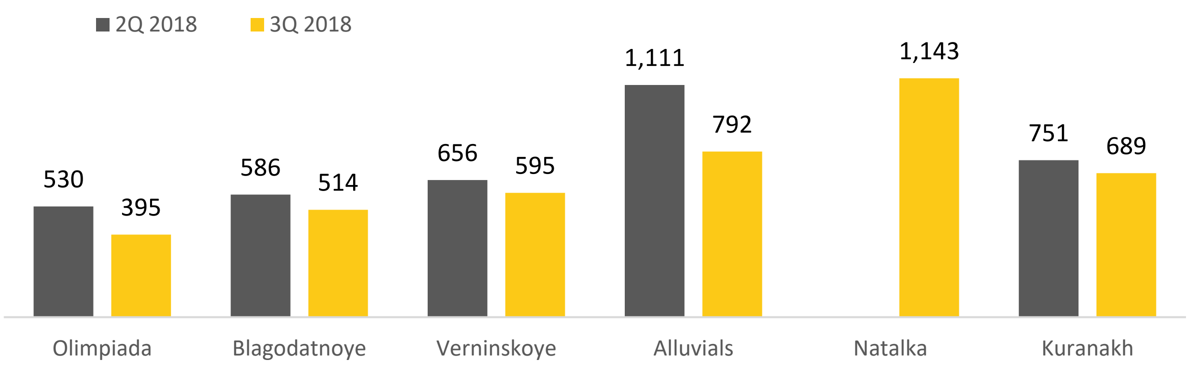
The group's AISC amounted to $571 per ounce, down 5% compared to the second quarter.

AISC at Olimpiada decreased to $395 per ounce, while at Blagodatnoye AISC decreased to $514 per ounce. Both were driven by lower TCC for the period. AISC at Verninskoye decreased to $595 per ounce, while AISC at Kuranakh decreased to $689 per ounce, both in line with TCC and reflecting lower sustaining capital expenditures during the period. AISC at Alluvials decreased to $792 per ounce in the third quarter driven by lower sustaining capital expenditures. AISC at Natalka amounted to $1,143 per ounce.

All-in sustaining costs calculation

$ million	3Q 2018	2Q 2018	Q-o-Q	9M 2018	9M 2017	Y-o-Y
Total TCC	**241**	**183**	**32%**	**600**	**592**	**1%**
selling, general and administrative expenses	57	48	19%	157	140	12%
amortisation and depreciation related to SG&A	(3)	(2)	50%	(7)	(5)	40%
stripping activity asset additions	57	50	14%	156	111	41%
sustaining capital expenditure[12]	45	40	13%	122	102	20%
unwinding of discounts on decommissioning liabilities	1	1	0%	3	2	50%
adding back expenses excluded from cost of gold sales						
provision for annual vacation payment	-	-	N.A.	-	5	N.A.
employee benefit obligations cost	-	(1)	N.A.	(1)	(1)	0%
change in allowance for obsolescence of inventory	1	-	N.A.	2	-	N.A.
Total all-in sustaining costs	**399**	**319**	**25%**	**1,032**	**946**	**9%**
Gold sold (koz)	699	531	32%	1,689	1,561	8%
All-in-sustaining cost ($/oz)	**571**	**601**	**(5%)**	**611**	**606**	**1%**

All-in sustaining costs by mine, $/oz



ADJUSTED EBITDA

The group's adjusted EBITDA increased 18% compared to the second quarter.

This was predominantly driven by higher gold sales volumes (including sales of flotation concentrate) from Olimpiada, which represents 60% of the group's adjusted EBITDA for the third quarter of 2018.

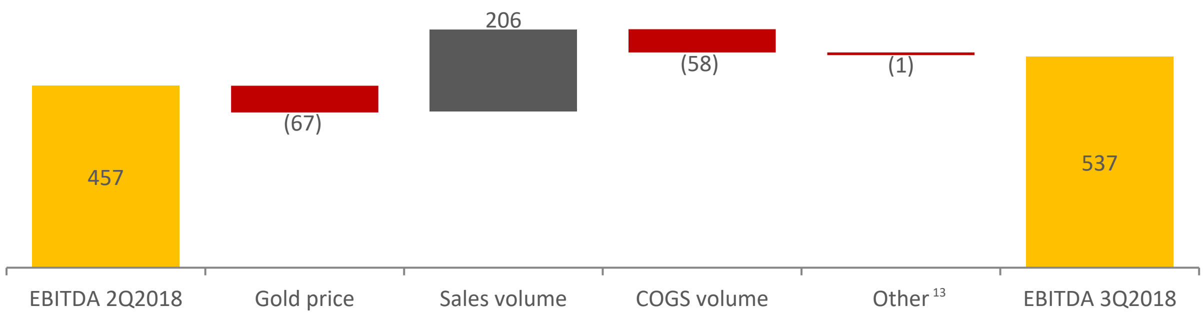
[12] Sustaining capital expenditures represent capital expenditures at existing operations comprising mine development costs and ongoing replacement of mine equipment and other capital facilities, and does not include capital expenditures for major growth projects or enhancement capital for significant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

The adjusted EBITDA margin was 65%.

Adjusted EBITDA calculation

$ million	3Q 2018	2Q 2018	Q-o-Q	9M 2018	9M 2017	Y-o-Y
Profit for the period	**144**	**114**	**26%**	**502**	**974**	**(48%)**
Income tax expense	53	(81)	N.A.	35	172	(80%)
Depreciation and amortisation	68	43	58%	154	129	19%
Loss/(gain) on derivative financial instruments and investments, net	81	59	37%	134	(98)	N.A.
Finance costs, net	50	39	28%	143	151	(5%)
Equity-settled share-based payment plans	5	2	N.A.	10	13	(23%)
Foreign exchange loss / (gain), net	121	258	(53%)	363	(112)	N.A.
Interest income	(7)	(4)	75%	(18)	(23)	(22%)
Impairment	9	26	(65%)	36	6	N.A.
Special charitable contributions	12	1	N.A.	21	29	(28%)
Loss / (gain) on property, plant and equipment disposal	1	-	N.A.	1	(4)	N.A.
Adjusted EBITDA	**537**	**457**	**18%**	**1,381**	**1,237**	**12%**
Total revenue	832	692	20%	2,141	1,978	8%
Adjusted EBITDA margin (%)	**65%**	**66%**	**(1) ppts**	**65%**	**63%**	**2 ppts**

Adjusted EBITDA bridge, $ million



Adjusted EBITDA breakdown by business unit, $ million

$ million	3Q 2018	2Q 2018	Q-o-Q	9M 2018	9M 2017	Y-o-Y
Olimpiada	323	278	16%	823	654	26%
Blagodatnoye	88	89	(1%)	273	311	(12%)
Verninskoye	47	44	7%	141	120	18%
Alluvials	32	8	N.A.	37	52	(29%)
Kuranakh	29	29	0%	89	79	13%
Natalka	9	-	N.A.	11	-	N.A.
Other[14]	9	9	0%	7	21	(67%)
Total	**537**	**457**	**18%**	**1,381**	**1,237**	**12%**

[13] Includes operating efficiency and FX effects.
[14] Reflects consolidation adjustments and financial results of Magadan business unit, Sukhoi log and non-producing business units, including exploration business unit, capital construction business unit and unallocated segments.

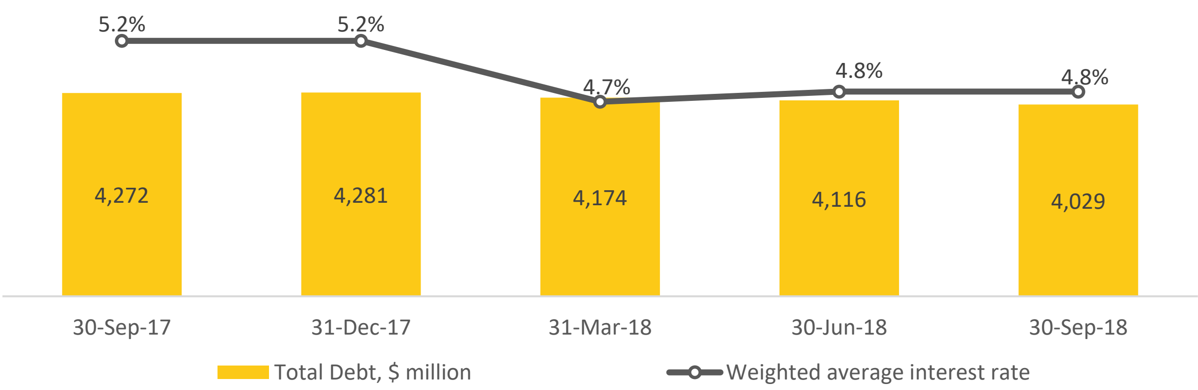
FINANCE COST ANALYSIS

$ million	3Q 2018	2Q 2018	Q-o-Q	9M 2018	9M 2017	Y-o-Y
Interest on borrowings	66	67	(1%)	205	241	(15%)
Write-off of unamortised debt costs due to early extinguishment of debt and bank commissions	2	-	N.A.	13	17	(24%)
Unwinding of discounts	4	3	33%	11	8	38%
Gain on an early redemption of financial liabilities	(3)	(2)	50%	(5)	-	N.A.
Gain on exchange of interest payments under cross currency swap and interest rate swap	(12)	(6)	100%	(28)	(30)	(7%)
Sub-total finance cost, net	**57**	**62**	**(8%)**	**196**	**236**	**(17%)**
Interest included in the cost of qualifying assets	(7)	(23)	(70%)	(53)	(85)	(38%)
Total finance cost expensed	**50**	**39**	**28%**	**143**	**151**	**(5%)**

The group's total finance costs amounted to $50 million, compared to $39 million in the second quarter. As of 1 August the Company ceased the capitalisation of borrowing costs and other directly attributable operating costs at Natalka.

Interest on borrowings (net of gains on the exchange of interest payments under cross-currency and interest rate swaps) remained almost flat compared to the second quarter of 2018 and totaled $66 million.

Weighted average interest rate dynamics[15]



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

Foreign exchange gain and derivatives

The group's foreign exchange loss was $121 million, compared to a $258 million loss in the second quarter, which reflects the revaluation of USD-denominated bank deposits, USD-denominated accounts receivables and USD-denominated liabilities as at 30 September 2018 due to FX rate fluctuation.

Valuation of derivative financial instruments as at 30 September and for the third quarter ended 30 September 2018

$ million	Asset	Liability	Fair value recorded in the statement of financial position	Profit & loss (expenses)/ income
Revenue stabiliser	1	(3)	(2)	19
Cross-currency swaps	6	(514)	(508)	(99)
Interest rate swaps	8	(3)	5	1
Conversion option on convertible bonds	-	(2)	(2)	(2)
Total	**15**	**(522)**	**(507)**	**(81)**

Revenue stabiliser[17]

There were no changes to the revenue stabiliser option agreements during the nine months ended 30 September 2018. On 30 June 2017, the hedges for Tranches 1 and 2 were de-designated and hedge accounting in terms of IFRS 9 no longer applies on a prospective basis, because strikes on the remaining options are out of the forecasted gold price. Starting from 1 July 2017, the remaining outstanding options of the Tranches 1 and 2 are accounted at fair value through profit or loss.

Cross-currency and interest rate swaps[16]

The overall positive effect from cross-currency and interest rate swaps on finance cost amounted to $12 million. This was recorded within note 8 of the condensed consolidated interim financial statement as a realised gain on the exchange of interest payments under interest rate and cross currency swaps.

Conversion option on convertible bonds

As at 30 September 2018, the fair value of conversion option of USD million was determined with reference to the quoted market price and is presented within note 12 of the condensed consolidated interim financial statements. In the third quarter of 2018, the overall loss from the conversion option amounted to $2 million.

[16] For additional information on revenue stabiliser, cross-currency and interest rate swaps, see Note 12 of the condensed consolidated interim financial statements.

PROFIT BEFORE TAX & INCOME TAXES

Profit before tax increased to $197 million compared to $33 million in the previous quarter primarily driven by higher operating profit and lower foreign exchange loss. Income tax amounted to $53 million, resulting in an effective income tax rate of 27%.

NET PROFIT

Net profit totaled $144 million, compared to $114 million in the second quarter. The adjusted net profit decrease reflects the impact of non-cash items such as gain on investments and revaluation of derivative financial instruments and foreign exchange loss in the period.

Adjusted net profit calculation

$ million	3Q 2018	2Q 2018	Q-o-Q	9M 2018	9M 2017	Y-o-Y
Net profit for the period	**144**	**114**	**26%**	**502**	**974**	**(48%)**
Impairment/(reversal of impairment)	9	26	(65%)	36	6	N.A.
Loss/(gain) on derivative financial instruments and investments, net	81	59	37%	134	(98)	N.A.
Foreign exchange loss/(gain), net	121	258	(53%)	363	(112)	N.A.
Deferred income tax related to derivatives	-	-	N.A.	-	3	N.A.
Adjusted net profit	**355**	**457**	**(22%)**	**1,035**	**773**	**34%**
Total revenue	832	692	20%	2,141	1,978	8%
Adjusted net profit margin	**43%**	**66%**	**(23) ppts**	**48%**	**39%**	**9 ppts**

Statement of financial position review

DEBT

As at 30 September 2018, the Group's gross debt amounted to $4,029 million, down 2% compared to $ 4,116 million as at 30 June 2018.

In the reporting period, Polyus attracted a new credit line facility with Sberbank in a total amount of RUB 65 billion due in 2024 to refinance its existing Sberbank credit line facility due in 2019. The funds under the new facility will become available for drawdown at the maturity of the existing Facility in April 2019. The Company plans to repay the principal amount and liabilities under cross-currency swaps in the amount of approximately $1,000 million in 2019, in line with the current maturity schedule.

In August 2018, Polyus attracted a bilateral bank credit facility from ING in the total amount of $80 million at a fixed interest rate.

In September 2018, Polyus invited holders of its notes due 2020, 2022, 2023 and 2024 to tender those notes for purchase in the aggregate maximum consideration of $300 million. The purchase prices were determined pursuant to a Modified Dutch Auction. Polyus repurchased approximately $132 million in aggregate principal amount of notes.

The share of fixed-rate liabilities within the Company's debt portfolio stood at 98% as at the end of the third quarter of 2018.

Debt breakdown by type[17]

$ million	30 September 2018	30 June 2018	31 December 2017	30 September 2017
Eurobonds	2,400	2,531	2,033	2,032
Convertible bonds	185	183	-	-
RUB bonds	232	242	265	263
Finance lease	11	12	13	14
Bank loans	1,201	1,148	1,970	1,963
Total	**4,029**	**4,116**	**4,281**	**4,272**

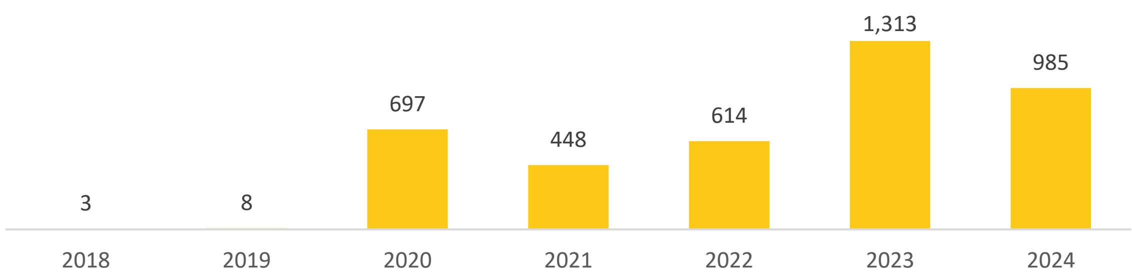
The Group's debt portfolio remains dominated by USD denominated instruments.

Debt breakdown by currency

	30 September 2018		30 June 2018		31 December 2017		30 September 2017	
	$ million	% of total	$ million	% of total	$ million	% of total	$ million	% of total
RUB	813	20%	849	21%	928	22%	919	22%
USD	3,216	80%	3,267	79%	3,353	78%	3,353	78%
Total	**4,029**	**100%**	**4,116**	**100%**	**4,281**	**100%**	**4,272**	**100%**

The Company's debt profile remains smooth with limited debt maturities outstanding before the end of 2019. Existing cash balances cover the vast portion of all principal debt repayments up to 2021. As a result of refinancing activity, the majority of the maturities due during or after 2021 comprise the Eurobond issues ($483 million due in 2022, $788 million due in 2023 and $470 million due in 2024).

Debt maturity schedule[17]**, $ million**



CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

The group's cash and cash equivalents and bank deposits totaled $1,000 million, up 10% compared with the end of the second quarter of 2018. This increase was primarily a result of the strong operational performance in the third quarter of 2018.

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

Cash, cash equivalents, and bank deposits breakdown by currency

$ million	30 September 2018	30 June 2018	31 December 2017	30 September 2017
RUB	117	119	154	111
USD	883	789	1,050	1,010
Total	**1,000**	**908**	**1,204**	**1,121**

[17] The debt breakdown does not include liabilities under cross currency swaps related to RUB-denominated bank credit facilities and rouble bonds, in a total amount of $507 million as of the end of the third quarter. The breakdown is based on actual maturities and excludes $41 million of banking commissions and deduction of convertion option component of convertible bonds. The Company plans to repay the principal amount and liabilities under cross-currency swaps in the amount of approximately $1,000 million in 2019 with the proceeds from a new credit line facility with Sberbank in a total amount of RUB 65 billion due in 2024.

NET DEBT

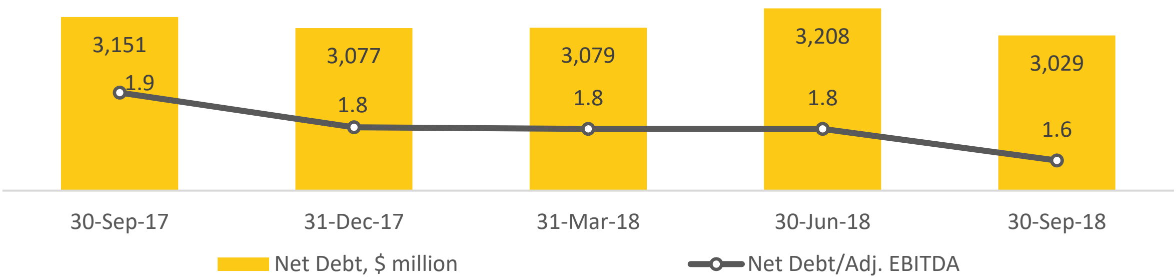
At the end of the third quarter of 2018, the group's net debt amounted to $3,029 million, down 6% compared to the end of the second quarter.

Net debt calculation

$ million	30 September 2018	30 June 2018	31 December 2017	30 September 2017
Non-current borrowings	4,021	3,574	4,269	4,262
+ Current borrowings	8	542	12	10
– Cash and cash equivalents	(1,000)	(908)	(1,204)	(1,121)
Net debt	**3,029**	**3,208**	**3,077**	**3,151**

The net debt/adjusted EBITDA ratio decreased to 1.6x compared to 1.8x as at 30 June 2018, reflecting a decrease in the net debt position and growth in adjusted EBITDA.

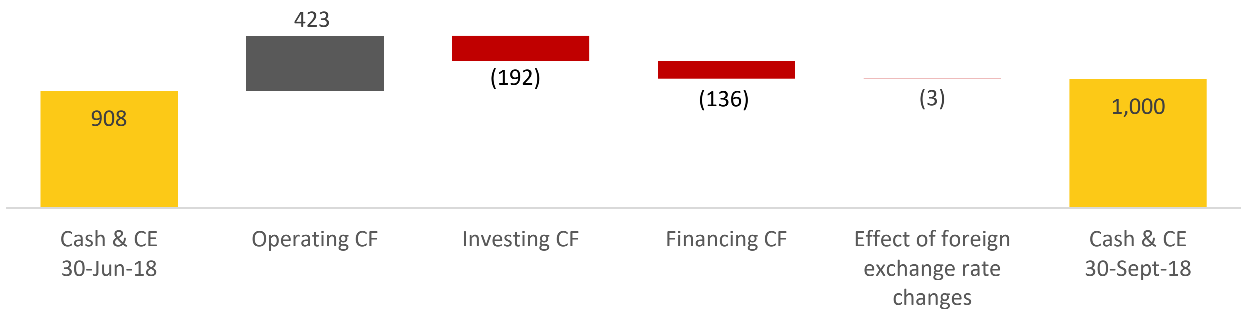
Net debt and net debt/adjusted EBITDA (last 12 months)[18] ratio



[18] Net debt to Adjusted EBITDA ratio is calculated as net debt as of the end of the relevant period divided by Adjusted EBITDA for the relevant period. For the purpose of the net debt to Adjusted EBITDA ratio as of 30 September 2018, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 September 2018 (being Adjusted EBITDA for 2017 less Adjusted EBITDA for the nine months ended 30 September 2017 plus Adjusted EBITDA for the nine months ended 30 September 2018). For the purpose of the net debt to Adjusted EBITDA ratio as of 30 June 2018, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 June 2018 (being Adjusted EBITDA for 2017 less Adjusted EBITDA for the six months ended 30 June 2017 plus Adjusted EBITDA for the six months ended 30 June 2018). For the purpose of the net debt to Adjusted EBITDA ratio as of 31 March 2018, Adjusted EBITDA is calculated as the trailing twelve months ended on 31 March 2018 (being Adjusted EBITDA for 2017 less Adjusted EBITDA for the three months ended 31 March 2017 plus Adjusted EBITDA for the three months ended 31 March 2018). For the purpose of the net debt to Adjusted EBITDA ratio as of 30 September 2017, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 September 2017 (being Adjusted EBITDA for 2016 less Adjusted EBITDA for the nine months ended 30 September 2016 plus Adjusted EBITDA for the nine months ended 30 September 2017).

Statement of cash flows review

Cash flow bridge, $ million



Net cash generated from operations was $423 million, compared to $376 million in the second quarter, due to higher sales volumes in the reporting period. Net cash utilised in investing activities decreased to $192 million compared to $211 million in the previous quarter, resulting from lower capex spending. Net cash utilised in financing activities totaled $136 million, reflecting the repayment of borrowings and interest payments, partially offset by proceeds on a bilateral bank credit facility and positive net proceeds on cross-currency and interest rate swaps.

OPERATING CASH FLOW

The group generated operational cash flow of $423 million, which was negatively impacted by a working capital outflow of $46 million. This reflects an inventory accumulation of ore stockpiles at Olimpiada and Natalka as well as an increase in receivables related to sales of antimony-rich flotation concentrate. At the same time, this was partially offset by the increase in payables related to fuel and consumables procurement at Olimpiada, Blagodatnoye and Verninskoye and write-off of the deferred expenses at Alluvials due to active phase of washing season.

INVESTING CASH FLOW

Capital expenditures decreased to $146 million, from $219 million in the second quarter.

Capital expenditures at Natalka, the group's main development project, decreased to $40 million. Purchase of equipment during the period amounted to $36 million, compared to $46 million in the second quarter. Mining fleet procurement is ongoing with a TYHI WK-20 excavator delivered on site in the reporting period. Construction works at the Natalka Mill's auxiliary and infrastructure facilities are in progress. This includes earthworks at the fuel warehouse and finishing works for an assay laboratory. The Company conducted scheduled maintenance works in July-August 2018. Over the course of the maintenance works, the gyratory crusher MK-60-110E was put back into operation.

The Company ceased capitalisation of borrowing costs and other directly attributable operating costs on 1st of August 2018. Total capitalised costs net of gold revenue amounted to $4 million in the third quarter of 2018.

By the end of the third quarter, as the Natalka Mill reached its design throughput run rate, the ball mill motor went out of order due to a deformation of the mounting face for the bearing on the rotor shaft. Consequently, the Company has switched to a shortened flowsheet, utilizing a one-stage grinding (SAG mill only) process and therefore bypassing the ball mill, which resulted in lower throughput rates and recoveries. The Company anticipates the ball mill to resume operation post repairs in November 2018 and expects the mill to revert promptly to operating at full capacity. In December, Natalka will undergo scheduled maintenance.

Capital expenditures at Olimpiada and Blagodatnoye decreased to $46 million and $6 million, respectively, as the Company completed an active phase of mining fleet procurement in the first half of 2018. Polyus is continuing to expand its mining fleet, increasing the share of large-scale mining equipment. The Company is currently implementing further mill expansion projects at Olimpiada and Blagodatnoye, where it expects to reach throughput capacity of 13.4 million tonnes per annum and up to 9.0 million tonnes per annum respectively in the coming years.

At Verninskoye, capital expenditures increased to $11 million due to scheduled maintenance and a prepayment for a TYHI WK-20 excavator.

Capital expenditures at Kuranakh decreased to $10 million. Stage 3 of the capacity expansion project to reach 5.8 million tonnes per annum is expected to be completed in 2019.

At Alluvials, capital expenditures decreased to $4 million, as the Company completed the replacement of worn-out equipment in the second quarter.

Capex breakdown[19]

$ million	3Q 2018	2Q 2018	Q-o-Q	9M 2018	9M 2017	Y-o-Y
Natalka, including						
Purchase of equipment	36	46	(22%)	127	173	(27%)
Capitalisation of borrowing costs	7	24	(71%)	54	69	(22%)
Operating costs	-	8	N.A.	25	42	(40%)
Net proceeds from selling gold produced during the ramp-up period	(3)	(14)	(79%)	(20)	-	N.A.
Natalka, total	40	64	(38%)	186	284	(35%)
Olimpiada	46	64	(28%)	146	93	57%
Blagodatnoe	6	34	(82%)	57	30	90%
Verninskoye	11	9	22%	30	23	30%
Alluvials	4	8	(50%)	18	17	6%
Kuranakh	10	14	(29%)	33	39	(15%)
Other[20]	29	26	12%	77	39	97%
CAPEX	**146**	**219**	**(33%)**	**547**	**525**	**4%**
Omchak electricity transmitting line	10	8	25%	27	21	29%
Items capitalised[21], net	28	10	N.A.	43	20	N.A.
Change in working capital for purchase property, plant and equipment	14	(22)	N.A.	(4)	(35)	(89%)
Purchase of PP&E[22]	**198**	**215**	**(8%)**	**613**	**531**	**15%**

The total cash amount spent on the purchase of PP&E decreased to $198 million, compared to $215 million in the previous quarter. This mainly reflects the respective decrease in total capital expenditures outlined above.

[19] 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.
[20] Reflects expenses related to exploration business unit, construction of Razdolinskaya-Taiga, Peleduy-Mamakan grid lines and Sukhoi Log expenses, net of the deposit license acquisition cost and payments to Rostec ("RT").
[21] Including capitalised stripping costs net of capitalised interest on loans and capitalised within capital construction-in-progress. For more details see Note 11 of the condensed consolidated interim financial statements.
[22] Presented net of the Sukhoi Log deposit license acquisition cost and payments to RT.

At Sukhoi Log, the logging and interpretation of the verification drilling results have been completed. The in-fill drilling program is in progress. The geotechnical and hydrogeological drilling program has been launched, and Polyus has launched the Pre-feasibility Study.

Other investing activities in the third quarter of 2018 included $6 million of interest received.

FINANCING CASH FLOW

Net financing cash outflow totaled $136 million compared to $316 million of cash outflow in the prior period. In September 2018, Polyus invited holders of its notes due 2020, 2022, 2023 and 2024 to tender those notes for purchase in the aggregate maximum consideration of $300 million. As a result, Polyus repurchased approximately $132 million in aggregate principal amount of notes.

OUTLOOK

Taking into account performance during the first nine months of 2018, the Company is adjusting its group TCC guidance for the full year 2018 downwards from the level of below $425 per ounce. Polyus now anticipates group TCC for 2018 to stay below $400 per ounce.

Going concern

The financial position of the Group, its cash flows, liquidity position, and borrowing facilities are set out in this MD&A on pages 17 to 20. As of 30 September 2018 the Group held $1,000 million in cash and cash equivalents and bank deposits and had a net debt of $3,029 million, with $1,296 million of undrawn but committed credit facilities, subject to covenant compliance. Details on borrowings and credit facilities are disclosed in note 18 to the condensed consolidated interim financial statements. In assessing its going-concern status, the directors have considered the uncertainties affecting future cash flows and have taken into account its financial position, anticipated future trading performance, borrowings, and other available credit facilities, as well as its forecast compliance with the covenants on those borrowings and its capital expenditure commitments and plans. In the event of certain reasonably possible adverse pricing and forex scenarios and the risks and uncertainties below, management has within its control the option of deferring uncommitted capital expenditure, or managing the dividend payment profile to maintain the Group's funding position.

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

Risks and uncertainties

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

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

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 2017. Detailed explanation of the risks summarized below, together with the Group's risk mitigation plans, can be found on pages 30 to 33 of the 2017 Annual Report which is available at
http://www.polyus.com/upload/iblock/222/polyus_annual_report_2017_en.pdf

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

Commodity price risk

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

Foreign exchange risk

As stated on page 7, the Group's revenue is linked to the USD, as the gold price is quoted in this currency. Thus the Group's strategy is to have mostly USD-denominated debt and to keep its cash and deposits in USD. As of 30 September 2018, 88% 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 2% 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. The Group continues to shift from floating to fixed interest rate on the back of higher finance cost expectations.

Inflation risk

As stated on page 8, the Group's earnings are exposed to inflationary trends in Russia, and inflation negatively impacts the Group's earnings, increasing future operating costs. To mitigate rouble inflation risk, the Group estimates possible inflation levels and incorporates them into its cost planning; it has implemented cost reduction initiatives at its operations, and its treasury team is responsible for ensuring that the majority of cash and cash equivalents are held in USD.

AO Deloitte & Touche CIS
5 Lesnaya Street
Moscow, 125047,
Russia

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
deloitte.ru

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC "Polyus" and its subsidiaries (collectively – the "Group") as at 30 September 2018 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three and nine months then ended, and selected explanatory notes. Directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Olga Tabakova
Engagement partner

Deloitte & Touche

АКЦИОНЕРНОЕ ОБЩЕСТВО «ДЕЛОЙТ И ТУШ СНГ»
для аудиторских заключений и отчетов
Россия, г. Москва, ул. Лесная, д. 5

7 November 2018

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, Talmyr (Dolgan-Nenetsk) and Evenki autonomous okrugs

Address: 123056, Russian Federation, Moscow, Krasina, 3/1

Audit Firm: AO “Deloitte & Touche CIS”

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

Primary State Registration Number: 1027700425444

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

Member of Self-regulated organization of auditors “Russian Union of auditors” (Association), ORNZ 11603080484.

PJSC “Polyus”

Condensed consolidated interim financial statements

for the three and nine months ended 30 September 2018 (unaudited)

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

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

		Three months ended 30 September		Nine months ended 30 September	
	Notes	**2018**	**2017**	**2018**	**2017**
Gold sales	5	821	733	2,112	1,950
Other sales		11	11	29	28
Total revenue		**832**	**744**	**2,141**	**1,978**
Cost of gold sales	6	(305)	(264)	(744)	(719)
Cost of other sales		(4)	(9)	(21)	(23)
Gross profit		**523**	**471**	**1,376**	**1,236**
Selling, general and administrative expenses	7	(57)	(48)	(157)	(140)
Other expenses, net		(24)	(13)	(60)	(32)
Operating profit		**442**	**410**	**1,159**	**1,064**
Finance costs, net	8	(50)	(43)	(143)	(151)
Interest income		7	6	18	23
(Loss) / gain on investments and revaluation of derivative financial instruments, net	9	(81)	30	(134)	98
Foreign exchange (loss) / gain, net		(121)	43	(363)	112
Profit before income tax		**197**	**446**	**537**	**1,146**
Income tax expense	10	(53)	(75)	(35)	(172)
Profit for the period		**144**	**371**	**502**	**974**
Profit for the period attributable to:					
Shareholders of the Company		135	360	492	969
Non-controlling interests		9	11	10	5
		144	**371**	**502**	**974**
Weighted average number of ordinary shares’000					
- for basic earnings per share	17	132,339	131,218	132,221	127,516
- for dilutive earnings per share	17	136,460	132,651	136,423	128,077
Earnings per share (US Dollar)					
- basic		1.02	2.74	3.72	7.60
- dilutive		1.00	2.73	3.53	7.60

PJSC “POLYUS”

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

(in millions of US Dollars)

	Notes	Three months ended 30 September 2018	Three months ended 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Profit for the period		**144**	**371**	**502**	**974**
Other comprehensive income / (loss) for the period					
Items that may be subsequently reclassified to profit or loss:					
Increase in revaluation of cash flow hedge reserve on revenue stabiliser		-	-	-	4
Deferred tax relating to increase in revaluation of cash flow hedge reserve		-	-	-	(1)
		-	**-**	-	**3**
Items that will not be subsequently reclassified through profit or loss:					
Effect of translation to presentation currency		(24)	15	(90)	(5)
Items that have been reclassified through profit or loss:					
Cash flow hedge reserve reclassified to consolidated statement of profit or loss on revenue stabiliser		-	-	-	(19)
Deferred tax relating to cash flow hedge reserve reclassified to consolidated statement of profit or loss		-	-	-	4
		-	**-**	**-**	**(15)**
Other comprehensive (loss) / income for the period		**(24)**	**15**	**(90)**	**(17)**
Total comprehensive income for the period		**120**	**386**	**412**	**957**
Total comprehensive income for the period attributable to:					
Shareholders of the Company		117	375	415	948
Non-controlling interests		3	11	(3)	9
		120	**386**	**412**	**957**

PJSC "POLYUS"

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2018 (UNAUDITED)

(in millions of US Dollars)

	Notes	30 Sep. 2018	31 Dec. 2017
Assets			
Non-current assets			
Property, plant and equipment	11	3,826	4,005
Derivative financial instruments and investments	12	13	38
Inventories	13	262	300
Deferred tax assets		130	60
Other receivables		85	97
Other non-current assets		65	58
		4,381	**4,558**
Current assets			
Derivative financial instruments and investments	12	2	-
Inventories	13	605	435
Deferred expenditure		17	14
Trade and other receivables	14	117	101
Advances paid to suppliers and prepaid expenses		25	21
Taxes receivable	15	132	114
Cash and cash equivalents	16	1,000	1,204
		1,898	**1,889**
Total assets		**6,279**	**6,447**
Equity and liabilities			
Capital and reserves			
Share capital	17	5	5
Additional paid-in capital	17	1,937	1,948
Treasury shares	17	(67)	(89)
Other reserves		(2)	(2)
Translation reserve		(2,800)	(2,723)
Retained earnings		1,336	1,425
Equity attributable to shareholders of the Company		**409**	**564**
Non-controlling interests		86	92
		495	**656**
Non-current liabilities			
Borrowings	18	4,021	4,269
Derivative financial instruments	12	57	448
Deferred revenue	19	113	132
Deferred consideration	20	167	216
Deferred tax liabilities		207	217
Site restoration, decommissioning and environmental obligations		37	47
Other non-current liabilities		48	45
		4,650	**5,374**
Current liabilities			
Borrowings	18	8	12
Derivative financial instruments	12	465	-
Deferred consideration	20	56	-
Trade and other payables	21	559	318
Taxes payable	22	46	87
		1,134	**417**
Total liabilities		**5,784**	**5,791**
Total equity and liabilities		**6,279**	**6,447**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

(in millions of US Dollars)

			Equity attributable to shareholders of the Company									
	Notes	*Number of outstanding shares'000*	Share capital	Additional paid-in capital	Treasury shares	Other reserves	Cash flow hedge revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
Balance at 31 December 2016		***125,632***	**7**	**2,288**	**(3,712)**	**-**	**12**	**(2,720)**	**3,617**	**(508)**	**94**	**(414)**
Profit for the period			-	-	-	-	-	-	969	**969**	5	**974**
Decrease in cash flow hedge revaluation reserve			-	-	-	-	(12)	-	-	**(12)**	-	**(12)**
Effect of translation to presentation currency			-	-	-	-	-	(9)	-	**(9)**	4	**(5)**
Total comprehensive (loss) / income			**-**	**-**	**-**	**-**	(12)	**(9)**	**969**	**948**	**9**	**957**
Equity-settled share-based payment plans (LTIP)		-	-	15	-	-	-	-	-	**15**	-	**15**
Buy-back of treasury shares		*(14)*	-	-	(1)	-	-	-	-	**(1)**	-	**(1)**
Cancelation of treasury shares		-	(2)	(749)	3,604	-	-	-	(2,853)	**-**	-	**-**
Issuance of shares		*6,016*	-	389	-	-	-	-	-	**389**	-	**389**
Purchase of additional ownership in SL Gold through issuance of treasury shares		*290*	-	2	20		-	-	-	**22**	-	**22**
Declared dividends to shareholders of the Company		-	-	-	-	-	-	-	(579)	**(579)**	-	**(579)**
Dividends declared to shareholders of non-controlling interests		-	-	-	-	-	-	-	-	**-**	(3)	**(3)**
Balance at 30 September 2017		***131,924***	**5**	**1,945**	**(89)**	**-**	**-**	**(2,729)**	**1,154**	**286**	**100**	**386**
Balance at 31 December 2017		***131,924***	**5**	**1,948**	**(89)**	**(2)**	**-**	**(2,723)**	**1,425**	**564**	**92**	**656**
Profit for the period			-	-	-	-	-	-	492	**492**	10	**502**
Effect of translation to presentation currency			-	-	-	-	-	(77)	-	**(77)**	(13)	**(90)**
Total comprehensive (loss) / income			**-**	**-**	**-**	-	**-**	**(77)**	**492**	**415**	**(3)**	**412**
Equity-settled share-based payment plans (LTIP), net of tax		-	-	6	-	-	-	-	-	**6**	-	**6**
Exercise of the LTIP first tranche	17	*415*	-	(17)	22	-	-	-	(6)	**(1)**	-	**(1)**
Increase ownership in subsidiaries		-	-	-	-	-	-	-	-	**-**	(2)	**(2)**
Dividends declared to shareholders of non-controlling interests	17	-				-	-	-	-	**-**	(1)	**(1)**
Declared dividends to shareholders of the Company	17	-				-	-	-	(575)	**(575)**	-	**(575)**
Balance at 30 September 2018		***132,339***	**5**	**1,937**	**(67)**	**(2)**	**-**	**(2,800)**	**1,336**	**409**	**86**	**495**

PJSC "POLYUS"

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

(in millions of US Dollars)

	Notes	Three months ended 30 September 2018	Three months ended 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Operating activities					
Profit before income tax		**197**	**446**	**537**	**1,146**
Adjustments for:					
Finance costs, net	8	50	43	143	151
Interest income		(7)	(6)	(18)	(23)
Loss / (gain) on investments and revaluation of derivative financial instruments, net	9	81	(30)	134	(98)
Depreciation and amortisation	11	68	47	154	129
Foreign exchange loss / (gain), net		121	(43)	363	(112)
Other		16	7	43	20
		526	**464**	**1,356**	**1,213**
Movements in working capital					
Inventories		(45)	(46)	(117)	(61)
Deferred expenditure		22	21	(7)	(2)
Trade and other receivables		(55)	13	(21)	27
Advances paid to suppliers and prepaid expenses		-	(6)	(6)	(10)
Taxes receivable		(5)	(24)	2	(14)
Trade and other payables and accrued expenses		34	12	23	9
Taxes payable		3	2	(28)	(17)
Other non-current liabilities		-	(1)	-	(3)
Cash flows from operations		**480**	**435**	**1,202**	**1,142**
Income tax paid		(57)	(37)	(142)	(194)
Net cash generated from operating activities		**423**	**398**	**1,060**	**948**
Investing activities[1]					
Purchase of property, plant and equipment (excluding payments for the Sukhoi Log deposit and construction of the Omchak high-voltage power grid)		(188)	(202)	(586)	(489)
Payments for the Sukhoi Log deposit	20	-	-	-	(36)
Payments for the Omchak high voltage power grid		(10)	(21)	(27)	(21)
Interest received		6	6	17	26
Proceeds from disposal of joint venture		-	-	-	100
Other		-	-	2	(3)
Net cash utilised in investing activities		**(192)**	**(217)**	**(594)**	**(423)**
Financing activities					
Proceeds from borrowings	18	80	-	1,125	800
Repayment of borrowings	18	(131)	(313)	(1,247)	(1,577)
Interest paid		(83)	(71)	(210)	(234)
Commissions on borrowings paid		-	(1)	(17)	(11)
Proceeds from issuance of shares		-	400	-	400
Direct expenses associated with issuance of the Company's shares		-	(3)	-	(3)
Proceeds from sales and leaseback transactions		-	-	-	11
Repayments of principal under finance lease		(1)	(1)	(3)	(4)
Net proceeds on exchange of interest payments under interest rate swaps	8	-	-	1	1
Net proceeds on exchange of interest payments under cross currency rate swaps	8	12	13	27	29
Payment for buy-back of shares		-	-	-	(1)
Increase of ownership in subsidiaries		-	-	(2)	-
Dividends paid to shareholders of the Company		(12)	(564)	(305)	(564)
Dividends paid to non-controlling interests		(1)	(3)	(1)	(3)
Net cash utilised in financing activities		**(136)**	**(543)**	**(632)**	**(1,156)**
Net increase / (decrease) in cash and cash equivalents		**95**	**(362)**	**(166)**	**(631)**
Cash and cash equivalents at the beginning of the period		**908**	**1,477**	**1,204**	**1,740**
Effect of foreign exchange rate changes on cash and cash equivalents		(3)	6	(38)	12
Cash and cash equivalents at the end of the period		**1,000**	**1,121**	**1,000**	**1,121**

[1] Significant non-cash transactions relating to investing activities are disclosed in note 20 to these condensed consolidated interim financial statements.

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 and Irkutsk regions and the Sakha Republic of the Russian Federation. The Group also performs research, exploration and development works; the ramp-up works being primarily at the Natalka licence area located in the Magadan region of the Russian Federation. Further details regarding the nature of the business and of the significant subsidiaries of the Group are presented in note 25.

The shares of the Company are "level one" listed on the Moscow Exchange. On 5 July 2017, global depositary shares (GDSs) representing Polyus' shares (with two global depositary shares representing interest in one Polyus share) were admitted to the official list maintained by the United Kingdom Financial Conduct Authority and to trading 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 Holding Limited, a company registered in Cyprus. As at 30 September 2018 and 31 December 2017, 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 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 Standards 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 2017.

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, as explained in the accounting policies below.

(in millions of US Dollars)

2.4. IFRS standards first time applied in 2018

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

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the condensed consolidated interim financial statements
Amendments to IFRS 2	Share-based payment	1 January 2018	No effect
IFRS 9	Financial instruments	1 January 2018	No significant changes, see below for further discussion
IFRS 15	Revenue from contracts with customers	1 January 2018	No significant changes, see below for further discussion.
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	No effect

2.4.1. IFRS 9 Financial Instruments – changes compared to IAS 39 and effect of adoption

IFRS 9 "Financial Instruments" (hereinafter referred to as "IFRS 9") replaces IAS 39 "Financial Instruments: Recognition and Measurement" (hereinafter referred to as "IAS 39") and provides two measurement categories for financial instruments: amortised cost and fair value depending on the contractual cash flows of the instrument and the business model under which it is held from 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income.

All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Effect on the condensed consolidated interim financial statements

Based on an analysis of the Group's financial assets and financial liabilities as at 1 January 2018 on the basis of the facts and circumstances at that date, the Group has performed an assessment of the impact of IFRS 9 adoption.

As required by IFRS 9, the Group now applies an expected credit loss model for its financial assets including short term deposits included in *cash and cash equivalents*, however this change has not resulted in a significant adjustment of the Group's *cash and cash equivalents*

Derivative financial assets and liabilities were already accounted at fair value through profit or loss (FVTPL) reflecting the expected credit loss model before IFRS 9 adoption.

Trade receivables, except for *trade receivables for gold-bearing products*, do not contain any significant financing component. The Group adopted a simplified model to calculate impairment losses (loss allowance is measured at an amount equal to lifetime expected credit losses) as allowed by IFRS 9. *Trade receivables for gold-bearing products* are now accounted at FVTPL. The adjustment to the price depends on gold market prices, therefore represents a sales contract with an embedded derivative within the accounts receivable. The embedded derivative relates to the accounts receivable, which is recognised and measured based on IFRS 9. The embedded derivative causes the receivable to fail the "solely payments of principal and interest" test under IFRS 9 meaning the receivable is measured at fair value through profit or loss within *Gain / (loss) on investments and revaluation of derivative financial instruments, net*. The effect of the change in the basis of measurement was insignificant.

Other receivables continue to be accounted at amortised cost and the change to expected credit losses model has also not resulted in the need for a significant adjustment for these financial assets.

All of the *Borrowings* continue to be accounted at amortised cost. Debt modification identified as of 1 January 2018 following adoption of IFRS 9 resulted in no effect on the *Borrowings*.

As at 1 January 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information that is available in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised. This resulted in no adjustment to the carrying amounts.

2.4.2. IFRS 15 Revenue from Contracts with Customers – changes compared to IAS 18 and effect of adoption

IFRS 15 provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. It replaces the separate models for goods currently included in IAS 18 "Revenue" ("IAS 18").

One of the key aspects of IFRS 15 for the Group is the identification of performance obligations. For refined gold sales, which is the most significant element of the Group's revenue, the performance obligation requires revenue to be recognised based on the transfer of control of the refined gold which is largely consistent with the revenue recognition under IAS 18.

Effect on the condensed consolidated interim financial statements

The Group has a number of sales contracts for other gold bearing products which contain provisional pricing terms depending on quantity and price. The adjustment to the quantity delivered is treated as a variable consideration and is not a financial asset within the scope of IFRS 9, thus completely recognised in *Other gold-bearing products* within *Gold sales*.

The adoption of IFRS 15 has not had an impact on the timing or the amount of recognition of revenue on gold sales, except for separate recognition of a component related to charges for transportation costs embedded in the sales contract for other gold bearing products, which is now treated as a separate performance obligation; *Revenue from transportation services* is presented within *Other sales* and related costs within *Cost of other sales*. However, the impact of this change was not significant.

2.5. Accounting policies regarding financial instruments (IFRS 9) and Revenue (IFRS 15) applied from 1 January 2018

2.5.1. Financial instruments

Financial assets
Financial assets are classified into financial assets measured at fair value through profit or loss, fair value through other comprehensive income and amortised cost. The Group determines the classification at initial recognition.

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

otherwise, they are classified as financial assets measured at fair value.

After initial recognition, financial assets are measured based on the classification as follows:

- Financial assets measured at amortised cost are measured at amortised cost using the effective interest method;
- Financial assets other than those measured at amortised cost are measured at fair value.

In addition, for financial reporting purposes fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Impairment of financial assets
In accordance with IFRS 9, the Group evaluates at each reporting period whether there is any objective evidence that financial assets measured at amortised cost are impaired under an expected credit loss model.

The Group always recognises lifetime expected credit losses (“ECL”) for its trade and other receivables (the “simplified approach” under IFRS 9) and updates this expectation at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

If there is objective evidence that impairment losses on financial assets measured at amortised cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

When impairment is recognised, the carrying amount of the financial asset is reduced by an allowance for doubtful accounts and impairment losses are recognised in profit or loss. The carrying amount of financial assets measured at amortised cost is directly reduced for the impairment when they are expected to become uncollectible in the future and all collateral is implemented or transferred to the Group. If, in a subsequent period, the amount of the impairment loss provided changes due to an event occurring after the impairment was recognised, the previously recognised impairment losses are adjusted through the allowance for doubtful accounts.

Derecognition
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense, respectively, over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments, as applicable, through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets designated as at FVTPL.

Financial liabilities
Financial liabilities are classified as subsequently measured at amortised cost, except for derivatives measured at fair value through profit or loss. The Group determines the classification at initial recognition.

All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortised cost are measured at cost after deducting transaction costs that are directly attributable to the financial liabilities.

After initial recognition, financial liabilities are measured based on the classification as follows:

- Financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method. Amortisation under the effective interest method and gains or losses on derecognition are recognised as profit or loss in the consolidated statement of income.
- Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as measured at fair value through profit or loss at initial recognition; The net gain or loss recognised in the consolidated statement of profit or loss incorporates any interest paid on the financial liability and is included in the *Gain / (loss) on derivative financial instruments and investments, net*.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised within *Finance cost*.

De-recognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments
The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk as well as risk of volatility in the gold price.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or FVTPL as appropriate.

Convertible Bonds contain both a derivative and a non-derivative component. The derivative component is termed an embedded derivative, with the non-derivative component representing the host contract. If the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract and the hybrid contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and reported at fair value, with gains and losses recognised in net gains (losses) on financial assets/liabilities at fair value through profit or loss. The host contract will continue to be accounted for in accordance with the appropriate accounting standard (amortised cost).

Accounting standards require that the fair value of financial instruments reflects their credit quality, and also changes in credit quality where there is evidence that this has occurred. The credit risk associated with the Group's derivative financial instruments is reflected in its derivative valuations. This credit factor is adjusted over time to reflect the reducing tenor of the instrument and is updated where the credit risk associated with the derivative has clearly changed based on market transactions and prices.

2.5.2. Revenue from Contracts with Customers

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group applies a 5-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

(in millions of US Dollars)

2.6. IFRS standards to be applied after 2018

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

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the condensed consolidated interim financial statements
IFRS 16	Leases	1 January 2019	Changes are expected, see below
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019	Under review
IFRIC 23	Uncertainty over Income Tax Treatment	1 January 2019	Under review
Amendments IAS 12	Income tax consequences of dividends	1 January 2019	Under review
Amendments IAS 19	Plan Amendments, Curtailment and Settlement	1 January 2019	Under review
Amendments IAS 23	Treatment of borrowings after the related asset is ready for its intended use or sale	1 January 2019	Under review

IFRS 16 Leases

As at 30 September 2018, the Group has non-cancellable operating lease commitments of USD 128 million (note 24). IAS 17 does not require the recognition of any right-of-use assets or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 24. A preliminary assessment indicates that these arrangements would meet the definition of a lease under IFRS 16, and hence the Group would recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's condensed consolidated interim financial statements and the Group is currently assessing its full potential effect. It is not practicable to provide a reasonable estimate of the financial effect until the Group completes the review.

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 2017, except for the new accounting policies discussed in 2.4. and 2.5. above resulting from application of the new standards.

Starting from 2018 the Group began to produce a gold-antimony flotation concentrate as part of its gold-bearing products. Antimony is treated as a by-product and is valued at its net realisable when produced. The net income from sale of antimony is recognised as a decrease to cost of gold sales upon its delivery to customers.

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 nine months ended 30 September 2018 are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2017.

Mine commissioning period

According to IAS 16 recognition of directly attributable costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

In management's judgement, a new mill is capable of operating in the manner intended by management, when, in addition to meeting general qualitative criteria, the following conditions, set at a certain percentage of the planned target, have been met for two consecutive months:

- Certain volume of gold containing ore is processed at the mill; and
- Certain recovery of gold from the ore.

As of 1 August 2018, those criteria were fulfilled for two consecutive months for the Natalka mine, and consequently, the Group concluded that starting from 1 August 2018 the Natalka mine is operating in the manner intended by management. Reclassifications were made to move assets from Mine under development and into the appropriate property, plant and equipment category (see *Property, plant and equipment* note 11) or inventory category.

Capitalisation of borrowing costs, other directly attributable costs including cost of testing during the ramp-up period and production costs net of proceeds from gold sold during ramp-up period ceased from 1 August 2018 (note 5).

5. SEGMENT INFORMATION

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

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

- ***Olimpiada business unit*** (Krasnoyarsk region of the Russian Federation) – mining (including initial processing) and sale of gold from the Olimpiada mine, as well as research, exploration and development work at the Olimpiada deposit. Results of Titimukhta mine are included within Olimpiada business unit because extraction from the Titimukhta deposit is insignificant and Titimukhta processing facilities are now being used to process Olimpiada ore;
- ***Blagodatnoye business unit*** (Krasnoyarsk region of the Russian Federation) – mining (including initial processing) and sale of gold from the Blagodatnoye mine, as well as research, exploration and development work at the Blagodatnoye deposit;
- ***Alluvials business unit*** (renamed, previously Irkutsk alluvial business unit, Irkutsk region, Bodaibo district of the Russian Federation) – mining (including initial processing) and sale of gold from several alluvial deposits;
- ***Verninskoye business unit*** (renamed, previously Irkutsk ore business unit, Irkutsk region, Bodaibo district of the Russian Federation) – mining (including initial processing) and sale of gold from the Verninskoye mine, research, exploration and development works at the Smezhny and Medvezhy Zapadny deposits;
- ***Kuranakh business unit*** (renamed, previously Yakutia Kuranakh business unit, Sakha Republic of the Russian Federation) – mining (including initial processing) and sale of gold from the Kuranakh mines;
- ***Natalka business unit*** (renamed, previously Magadan 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;

- ***Sukhoi Log business unit*** (Irkutsk region of the Russian Federation) – represented by SL Gold which performs exploration and evaluation works at the Sukhoi Log deposit;
- ***Exploration business unit*** (Krasnoyarsk region, Irkutsk region, Amur region, and others) – research and exploration works in several regions of the Russian Federation;
- ***Capital construction unit*** **-** represented by LLC Polyus Stroy, JSC TaigaEnergoStroy and JSC VitimEnergoStroy, which perform construction works at Verninskoye, Olimpiada and other deposits;
- ***Unallocated*** – the Group does not allocate segment results of companies that perform management, investing activities and certain other functions. Neither standalone results nor the aggregated results of these companies are required to be disclosed as operating segments because quantitative thresholds are not met.

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

- gold sales;
- ounces of gold sold, in thousands;
- adjusted earnings before interest, tax, depreciation and amortisation and other items (Adjusted EBITDA);
- total cash cost per ounce of gold sold (TCC); 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.

(in millions of US Dollars)

	Gold sales	Ounces of gold sold in thousand[2]	Adjusted EBITDA	TCC per ounce of gold sold (USD per ounce)[2]	Capital expenditures
Three months ended 30 September 2018					
Business units					
Olimpiada	429	375	323	233	46
Blagodatnoye	134	110	88	358	6
Alluvials	102	83	32	725	4
Verninskoye	72	60	47	340	11
Kuranakh	52	44	29	482	10
Natalka	32	27	9	685	40
Exploration	-	-	-	-	1
Capital construction	-	-	-	-	4
Sukhoi Log	-	-	-	-	6
Unallocated	-	-	9	-	18
Total	**821**	**699**	**537**	**345**	**146**
Three months ended 30 September 2017					
Business units					
Olimpiada	352	281	244	334	41
Blagodatnoye	148	116	104	333	17
Alluvials	109	85	43	719	5
Verninskoye	68	53	42	406	11
Kuranakh	56	43	30	472	17
Natalka	-	-	-	-	107
Exploration	-	-	-	-	2
Capital construction	-	-	-	-	-
Sukhoi Log	-	-	-	-	4
Unallocated	-	-	12	-	1
Total	**733**	**578**	**475**	**380**	**205**
Nine months ended 30 September 2018					
Business units					
Olimpiada	1,149	932	823	284	146
Blagodatnoye	407	317	273	356	57
Alluvials	132	107	37	718	18
Verninskoye	221	172	141	374	30
Kuranakh	171	134	89	520	33
Natalka	32	27	11	685	186
Exploration	-	-	-	-	5
Capital construction	-	-	(1)	-	12
Sukhoi Log	-	-	-	-	15
Unallocated	-	-	8	-	45
Total	**2,112**	**1,689**	**1,381**	**355**	**547**
Nine months ended 30 September 2017					
Business units					
Olimpiada	1,006	816	654	361	93
Blagodatnoye	440	346	311	312	30
Alluvials	148	116	52	705	17
Verninskoye	201	160	120	403	23
Kuranakh	155	123	79	538	39
Natalka	-	-	3	-	284
Exploration	-	-	-	-	4
Capital construction	-	-	1	-	13
Sukhoi Log	-	-	-	-	9
Unallocated	-	-	17	-	13
Total	**1,950**	**1,561**	**1,237**	**380**	**525**

[2] unaudited and not reviewed

(in millions of US Dollars)

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

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Profit for the period	**144**	**371**	**502**	**974**
Income tax	53	75	35	172
Depreciation and amortisation (note 11)	68	47	154	129
Finance costs (note 8)	50	43	143	151
Equity-settled share-based payment plans	5	6	10	13
Foreign exchange loss / (gain), net	121	(43)	363	(112)
Loss / (gain) on investments and revaluation of derivative financial instruments (note 9)	81	(30)	134	(98)
Interest income	(7)	(6)	(18)	(23)
Special charitable contributions	12	11	21	29
Impairment	9	-	36	6
Loss / (gain) on disposal of property, plant and equipment	1	1	1	(4)
Adjusted EBITDA	**537**	**475**	**1,381**	**1,237**

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

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Cost of gold sales before by-product	328	264	772	719
Antimony by-product sales	(23)	-	(28)	-
Cost of gold sales	**305**	**264**	**744**	**719**
Adjusted for:				
Depreciation and amortisation (note 11)	(84)	(49)	(193)	(134)
Depreciation, amortisation and accrual provisions in inventory change	20	4	49	7
TCC[3]	**241**	**219**	**600**	**592**
Ounces of gold sold, in thousand[3]	699	578	1,689	1,561
TCC per ounce of gold sold, USD per ounce[3]	**345**	**380**	**355**	**380**

Gold sales reported above represent revenue generated from external customers. There were no inter-segment gold sales during the three and nine months ended 30 September 2018 and 2017.

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Refined gold	737	718	1,983	1,871
Other gold-bearing products	84	15	129	79
Total gold sales	**821**	**733**	**2,112**	**1,950**

There were USD 3 million of realised gains on derivatives included within gold sales during three and nine months ended 30 September 2018 (three and nine months ended 30 September 2017: nil and USD 22 million respectively).

Gold sales in the Alluvials business unit usually occur from May until October.

[3] unaudited and not reviewed

(in millions of US Dollars)

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

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Capital expenditure	**146**	**205**	**547**	**525**
Acquisition of Sukhoi Log	-	131	-	267
Construction of the Omchak high-voltage power grid	10	19	27	21
Stripping activity assets additions (note 11)	57	38	156	111
Less: other non-current assets additions	(9)	(5)	(25)	(10)
Property plant and equipment additions (note 11)	**204**	**388**	**705**	**914**

Natalka capital expenditure	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Purchase of equipment and construction works	36	68	127	173
Capitalisation of borrowing costs (until 1 August 2018) (note 4)	7	23	54	69
Capitalisation of other directly attributable costs including cost of testing during the ramp-up period (until 1 August 2018) (note 4)	-	16	25	42
Capitalisation of production costs net of proceeds from gold sold during ramp-up period (until 1 August 2018) (note 4)	(3)	-	(20)	-
Total	**40**	**107**	**186**	**284**

Capital expenditure are primarily related to the following projects:

- **Natalka:** ongoing works on infrastructure facilities: foundation works on the fuel and lubricant warehouse and Assay lab number two, site preparation works on the main tailing storage facility; Assay lab number one is nearing completion, facility will be put into operation after delivery of sample assaying equipment.
- **Olimpiada:** expansion of the mill's throughput; delivery of large-capacity dump trucks for the Vostochny pit has been completed; ongoing works on the tailings storage facility.
- **Blagodatnoye:** ongoing works on flash-flotation implementation; further works on the second stage of the mill expansion.
- **Kuranakh**: the mill already reached a throughput of above 5 million ton of ore per year, but the technical refurbishment works to ensure stable performance at this level were still ongoing; further mill's throughput expansion; completion of works at Heap Leaching facility, commissioning permit will be obtained in October 2018.
- **Verninskoye:** as part of the expansion of the mill commissioning works on the desorption section were completed.

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

(in millions of US Dollars)

6. COST OF GOLD SALES

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Labour	85	81	205	206
Consumables and spares	67	61	173	163
Depreciation and amortisation of operating assets (note 11)	84	49	193	134
Tax on mining	46	40	119	106
Fuel	30	24	65	56
Power	10	4	27	21
Other	20	22	48	48
Total cost of production	**342**	**281**	**830**	**734**
Increase in stockpiles, gold-in-process and refined gold inventories	(37)	(17)	(86)	(15)
Total	**305**	**264**	**744**	**719**

Cost of production during the nine months ended 30 September 2018 is net of USD 41 million credit (USD 13 million during the three months ended 30 September 2018) representing the net realizable value of antimony (by-product) contained in the gold-antimony flotation concentrate produced.

During the nine months ended 30 September 2018, the Group sold USD 28 million of antimony (USD 23 million during the three months ended 30 September 2018).

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Salaries	35	32	103	93
Distribution expenses related to gold-bearing products	7	1	13	7
Taxes other than mining and income taxes	5	3	11	9
Professional services	2	5	6	11
Depreciation and amortisation (note 11)	3	2	7	5
Other	5	5	17	15
Total	**57**	**48**	**157**	**140**

8. FINANCE COSTS, NET

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Interest on borrowings	66	76	205	241
Gain on an early redemption of financial liabilities (note 18)	(3)	-	(5)	-
Unwinding of discounts	4	3	11	8
Bank commission and write-off of unamortised debt cost due to early extinguishment and modification of the debt	2	6	13	17
Gain on exchange of interest payments under cross currency swaps	(12)	(13)	(27)	(29)
Gain on exchange of interest payments under interest rate swaps	-	-	(1)	(1)
Sub-total finance cost, net	**57**	**72**	**196**	**236**
Interest included in the cost of qualifying assets	(7)	(29)	(53)	(85)
Total	**50**	**43**	**143**	**151**

(in millions of US Dollars)

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

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Revaluation (loss) / gain on cross currency swaps	(99)	36	(206)	73
Revaluation gain / (loss) on revenue stabiliser	19	(6)	55	(38)
Revaluation loss on ineffective part of the revenue stabiliser under Tranches 1 and 2 during cash flow hedge period (note 12)	-	-	-	(27)
Revaluation gain / (loss) on interest rate swaps	1	-	-	(2)
Revaluation (loss) / gain on conversion option (note 18)	(2)	-	17	-
Gain on disposal of joint venture	-	-	-	92
Total	**(81)**	**30**	**(134)**	**98**

10. INCOME TAX BENEFIT / (EXPENSE)

Since May 2018, JSC Polyus Magadan has been included in the register of the participants of regional investment projects (RInvP) of the Magadan region. As a result, the subsidiary has been granted a right to apply reduced tax rates of corporate income tax and tax on mining for 10 years commencing from the first tax period in which a taxable income from gold sales is recognised. Additional exemption for the tax on mining is available in the intervening period.

As the Group expects to have the first taxable income from Natalka mine in 2019, JSC "Polyus Magadan" expects to apply the reduced tax rates as follows:

- Tax on mining: 0% from 1 May 2018 to 31 December 2020 increasing by 1.2% every two years thereafter to 6% by 2029.

- Corporate income tax: 0% from 1 January 2019 to 31 December 2023; 10% from 1 January 2024 to 31 December 2028.

As a result of the RInvP, deferred tax assets and liabilities were recalculated by applying the expected income tax rates. At 30 September 2018, the resulting difference amounted to USD 89 million and was immediately recognised in the arriving at profit for the period.

(in millions of US Dollars)

11. PROPERTY, PLANT AND EQUIPMENT

	Fixed assets	Mine under development	Stripping activity assets	Capital construction in progress	Exploration and evaluation assets	Total
Cost						
Balance at 31 December 2016	**1,703**	**1,370**	**353**	**301**	**306**	**4,033**
Additions	-	305	111	212	286	**914**
Transfers	155	(19)	-	(136)	-	-
Change in site restoration, decommissioning and environmental obligations	11	-	-	-	-	**11**
Disposals	(18)	-	-	(1)	(15)	**(34)**
Reclassified as held for sale	(55)	-	-	(97)	-	**(152)**
Effect of translation to presentation currency	79	66	17	12	19	**193**
Balance at 30 September 2017	**1,875**	**1,722**	**481**	**291**	**596**	**4,965**
Balance at 31 December 2017	**2,014**	**1,876**	**522**	**335**	**592**	**5,339**
Additions	-	190	156	334	25	**705**
Transfers	258	-	-	(258)	-	**-**
Change in site restoration, decommissioning and environmental obligations	(3)	-	-	-	-	**(3)**
Disposals	(29)	(18)	(26)	(1)	-	**(74)**
Natalka mine commissioning	1,447	(1,816)	-	368	1	**-**
Reclassification to inventory	-	(81)	-	-	-	**(81)**
Gross up of accumulated depreciation	89	-	-	-	-	**89**
Effect of translation to presentation currency	(334)	(151)	(71)	(63)	(74)	**(693)**
Balance at 30 September 2018	**3,442**	**-**	**581**	**715**	**544**	**5,282**
Accumulated amortisation, depreciation and impairment						
Balance at 31 December 2016	**(938)**	**(7)**	**(99)**	**(8)**	**(43)**	**(1,095)**
Charge	(117)	-	(39)	-	-	**(156)**
Disposals	16	-	-	3	15	**34**
Reclassified as held for sale	5	-	-	-	-	**5**
Impairment	-	-	-	-	(2)	**(2)**
Effect of translation to presentation currency	(42)	-	(5)	(1)	(2)	**(50)**
Balance at 30 September 2017	**(1,076)**	**(7)**	**(143)**	**(6)**	**(32)**	**(1,264)**
Balance at 31 December 2017	**(1,120)**	**(13)**	**(158)**	**(11)**	**(32)**	**(1,334)**
Charge	(162)	-	(87)	-	-	**(249)**
Disposals	27	18	26	-	-	**71**
Impairment	-	(23)	-	(13)	-	**(36)**
Natalka mine commissioning (reclassification of accumulated impairment)	-	13	-	(13)	-	**-**
Reclassification to inventory provision	-	4	-	-	-	**4**
Gross up of accumulated depreciation	(89)	-	-	-	-	**(89)**
Effect of translation to presentation currency	149	1	21	2	4	**177**
Balance at 30 September 2018	**(1,195)**	**-**	**(198)**	**(35)**	**(28)**	**(1,456)**
Net book value at						
31 December 2016	**765**	**1,363**	**254**	**293**	**263**	**2,938**
30 September 2017	**799**	**1,715**	**338**	**285**	**564**	**3,701**
31 December 2017	**894**	**1,863**	**364**	**324**	**560**	**4,005**
30 September 2018	**2,247**	**-**	**383**	**680**	**516**	**3,826**

(in millions of US Dollars)

Following the commissioning of the Natalka mine at 1 August 2018 (note 4) previously accumulated balances in the *Mine under development* were transferred into *Fixed assets, Capital construction in progress, Inventory and Exploration and evaluation assets.*

Balances related to auxiliary infrastructure facilities which are to be completed and put into operation at later stages were transferred to *Capital construction in progress* balance in the amount of USD 368 million.

Materials which will be involved in the gold production cycle, rather than will be used in construction activities were reclassified into *Inventory balance* in the net amount of USD 77 million.

Accumulated depreciation related to individual fixed assets which had been involved in the construction of Natalka mine was presented net within the *Mine under development cost*. Starting from 1 August 2018, it is presented separately after reclassification of USD 89 million from *Mine under development cost* into *Accumulated depreciation* line.

Mineral rights

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

	30 Sep. 2018	31 Dec. 2017
Mineral rights presented within fixed assets	72	48
Mineral rights presented within mine under development	-	36
Mineral rights presented within exploration and evaluation assets	392	445
Total	**464**	**529**

Exploration and evaluation assets

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

	30 Sep. 2018	31 Dec. 2017
Sukhoi Log	391	430
Chertovo Koryto	27	30
Razdolinskoye	25	28
Bamsky	16	18
Panimba	16	17
Olimpiada	11	8
Smezhny	9	10
Burgakhchan area	8	7
Blagodatnoye	7	8
Medvezhy Zapadny	2	2
Other	4	2
Total	**516**	**560**

Amounts related to Sukhoi Log license were capitalised as follows:

Balance at 31 December 2017	**430**
Additions	15
Effect of translation to presentation currency	(54)
Balance at 30 September 2018	**391**

(in millions of US Dollars)

Depreciation and amortisation

Depreciation and amortisation charges are allocated as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Cost of gold sales	64	45	144	123
Depreciation in change in inventory	20	4	49	11
Total depreciation and amortisation within cost of production (note 6)	**84**	**49**	**193**	**134**
Capitalised within property, plant and equipment	18	3	56	19
Selling, general and administrative expenses (note 7)	3	2	7	5
Cost of other sales	1	-	3	1
Total depreciation and amortisation	**106**	**54**	**259**	**159**
Less: amortisation of other non-current assets	(4)	(3)	(10)	(3)
Total depreciation of property, plant and equipment	**102**	**51**	**249**	**156**

Capitalised borrowing costs

Included in the cost of *qualifying assets* are capitalised borrowing costs consisting of the following:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Interest expenses (note 8)	7	27	53	83
Foreign exchange loss	-	-	2	1
Interest income on bank deposits	-	(1)	(1)	(3)
Total	**7**	**26**	**54**	**81**

12. DERIVATIVE FINANCIAL INSTRUMENTS AND INVESTMENTS

	30 Sep. 2018	31 Dec. 2017
Non-current derivative financial assets and investments		
Revenue stabiliser	1	-
Cross currency swaps	4	32
Interest rate swaps	8	6
Total non-current derivative financial assets and investments	**13**	**38**
Current derivative financial assets and investments		
Cross currency swaps	2	-
Total current derivative financial assets and investments	**2**	**-**
Total derivative financial assets and investments	**15**	**38**
Non-current derivative financial liabilities		
Cross currency swaps	49	383
Revenue stabiliser	3	64
Conversion option on convertible bonds (note 18)	2	-
Interest rate swaps	3	1
Total non-current derivative financial liabilities	**57**	**448**
Current derivative financial liabilities		
Cross currency swaps	465	-
Total current derivative financial liabilities	**465**	**-**
Total derivative financial liabilities	**522**	**448**

(in millions of US Dollars)

Revenue stabiliser

The revenue stabiliser represents a series of zero cost Asian barrier collar agreements to purchase put options and sell call options with "knock-out" and "knock-in" barriers. The Group entered into revenue stabiliser agreements in 2014-2016. In 2015, the Group restructured several revenue stabiliser agreements, resulting in a partial close out of the fourth year options and lowering barriers on the remaining options for the first three years of each instrument.

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

As of 30 September 2018, remaining hedged volume has the following summarised terms:

	From 1 October 2018 to 31 March 2019		From 1 April 2019 to 31 December 2020	
	Put options	**Call options**	**Put options**	**Call options**
Volume, thousand ounces	120	120	1,140	1,215
Average strike, USD per ounce	1,248	1,350	979	1,396
Average knock-in/out barrier, USD per ounce	900	1,450	929	1,590

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

Cross currency swaps

RUB denominated credit facilities with fixed interest rate

In August 2018 the Group entered into new cross currency swaps with leading Russian banks to economically hedge interest payments and principal amounts nominated in RUB. As a result of the new and previously existed swaps the following terms were in place as of 30 September 2018:

- the Group quarterly pays to the banks 3.94% in USD and receives from the banks 10.35% in RUB; and at maturity (9 April 2019) the Group exchanges principal amounts paying USD 808 million and receiving RUB 28,443 million (amended terms of cross currency swap agreements with the same banks dated to 2014);
- the Group quarterly pays to the banks 3.98% in USD and receives from the banks 10.35% in RUB; and at maturity (9 April 2019) the Group exchanges principal amounts paying USD 215 million and receiving RUB 7,556 million;
- the Group semi-annually pays to the banks LIBOR + Margin 4.45% for RUB 10 billion and 5.9% for RUB 5.3 billion in USD and receive from the banks 12.1% in RUB; and at maturity (July 2021) the Group will exchange principal amounts paying USD 255 million and receiving RUB 15.3 billion;
- at 9 April 2019 the Group exchanges principal amounts paying RUB 64,801 million and receiving USD 965 million. The Group starting from 9 July 2019 will quarterly pay to the banks 5.00% (weighted average) in USD and receive from the banks 8.16% in RUB; and at maturity (9 April 2024) the Group exchanges principal amounts paying USD 965 million and receiving RUB 64,801 million.

The Group accounted for these derivative financial instruments at fair value through profit or loss which was determined using a discounted cash flow valuation technique. Changes in the fair value of the cross currency swaps are recognised within the *Gain / (loss) on investments and revaluation on derivative financial instruments* of the condensed consolidated interim statement of profit or loss (note 9). The gain or loss on the exchange of interest payments is recognised within the *Finance cost, net* (note 8).
The fair value measurement is based on inputs (spot currency exchange rates and forward USD LIBOR and RUB rates), which are observable in the market and are classified as Level 2 in accordance with the hierarchy of fair value.

(in millions of US Dollars)

Interest rate swaps

As of 30 September 2018, the Group was a party to interest rate swap agreements, concluded in 2014 and 2016 according to which:

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

The purpose of this swap was to decrease the effective interest rate for the USD 750 million Eurobonds.

The Group accounts for the swaps at fair value through profit or loss which was determined using a discounted cash flow valuation technique.

Changes in the fair value of the interest rate swaps are recognised within the *Gain / (loss) on investments and revaluation on derivative financial instruments* of the condensed consolidated interim statement of profit or loss (note 9). The gain or loss on the exchange of interest payments is recognised within the *Finance cost* (note 8).

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

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 adjusted for a differential in z-spreads of quoted bonds of the Group and the peer in question to correctly reflect the Group’s credit risk.

13. INVENTORIES

	30 Sep. 2018	31 Dec. 2017
Inventories expected to be used after 12 months		
Stockpiles	250	287
Gold-in-process	12	13
Sub-total	**262**	**300**
Inventories expected to be used in the next 12 months		
Stockpiles	111	70
Gold-in-process	103	54
Antimony in gold-antimony flotation concentrate	22	-
Refined gold and gold in flotation concentrate	2	22
Stores and materials	384	304
Less: obsolescence provision for stores and materials	(17)	(15)
Sub-total	**605**	**435**
Total	**867**	**735**

(in millions of US Dollars)

14. TRADE AND OTHER RECEIVABLES

	30 Sep. 2018	31 Dec. 2017
Trade receivables for gold-bearing products at FVTPL (Level 2)	76	51
Other receivables	46	56
Less: allowance for other receivables	(5)	(6)
Total	**117**	**101**

15. TAXES RECEIVABLE

	30 Sep. 2018	31 Dec. 2017
Reimbursable value added tax	92	105
Income tax prepaid	39	7
Other prepaid taxes	1	2
Total	**132**	**114**

16. CASH AND CASH EQUIVALENTS

	30 Sep. 2018	31 Dec. 2017
Bank deposits		
- USD	774	914
- RUB	65	30
Current bank accounts		
- USD	109	136
- RUB	20	55
Cash in the Federal Treasury (note 19)	29	69
Other cash and cash equivalents	3	-
Total	**1,000**	**1,204**

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

- USD	1.9-3.7%	1.2-2.6%
- RUB	6.0-7.5%	4.0-7.8%

17. SHARE CAPITAL

Authorised, issued and fully paid share capital of the Company as of 30 September 2018 comprised 133,561 thousand ordinary shares at par value of RUB 1.

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

In 2016, the Board of Directors of PJSC Polyus approved a long-term incentive plan (LTIP) according to which the members of top management of the Group are entitled to a conditional award in the form of PJSC Polyus' ordinary shares which vest upon achievement of financial and non-financial performance targets. The LTIP stipulates three rolling performance periods: 2016-2017, 2016-2018 and 2017-2019. The total number of shares that may be distributed under the LTIP is up to 1.43% of the total share capital of the Company, which can be granted from newly issued ordinary shares or from treasury shares, if any.

Total expense for the nine months ended 30 September 2018 arising from LTIP was immediately recognised in the consolidated statement of profit or loss within the line *Salaries* included within *Selling, general and administrative expenses* in the amount of USD 10 million (nine months ended 30 September 2017: USD 13 million).

During nine months ended 30 September 2018 the first tranche of the long-term incentive plan vested and the Group issued 415 thousand shares from the treasury stock of USD 22 million.

Dividends

As of 31 May 2018 Shareholders of the Company declared dividends for the second half of the 2017 financial year of 147.12 RUR per 1 share in the total amount of USD 311 million.

As of 28 September 2018 Shareholders of the Company declared dividends for the first half of the 2018 financial year of 131.11 RUR per 1 share in the total amount of USD 264 million. Thus the total amount of dividends declared during the nine months ended 30 September 2018 was USD 575 million.

Weighted average number of ordinary shares

The weighted average number of ordinary shares (presented in thousands in the table below) used in the calculation of basic and diluted earnings per share ("EPS") is presented below (thousands of shares):

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Ordinary shares in issue at the beginning of the reporting period	**132,339**	**125,717**	**131,924**	**125,632**
Repurchase of treasury shares	-	-	-	(14)
New Shares issued during the Offering	-	5,917	-	6,016
Purchase of additional ownership in SL Gold through issuance of treasury shares	-	290	-	290
Treasury shares issued for LTIP	-	-	415	-
Ordinary shares in issue at the end of the period	**132,339**	**131,924**	**132,339**	**131,924**
Weighted average number of ordinary shares – basic EPS	**132,339**	**131,218**	**132,221**	**127,516**
Convertible bonds (note 18)	1,998	-	2,154	-
Potential Shares to be issued upon increase in SL Gold ownership interest (note 20)	1,736	1,027	1,736	348
LTIP	387	406	312	213
Weighted average number of ordinary shares – dilutive EPS	**136,460**	**132,651**	**136,423**	**128,077**
Profit after tax attributable to the shareholders of the Company (million USD)	135	360	492	969
Effect of potential dilution (million USD)	2	2	(10)	4
Profit after tax attributable to the shareholders of the Company for diluted EPS calculation (million USD)	**137**	**362**	**482**	**973**

(in millions of US Dollars)

18. BORROWINGS

	Nominal rate %	30 Sep. 2018	31 Dec. 2017
USD 750 million Eurobonds with fixed interest rate due in 2020	5.625%	674	745
USD 500 million Eurobonds with fixed interest rate due in 2022	4.699%	478	495
USD 800 million Eurobonds with fixed interest rate due in 2023	5.250%	782	793
USD 500 million Eurobonds with fixed interest rate due in 2024	4.7%	466	-
USD 250 million convertible bonds with fixed interest rate due in 2021	1%	185	-
Credit facilities with financial institutions nominated in USD with variable interest rates	USD LIBOR + 4.5%	-	1,240
Credit facilities with financial institutions nominated in RUR with fixed interest rates	10.35%	512	577
Credit facilities with financial institutions nominated in USD with fixed interest rates	4.1% - 5.7%	620	67
Notes due in 2025 (Rusbonds) with noteholders’ early repayment option in 2021	12.1%	232	265
Credit facilities with financial institutions nominated in RUR with variable interest rates	Central bank rate + 2.3%	69	86
Lease liabilities nominated with fixed interest rates in USD	5.1% - 8.5%	11	13
Sub-total		**4,029**	**4,281**
Less: short-term borrowings and current portion of long-term borrowings due within 12 months		(8)	(12)
Long-term borrowings		**4,021**	**4,269**

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 fixed interest rates

The Group signed an additional agreement to the original credit facility agreement dated back to 2014, for a credit line facility with a financial institution in a total amount of RUB 65 billion (USD 991 million) due in 2024 to refinance existing credit line facility of RUB 36 billion (of which RUB 33.8 billion were drawn down) due in 2019. New interest rate is set at 8.16% starting from 10 April 2019. These resulted in a substantial debt modification and respective loss of USD 2 million and was reflected in line *Bank commission and write-off of unamortised debt cost due to early extinguishment of the debt* within *Finance cost* note. The facility is available for drawdown only in period from 8 to 17 April 2019.

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

In January 2018, in accordance with the original terms of the credit agreements, the interest rate was changed from variable to fixed for the USD 1,240 million credit facility of which USD 1 billion was subsequently repaid, see below.

During the nine months ended 30 September 2018, the Group borrowed in the total USD 375 million under several new credit facilities maturing in 2023.

Issue of USD 500 million Eurobonds

In January 2018, the Group issued USD 500 million Notes due in 2024 that have a coupon of 4.7% per annum payable on a semi-annual basis in arrears.

Issue of USD 250 million convertible bonds

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

As at 30 September 2018, the fair value of conversion option of USD 2 million was determined with the reference to the Polyus credit spread, risk-free interest rate and share price volatility (Level 2 of the fair value hierarchy) as disclosed in note 12 under the heading of *Conversion option on convertible bonds*. The result of change in the fair value of the conversion option for the period is disclosed in note 9 under heading of *Revaluation gain / (loss) on conversion option*.

Convertible bonds buy back

In April 2018, due to significant market dislocation, the Group proceeded with a buyback of 20% of the outstanding convertible bonds issue in the total nominal amount of USD 50 million. The final buyback price stood at 86.7%, expressed as a percentage of the principal amount of the convertible bond resulting in a gain of USD 2 million recorded within the line *Gain on an early redemption of financial liabilities* (note 8).

Repayment of debt

The proceeds from the issuance of USD 500 million Eurobonds and USD 250 million convertible bonds during the nine month ended 30 September 2018 were mainly used for partial early repayment of USD 1 billion of the credit facility with a financial institution nominated in USD with fixed interest rates (the remaining USD 250 million came from own funds). In addition, the Group repaid USD 68 million in advance of maturity credit facilities with financial institutions nominated in USD with fixed interest rates.

Eurobonds buy back

In September 2018 the Group bought back USD 132 million of Eurobonds across all the series, with the result in a gain of USD 3 million recorded within the line *Gain on an early redemption of financial liabilities* (note 8).

Unused credit facilities

In 2014, one of the Group's subsidiaries entered into a five year RUB 40,000 million credit line with a bank to fund its general corporate purposes. During three months ended 30 September 2018 the Group terminated this contract and entered into a new seven years RUB 85,000 million (USD 1,296 million based on exchange rate as at reporting date) credit line with the same financial institution. This facility remains undrawn at 30 September 2018.

Pledge

As at 30 September 2018 and 31 December 2017, all shares of JSC TaigaEnergoStroy belonging to the Group were pledged to secure a credit line.

Other matters

There were a number of financial covenants under several loan agreements in effect as of 30 September 2018 according to which the respective subsidiaries of the Company and the Company itself are limited in its level of leverage and other financial and non-financial parameters.

The Group tests covenants quarterly and was in compliance with the covenants as of 30 September 2018.

(in millions of US Dollars)

Fair value measurements

Except as detailed in the following table, the directors consider that the carrying amounts of financial liabilities recorded at amortised cost in the condensed consolidated interim financial statements approximate their fair value due to the short term nature of liabilities.

	30 September 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Eurobonds (Level 1)	2,400	2,346	2,033	2,140
Borrowings (Level 2)	1,212	1,197	1,983	1,977
Rusbonds (Level 1)	232	251	265	298
Convertible bonds (Level 2)	185	175	-	-
Total	**4,029**	**3,969**	**4,281**	**4,415**

Whilst accounted for at amortised cost, the fair value measurement of all of the Group’s borrowings except for the Eurobonds and Rusbonds is within Level 2 of the fair value hierarchy in accordance with IFRS 13. The fair value of the Eurobonds and Rusbonds is within Level 1 of the fair value hierarchy, because the Eurobonds and Rusbonds are publicly traded in an active market.

The fair value measurement of *borrowings* and *convertible bonds* is based on observable market inputs: spot currency exchange rates, forward USD LIBOR and RUB interest rates and the company’s own credit risk, quoted price of the convertible bonds

19. DEFERRED REVENUE

As of 30 September 2018, JSC Polyus Magadan, a 100% subsidiary of the Group, was a party of the agreement with the Ministry for the Development of the Russian Far East (“Minvostokrazvitiya”) under which Minvostokrazvitiya was to provide to JSC Polyus Magadan a government grant in the total amount RUB 8,757 million (USD 134 million, including VAT).

Under the agreement the grant must be used for the construction of: (i) 220 kW electricity transmission line “Ust’-Omchug – Omchak New”, (ii) 220 kW distribution point and (iii) 220 kW electric power substation “Omchak New” (Omchak high-voltage power grid). The construction is expected to be completed in 2019. Any unutilised balance of the grant will have to be returned to Minvostokrazvitiya. JSC Polyus Krasnoyarsk is a guarantor under the agreement.

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

Carrying value as of 31 December 2017	**132**
VAT attributable to construction of the Omchak high-voltage power grid	(3)
Effect of translation to presentation currency	(16)
Carrying value as of 30 September 2018	**113**

(in millions of US Dollars)

20. DEFERRED CONSIDERATION

As of 30 September 2018, the Group has a 58.4% interest in SL Gold and has two sets of call and put option agreements with RT, a wholly owned subsidiary of Rostec. Under these option agreements the Group increased its ownership interest in SL Gold from 51% to 58.4% during 2017 and is expected to increase it to 100% by 2022 with a right to accelerate.

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

- approximately USD 21 million for 3.6% of participation interest in the first half of 2017 (exercised on 25 May 2017);
- approximately USD 28 million for 4.8% of participation interest at the beginning of 2019;
- approximately USD 28 million for 4.8% of participation interest at the beginning of 2020;
- approximately USD 28 million for 4.8% of participation interest at the beginning of 2021; and
- approximately USD 34 million for 5.9% of participation interest at the beginning of 2022.

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

- approximately USD 22 million for 3.8% of participation interest in the second half of 2017 (exercised on 14 July 2017);
- approximately USD 29 million for 5.0% of participation interest at the beginning of 2019;
- approximately USD 29 million for 5.0% of participation interest at the beginning of 2020;
- approximately USD 29 million for 5.0% of participation interest at the beginning of 2021; and
- approximately USD 37 million for 6.3% of participation interest at the beginning of 2022.

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

Carrying value at 31 December 2017	**216**
Unwinding of interest on deferred consideration	7
Foreign exchange gain, net	27
Effect of translation to presentation currency	(27)
Total carrying value at 30 September 2018	**223**
Less: short-term part of the option liabilities	(56)
Long-term part of the option liabilities as at 30 September 2018	**167**

The fair value measurement on the date of initial recognition is based on inputs (spot currency exchange rates and discount rates), which are observable in the market and are classified as Level 2 in accordance with the hierarchy of fair value measurements. As of 30 September 2018, the fair value of the *Deferred consideration* approximately equals USD 217 million.

21. TRADE AND OTHER PAYABLES

	30 Sep. 2018	**31 Dec. 2017**
Wages and salaries payable	72	93
Interest payable	48	69
Trade payables to third parties	81	36
Accrued annual leave	26	27
Dividends payable	267	2
Other accounts payable and accrued expenses	65	91
Total	**559**	**318**

The average credit period for trade payables at 30 September 2018 was 45 days (31 December 2017: 32 days). No interest was charged on the outstanding payables balance during the credit period.

(in millions of US Dollars)

22. TAXES PAYABLE

	30 Sep. 2018	31 Dec. 2017
Value added tax	11	45
Tax on mining	15	15
Social taxes	7	8
Property tax	6	2
Income tax payable	4	13
Other taxes	3	4
Total	**46**	**87**

23. RELATED PARTIES

Related parties include substantial shareholders, entities under common ownership and control within the Group and members of key management.

Immediate shareholder

The Group did not have any balances in respect of transactions with its parent entity at 30 September 2018.

The Group's transactions with its parent entity during the periods and their reported amounts were as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Interest expense	-	-	-	19
Interest capitalised	-	-	-	16
Transfer of PGIL Notes	-	-	-	2,050
Proceeds from borrowings	-	-	-	800
Repayment of borrowing and interest accrued	-	-	-	46

Key management personnel

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Short-term compensation paid to key management personnel accrued	5	4	21	13
Equity-settled share-based payments plans (LTIP)	5	7	11	15
Total	**10**	**11**	**32**	**28**

24. COMMITMENTS AND CONTINGENCIES

Commitments

Capital commitments

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

	30 Sep. 2018	31 Dec. 2017
Project Natalka	46	75
Project Omchak high-voltage power grid	25	59
Projects in Krasnoyarsk	86	92
Other capital commitments	16	18
Total	**173**	**244**

(in millions of US Dollars)

Operating leases: Group as a lessee

The land in the Russian Federation on which the Group’s production facilities are located is owned by the state. The Group leases this land through operating lease agreements, which expire in various years through to 2065. Future minimum lease payments due under non-cancellable operating lease agreements at the end of the year were as follows:

	30 Sep. 2018	31 Dec. 2017
Due within one year	11	10
From one to five years	38	38
Thereafter	79	83
Total	**128**	**131**

Contingencies

Litigation

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

Taxation contingencies in the Russian Federation

Laws and regulation affecting business in the Russian Federation continue to change rapidly. Management’s interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant. With regards to matters where practice concerning payment of taxes is unclear, management estimates that there were no significant tax exposures as of 30 September 2018 for which no liability is recognised.

Environmental matters

The Group is subject to extensive federal and local environmental controls and regulations in the regions in which it operates. The Group’s operations involve the discharge of materials and contaminants into the environment, disturbance of land that could potentially impact on flora and fauna, and give rise to other environmental concerns. The Group’s management believes that its mining and production technologies are in compliance with existing Russian environmental legislation.

However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change. Such change, if it occurs, may require that the Group changes its technology to meet more stringent standards.

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

(in millions of US Dollars)

Operating environment

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

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

25. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

Subsidiaries	Nature of business	Effective % held[4] at 30 Sep. 2018	Effective % held[4] at 31 Dec. 2017
Incorporated in Russian Federation			
JSC Polyus Krasnoyarsk (renamed, previously JSC Gold Mining Company Polyus)	Mining (open pit)	100	100
JSC Polyus Aldan (renamed, previously JSC Aldanzoloto GRK)	Mining (open pit)	100	100
JSC Polyus Verninskoye (renamed, previously JSC Pervenets)	Mining (open pit)	100	100
PJSC Lenzoloto	Holding company	64	64
JSC ZDK Lenzoloto	Mining (alluvial)	66	66
JSC Svetliy	Mining (alluvial)	56	56
JSC Polyus Magadan (renamed, previously JSC Matrosova Mine)	Mining (open pit from 1 August 2018, before - development stage)	100	100
LLC Polyus Stroy	Construction	100	100
LLC SL Gold	Exploration and evaluation of the Sukhoi Log deposit	58	58

26. EVENTS AFTER THE REPORTING DATE

There were no events subsequent to the reporting date that should adjust amounts of assets, liabilities, income or expenses and that should be disclosed in these interim consolidated financial statements for the three and nine months ended 30 September 2018.

[4] Effective % held by the Company, including holdings by other subsidiaries of the Group.