

PJSC SIBUR Holding

**International Financial Reporting Standards
Consolidated Interim Condensed
Financial Information (Unaudited)**

As of and for the three and nine months ended 30 September 2019

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Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors of PJSC SIBUR Holding:

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC SIBUR Holding and its subsidiaries (the "Group") as of 30 September 2019 and the related consolidated interim condensed statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended, changes in equity and cash flows for the nine-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

I.V. Shanina

28 October 2019

Moscow, Russian Federation

I.V. Shanina, certified auditor (licence no. 01-001340),
AO PricewaterhouseCoopers Audit

Audited entity: PJSC SIBUR Holding

Record made in the Unified State Register of Legal Entities on 8 July 2005 under State Registration Number 1057747421247

Block 1, No. 6, bld. 30, Eastern Industrial Park, Tobolsk, Tyumen Region, Russian Federation, 626150

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

ORNZ 11603050547 in the register of auditors and audit organizations

PJSC SIBUR HOLDING
CONSOLIDATED INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS (unaudited)
(In millions of Russian rubles, unless otherwise stated)

Notes		Three months ended		Nine months ended	
		30 September	30 September	30 September	30 September
		2019	2018	2019	2018
3	Revenue	129,081	156,322	395,360	414,016
4	Operating expenses	(99,137)	(104,279)	(298,685)	(290,363)
	Operating profit	29,944	52,043	96,675	123,653
5	Finance income	1,206	349	30,091	1,235
5	Finance expenses	(592)	(7,401)	(3,128)	(22,037)
10	Share of net income of joint ventures and associates	1,738	768	5,461	2,230
	Profit before income tax	32,296	45,759	129,099	105,081
22	Income tax expense	(6,748)	(8,737)	(25,943)	(22,191)
	Profit for the reporting period	25,548	37,022	103,156	82,890
	Profit for the reporting period, including attributable to:	25,548	37,022	103,156	82,890
	Non-controlling interest	1,828	1,481	3,235	3,280
	Shareholders of the parent company	23,720	35,541	99,921	79,610
	Basic and diluted earnings per share (in Russian rubles per share)				
21	(in Russian rubles per share)	10.89	16.31	45.87	36.54
	Weighted average number of shares outstanding (in thousands)	2,178,479	2,178,479	2,178,479	2,178,479

Supplementary Information (non-IFRS measures)

6	EBITDA	40,041	60,966	126,157	150,154
	EBITDA margin	31.0%	39.0%	31.9%	36.3%
6	Adjusted EBITDA	42,767	61,458	135,013	153,006

D.V. Konov
Chairman of the Management Board
28 October 2019

A.A. Petrov
Chief Financial Officer
28 October 2019

The accompanying notes on pages 6 to 25 are an integral part of this consolidated interim condensed financial information

PJSC SIBUR HOLDING

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (unaudited)

(In millions of Russian rubles, unless otherwise stated)

Notes	30 September 2019	31 December 2018
Assets		
Non-current assets		
8	871,283	769,309
	21,573	33,988
9	17,405	-
	12,097	12,097
	99,672	103,454
10	47,029	35,853
	9,593	8,465
	44,171	53,509
11	14,024	6,576
	4,707	7,266
	1,141,554	1,030,517
Current assets		
12	40,572	40,467
	2,316	1,190
11	86,941	45,209
13	31,484	26,620
	89,425	86,164
	2,612	4,091
	11,875	14,783
	265,225	218,524
	10,228	9,605
	1,417,007	1,258,646
Liabilities and equity		
Non-current liabilities		
14	105,552	73,337
15	244,598	236,940
	11,445	-
16	58,947	55,335
	48,802	66,268
	36,070	34,261
17	27,772	15,885
	533,186	482,026
Current liabilities		
18	149,518	119,888
	88,893	76,891
	2,390	4,640
19	10,101	13,300
15	12,016	8,834
	5,453	-
20	12,003	10,924
	280,374	234,477
	1,650	1,679
	815,210	718,182
Equity		
21	21,784	21,784
	9,357	9,357
	32,450	32,450
	528,943	468,879
	592,534	532,470
	9,263	7,994
	601,797	540,464
	1,417,007	1,258,646

The accompanying notes on pages 6 to 25 are an integral part of this consolidated interim condensed financial information

PJSC SIBUR HOLDING
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (unaudited)
(In millions of Russian rubles, unless otherwise stated)

Notes	Nine months ended 30 September		
	2019	2018	
	Operating activities		
23	Cash from operating activities before income tax payment	116,770	142,565
	Income tax paid	(28,346)	(15,751)
23	Net cash from operating activities	88,424	126,814
	Investing activities		
	Purchase of property, plant and equipment	(95,986)	(102,260)
	Purchase of intangible assets and other non-current assets	(4,208)	(2,689)
16	Grants and subsidies received	5,830	2,381
25	Acquisition of interest in subsidiary, net of cash acquired	(2,897)	(2,290)
	Acquisition of interest and additional contributions to the share capital of joint ventures and associates	(502)	-
10	Dividends received	991	1,552
	Interest received	873	806
	Loans issued	(8,823)	-
	Repayment of loans receivable	3,586	-
	Proceeds from sale of property, plant and equipment	1,263	219
	Other	-	(604)
	Net cash used in investing activities	(99,873)	(102,885)
	Financing activities		
	Proceeds from debt	136,650	41,304
	Repayment of debt	(72,072)	(59,546)
	Repayment of lease liabilities	(4,376)	-
	Interest paid	(9,389)	(9,783)
21	Dividends paid	(41,523)	(27,126)
	Bank commissions paid	(254)	(512)
	Purchase of non-controlling interest	(300)	-
	Net cash from/(used in) financing activities	8,736	(55,663)
	Effect of exchange rate changes on cash and cash equivalents	(195)	2,451
	Net decrease in cash and cash equivalents	(2,908)	(29,283)
	Cash and cash equivalents, at the beginning of the reporting period	14,783	48,456
	Cash and cash equivalents, at the end of the reporting period	11,875	19,173

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PJSC SIBUR HOLDING
CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)
(In millions of Russian rubles, unless otherwise stated)

		<u>Attributable to the shareholders of the parent company</u>						
Notes		Share capital	Share premium	Equity-settled share-based payment plans	Retained earnings	Total	Non-controlling interest	Total equity
	Balance as of 1 January 2018	21,784	9,357	32,450	388,515	452,106	5,052	457,158
	Effect of transition to IFRS 15	-	-	-	(425)	(425)	-	(425)
	Balance as of 1 January 2018, restated	21,784	9,357	32,450	388,090	451,681	5,052	456,733
	Profit for the reporting period	-	-	-	79,610	79,610	3,280	82,890
	Total comprehensive income for the reporting period	-	-	-	79,610	79,610	3,280	82,890
	Deconsolidation of subsidiary	-	-	-	-	-	(99)	(99)
21	Dividends	-	-	-	(25,728)	(25,728)	(1,398)	(27,126)
	Balance as of 30 September 2018	21,784	9,357	32,450	441,972	505,563	6,835	512,398
	Balance as of 1 January 2019	21,784	9,357	32,450	468,879	532,470	7,994	540,464
	Profit for the reporting period	-	-	-	99,921	99,921	3,235	103,156
	Total comprehensive income for the reporting period	-	-	-	99,921	99,921	3,235	103,156
	Transactions with non-controlling interest	-	-	-	(296)	(296)	(4)	(300)
21	Dividends	-	-	-	(39,561)	(39,561)	(1,962)	(41,523)
	Balance as of 30 September 2019	21,784	9,357	32,450	528,943	592,534	9,263	601,797

The accompanying notes on pages 6 to 25 are an integral part of this consolidated interim condensed financial information

PJSC SIBUR HOLDING
CONSOLIDATED INTERIM CONDENSED STATEMENT
OF COMPREHENSIVE INCOME (unaudited)
(In millions of Russian rubles, unless otherwise stated)

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
Profit for the reporting period	25,548	37,022	103,156	82,890
Total comprehensive income for the reporting period	25,548	37,022	103,156	82,890
Total comprehensive income for the reporting period, including attributable to:	25,548	37,022	103,156	82,890
Non-controlling interest	1,828	1,481	3,235	3,280
Shareholders of the parent company	23,720	35,541	99,921	79,610

The accompanying notes on pages 6 to 25 are an integral part of this consolidated interim condensed financial information

1 NATURE OF OPERATIONS

PJSC SIBUR Holding (the “Company”) and its subsidiaries (jointly referred to as the “Group”) form a vertically integrated petrochemical business. The Group purchases and processes raw materials (primarily associated petroleum gas and natural gas liquids), and produces and markets energy and petrochemical products, both domestically and internationally. The Group’s production facilities are located in the Russian Federation.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of consolidated interim condensed financial information requires the use of certain accounting estimates which, by definition, may differ from actual results. Estimates and judgements are continually evaluated; revisions of estimates are recognized prospectively. It also requires management to exercise judgement when applying the Group’s accounting policies.

The critical accounting estimates and judgements in applying accounting policies of the Group are consistent with those disclosed in the Group’s consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as of and for the year ended 31 December 2018, except for those which were reassessed after adoption of the new standard IFRS 16 “Leases” (see Note 27).

3 REVENUE

Revenue by products and reportable segments is presented below:

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
Midstream	47,887	67,524	162,593	174,050
Liquefied petroleum gas	25,050	42,770	94,775	110,559
Natural gas	13,075	12,403	37,799	35,931
Naphtha	9,253	11,900	28,373	26,085
Other sales	509	451	1,646	1,475
Olefins and Polyolefins	28,790	26,703	77,911	74,892
Polyolefins	21,514	18,099	54,998	51,668
BOPP films	4,552	4,790	13,958	13,709
Olefins	1,679	2,414	5,274	5,679
Other polymers products	794	1,209	2,873	3,260
Other sales	251	191	808	576
Plastics, Elastomers and Intermediates	38,073	46,631	117,122	124,782
Elastomers	13,111	14,210	42,098	40,196
Plastics and organic synthesis products	13,283	16,590	40,769	43,817
Intermediates and other chemicals	5,993	6,804	17,086	18,066
MTBE and fuel additives	5,352	8,707	16,221	21,798
Other sales	334	320	948	905
Unallocated	14,331	15,464	37,734	40,292
Revenue from project management and construction services	11,224	12,087	27,772	29,435
Other revenue	3,107	3,377	9,962	10,857
Total revenue	129,081	156,322	395,360	414,016

The amount of revenue recognized over time except for revenue from construction services recognized over time (separately disclosed in Note 7) for the three-month periods ended 30 September 2019 and 30 September 2018 equals to RUB 8,671 and RUB 5,124, respectively, for the nine-month periods ended 30 September 2019 and 30 September 2018 equals to RUB 22,014 and RUB 14,175, respectively.

4 OPERATING EXPENSES

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
Feedstock and materials	26,727	35,052	89,568	91,041
Transportation and logistics	19,768	17,425	59,486	52,779
Staff costs	11,077	10,371	35,567	32,644
Energy and utilities	10,464	9,237	31,888	28,933
Depreciation and amortization	9,918	8,928	29,191	26,523
Services provided by third parties	6,415	7,535	19,076	20,043
Goods for resale	4,789	9,635	15,909	24,125
Repairs and maintenance	2,777	3,637	6,578	9,339
Processing services of third parties	976	857	2,873	2,734
Taxes other than income tax	739	958	2,289	2,947
Marketing and advertising	177	326	894	923
Charity and sponsorship	242	207	560	618
Rent expenses	233	414	372	1,189
Impairment/(reversal of impairment) of property, plant and equipment	179	(5)	291	(22)
(Gain)/loss on disposal of property, plant and equipment	(91)	-	(130)	131
Change in WIP and refined products balances	4,239	(1,207)	3,070	(5,652)
Other	508	909	1,203	2,068
Total operating expenses	99,137	104,279	298,685	290,363

5 FINANCE INCOME AND EXPENSES

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
Foreign exchange gain from financing activities	385	-	27,396	-
Foreign exchange gain from non-financing activities	237	-	1,495	-
Interest income	566	349	1,044	964
Other income	18	-	156	271
Total finance income	1,206	349	30,091	1,235
Interest expense	-	(128)	(1,717)	(622)
Unwinding of discount on non-current accounts payable	(438)	(344)	(1,075)	(995)
Bank commissions	(24)	(11)	(45)	(36)
Foreign exchange loss from financing activities	-	(6,493)	-	(18,371)
Foreign exchange loss from non-financing activities	-	(229)	-	(1,730)
Other expense	(130)	(196)	(291)	(283)
Total finance expenses	(592)	(7,401)	(3,128)	(22,037)

6 SEGMENT INFORMATION

The Group operates as a vertically integrated business, gathering and processing hydrocarbon feedstock, obtained from major Russian oil and gas companies, and producing and selling a wide range of petrochemical products as well as energy products.

The Group's chief operating decision-makers are the Chairman of the Management Board, the Chief Executive Officer, the Chief Financial Officer and three Executive Directors. These executives regularly review the Group's internal reporting in order to assess performance and allocate resources.

6 SEGMENT INFORMATION (CONTINUED)

The Group's management determines three operating and reportable segments:

- Midstream – processing of associated petroleum gas and raw natural gas liquids to produce energy products, natural gas, liquefied petroleum gases and naphtha, which are used as feedstock by the Olefins and Polyolefins segment and the Plastics, Elastomers and Intermediates segment and also marketed and sold externally;
- Olefins and Polyolefins – mainly the production of polypropylene, polyethylene, propylene, ethylene and BOPP films;
- Plastics, Elastomers and Intermediates – the production of synthetic rubbers, plastics, organic synthesis products and other petrochemical products. In addition, the Plastics, Elastomers and Intermediates segment produces fuel additives, including MTBE, which is fully sold externally.

The Group's management assesses the performance of each operating segment based on their respective EBITDA contributions. The results from providing electricity and heat supply, transportation to third parties, managerial services are not allocated into the operating segments.

EBITDA is calculated as the profit or loss for the period, adjusted by income tax expense, finance income and expenses, share of net income of joint ventures and associates, depreciation and amortization, impairment of property, plant and equipment, profit or loss on disposal of investments, as well as other one-off items.

To reflect and assess the results of the joint ventures and associates the Group's EBITDA was adjusted by the Group's portion of the EBITDA (calculated in accordance with the methodology as above) of joint ventures and associates (Adjusted EBITDA).

Starting fourth quarter 2018 Adjusted EBITDA is calculated by the management net of NCI share of related subsidiaries' EBITDA. Figures for 2018 were adjusted accordingly.

Inter-segment transfers include transfers of raw materials, goods and services from one segment to another, amount is determined based on the market prices for similar goods.

Other information provided to management, except as noted below, is measured in a manner consistent with that in this consolidated interim condensed financial information.

	Mid-stream	Olefins and Poly-olefins	Plastics, Elastomers and Intermediates	Total reportable segments	Unallocated	Total
Three months ended						
30 September 2019						
Total segment revenue	56,841	35,395	38,571	130,807	14,939	145,746
Inter-segment transfers	(8,954)	(6,605)	(498)	(16,057)	(608)	(16,665)
External revenue	47,887	28,790	38,073	114,750	14,331	129,081
EBITDA	20,000	12,443	5,476	37,919	2,122	40,041
Adjusted EBITDA	20,166	15,826	5,472	41,464	1,303	42,767
Three months ended						
30 September 2018						
Total segment revenue	82,148	35,288	47,432	164,868	16,408	181,276
Inter-segment transfers	(14,624)	(8,585)	(801)	(24,010)	(944)	(24,954)
External revenue	67,524	26,703	46,631	140,858	15,464	156,322
EBITDA	40,167	10,548	11,102	61,817	(851)	60,966
Adjusted EBITDA	40,335	12,912	11,030	64,277	(2,819)	61,458

6 SEGMENT INFORMATION (CONTINUED)

	Mid-stream	Olefins and Poly-olefins	Plastics, Elastomers and Intermediates	Total reportable segments	Unallocated	Total
Nine months ended						
30 September 2019						
Total segment revenue	191,547	98,077	118,904	408,528	39,380	447,908
Inter-segment transfers	(28,954)	(20,166)	(1,782)	(50,902)	(1,646)	(52,548)
External revenue	162,593	77,911	117,122	357,626	37,734	395,360
EBITDA	76,232	35,092	16,250	127,574	(1,417)	126,157
Adjusted EBITDA	76,709	43,256	16,153	136,118	(1,105)	135,013
Nine months ended						
30 September 2018						
Total segment revenue	212,586	95,941	127,016	435,543	41,976	477,519
Inter-segment transfers	(38,536)	(21,049)	(2,234)	(61,819)	(1,684)	(63,503)
External revenue	174,050	74,892	124,782	373,724	40,292	414,016
EBITDA	95,305	29,536	27,086	151,927	(1,773)	150,154
Adjusted EBITDA	95,807	36,124	26,903	158,834	(5,828)	153,006

For the nine-month periods ended 30 September 2019 and 30 September 2018, EBITDA in US dollars measured at the weighted average exchange rate of the US dollar against the Russian ruble, calculated for corresponding periods (see Note 27), was USD 1,939 million and USD 2,444 million, respectively.

A reconciliation of Adjusted EBITDA and EBITDA to profit before income tax was as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
Adjusted EBITDA	42,767	61,458	135,013	153,006
Portion of EBITDA of joint ventures and associates	(4,821)	(2,543)	(12,348)	(7,114)
Non-controlling interest share of related subsidiaries' EBITDA	2,095	2,051	3,492	4,262
EBITDA	40,041	60,966	126,157	150,154
Finance income	1,206	349	30,091	1,235
Finance expenses	(592)	(7,401)	(3,128)	(22,037)
Share of net income of joint ventures and associates	1,738	768	5,461	2,230
Depreciation and amortization	(9,918)	(8,928)	(29,191)	(26,523)
(Impairment)/reversal of impairment of property, plant and equipment	(179)	5	(291)	22
Profit before income tax	32,296	45,759	129,099	105,081

Geographical information

The breakdown of revenues by geographical regions was as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
Russia	79,828	91,366	230,366	240,238
Europe	32,744	50,630	115,000	131,946
Asia	9,726	6,302	26,940	19,139
CIS	6,312	7,309	19,011	19,418
Other	471	715	4,043	3,275
Total revenue	129,081	156,322	395,360	414,016

7 CONTRACTS ON CONSTRUCTION SERVICES

The Group's financial position with respect to contracts on construction services in progress as of 30 September 2019 and 31 December 2018 was as follows:

	30 September 2019	31 December 2018
Construction service revenue	18,227	33,216
Less:		
Progress billings	(18,935)	(33,472)
Advances from customers	(4,271)	(6,672)
Contract liabilities	(4,979)	(6,928)

	30 September 2019	31 December 2018
Construction service revenue	31,012	3,635
Less:		
Progress billings	(29,559)	(3,034)
Advances from customers	(126)	(137)
Contract assets	1,327	464

For the three-month periods ended 30 September 2019 and 30 September 2018, the Group recognized revenue from the application of the input method by reference to costs incurred of RUB 4,803 and RUB 8,502, respectively, for the nine-month periods ended 30 September 2019 and 30 September 2018, the Group recognized revenue from the application of the input method by reference to costs incurred of RUB 12,389 and RUB 19,704, respectively.

During the nine-month period ended 30 September 2019 the Group has updated costs to complete for its certain contracts. The resulted decrease in revenue was accounted for prospectively in the consolidated interim condensed statement of profit or loss.

8 PROPERTY, PLANT AND EQUIPMENT

Movements in the net book value of property, plant and equipment were as follows:

	Buildings	Facilities	Machinery and equipment	Transport	Assets under construction	Other	Total
Net book value							
as of 1 January 2018	52,013	141,112	95,020	6,048	304,678	6,444	605,315
Depreciation charge	(2,137)	(7,948)	(11,252)	(314)	-	(1,299)	(22,950)
Additions	-	-	-	-	134,033	5,061	139,094
Transfers	1,684	1,882	3,544	40	(7,549)	399	-
Reversal of impairment	-	-	-	-	22	-	22
Disposals	(461)	(54)	(238)	56	(125)	(309)	(1,131)
Reclassification to assets held for sale	(525)	(1,503)	(3,909)	(4,466)	(1,410)	(403)	(12,216)
Historical cost							
as of 30 September 2018	65,816	191,564	165,918	3,074	429,649	15,218	871,239
Accumulated depreciation	(15,242)	(58,075)	(82,753)	(1,710)	-	(5,325)	(163,105)
Net book value							
as of 30 September 2018	50,574	133,489	83,165	1,364	429,649	9,893	708,134
Net book value							
as of 1 January 2019	51,353	134,826	85,280	1,366	486,735	9,749	769,309
Depreciation charge	(2,304)	(7,783)	(10,418)	(97)	-	(1,473)	(22,075)
Additions	-	-	-	-	120,583	5,852	126,435
Transfers	7,371	13,897	20,815	56	(42,892)	753	-
Impairment	-	-	(109)	-	(59)	(123)	(291)
Disposals	(337)	(2)	(148)	(83)	(281)	(1,244)	(2,095)
Historical cost							
as of 30 September 2019	74,107	209,373	191,348	3,070	564,086	18,668	1,060,652
Accumulated depreciation	(18,024)	(68,435)	(95,928)	(1,828)	-	(5,154)	(189,369)
Net book value							
as of 30 September 2019	56,083	140,938	95,420	1,242	564,086	13,514	871,283

For the three-month periods ended 30 September 2019 and 30 September 2018, the Group capitalized borrowing costs of RUB 7,254 and RUB 8,520, respectively, for the nine-month periods ended 30 September 2019 and 30 September 2018, the Group capitalized borrowing costs of RUB 14,122 and RUB 21,433, respectively. Borrowing costs included foreign exchange losses in the amount of RUB 2,659 and RUB 4,885 for the respective three-month periods and RUB 2,659 and RUB 11,222 for the respective nine-month periods. The annual capitalization rates, excluding the effect of capitalized foreign exchange losses from financing activities, were 7.22 percent and 6.50 percent, respectively.

The Group is implementing ZapSibNeftekhim (“ZapSib”) investment project, construction of the ethylene cracking unit and polymers production units located in Tobolsk, Tyumen Region. The Group is performing main units’ testing.

As of 30 September 2019 put-in-use assets mainly comprised ZapSib infrastructure objects and DOTP facility in Perm.

9 RIGHT-OF-USE ASSETS

Movements in the net book value of right-of-use assets were as follows:

	Transport	Other	Total
Net book value as of 1 January 2019	16,467	4,671	21,138
Depreciation charge	(3,117)	(738)	(3,855)
Additions	-	122	122
Historical cost as of 30 September 2019	16,467	4,793	21,260
Accumulated depreciation	(3,117)	(738)	(3,855)
Net book value as of 30 September 2019	13,350	4,055	17,405

The majority of the Group's right-of-use assets are represented by lease contracts of shipping vessels that the Group uses to transport its produced goods to customers. Vessels can be used in geographic areas, which are specified in the contracts, within a predetermined period between dry-docking.

10 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Country of incorporation	Interest held (percent)	30 September 2019	31 December 2018
RusVinyl LLC	Russia	50	22,757	19,598
JSC Sibgazpolimer*	Russia	50	10,664	3,061
Yuzhno-Priobsky GPP LLC	Russia	50	6,112	6,100
Reliance Sibur Elastomers Private Limited	India	25.1	3,971	4,084
NPP Neftekhimia LLC	Russia	50	2,482	2,470
PTC LLC	Russia	50	704	477
Manucor S.p.A.	Italy	50	263	-
LNG NOVAENGINEERING LLC	Russia	50.1	62	62
SNHK LLC	Russia	50	14	1
Total investments in joint ventures and associates			47,029	35,853

* Special purpose vehicle established for investing in production entities.

The voting and ownership percentage in joint ventures and associates are the same except LNG NOVAENGINEERING LLC.

RusVinyl LLC. The Group issued a guarantee (liquidity support undertaking - LSU), and pledged its shares in RusVinyl LLC as a security. As of 30 September 2019 and 31 December 2018, the amount of LSU was equal to EUR 62.5 million and the maximum credit risk exposures due to guarantees issued were RUB 4,395 and RUB 4,966, respectively.

JSC Sibgazpolimer. In July 2019, JSC Sibgazpolimer acquired a 50 percent stake in Poliom LLC from JSC GK Titan. As a result, Poliom LLC became a 50/50 percent joint venture of the Group and PJSC Gazprom Neft. The acquisition of additional shares was financed by a loan issue on market terms which is presented as part of the investment in Poliom LLC.

Manucor S.p.A. In September 2019, the Group acquired a 50 percent stake in Manucor S.p.A. which became a 50/50 percent joint venture of the Group and PS Film S.p.A, a member of the PillarStone Fund. The company is a BOPP films producer located in Italy.

Further details were provided in the annual consolidated financial statements as of and for the year ended 31 December 2018.

11 TRADE AND OTHER RECEIVABLES

	30 September 2019	31 December 2018
Receivables under project management and construction services	82,744	32,552
Trade receivables	14,067	15,721
Other receivables	4,154	3,512
Total trade and other receivables	100,965	51,785
Less non-current portion:		
Receivables under project management and construction services	(12,490)	(5,336)
Other receivables	(1,534)	(1,240)
	86,941	45,209

12 INVENTORIES

	30 September 2019	31 December 2018
Refined products and work in progress	18,523	22,433
Materials and supplies	20,593	16,386
Goods for resale	1,456	1,648
Total inventories	40,572	40,467

13 PREPAYMENTS AND OTHER CURRENT ASSETS

	30 September 2019	31 December 2018
Non-financial assets		
VAT receivable	11,897	12,461
Recoverable VAT	8,335	3,170
Prepayments and advances to suppliers	5,580	6,394
Other prepaid taxes and custom duties	2,349	1,408
Prepaid excise	1,868	1,294
Recoverable excise	857	758
Other current assets	484	1,023
Total non-financial assets	31,370	26,508
Financial assets		
Other financial assets	114	112
Total financial assets	114	112
Total prepayments and other current assets	31,484	26,620

14 LONG-TERM DEBT EXCLUDING RELATED TO ZAPSIBNEFTEKHIM

Long-term debt payable to	Currency	Due	30 September 2019	31 December 2018
Variable rate				
Bank GPB	RUB	2023	22,000	22,000
Alfa-Bank	RUB	2020	10,000	-
Raiffeisen Bank	USD	2025	4,832	-
Citibank	USD	2021	644	695
ING Bank Group	EUR	2011-2021	202	285
SNHK LLC	RUB	2023	32	-
Deutsche Bank	EUR	2014-2019	-	4,274
UniCredit Bank	EUR	2013-2019	-	253
Fixed rate				
Eurobonds 2024	USD	2024	32,208	-
Russian ruble bonds	RUB	2019-2021	20,000	30,000
Eurobonds 2023	USD	2023	19,750	21,285
UniCredit Bank Group	RUB	2022	4,985	4,980
Monotowns Development Fund	RUB	2021-2026	1,000	1,000
Total long-term debt excluding related to ZapSibNeftekhim			115,653	84,772
Less: current portion			(10,101)	(11,435)
			105,552	73,337

Eurobonds 2024. On 23 September 2019, the Group issued notes worth USD 500 million on the Irish Stock Exchange, bearing 3.45 percent annual interest and maturing in 2024. The Group used the aggregate net proceeds from the notes issue for an early redemption of the ECA financing and for general corporate purposes.

The Group had no subordinated debt and no debts that may be converted into an equity interest in the Group.

The scheduled maturities of long-term debt excluding related to the ZapSib as of 30 September 2019 and 31 December 2018 are presented below:

	30 September 2019	31 December 2018
Due for repayment:		
Between one and two years	25,576	11,181
Between two and five years	79,527	61,584
More than five years	449	572
Total long-term debt excluding related to ZapSibNeftekhim	105,552	73,337

The carrying amounts of long-term fixed-rate borrowings approximate their fair value as of 30 September 2019 and 31 December 2018, except for those, which fair value is disclosed in Note 25.

The carrying amounts of long-term debts with variable interest rates linked to LIBOR, EURIBOR or the Central Bank of Russia key interest rate approximate their fair value.

As of 30 September 2019 and 31 December 2018, the Group had the following committed long-term credit facilities excluding related to the ZapSib:

	Credit limit	Undrawn amount
As of 30 September 2019		
USD-denominated (in millions of USD)	495	420
RUB-denominated (in millions of RUB)	10,000	10,000
As of 31 December 2018		
USD-denominated (in millions of USD)	200	200
RUB-denominated (in millions of RUB)	10,000	10,000

14 LONG-TERM DEBT EXCLUDING RELATED TO ZAPSIBNEFTEKHIM (CONTINUED)

As of 30 September 2019 and 31 December 2018, the total ruble equivalent of the Group's undrawn committed long-term credit facilities excluding related to the ZapSib was RUB 37,037 and RUB 23,894, respectively.

15 LONG-TERM ZAPSIBNEFTEKHIM RELATED DEBT

Long-term debt payable to	Currency	Due	30 September 2019	31 December 2018
Variable rate				
National Wealth Fund financing	USD	2030	112,727	121,574
Deutsche Bank (ECA financing)	EUR	2020-2029	83,462	78,380
New Development Bank	USD	2021-2028	6,426	-
ING Bank Group (ECA financing)	EUR	2013-2029	2,675	2,705
Fixed rate				
Vnesheconombank	USD	2021-2025	25,614	16,564
Credit Agricole (ECA financing)	EUR	2019-2029	18,379	13,293
Russian Direct Investment Fund	USD	2018-2020	7,331	13,258
Total long-term ZapSibNeftekhim related debt			256,614	245,774
Less: current portion			(12,016)	(8,834)
			244,598	236,940

The scheduled maturities of long-term ZapSib related debt as of 30 September 2019 and 31 December 2018 are presented below:

	30 September 2019	31 December 2018
Due for repayment:		
Between one and two years	12,842	15,587
Between two and five years	51,130	37,212
Between five and ten years	63,726	53,920
More than ten years	116,900	130,221
Total long-term ZapSibNeftekhim related debt	244,598	236,940

The carrying amounts of long-term fixed-rate borrowings approximate their fair value as of 30 September 2019 and 31 December 2018, except for those, which fair value is disclosed in Note 25.

The carrying amounts of long-term debt with variable interest rates linked to LIBOR, EURIBOR or USA CPI approximate their fair value.

As of 30 September 2019 and 31 December 2018, the Group had the following committed long-term ZapSib related credit facilities:

	Credit limit	Undrawn amount
As of 30 September 2019		
USD-denominated (in millions of USD)	300	200
As of 31 December 2018		
EUR-denominated (in millions of EUR)	2,151	902

As of 30 September 2019 and 31 December 2018, the total ruble equivalent of the Group's undrawn committed long-term ZapSib related credit facilities was RUB 12,884 and RUB 71,684, respectively. As of 30 September 2019, the total ruble equivalent of the Group's undrawn committed short-term ZapSib related credit facilities was RUB 23,450 (RUB 11,115 as of 31 December 2018).

15 LONG-TERM ZAPSIBNEFTEKHIM RELATED DEBT (CONTINUED)

Total Group's long-term debt both related and excluding related to the ZapSib bore the following weighted average interest rates: RUB-denominated of 8.6 percent and 9.2 percent as of 30 September 2019 and 31 December 2018, respectively; USD-denominated of 3.6 percent and 4.0 percent as of 30 September 2019 and 31 December 2018, respectively; and EUR-denominated of 1.2 percent and 1.1 percent as of 30 September 2019 and 31 December 2018, respectively.

16 DEFERRED INCOME FROM GRANTS AND SUBSIDIES

	2019	2018
Deferred income from grants and subsidies as of 1 January	55,335	48,720
Grants and subsidies received	5,853	2,486
Recognized in profit or loss (depreciation)	(2,241)	(2,545)
Deferred income from grants and subsidies as of 30 September	58,947	48,661

17 OTHER NON-CURRENT LIABILITIES

	30 September 2019	31 December 2018
Financial liabilities		
Payables under project management and construction services	13,048	4,253
Payables to contractors and suppliers of property, plant and equipment	5,071	1,279
Payables under accommodation program	3,181	3,034
Payables for acquisition of subsidiaries	2,272	3,523
Trade payables	28	50
Other liabilities	8	8
Total financial non-current liabilities	23,608	12,147
Non-financial liabilities		
Payables to employees	2,087	1,661
Post-employment obligations	2,077	2,077
Total non-financial non-current liabilities	4,164	3,738
Total other non-current liabilities	27,772	15,885

18 TRADE AND OTHER PAYABLES

	30 September 2019	31 December 2018
Financial liabilities		
Payables under project management and construction services	65,679	28,231
Payables to contractors and suppliers of property, plant and equipment	39,352	44,210
Trade payables	23,810	25,675
Interest payable	2,320	1,863
Payables for acquisition of subsidiaries	2,142	3,280
Other payables	563	825
Total financial trade and other payables	133,866	104,084
Non-financial liabilities		
Payables to employees	9,825	9,650
Advances from customers	3,933	4,958
Other payables	1,894	1,196
Total non-financial trade and other payables	15,652	15,804
Total trade and other payables	149,518	119,888

As of 30 September 2019 and 31 December 2018, payables to employees included provisions for annual and other bonuses, vacation accruals (including social taxes) of RUB 8,478 and RUB 9,623, respectively.

19 SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT EXCLUDING RELATED TO ZAPSIBNEFTEKHIM

	30 September 2019	31 December 2018
Short-term debt:		
RUB-denominated debt	-	1,865
Total short-term debt	-	1,865
Current portion of long-term debt excluding related to ZapSibNeftekhim (Note 14):		
Russian ruble bonds	10,000	10,000
Others	101	1,435
Total	10,101	13,300

As of 30 September 2019 and 31 December 2018, the Group had committed short-term credit facilities excluding related to the ZapSib in euro and rubles. As of 30 September 2019 and 31 December 2018, the total ruble equivalents of the Group's undrawn committed short-term credit facilities excluding related to the ZapSib were RUB nil and RUB 27,084, respectively.

20 TAXES OTHER THAN INCOME TAX PAYABLE

	30 September 2019	31 December 2018
VAT	9,220	9,130
Property tax	774	1,009
Social taxes	605	494
Other taxes	1,404	291
Total taxes other than income tax payable	12,003	10,924

21 SHAREHOLDERS' EQUITY

As of 30 September 2019 and 31 December 2018, the Group didn't have direct parent company and an ultimate controlling shareholder.

Earnings per share. There were no events that would trigger dilution of earnings per share for the nine-month periods ended 30 September 2019 and 30 September 2018.

Dividends. Dividends in the amount of RUB 41,523 and RUB 27,126 were paid during the nine-month periods ended 30 September 2019 and 30 September 2018, respectively.

During the nine-month periods ended 30 September 2019 and 30 September 2018 the Group's subsidiary NIPIGAS distributed dividends to its shareholders.

Transactions with non-controlling interest. In February 2019, the Group acquired a 33.3 percent non-controlling interest in Plastic-Geosintetika LLC for a cash consideration of RUB 300. As a result, the Group became the sole owner of Plastic-Geosintetika LLC and subsequently liquidated the subsidiary. The difference between the consideration paid and the non-controlling interest acquired was recognized in retained earnings.

22 INCOME TAX

For the nine-month periods ended 30 September 2019 and 30 September 2018, the Group accrued current income tax of RUB 25,038 and RUB 19,145, respectively.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year adjusted for non-recurring items.

24 RELATED PARTIES

For the purposes of this consolidated interim condensed financial information, parties are generally considered to be related if the party is part of the Group's key management or the Board of Directors; the party has the ability to control or jointly control the other party; both parties are under common control; or one party can exercise significant influence over the other party in the financial and operational decision-making process. In considering each possible related-party relationship, the Group's management pays attention to the substance of the relationship, and not merely the entities' legal form. Also, management applies judgement to decide whether party could exercise significant influence over the Group, considering not merely percentage of shareholding in the Group and governing bodies representation, but actual ability and participation in the Group's decision making.

The nature of the related-party relationships for those related parties with whom the Group entered into significant transactions during the nine-month periods ended 30 September 2019 and 30 September 2018, or had significant balances outstanding as of 30 September 2019 and 31 December 2018, are presented below.

a) Significant transactions with parties under the control or joint control of PROMSTROI GROUP

The Group had the following transactions with PROMSTROI GROUP for the reporting periods ended 30 September 2019 and 30 September 2018:

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
Operating and investing activities				
Purchases of construction services	(3,399)	(3,360)	(8,156)	(10,202)
Sales of materials	2	5	17	85

As of 30 September 2019 and 31 December 2018, the Group had the following balances with PROMSTROI GROUP:

	30 September 2019	31 December 2018
Trade and other receivables	36	60
Prepayments and advances to suppliers	447	857
Advances and prepayments for capital construction	1,010	2,144
Accounts payable to contractors and suppliers of property, plant and equipment	2,100	201
Trade and other payables	305	1,291

b) Remuneration of directors and key management

During the nine-month period ended 30 September 2019 the Company's Board of Directors comprised twelve individuals (during the nine-month period ended 30 September 2018, comprised twelve individuals), including shareholder representatives. Members of the Board of Directors are entitled to annual compensation, as approved by the Annual General Shareholders' Meeting.

During the three-month periods ended 30 September 2019 and 30 September 2018, the Company accrued RUB 47 and RUB 21, respectively, during the nine-month periods ended 30 September 2019 and 30 September 2018, the Company accrued RUB 98 and RUB 77 net of social taxes, respectively, to Board of Directors members as part of their compensation for the years 2019 and 2018.

24 RELATED PARTIES (CONTINUED)

During the nine-month periods ended 30 September 2019 and 30 September 2018, the number of key management personnel comprised 16 individuals. Key management personnel is entitled to salaries, bonuses, voluntary medical insurance and other employee benefits. Remuneration of key management personnel is determined by the terms set out in the relevant employment contracts and is substantially linked to the financial performance of the Group. Remuneration of key management personnel amounted to RUB 447 and RUB 473 net of social taxes for the three-month periods ended 30 September 2019 and 30 September 2018 respectively, and RUB 1,862 and RUB 1,415 net of social taxes for the nine-month periods ended 30 September 2019 and 30 September 2018, respectively.

c) Joint ventures

The Group had the following transactions with its joint ventures for the nine-month periods ended 30 September 2019 and 30 September 2018:

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
Operating and investing activities				
Purchases of materials, goods and services	(8,978)	(2,821)	(27,679)	(7,744)
Purchases of processing services	(256)	(280)	(724)	(737)
Sales of materials, goods and services	3,702	3,380	10,782	8,536

As of 30 September 2019 and 31 December 2018, the Group had the following balances with its joint ventures:

	30 September 2019	31 December 2018
Trade and other receivables	1,756	1,561
Loans receivable	605	1,878
Trade and other payables	3,098	3,030

The Group provided and received loans to and from its joint ventures on the market terms.

The Group has a number of long-term contracts with joint ventures, including contracts for procurement of processing services and purchase of finished goods. Also, the Group has several agency arrangements with its joint ventures under which the Group is providing marketing, selling, construction management and procurement services and receiving transportation services. The agent remuneration earned by the Group under the agency arrangements is included in sales of materials, goods and services line. The balances outstanding under the agency arrangements are included into trade and other payables and receivables lines.

25 FAIR VALUE OF FINANCIAL INSTRUMENTS**Recurring fair value measurements**

Recurring fair value measurements are those that are required or permitted under the relevant accounting standards in the consolidated statement of financial position at the end of each reporting period.

25 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial instruments carried at fair value

Contingent and deferred considerations for the purchase of Tobolsk HPP LLC. In February 2016, the Group recognized a contingent consideration in the amount of RUB 585 as a financial liability within other non-current liabilities in the consolidated statement of financial position as a part of the total purchase consideration for the acquisition of its subsidiary Tobolsk HPP LLC (“Tobolsk HPP”).

Also, the Company should reimburse for all Tobolsk HPP cash inflows under its capacity supply contracts, which are specific to this industry revenue stream, guaranteed by the legislation of the Russian Federation, as the recovery of capital investments. Such reimbursements are payable on a monthly basis from the date of acquisition until 2020. During the three-month periods ended 30 September 2019 and 30 September 2018, the Company reimbursed cash inflows under its capacity supply contracts in the amount of RUB 446 and RUB 454, respectively, during the nine-month periods ended 30 September 2019 and 30 September 2018, the Company reimbursed cash inflows under its capacity supply contracts in the amount of RUB 1,477 and RUB 1,523, respectively.

The fair value of these financial instruments was determined using Level 3 measurements. For contingent consideration the sum of potential outcomes determined for different scenarios in which the Group realises synergies from integrating Tobolsk HPP into its production site infrastructure in Tobolsk, multiplied by the probability of each scenario. As of 30 September 2019 and 31 December 2018, the fair value of this contingent consideration was assessed as RUB 1,998 and RUB 2,016, respectively. As of 30 September 2019 the Group made first payout of the contingent consideration in the amount of RUB 211. The fair value of liability under capacity supply contracts was assessed based on the estimated future cash flows under the relevant capacity supply contracts discounted by the market interest rate for similar type of liabilities and amounting to RUB 2,353 and RUB 3,571 as of 30 September 2019 and 31 December 2018, respectively. The unwinding of discount on these liabilities amounting to RUB 179 and RUB 202 was recognized as a financial expense in the consolidated interim condensed statement of profit or loss for the three-month periods ended 30 September 2019 and 30 September 2018, respectively, and RUB 502 and RUB 624 was recognized as a financial expense in the consolidated interim condensed statement of profit or loss for the nine-month periods ended 30 September 2019 and 30 September 2018, respectively.

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Liabilities carried at amortised cost. As of 30 September 2019 and 31 December 2018, the fair value of the Eurobonds 2023 (see Note 14) was RUB 21,011 and RUB 20,794, respectively. As of 30 September 2019, the fair value of the Eurobonds 2024 (see Note 14) was RUB 30,982. It was calculated based on Level 1 measurements such as quoted market prices. The fair values of other long-term and short-term debt carried at amortised cost were determined using valuation techniques. The estimated fair value of variable interest rate instruments linked to LIBOR, EURIBOR, USA CPI or the Central Bank of Russia key interest rate with stated maturity was estimated based on Level 2 measurements as expected cash flows discounted at current LIBOR, EURIBOR, USA CPI or the Central Bank of Russia key interest rate increased by the margin stipulated by the corresponding loan agreement. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on Level 3 measurements as expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As of 30 September 2019 and 31 December 2018, the fair value of Credit Agricole Loan (see Note 15) was RUB 20,777 and RUB 14,604, respectively.

26 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

There were no significant changes to the operating environment, in which the Group operates, legal and tax risks the Group is subject for, environmental and social commitments compared to those disclosed in the annual consolidated financial statements as of and for the year ended 31 December 2018.

26 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

Compliance with covenants. The Group is subject to certain covenants primarily related to its debt. Non-compliance with such covenants may result in negative consequences for the Group, i.e. increased borrowing costs. Management believes that the Group is in compliance with its covenants.

Capital commitments. The Group has entered into contracts for the purchase of property, plant and equipment and construction services. As of 30 September 2019, the Group had contractual capital expenditure commitments of RUB 98,741, including RUB 83,536 related to the ZapSib (as of 31 December 2018: RUB 113,119, including RUB 105,064 related to the ZapSib), calculated as the nominal contractual amount of construction contracts less cash paid under these contracts. The capital commitments should not be considered as binding since they can be cancelled on the sole management's decision without any significant losses for the Group, except those liabilities, which were already recognized in the consolidated interim condensed statement of financial position.

27 EVENTS AFTER THE REPORTING DATE

In October 2019 the Group entered into a binding contract to sell part of its petrochemical production facilities which was not a strategic priority asset within the Group portfolio. The assets and related liabilities were classified as held for sale as of 30 September 2019.

28 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation. This consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting". This consolidated interim condensed financial information should be read in conjunction with the Group's consolidated financial statements as of and for the year ended 31 December 2018, prepared in accordance with IFRS and International Financial Reporting Interpretation Committee ("IFRIC") interpretations.

Most of the Group's companies maintain their accounting records in Russian rubles ("RUB") and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR"). This consolidated interim condensed financial information is based on the statutory records of the Group's companies, with adjustments and reclassifications recorded to ensure fair presentation in accordance with IFRS.

The principal accounting policies applied by the Group are consistent with those disclosed in the Group's consolidated financial statements as of and for the year ended 31 December 2018, except for income tax expenses recognized based on Group management's best estimate of the weighted average annual income tax rate expected for the full financial year (see Note 22), scheduled maintenance costs and for the changes after adoption of a new standard IFRS 16 "Leases". Other new and amended standards and interpretations that are mandatory for annual periods beginning on or after 1 January 2019 have no material impact on the Group's accounting policies (further information is provided in Note 28).

Leases. The Group's adoption of IFRS 16 "Leases" from 1 January 2019 led to changes in accounting policies. The Group applied modified retrospective approach and did not restate comparatives for 2018.

Effect of the initial application of IFRS 16. The Group applied the new rules with the following practical expedients permitted by the standard:

- Existing long-term service contracts which were not classified as lease contracts under the principles of IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a Lease" were not reassessed by the new guidance regarding the definition of a lease in IFRS 16 "Leases";

28 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Lease contracts with a remaining lease term of 12 months or less from the date of initial application are accounted for as short-term leases and the related expenses are recognized as rent within operating expenses in the consolidated interim condensed statement of profit or loss;
- A single discount rate was used to a portfolio of leases with reasonably similar characteristics, such as lease term, type of leased assets, etc. As of 1 January 2019, the weighted average incremental borrowing rate of the Group which was applied to the lease liabilities was 8.3 percent;
- Non-lease components were not separated for the purpose of lease liabilities accounting as they are not material and in majority of the Group's contracts they are not specifically predetermined;
- Initial direct costs were excluded for the measurement of right-of-use assets at the date of initial recognition as they are considered to be not material.

As of 1 January 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate applicable in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 "Leases". On the adoption date the right-of-use assets were initially measured at the amount of lease liabilities.

The reconciliation of operating lease commitments and the amount of lease liabilities recognized as of 1 January 2019 is presented below:

	1 January 2019
Operating lease commitments as of 31 December 2018	16,750
Discounted using the incremental borrowing rate at 1 January 2019	13,900
Additional lease liabilities to be recognized	2,121
Recognition exemption for short-term leases	(60)
Change in estimate	5,177
Lease liability	21,138

Change in estimate mainly relates to the effect of minimum lease payments remeasurement under the principles of IFRS 16 "Leases", including those payments which are fixed by substance.

Accounting policies. Leases are recognized as right-of-use assets and corresponding lease liabilities once the leased asset is available for use by the Group ("commencement date").

The lease liability is recognized as present value of the lease payments that were not paid at the commencement date. The lease liability is discounted using the incremental borrowing rate. After initial recognition the lease liability is measured at amortised cost and interest expense on the lease liability is recognized in consolidated interim condensed statement of profit or loss as part of finance expenses.

The right-of-use assets include the amount of initial recognition of the lease liability, any lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses (if any) in accordance with IAS 16 "Property, Plant and Equipment". Depreciation is charged using the straight-line method to the earlier of the end of its useful life or the end of the lease term. The Group makes specific judgments, taking into account its strategic business plans, while determine lease term for those contracts which include extension or termination options.

The Group classifies cash payments for the lease liabilities within financial activities in the consolidated interim condensed statement of cash flows.

28 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scheduled maintenance costs. Significant expenses related to scheduled maintenance of property, plant and equipment occurred at least yearly are accounted for as part of property, plant and equipment in consolidated interim condensed statement of financial position and depreciated until the next scheduled maintenance. Since the effect of change in accounting policy is not material, no retrospective adjustment was made.

The official exchange rates of the US dollar (USD) and euro (EUR) against the Russian ruble (RUB), as set by the Central Bank of Russia, are as follows:

	USD/RUB	EUR/RUB
As of 30 September 2019	64.4156	70.3161
Three-months period ended 30 September 2019 weighted average	64.5685	71.8329
Nine-month period ended 30 September 2019 weighted average	65.0789	73.1629
As of 31 December 2018	69.4706	79.4605
Three-months period ended 30 September 2018 weighted average	65.5323	76.1837
Nine-month period ended 30 September 2018 weighted average	61.4358	73.2921

29 NEW ACCOUNTING DEVELOPMENTS

Certain new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2019, which have not had a material impact on the Group's financial position or operations:

- IFRIC 23 “Uncertainty over Income Tax Treatments” (issued on 7 June 2017);
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017);
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017);
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017);
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018).

The Group is considering the implications of the following amendments, the impact on the Group and the timing of their adoption by the Group:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB);
- IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

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