POLYUS

BUILDING MOMENTUM FOR GROWTH

ANNUAL REVIEW 2019

BUILDING MOMENTUM FOR GROWTH

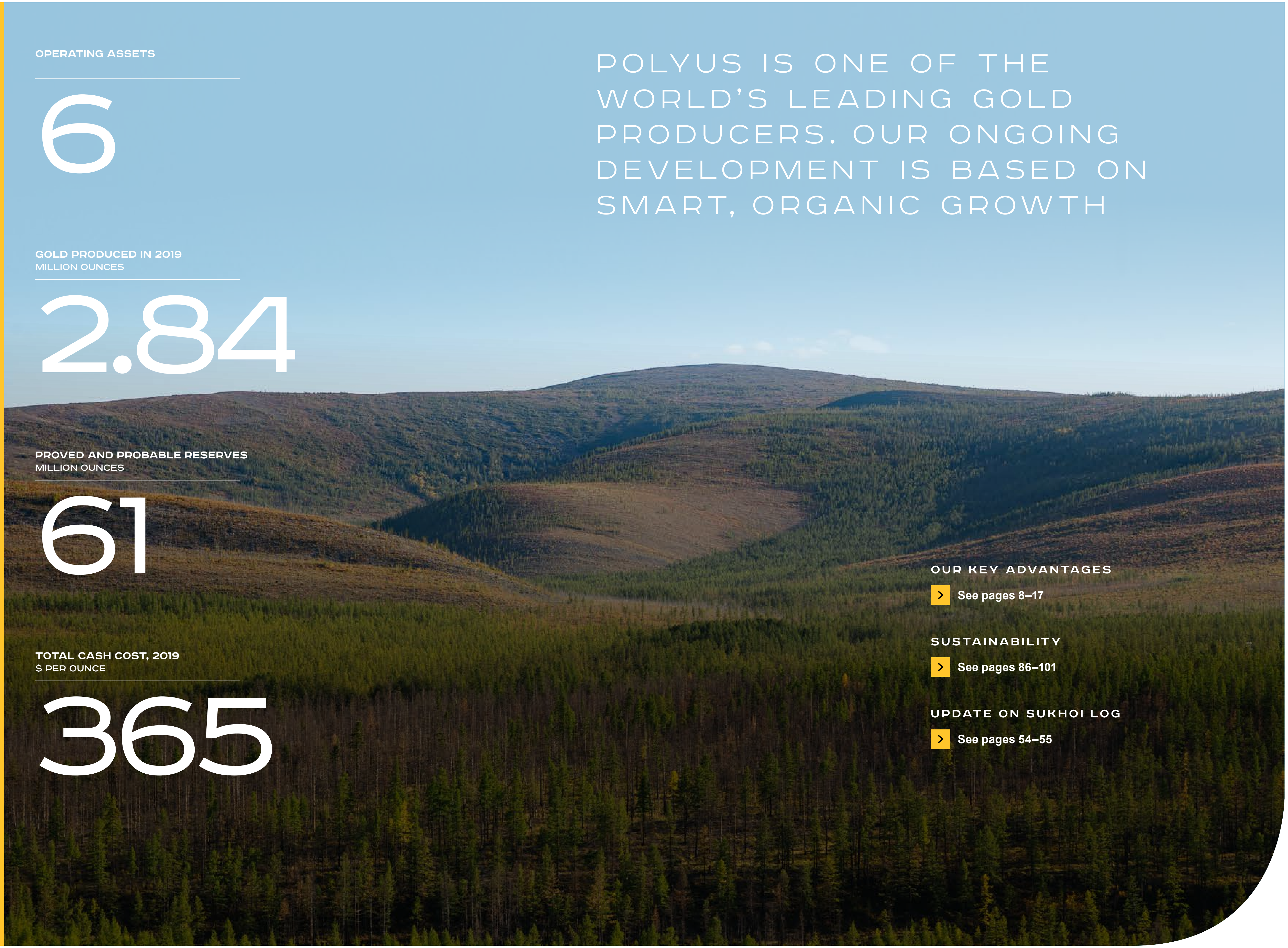
WE SUPPORT

Polyus is committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption.

ICMM International Council on Mining & Metals

MINING WITH PRINCIPLES

CONTENTS



OPERATING ASSETS

6

GOLD PRODUCED IN 2019
MILLION OUNCES

2.84

PROVED AND PROBABLE RESERVES
MILLION OUNCES

61

TOTAL CASH COST, 2019
$ PER OUNCE

365

POLYUS IS ONE OF THE WORLD'S LEADING GOLD PRODUCERS. OUR ONGOING DEVELOPMENT IS BASED ON SMART, ORGANIC GROWTH

OUR KEY ADVANTAGES

See pages 8–17

SUSTAINABILITY

See pages 86–101

UPDATE ON SUKHOI LOG

See pages 54–55

POLYUS AT A GLANCE

OUR PURPOSE

Our aim is to build on our position as an efficient and responsible low-cost gold producer. The development of our world-class asset base, our focus on operational excellence and a commitment to sustainability help us create value for all our stakeholders.

OUR KEY FIGURES

FINANCIAL

TOTAL CASH COST
PER OUNCE

$365

ADJUSTED EBITDA
BILLION

$2.68

ADJUSTED EBITDA MARGIN

67%

NET DEBT/ADJUSTED EBITDA RATIO

1.2x

OPERATIONAL

ORE MINED
MILLION TONNES

66.1

ORE PROCESSED
MILLION TONNES

44.1

AVERAGE RECOVERY RATE

82.3%

TOTAL GOLD PRODUCED
THOUSAND OUNCES

2,841.2

SUSTAINABILITY

PRODUCTION CARBON INTENSITY DOWN BY

16.1%

WATER RECYCLED AND REUSED

93.55%

LOST TIME INJURY FREQUENCY RATE

0.08

INVESTMENTS IN SOCIAL PROJECTS
MILLION

$47.3

WHY INVEST IN POLYUS

LEADING RESERVES AND RESOURCES BASE

- One of the world's largest reserve and resource bases
  - Proved and Probable (P&P) Ore Reserves: 61moz (excl. Sukhoi Log)
  - Measured, Indicated and Inferred (MI&I) Mineral Resources: 188moz (incl. Sukhoi Log)
- Average life of mine: 21 years (excl. Sukhoi Log)
- 100% open pit operations

See page 8

ABSOLUTE COST LEADERSHIP

- Lowest cost producer among the world's top ten gold mining companies
- Total cash costs (TCC) and all-in sustaining costs (AISC) in the first decile of global cost curves

See page 10

INDUSTRY-LEADING DIVIDEND LEVEL

- Regular dividends of 30% of adjusted EBITDA in recent years
- Strong cash position and positive free cash flow support industry-leading shareholder returns

See page 12

VALUE ACCRETIVE PRODUCTION GROWTH

- Volume of gold produced moved from ca. 2.44 moz in 2018 to 2.84 moz in 2019
- Pipeline of cost-efficient brownfield and greenfield expansion projects

See page 14

COMMITMENT TO SUSTAINABLE DEVELOPMENT

- Signatory to the UN Global Compact. Only Eastern European member of the ICMM[1].
- Sustainalytics overall ESG score of 71, MSCI ESG score of A, SAM score of 45
- Constituent of MSCI Emerging Markets ESG Leaders Index and FTSE4Good EM Index
- LTIFR[2] of 0.08, down 11% from 2018

See page 16

[1] The International Council on Mining and Metals (ICMM), an organisation that provides access to industry best practices in the field of sustainable development.
[2] Lost Time Injury Frequency Rate: number of lost-time injuries within a given accounting period, relative to the total number of hours worked in that period.

Q&A WITH EDWARD DOWLING, CHAIRMAN

> We as a Board see our strategic duty in ensuring that the company respects the interests of all stakeholders in its everyday activities”

MOEX AND LSE TICKER

PLZL

DIVIDENDS

30% OF ANNUAL EBITDA*

*If net debt/adjusted EBITDA is below 2.5x for the previous 12 months.

Q Did Polyus deliver on its strategic objectives for the year?

A The company made steady progress during 2019 in growing its production, enhancing its financial position and ensuring its operation as a solid, sustainable and stakeholder-friendly business. The pre-feasibility study at Sukhoi Log is successfully progressing as planned – along with existing and new brownfield development projects across our existing operations.

Q What were the key milestones of 2019?

A Much of our important news was related to the development of Sukhoi Log. In January, Polyus presented the updated mineral resources estimate of 63 million ounces – a 9% increase compared to the previous estimate. By September, the company completed the exploration drilling programme at Sukhoi Log, which comprised 203.6 thousand metres.

When it comes to Natalka, we saw all the hard work of previous years begin to deliver value. We were pleased to see Natalka making an important contribution to Polyus' production profile.

Polyus also made tangible progress in publicly communicating its Sustainability strategy. The company has become a signatory of UN Global Compact and increased its scores with the main Sustainability ratings. Sustainability is now a more visible element of our communications – and a crucial part of Polyus' business strategy.

Q As you've travelled around the business, what has impressed you the most?

A In September, the Board visited Kuranakh, our production asset located in the Republic of Sakha (Yakutia) in Siberia. Polyus operates the largest gold producing facilities in Sakha. It's a remarkable place, with a unique culture and magnificent natural beauty. The Polyus team is very committed – and works hard to make a positive contribution to the development of this and other regions, and the wellbeing of the local people. We were very impressed with our meetings with the employees of Polyus' Yakutia business unit and those we held with local community representatives. 2019 marked the 95th anniversary of the gold mining industry of the Republic of Sakha, so it was a celebration both for Polyus and the region.

Q How well placed is Polyus to address market challenges in the year ahead?

A Polyus is Russia's largest gold mining company and one of the four largest gold producers globally – and we are actively strengthening our position among the industry's leaders. Global market conditions have been favourable to gold producers in the last two years, especially in 2019. But no price rally can go on indefinitely. High gold prices are not an indulgence to be inefficient, squander precious capital or lower the bar when it comes to developing new projects and enhancing existing operations.

Polyus' production costs are uniquely low among our peers, which offers a strong protection against potential fluctuations of the global gold price. We are making sure the company keeps developing all its operations; introducing the most advanced technologies to maximise efficiency and to generate the greatest value for all stakeholders.

Q What are the Board's priorities for the coming year?

A We as a Board see our strategic duty in ensuring that the company respects the interests of all stakeholders in its everyday activities. Maximising value for investors while maintaining stable financial performance is a vital objective for Polyus. Our Board, where independent non-executive directors occupy all key positions, has extensive expertise and a diverse mix of professional backgrounds. It is there to help Polyus achieve its objectives and ensure compliance with the highest standards.

In today's world, every major public business must ensure its absolute adherence to sustainable and responsible business practices. Polyus is no exception. The company influences the lives of thousands of people in several Russian regions – and must do so in a positive way. Polyus takes a proactive approach in helping the regions fight the problems they face, like the coronavirus outbreak of early 2020.

As a natural resources company, Polyus must ensure it minimises its environmental footprint. This means keeping pollution of air, soil and water to a minimum, along with its emission of greenhouse gases and use of water resources.

We must also ensure that Polyus maintains the standards of operational efficiency and quality of corporate governance it has set to itself. The development of Sukhoi Log is fully on track and in 2020, Polyus plans to start the feasibility study at this unique project. Sukhoi Log is about to enter a crucial period of its development – and the Board is there to make sure the company executes it well; further strengthening Polyus' operational leadership to benefit all its stakeholders and investors.

OUR KEY ADVANTAGES

LEADING RESERVES AND RESOURCES BASE

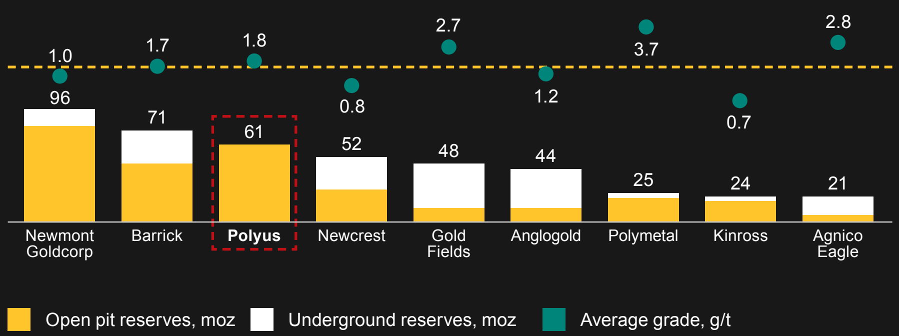
1

With an outstanding portfolio of Tier 1 assets, Polyus enjoys the largest gold reserve base in Russia and third largest globally.

The global gold mine supply is estimated to start declining in the 2020s. This is a consequence of several large-scale operations reaching their end of life, declining head grades and large discoveries taking longer to bring into production.

The gold industry is at an inflection point with an increasing need to focus not only on boosting production, but also on expanding the continuously diminishing gold reserves. Against this backdrop, Polyus – with some of the leading gold reserves globally – is set to deliver further expansion of its reserve base.

POLYUS RESERVE BASE COMPARED TO PEERS



DEVELOPING ONE OF THE WORLD'S LARGEST GREENFIELD ASSETS: SUKHOI LOG

In addition to developing its existing asset base, Polyus is successfully progressing the development of Sukhoi Log, Russia's largest gold deposit and one of the largest greenfield assets globally.

Sukhoi Log is a world-renowned deposit with a unique combination of outstanding qualities. It provides Polyus with an exceptional platform for long-term growth. The 2018 JORC compliant total resources estimate stands at 63 million ounces with an average gold grade of 2.1 gram per tonne. Sukhoi Log can be mined as an open pit deposit, creating the potential for the highly competitive cost of production estimated at total cash costs (TCC) of $420-470 per ounce.

Located in the Bodaybo District, a historic and well-established mining region to the northeast of Lake Baikal, the Sukhoi Log deposit was discovered by Soviet geologists in the 1960s. Initial exploration works of 318 thousand metres were carried out between 1961 and 1993.

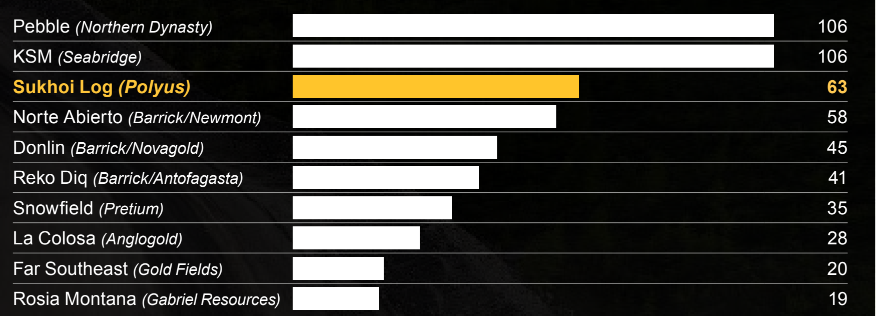
Polyus was granted an exploration and mining licence for Sukhoi Log in February 2017. Since then, we have carried out extensive drilling to verify and expand the exploration data available at that date. This has included exploration drilling of 203 thousand metres as well as 5,400 metres of geotechnical drilling and 2,800 metres of hydrogeological drilling between 2017 and 2019.

In 2020, Polyus plans to complete an additional 30,000 metres of in-fill drilling at Sukhoi Log. The drilling works will be focused on the open pit area, where we expect to conduct mining activities during the early years of operation. This will allow us to better define gold mineralisation within the area and support more accurate planning and sequencing of mining works.

We expect to provide the updated Inferred & Indicated Mineral Resources estimate and a maiden Ore Reserve estimate for Sukhoi Log in the first half of 2020 – and anticipate completing the Feasibility Study in 2021. The first gold from Sukhoi Log is expected around 2026. During its anticipated life, the Sukhoi Log mine could add as much as 1.6 million ounces per annum to Polyus' total output.

For more details about our plans for Sukhoi Log, see page 54.

LARGEST GOLD ASSETS BY OUTPUT (LAST REPORTED), THOUSAND OUNCES



OUR KEY ADVANTAGES

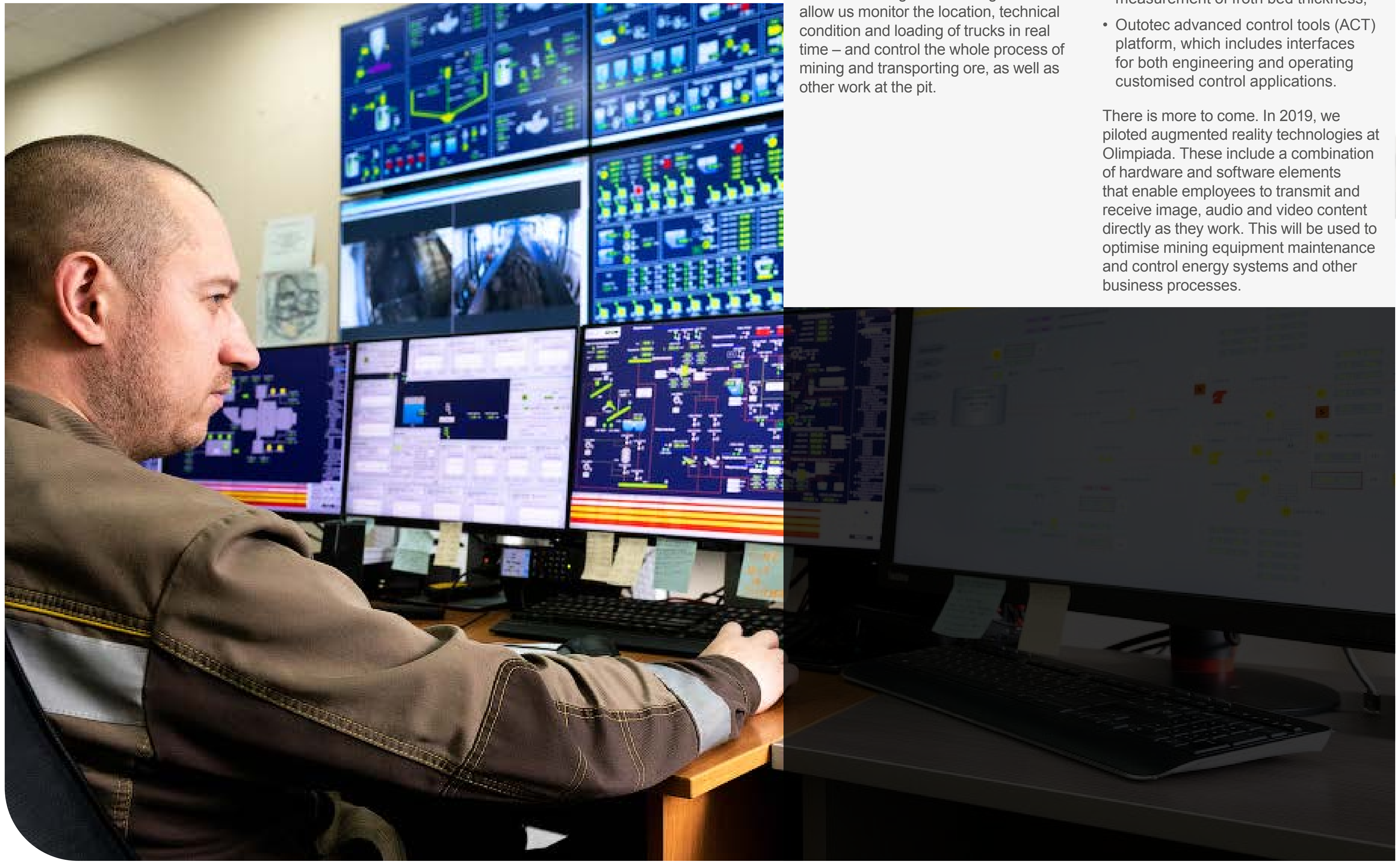
ABSOLUTE COST LEADERSHIP

2

The group's average total cash costs and average all-in sustaining costs – of $365 per ounce and $594 per ounce respectively – are among the lowest in the global gold mining industry.

To maintain its cost leadership, Polyus places a special emphasis on effective cost management, operational efficiency improvements and as the introduction of new technologies.

Polyus traditionally focuses on developing large-scale Tier 1 assets, where the size enables economies of scale. The compact layout of our assets also provides transportation cost savings and other synergies. Concentrating on open-pit mining with high grades also facilitates low production costs.



ENHANCING EFFICIENCY THROUGH DIGITALISATION

New information technologies are becoming a necessary instrument in the mining industry throughout the production process. The ability to digitalise its business is the differentiating factor between a technologically advanced mining company and its competitors.

In 2019, Polyus mined over 60 million tonnes of ore. Access to appropriate IT and digital support enables us to process these volumes more efficiently – and reduce costs.

We are using drone technology for 3D mapping of our mining operations. Drones facilitate access to hard-to-reach areas of our sites, allowing us to create a digital model of our deposits. Our mineral surveyors document the drilling schemes digitally, with the data being accessible on demand. Digital technologies also allow us monitor the location, technical condition and loading of trucks in real time – and control the whole process of mining and transporting ore, as well as other work at the pit.

At the processing stage, Polyus is introducing digital solutions to enhance the monitoring and control of various technological processes. For example, the flotation process at various assets is managed with the help of these digital tools:

- FrothSense, which measures indicators including froth speed, direction, bubble size and froth stability – and aggregates statistical data related to these variables;
- PSI 300, an on-line analytics system for mineral slurries that automatically takes samples from process streams and measures particle size in the range of 25–1000µm;
- LevelSense, which measures the slurry-froth and froth-air interfaces in a flotation cell, enabling the measurement of froth bed thickness;
- Outotec advanced control tools (ACT) platform, which includes interfaces for both engineering and operating customised control applications.

There is more to come. In 2019, we piloted augmented reality technologies at Olimpiada. These include a combination of hardware and software elements that enable employees to transmit and receive image, audio and video content directly as they work. This will be used to optimise mining equipment maintenance and control energy systems and other business processes.

OUR KEY ADVANTAGES

INDUSTRY-LEADING DIVIDEND LEVEL

3

Polyus is wholly committed to maximising long-term value for all its stakeholders. The combination of operational excellence, stringent cost control, financial prudence and robust free cash flow generation helps us withstand global market volatility and continue delivering with industry-leading returns.

Our industry-leading dividend reflects confidence in our ongoing ability to generate superior returns. In accordance with our dividend policy, we are committed to paying 30% of our annual EBITDA as dividends on a semi-annual basis. However, to be financially prudent, we strive to maintain an appropriate balance between shareholder pay-out and a healthy balance sheet. The provision within the dividend policy outlining that the net debt/adjusted EBITDA for the last 12 months should be below 2.5x for the company to declare dividends ensures this balance.

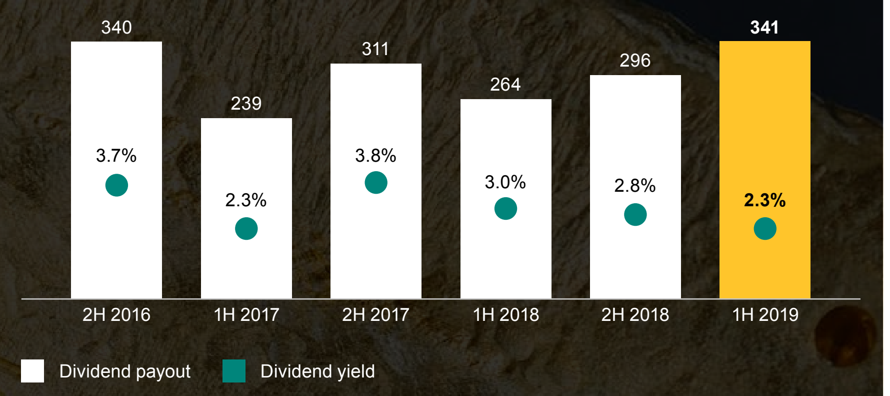
RISING FREE FLOAT AND MAINTAINING RECORD DIVIDENDS

As at the end of 2019, the free float of Polyus stood at 20.43%. Among other factors, this reflected the secondary public offering conducted by Polyus Gold International Limited in April 2019, which brought Polyus' free float above 20%.

The increase in free float has contributed to a substantial growth in the liquidity of Polyus shares. These were trading at $19 million average daily trading volumes at the end of 2019 compared with $8 million the year before, further enhancing the attractiveness of Polyus' investment case.

Moreover, in line with the current MSCI index methodology, following the increase of Polyus' free float in April 2019 above 20%, the company's shares are eligible for a weighting increase in the MSCI Russia Index at the review scheduled for May 2020. According to the MSCI methodology, changes in free float taking place after 1 March are reflected as part of the index review taking place in May of the subsequent year. In accordance with the methodology, Polyus's Foreign Inclusion Factor (FIF) is a subject to an increase from 0.2 to 0.25, which should result in a higher weight in the index.

POLYUS DIVIDEND TRACK RECORD, $ MILLION



OUR KEY ADVANTAGES

VALUE ACCRETIVE PRODUCTION GROWTH

4

Polyus is the largest gold producer in Russia, where it accounts for ca. 25% of gold output. Globally, Polyus is the world's third-largest gold company by reserves base and the fourth-largest gold producer.

The company benefits from an average mine life of approximately 21 years, which is double the average mine life of its top ten global peers.

Polyus runs bulk open-pit operations, including some of the largest assets globally. Specifically, our Krasnoyarsk business unit (comprising Olimpiada and Blagodatnoye) is the world's third-largest gold asset by output. Together these two operations account for 53% of the company's output.

Polyus' priority in recent years has been organic growth through developing its main operations. In 2019, production growth was primarily driven by Natalka, our key development project of recent years. During 2019 we also expanded processing capacities at Olimpiada, Blagodatnoye and Kuranakh.

BROWNFIELD DEVELOPMENT PROJECTS ACROSS POLYUS OPERATIONS

Polyus is concluding the first generation of brownfield expansion projects identified in 2015-2016. In 2019, the following three projects were prioritised:

- At Blagodatnoye, we completed expansion of the mill's throughput capacity to 9 million tonnes of ore per annum. The project included upgrade and reconfiguration of blasting/crushing, grinding and gravitation/flotation equipment, optimisation of the ore feed via Mine-to-Mill technology (?).
- At Kuranakh, the annual throughput was increased to 5.8 million tonnes of ore after a capex-light expansion. This focused on installing new equipment inside the existing mill with minimal construction.
- The final stage of a major expansion project at Olimpiada should result in reaching the annual throughput of 13.4 million tonnes of ore. The project includes optimisation and modernisation of crushing, grinding, gravitation/flotation and BIO/leaching processes.

A second generation of brownfield capacity expansion projects is currently being considered and launched.

In 2019, we started a new mill expansion project at Verninskoye. This will allow us to reach an annual throughput capacity of 3.5 million tonnes of ore in 2022 at this asset. The project will include several capex-light debottlenecking initiatives at the crushing and grinding, gravity concentration and carbon-in-leach circuits. We will install an additional crushing circuit, centrifugal concentrator and carbon reactivation kiln. For more details, see page 48.

Polyus is also considering the construction of a new mill at Blagodatnoye with a capacity of 6 million tonnes per annum, as well as the modernisation of existing bio-oxidation units and the construction of an additional unit at Olimpiada.

OUR KEY ADVANTAGES

COMMITMENT TO SUSTAINABLE DEVELOPMENT

5

Polyus is committed to the best sustainability practices. We take the management of our environmental footprint very seriously, along with the health and safety of our employees and the maintenance of our positive impact on society.

In 2015, Polyus joined the International Council on Mining and Metals (ICMM): the principal international body that promotes safe, fair and sustainable mining. Polyus is the only Russian and Eastern European member company of the ICMM.

The ICMM has strict Sustainable Development principles, which affect the company's impact on the environment, society, the economy and health and safety.

In 2019, Polyus became a signatory of the United Nations Global Compact, thereby joining the world's largest corporate sustainability initiative. The UN Global Compact comprises more than 13,000 participants from over 160 countries – and Polyus is only the fifth Russian mining company to join this initiative.

SWITCHING TO HYDROPOWER TO CUT GREENHOUSE GAS EMISSIONS

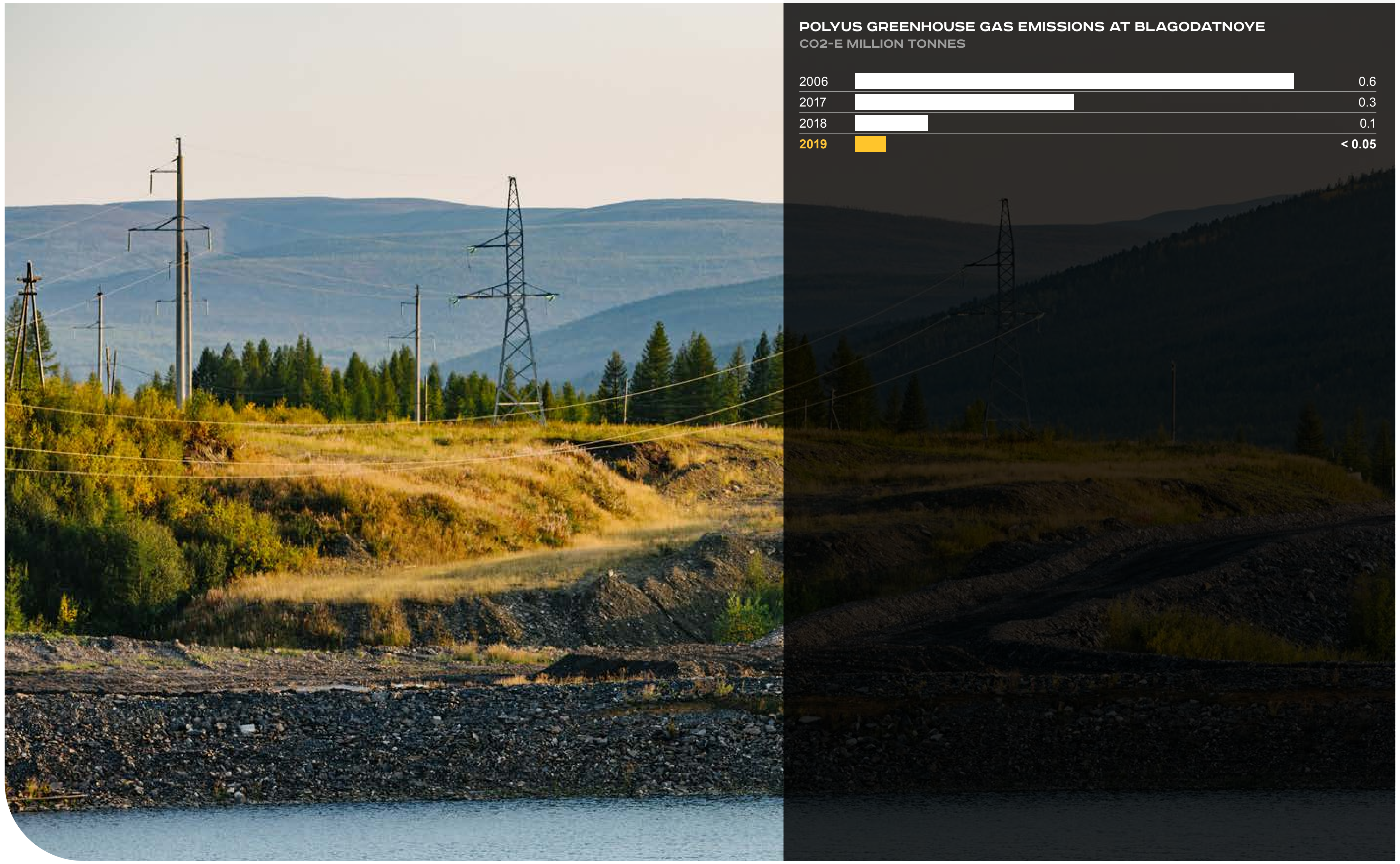
As a responsible miner, we are committed to reducing the energy consumption and carbon footprint of our operations, including by obtaining our energy from renewable sources. This not only contributes towards reducing operational greenhouse gas (GHG) emissions, but is also an important element of our cost management.

In 2018, Polyus completed the construction and launch of a strategic project in Krasnoyarsk region, aimed at reducing our carbon footprint. A new 220kV power line and a 220kV substation enabled the supply of clean hydroelectric energy from the Boguchanskaya HPP to the Blagodatnoye operating mine.

Throughout 2019, we continued the refurbishment of the power infrastructure. We built an additional power line, connecting Olimpiada – our largest operating asset – to the same power grid network. This has enabled further reduction of non-renewable energy consumption at our Krasnoyarsk business unit.

The commissioning of this project enabled us to increase the existing power delivery capacity from the Boguchanskaya HPP from 150 MW to 400 MW and reduce electricity costs, while substantially decreasing our carbon footprint. As such, we continued replacing the use of fossil fuel-burning power generation with supplies of green hydro energy.

Altogether in 2019, our efforts resulted in a 9.6% reduction in specific GHG emissions on the previous year.



POLYUS GREENHOUSE GAS EMISSIONS AT BLAGODATNOYE

CO2-E MILLION TONNES

2006	0.6
2017	0.3
2018	0.1
2019	**< 0.05**

OUR REACH & SCALE

Our large-scale production assets are spread across Eastern Siberia and the Russian Far East. Our principal operations are located in Krasnoyarsk Territory, Irkutsk and Magadan Regions and the Republic of Sakha (Yakutia).

KEY

- Production assets
- Greenfield projects

OLIMPIADA

- Location: Krasnoyarsk Territory
- 49% of total output
- 51% of adjusted EBITDA
- $293/oz TCC
- 3,434 employees[1]
- 13.9mt per annum processing capacity

See page 42

BLAGODATNOYE

- Location: Krasnoyarsk Territory
- 15% of total output
- 15% of adjusted EBITDA
- $398/oz TCC
- 1,436 employees
- 9.0mt per annum processing capacity

See page 44

ALLUVIALS

- Location: Irkutsk Region
- 5% of total output
- 3% of adjusted EBITDA
- $821/oz TCC
- 2,901 employees

See page 46

VERNINSKOYE

- Location: Irkutsk Region
- 9% of total output
- 9% of adjusted EBITDA
- $363/oz TCC
- 1,344 employees
- 3.0mt per annum processing capacity

See page 48

KURANAKH

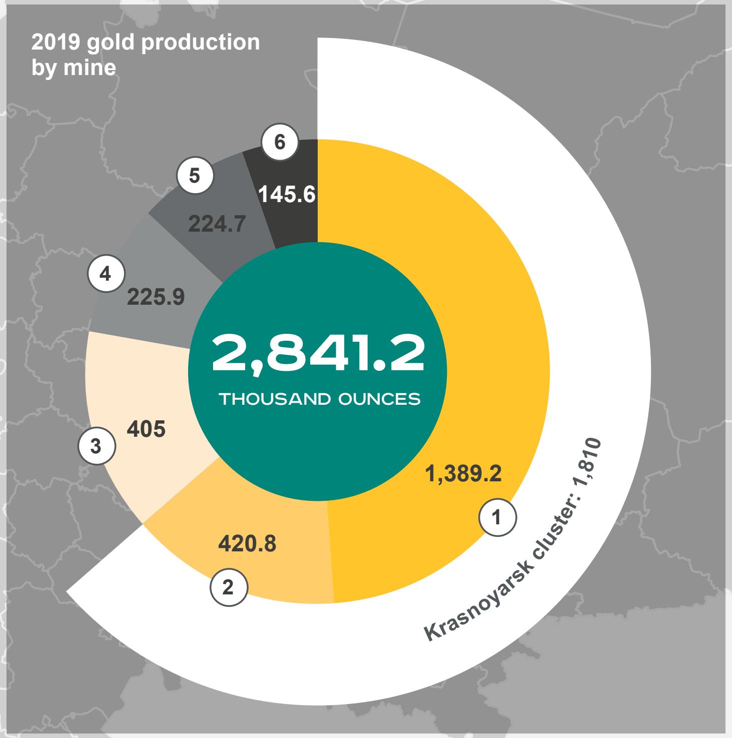
- Location: Republic of Sakha (Yakutia)
- 8% of total output
- 6% of adjusted EBITDA
- $523/oz TCC
- 1,812 employees
- 6.9mt per annum processing capacity

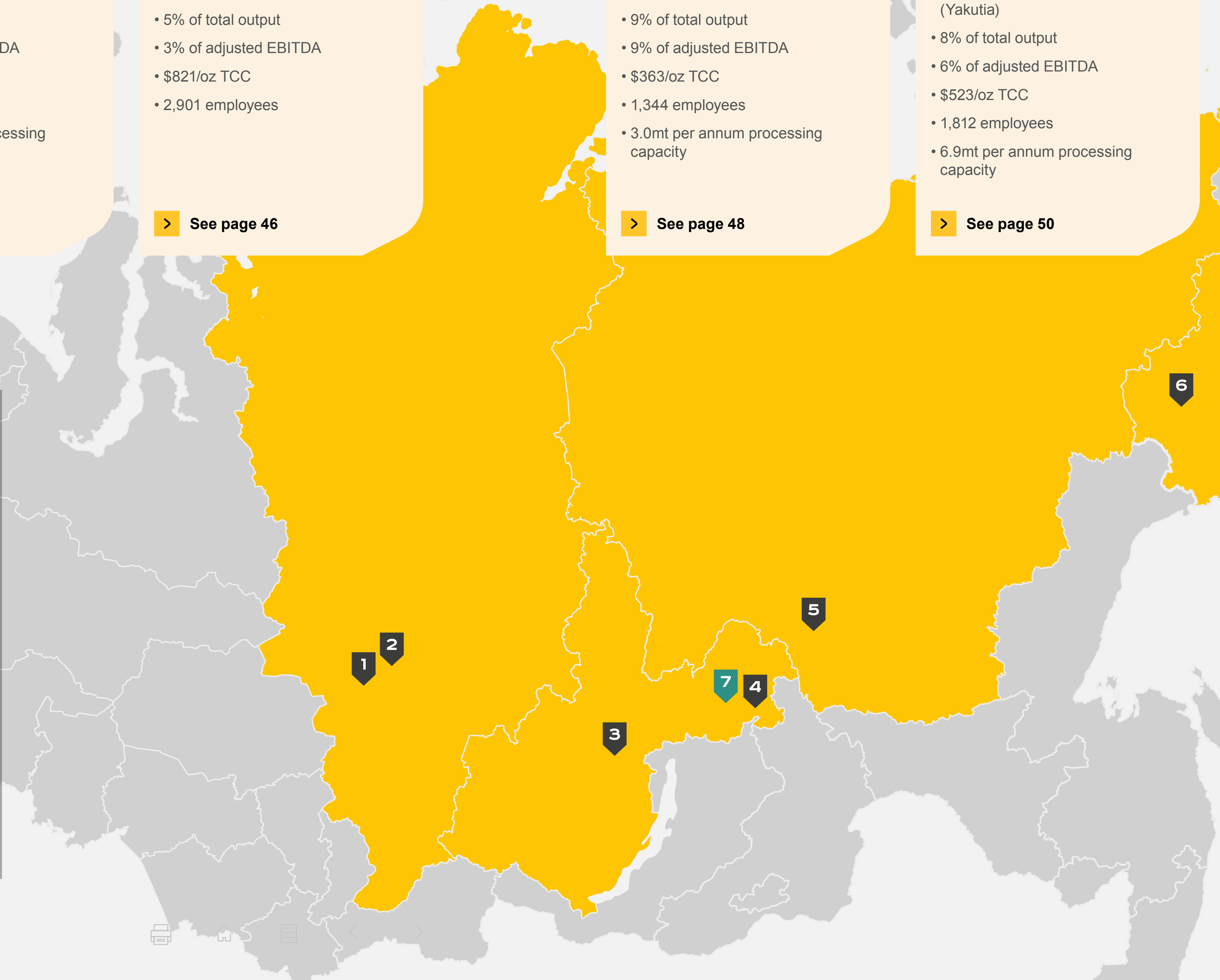
See page 50

NATALKA

- Location: Magadan Region
- 14% of total output
- 13% of adjusted EBITDA
- $396/oz TCC
- 1,739 employees
- 11.2mt per annum processing capacity

See page 52





SUKHOI LOG

- Location: Irkutsk Region
- Exploration and verification drilling completed
- Pre-feasibility study at an advanced stage

See page 54

[1] Hereinafter, average number of employees during 2019

OUR BUSINESS MODEL

Our business model encompasses the entire gold production cycle: from exploration, mining and processing to the sale of refined gold and rehabilitation of the natural environment. Our growth ambitions are supported by rigorous cost management and a proactive approach to sustainability.

INPUTS

FINANCIAL

Our prudent financial policy aims to strike a balance between carefully selected investments for growth and appropriate cash returns to our shareholders.

INTELLECTUAL

Our extensive knowledge base is underpinned by our in-depth technical expertise, sound corporate governance structure and robust internal control systems.

NATURAL

To minimise the environmental impact of our activities, we are committed to developing our extensive resources as safely and sensitively as possible.

OPERATIONAL

We focus on continuous improvement through the smart growth of brownfield sites and the development of highly efficient greenfield projects.

HUMAN

We recognise our talented and motivated employees through incentive schemes and continuously improving work, social and recreational conditions.

SOCIAL

We aim to provide a safe and healthy environment for our workforce – and we support a variety of social and charitable projects in our communities.

PROCESSES

1 EXPLORATION AND EVALUATION

Our experienced and knowledgeable exploration teams focus on identifying high-grade, substantial assets that will deliver maximum profitability.

2 DEVELOPMENT

With a proven track record of asset optimisation and project management expertise, we convert our reserve base into efficient gold production.

3 MINING AND PROCESSING

Our highly qualified mining specialists combine their technical knowledge with state-of-the-art process automation for maximum operational efficiency.

4 PRODUCTION

A focus on operational excellence and rigorous cost control across all our operations enables us to consistently deliver increases in gold production.

5 SALES OF REFINED GOLD

Doré and slime gold from our mines is refined into bullion and sold principally to Russian commercial banks via a fully transparent sales process.

6 MINE CLOSURE AND LAND RECULTIVATION

Our commitment to sustainability encompasses the comprehensive rehabilitation of the environment at the end of a mining asset's life.

VALUE CREATION

INVESTORS

Our principal focus is on maximising returns for our shareholders, and communicating openly about our strategy, governance, sustainability, operations and performance.

30%

Total dividend pay-out for the reporting year, provided that the net debt/adjusted EBITDA ratio for the previous 12 months is below 2.5x.

EMPLOYEES

Our people are the key contributors to our success – and the foundation for our future progress. We therefore invest in our employees throughout the length of their careers.

19,674

Average number of employees in 2019.

COMMUNITIES

We provide employment for local communities – as well as business for local suppliers. Our capex projects construct, develop and enhance local infrastructure.

$47.3M

Investment in social projects in 2019.

PARTNERS

With a presence in several Russian regions, we create lasting and mutually beneficial relationships with a range of global, domestic and local partners.

17%

Share of procurement from local/regional suppliers in 2019.

GOVERNMENTS

We work to create and develop enduring social infrastructure and social/economic partnerships with government and regulatory bodies.

$436.7M

Taxes paid in 2019.

The following pages contain details of our strategy, the risks we face and the governance structure that supports our operations.

STRATEGY

Our strategy focuses on value creation through organic growth and ongoing focus on efficiency improvement. This is accomplished through the efficient execution of expansion projects and the development of new gold deposits.

> See page 28

RISKS

Effective risk management underpins the successful execution of our strategy and influences our future planning. The identification, assessment, management and mitigation of risks are fundamental to our success.

> See page 32

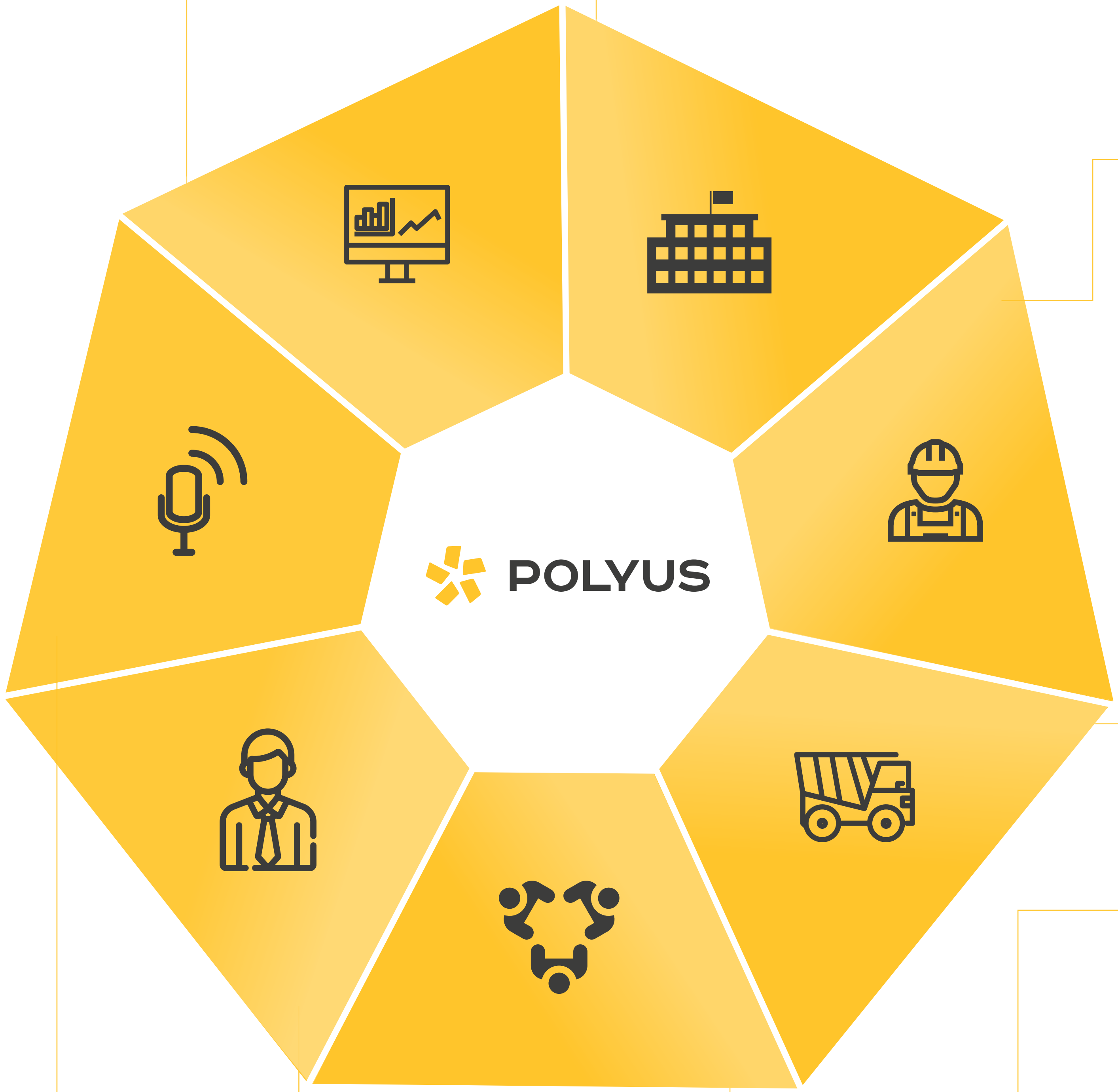
GOVERNANCE

Our robust corporate governance systems create the right environment for effective decision-making. They encompass all aspects of accountability, performance and responsibility across the business.

> See page 102

UNDERSTANDING OUR STAKEHOLDERS

Polyus constantly seeks to engage and build respectful, transparent and mutually beneficial relationships with its stakeholders, address their concerns and expectations — and keep them informed of the company's activities. Understanding our stakeholders and their values and needs is of the utmost importance to Polyus.



SHAREHOLDERS, LENDERS, BONDHOLDERS

Stakeholder concerns
- Long-term value by ensuring consistent financial returns

How we engage
- Annual general meetings
- Regular hard-copy and electronic communications
- Regular meetings with institutional shareholders
- Access via the company's website www.polyus.com

Responsible within the company
- Top management
- Investor Relations function

GOVERNMENT AND REGULATORS

Stakeholder concerns
- Legislative and regulatory compliance
- Environmental and social performance, fiscal regimes

How we engage
- Agreements on social-economic partnerships
- Charity and sponsorship initiatives
- Conferences and forums
- Memberships of associations

Responsible within the company
- Government Relations function

EMPLOYEES

Stakeholder concerns
- Health and safety
- Working conditions
- Career opportunities
- Wages, benefits and social packages
- Training and education

How we engage
- Direct communications with employees through immediate supervisors and management
- Corporate newspaper: 'Territory of Polyus'
- Internal web portal
- Operation-based newsletters
- 24/7 Hotline
- Confidential feedback boxes
- Corporate sports and cultural events, professional competitions
- Volunteer projects
- Employee surveys

Responsible within the company
- HR and Organisational Development function
- HSE&SD function
- Operations and Technical function

SUPPLIERS AND CONTRACTORS

Stakeholder concerns
- Supply and contractor agreements
- Payment processes

How we engage
- Tenders
- Contractual relationships
- Workshops

Responsible within the company
- Commerce and Logistics function

LOCAL AND INDIGENOUS COMMUNITIES

Stakeholder concerns
- Potential environmental and social impacts
- Employment opportunities
- Infrastructure development

How we engage
- Newsletters and targeted communications
- Public hearings and meetings
- Confidential feedback boxes
- Charity activities
- Social programmes

Responsible within the company
- Public Relations function
- Government Relations function

NGOS AND INDUSTRY ORGANISATIONS

Stakeholder concerns
- Social and environmental performance of operations
- Mitigating non-financial risks
- Industry-specific issues

How we engage
- Regular interaction with relevant national and international organisations

Responsible within the company
- Public Relations function
- Government Relations function

MEDIA

Stakeholder concerns
- Broad range of issues reflecting all stakeholder interests

How we engage
- Press releases, briefings
- Presentations and interviews
- Site visits

Responsible within the Company
- Public Relations function

Read more about our engagement with stakeholders in the Board report on page 104

Q&A WITH PAVEL GRACHEV, CHIEF EXECUTIVE OFFICER

Our management team is increasingly focused on sustainability as a vital component of our business strategy"

PRODUCTION GROWTH IN 2019 VS 2018

16%

Q Can you summarise the performance highlights of 2019?

A It was a year of significant achievement for Polyus. Once again, we delivered record production volumes, beating our guidance for the sixth time in a row. 2019 total gold output stood at 2,841 thousand ounces, posting a 16% increase over 2018. In terms of our financials, our revenue reached a new record high of $4 billion, 37% above the previous year.

We were especially glad to see Natalka making the most important contribution to our production growth this year. It's an excellent and long-awaited reward for the effort and time we spent on this project. Besides that, we made significant progress at Sukhoi Log, finishing the drilling campaign and nearing completion of the pre-feasibility study. The development of Sukhoi Log will be our key focus in the years ahead.

Our management team is increasingly focused on sustainability and ESG[1] as a vital component of our business strategy. There is growing interest in this area from various groups of stakeholders, and we are actively getting involved in new initiatives to become more transparent and introduce the highest standards of sustainability throughout the business.

Q What improvements has Polyus made to its sustainability practices?

A In certain respects, 2019 was a breakthrough year. We became a signatory of the UN Global Compact – and by joining this initiative, became part of a global community of organisations sharing a responsible and values-driven approach to doing business.

As always, creating safe and comfortable working conditions for our employees remains a priority. We improved our health and safety performance; decreasing our lost time injury frequency rate (LTIFR) and automotive accident rates (AARK). Today, in the face of possible global problems like the COVID-19 pandemic, employee health and safety should be an even more important priority for any mining company. As we speak, the pandemic is putting our H&S management systems to a test, but the work done in previous years has made us much stronger and better prepared to cope with such situations.

We have also been opening up to the public and disclosing what we do in this area. An important global project in 2019 was the Investor Mining & Tailings Safety Initiative, which we wholeheartedly supported, publishing a detailed overview of our tailings facilities. Reflecting the work done to date – and as an inspiration to keep going – we are proud to have been named Russia's most transparent metals and mining company by WWF's annual rating.

Our progress was also highlighted by Polyus' improved ESG rating scores, including SAM, Sustainalytics and MSCI ESG. We were included in an additional ESG stock index: MSCI ESG EM Leaders.

At the end of the year, the Board approved our climate change strategy development roadmap. The company's tasks for the months ahead include mapping climate change risks, scenario analysis and capacity building as well as quantitative climate change risk assessment. As a result, we will develop a comprehensive climate strategy and a plan to minimise our carbon footprint.

Q How are you responding to the current market environment?

A We enjoyed quite favourable market conditions in 2019, with an average gold price of $1,393 per ounce, or 10% higher than last year. But this did not divert us from maximising our operational efficiency. Just as in previous years, we concentrated on implementing operational improvements across all our assets; identifying new opportunities to reduce costs or increase production capacities.

Q How are the company's key growth projects progressing?

A We are working on major capacity expansion projects at Olimpiada and Verninskoye, as well as implementing further initiatives at Natalka. At Olimpiada, we are modernising one of the four existing bio-oxidation units, while at Verninskoye we intend to carry out a capex-light debottlenecking of crushing, grinding, flotation and hydrometallurgy circuits. Apart from the expansion projects already underway, we have several interesting initiatives in the pipeline, which are now in the feasibility or pre-feasibility study stage. We are assessing the possibility of building an additional mill at Blagodatnoye, which would increase the local throughput capacity by more than 70%. We aim to complete the feasibility study of this project in 2020. At Olimpiada, we are studying options to build an additional bio-oxidation unit.

Q What part has innovation played in the year's success?

A Modern gold mining is impossible without the use of advanced technologies. Automation and digitalisation play an increasing role in our business. Some of these innovations are particularly visually impressive, such as modern trucks equipped with complex communication, navigation and control systems – or drones used for modelling and overseeing mining pits. Other innovations might have less of the 'sci-fi' factor, but are equally important, such as the use of big data to analyse our ore reserves, or advanced monitoring systems at different stages of the production process that help filter ore fed to the mill and optimise the flotation process.

Digitalisation and automation have enabled us to increase the productivity of Mill 4 at our Krasnoyarsk business unit by 15%. Automation of the mining fleet across our operations has optimised the fleet's performance by 7%, resulting in a 10-12% incremental increase of the mills' productivity.

We look forward to 2020 as we further strengthen our position as a gold mining leader, both in Russia and on an international scale.

UN GLOBAL COMPACT: JOINED IN APRIL 2019

POLYUS NAMED RUSSIA'S MOST TRANSPARENT METALS AND MINING COMPANY ACCORDING TO WWF ANNUAL RATING

TAILINGS SAFETY REPORT: PUBLISHED IN JUNE 2019, AVAILABLE AT WWW.POLYUS.COM

[1] Environmental, Social and Governance factors

UNDERSTANDING OUR MARKETS

Total global gold production amounted to 3,464 tonnes in 2019. During the year, the price rose by up to 10% against a background of falling interest rates, economic uncertainty and geopolitical tensions. In 2019, Polyus has been the world's fourth-largest gold producing company and the largest gold producer in Eurasia.

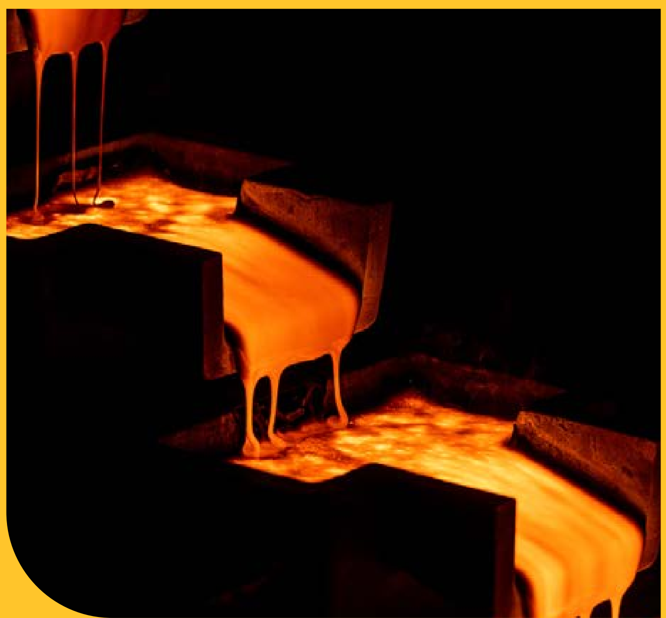
MARKET ENVIRONMENT

DEMAND

Global demand declined by 1% compared with 2018. The decrease in demand from consumers, the technology sector and central banks was mainly offset by investment demand driven by low interest rates and geopolitical uncertainty.

Total demand in 2019:

4,355.7 TONNES



SUPPLY

Total gold supply increased by 2% on the previous year, driven by a jump in recycling volumes, as consumers capitalised on the sharp rise in the gold price in the second half of the year. Net producer hedging – a feature of the market since 2016 – remained flat at 8.3 tonnes, as producers exploited an opportunity to secure cash flow at higher prices.

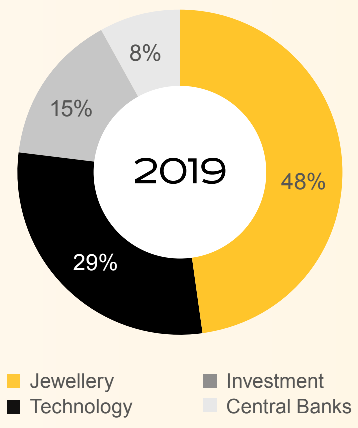
Total supply in 2019:

4,776.1 TONNES

MARKET DRIVERS

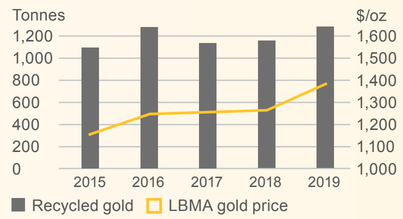
- **The investment sector** was the main contributor to the growth in total demand; low interest rates and geopolitical uncertainty pushed holdings of gold-backed ETFs to record highs in Q4. Holdings in gold-backed ETFs and similar products ended the year at 2885.5 tonnes due to annual inflows of 401.1 tonnes, an increase of 426%.
- **Demand for jewellery** decreased 6% to 2,107 tonnes, adversely affected by the gold price jump in Q3, as well as the domestic economic slowdown in India and muted rural demand. A slowing economy, rising inflation, global trade disputes and changing tastes also contributed to lower jewellery demand in China.
- **Central banks** added 650.3 tonnes to global official reserves, a decline of 1% on the previous year but still the second-highest level of annual purchases for 50 years.
- **Technology demand** recorded a fall of 2% to 326.6 tonnes for the year 2019 as a whole but recovered towards the end of 2019, driven mostly by strong growth in wireless applications as 5G gained traction.

GLOBAL GOLD DEMAND BREAKDOWN IN 2019



- **Recycling** of gold rose 11% to 1,304.1 tonnes, the highest level since 2012. Significant levels in Europe and the Middle East were driven by weak currencies and a high gold price.
- **Global mine production** accounted for 3,463.7 tonnes, or 72.5% of supply for the year. This was marginally below the previous year, which marked the first annual decline for more than ten years. Russian mine production added an 8% increase year-on-year in 2019, driven, among other factors, by the ramp-up of greenfield sites such as Natalka. In Australia, mine production rose by 3%, while production in Turkey leapt (+66% against 2018) due to improvements in the regulatory environment and permitting process, as well as expansion at the Çöpler project.

GLOBAL RECYCLING ROSE IN RESPONSE TO THE PRICE RAILY IN 2019[1], TONNES



LMBA GOLD PRICE DYNAMICS[1] FY 2019, $/OZ

[1] Source: Metal Focus, Refinitiv GFMS, ICE Benchmark Administration, World Gold Council.

OUTLOOK

The World Gold Council's outlook for 2020 suggests that many of the global dynamics in play over the past few years will remain generally supportive for gold in the year ahead.

The Council believes that:

- **Financial and geopolitical uncertainty** – combined with low interest rates – will likely bolster gold investment demand. The WGC expects investors to face an increasing set of geopolitical concerns. Experience suggests that they may increase exposure to safe-haven assets such as gold as a means to hedge their portfolios.
- **Momentum and speculative positioning** may keep gold price volatility elevated. The gold price rose significantly in 2019 and so did volatility. However, as with other assets, it remains well below its long-term trend. Should the economic and political environment deteriorate, volatility may rise further.
- **Consumer demand** may remain soft in the short term due to gold price volatility and expectations of weaker economic growth or even a global recession. The slowdown in Chinese economic growth and rising staple prices have been squeezing consumer budgets. Consumers will likely limit their consumption of luxury items as well as shift their demands towards innovative jewellery pieces with fashionable designs and lighter weights. In India, higher taxes are exacerbating the impact of the record high local gold price on consumption. Both China and India are implementing economic reforms geared towards strengthening growth and internal consumption. These are expected to support demand in the long term.
- **Net gold purchases by central banks** are likely to remain robust, even if they are lower than the record highs seen in recent quarters.

OUR STRATEGY

Our strategy focuses on value creation through organic growth and ongoing focus on efficiency improvement. We achieve this through the cost-effective expansion of existing projects and the construction and launch of initiatives at new gold deposits. We aim to deliver industry-leading shareholder returns, while maintaining our commitment to operational excellence and fulfilling our social and environmental responsibilities.

STRATEGIC ELEMENTS	DESCRIPTION	RISKS TO STRATEGY	ACHIEVED TO DATE	MID-TERM TARGET
Maintaining and expanding an extensive reserve and resource base	Our large-scale open-pit mines are located in the gold-rich regions of Siberia and the Russian Far East. We operate and develop the Olimpiada, Natalka and Sukhoi Log deposits: the three Russian deposits included in the world's 30 largest assets by resources, according to the Metals Focus' Annual Gold Focus 2019 report.	**Industry risks** • non-confirmation of mineral resources and ore reserves	Polyus is Russia's largest gold mining company by reserves, according to the Russian Union of Gold Miners – and one of the world's largest gold companies (by ore reserves), with 64 million ounces of Proved and Probable ore reserves. The development of Sukhoi Log, one of the world's largest undeveloped gold deposits, provides us with a platform for long-term growth	Our strong foothold in – and long-term commitment to – the Russian market means we are well placed to capitalise on existing and future opportunities in the region. We are also confident that Polyus has a competitive advantage in bidding for new licences and assets.
Pursuing capital-efficient growth opportunity	Over the last five years, Polyus has continued to exceed its annual production guidance. We have delivered sustainable organic growth by executing a selected set of brownfield development projects. This enabled us to extract maximum output from the existing assets – through targeted expansion and debottlenecking initiatives delivering substantial rates of return.	**Strategic risks** • inefficient allocation of investment budget funds **Operational risks** • failure to comply with schedule and budget of capital construction investment projects (ongoing projects being implemented) • failure to meet supply chain management objectives • selection of inefficient technology, inadequacy and / or poor quality of expertise of engineering solution, as well as testing of new technologies • failure to achieve key milestones of large-scale capital construction projects	Operational optimisation initiatives have delivered a sustained recovery rate and production increases at all our key assets.	Polyus is carrying out initiatives to further increase throughput capacity at Olimpiada, Blagodatnoye and Verninskoye.
Maintaining cost leadership	Polyus is one of the lowest-cost gold producers, positioned in the first decile of the global cost curve and with one of the industry's highest EBITDA margins. We apply rigorous cost management to our entire portfolio of high-grade, large-scale mines. This approach delivers multiple sustainable and low-cost advantages compared to our competitors.	**Country and regional risks** • tax burden increase • increase of international pressure on the Russian Federation **Operational risks** • business interruption (production business units) • functional safety failure of mill APCS, mining fleet ACS • low reliability of external power supply • inefficiency of company's operating model and a lack of skilled human resources	Our ongoing efficiency programmes across the group continued to reduce costs.	We are committed to retaining our status as one of the world's lowest cost gold producers. This will be accomplished through maintaining our disciplined approach to project selection, focusing on those that exhibit long-life, low-cost and high-grade characteristics. We will also continue to introduce operational efficiency initiatives that not only reduce costs, but also increase throughput and recovery rates.
Balancing shareholder returns with an optimum capital structure	Our dividend policy is focused on shareholder returns, while ensuring that adequate liquidity is maintained. Our leverage profile remains comfortable – with limited repayments due in the coming years. Our strong cash position will enable Polyus to meet its financing obligations and our planned programme of capital expenditure.	**Industry risks** • gold price decrease **Financial risks** • foreign currency rate • capital access	Our dividend policy provides for payments on a semi-annual basis, at 30% of the EBITDA for the applicable reporting period, providing the net debt/ adjusted EBITDA ratio for the previous 12 months (based on the consolidated financial statements of the company) is lower than 2.5x.	We believe that our low cost position will enable us to maintain a sustainable, industry-leading level of dividend payments throughout the cycle.
Maintaining high standards of corporate governance and corporate disclosure	We uphold the highest standards of corporate governance throughout the company. To this end, we have adopted a disclosure and reporting policy consistent with the applicable regulatory requirements and compliant with the relevant best practice standards.	**Legal risks** • non-compliance with legal requirements and internal regulations for AML/CT **Country and regional risks** • inefficient interaction with government authorities **Operational risks** • information security • failure to fulfill business transformation project goals	Polyus' Strategy and Operations Committees include at least two Independent Non-Executive Directors (NEDs), and our Audit and Nomination & Remuneration Committees consist solely of Independent NEDs. All Committees are chaired by Independent NEDs. The Board includes four Independent NEDS, all of whom have extensive, complementary and relevant experience. The Chairman of the Board is an Independent NED.	We continue to work towards a best practice model of corporate governance.
Embedding sustainability principles throughout our business	We are committed to embedding sustainability best practices across all our operations. This pledge encompasses the health and safety of our employees, our stewardship of the natural environment and relationships with our local communities.	**Operational risks** • accidents in the workplace • negative environmental impact	Polyus has been a member of the ICMM since 2015 and is the first and only member company from Eastern Europe. In 2019, Polyus became a signatory to the UN Global Compact. Our LTIFR compares favourably against most of our peers. In recent years, we have drastically reduced our greenhouse gas emissions, enhanced our waste management and water treatment standards and have achieved a good level of transparency for Polyus' ESG information.	Our ultimate goal remains zero injuries, a minimal environmental footprint and a positive contribution to the wellbeing of the local communities where we operate.

KEY PERFORMANCE INDICATORS

To measure progress against the company's strategy, we benchmarked our performance in 2019 against a set of key financial, operational and sustainability KPIs.

KPI	DYNAMICS	RELEVANCE TO STRATEGY	2019 PERFORMANCE	LOOKING AHEAD
Adjusted EBITDA ($ million) Adjusted EBITDA is defined by the group as profit before finance costs, income tax, income/ (losses) from investments (including derivatives), depreciation, amortisation and interest paid, adjusted for one-off items.	2017: 1,702 2018: 1,865 2019: 2,680	Demonstrates Polyus' ability to generate operating cash flows, which are a major contributor to its capital expenditure programme, working capital requirements and credit portfolio servicing.	The group's adjusted EBITDA rose 44% over the year, to $2,680 million. This reflects production growth, following the ramp-up of operations at Natalka and higher production volumes of flotation concentrate at Olimpiada.	Polyus is focused on maximising adjusted EBITDA through sustainable cost reduction and operating efficiency initiatives. For additional information, see the 'Management discussion and analysis' section on page 65.
Total gold output (thousand ounces) Volume of gold produced from Polyus' hard-rock mines and alluvial operations in the reporting period. Gold production volumes are measured in thousands of troy ounces.	2017: 2,160 2018: 2,440 2019: 2,841	Gold production is an indication of Polyus' operational performance and demonstrates the operational and management teams' progress against mining plan targets.	Polyus' gold output reached a record level, increasing a further 16% year-on-year, exceeding both the previous year's performance and internal targets.	Polyus has a strong portfolio of operating assets allowing the company to maintain high production volumes – and underpinning its status as one of the largest gold producers globally. For additional information, see the 'Operational review' section on page 40.
Total cash cost ($/ounce) Total cash cost (TCC) per ounce sold is the cost of producing and selling an ounce of gold, which includes mining, processing, transportation, refining, as well as general costs from both mine and alluvial operations.	2017: 364 2018: 348 2019: 365	TCC is a key measure of efficiency at the company's operations. Polyus pays significant attention to production expenses by monitoring and benchmarking the efficiency and effectiveness of its assets and implementing best practices to control expenses.	The group's TCC increased 5%. This reflects a decline in average grades in ore processed at Olimpiada and lower by-product credit from sales of antimony-rich flotation concentrate. Inflation in consumables and diesel prices also negatively impacted the cost performance during the reporting period. These factors were partially offset by a higher share of lower cost flotation concentrate in total gold sold and modest local currency depreciation compared to the previous year.	Polyus is introducing additional multi-faceted and intensive measures to contain cost inflation and improve productivity. For additional information, see the 'Management discussion and analysis' section on page 65.
LTIFR The lost time injury frequency rate (LTIFR) measures delivery against Polyus' commitment to health and safety across the business.	2017: 0.11 2018: 0.09 2019: 0.08	Polyus tracks a range of safety performance indicators and data to measure the efficiency of the company's health and safety initiatives – and their application across its operations.	Polyus implemented key risk minimisation programmes to prevent falls, electric shocks, and risks relating to moving and rotating equipment. This included the design and installation of safety systems, upgrading of equipment, additional training and updating the organisation of business processes.	Polyus aims to minimise injury rates and to achieve zero fatalities through continuously focusing on improving its health and safety management system. For additional information, see our Sustainability Report.

PRINCIPAL RISKS AND UNCERTAINTIES

Various risks may affect the results of the operating, financial and investment activities of the company.

Enterprise Risk Management and Internal Control System (ERM&IC System) consists of interrelated elements that allow to identify and manage risks at all levels of governance and in all business processes. Internal control forms an integral part of risk management that in turn forms an integral part of corporate governance.

ERM&IC is continuous and integrated process that involves all divisions and corporate bodies of the company. ERM&IC Policy approved by the Board of Directors governs the ERM&IC System.

Main goals of the ERM&IC System are to create control mechanisms and to provide reasonable assurance for the company's objectives in operational effectiveness including:

- Strategy
- Compliance with applicable law and regulatory requirements
- Operations
- Security of assets
- Timeliness and reliability of reporting including information that has to be disclosed publicly

ERM&IC is built on recognized principles, applicable to all employees in their day-to-day activities, with regard to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) recommendations. Such principles are:

- Continuity – the ERM&IC system operates continuously throughout all levels of the company
- Integration – the ERM&IC system covers all of the company's activities and business processes
- Risk-orientedness – the ERM&IC system is integrated into the company's business processes in order to prioritize risk mitigation actions
- Reasonableness – the quantity and complexity of control procedures and risk mitigation actions enable Polyus to achieve the ERM&IC system's objectives
- Separation of duties – the rights and obligations of company employees depend on their specific role in the ERM&IC system
- Responsibility – within the scope of their duties, all company employees are responsible for the effective functioning of the ERM&IC system
- Timely reporting – information on risks and control procedures as well as the results of the ERM&IC system evaluation are reported to the appropriate level of management in a timely fashion
- Adaptability – the ERM&IC system constantly evolves and improves, adapting to changes in the environment

Management and company employees bear responsibility for identification and evaluation of risks, development and implementation of actions to mitigate risks, including optimization of control procedures, and control over their performance.

The Audit Committee of the Board of Directors and the CEO assure that the ERM&IC system is reliable and efficient. Such assurance is based on a review of results of risks' mitigation actions performance (including completeness and timeliness) as well as of the results of the reassessment of identified and/or newly discovered corporate risks.

The assessment of the ERM&IC system effectiveness is performed on a periodic basis:

- by the company's Management (at least annually) and includes an analysis of effectiveness and performance of risks' mitigation actions
- by Internal Auditors (in the course of audits) and includes an analysis of ERM&IC system's effectiveness in the business processes and in company in general

Internal Auditors provide the main results of ERM&IC's effectiveness assessment to the Audit Committee of the Board of Directors.

In 2019, the Audit Committee of the Board of Directors focused on ensuring better awareness and involvement of company management into the development of effective risk management and internal control system.

The key corporate risks of PJSC Polyus and corresponding mitigation actions identified by the management are presented below.

Risk assessment is performed in accordance with adopted criteria with assistance of Internal Auditors. Assessment reflects risks' significance to the company with regard to its possible consequences (financial and non-financial) and probability.

Description & Impact	Mitigation
INDUSTRY RISKS	
1. Mineral resources and ore reserves	
To a large extent, the company's operations depend on mineral resources and ore reserves. By its nature, the evaluation of the mineral resources of any mining company may be inaccurate. It depends to a certain extent on subjective statistical conclusions, which may be based on limited volumes of drilling and other analyses. Inaccurate assessment of the quantity and quality of mineral resources may lead to a decrease in production efficiency due to increased mining works and labour requirements, changes to ore processing technology requirements or a contraction of the mine development cycle.	Risk mitigation actions include: • audit of deposit reserves performed by external advisors in respect of prospective and developed fields • preparation of reports on results of geological exploration, provision of reserves (ratio of reserves to the level of current production) • follow-up exploration of minefields (advanced and operational) • variations to model parameters • quality assessment and quality control of geological exploration and laboratory testing
2. Gold price decrease	
Volatility of gold prices may lead to significant negative changes in the company's financial results.	The company continuously performs various mitigation actions to reduce any negative impact. These include sensitivity analysis of its operations to price variation, development of growth strategy with the use of scenario approach, forming of investment projects' portfolio based on projects' stability analysis. Moreover, the company performs in-process control of surplus stock with regard to market trends. In addition, the company opens credit lines for its operations and investments.
FINANCIAL RISKS	
1. Capital access	
Sanctions imposed by the United States, EU and other countries may lead to difficulties in borrowing on foreign markets. The company may also face a shortage of funds necessary to finance production, management and investment needs, as well as for fulfilment of its financial obligations.	This risk is constantly being mitigated. The company is diversifying its credit portfolio by raising funds from both Russian and international banks.
2. Foreign currency rate	
A major proportion of the company's operating expenditure is conducted in Russian roubles. At the same time, the price of gold sales is tied to the US dollar. Therefore the exchange rate of the Russian rouble to the US dollar may affect the company's revenue.	The company performs constant monitoring of exchange rate and its impact on financial results. The company also uses flexible budgeting, effectively manages its loan portfolio (including hedging), uses 30 days rolling liquidity forecast in functional and payment currency (for payment and foreign exchange short positions).

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Description & Impact	Mitigation
LEGAL RISKS	
1. Non-compliance with legal requirements and internal regulations for AML/CT	
Non-fulfilment of certain provisions of applicable AML/CT legislation (including foreign jurisdiction) and corporate fraud may have a negative impact on company's operations	To mitigate these risks, the company: • monitors changes in AML/CT legislation (on a monthly basis) and improves inner regulations (if needed) • controls over completeness by employees of the AML/CT trainings as well as over signing of AML/CT personal recognizances • controls over high hazard activities (at contract signing stage and in the course of payments) • performs background checks for applicants (relating to corruption risks and conflict of interests) • maintains effectiveness of Security Hot Line
COUNTRY AND REGIONAL RISKS	
1. Tax burden increase	
The company meets its obligations to pay taxes in full and on time. At the same time, the company's financial results may be adversely affected by: • changes in tax legislation and statutory practice • different interpretations of law by the taxpayer and tax authority	In order to mitigate this risk, the company continuously monitors changes in legislation and engages external advisors. The scope of work includes working on possible complex scenarios where changes in legislation might impact the company's business, proactive information gathering and the development of possible reactive measures.
2. Increase of international pressure on the Russian Federation	
The fragile global situation may have an impact on the company's operations. There is a threat of further prolonging and tightening of sanctions imposed on the Russian Federation by various countries.	To mitigate the possible negative impact of this risk, the company continuously monitors the situation regarding sanctions.
3. Government relations	
The requirements of applicable legislation are unclear and presume flexibility in allocating of the state funds, as well as in the provision of tax benefits and state subsidies.	The company communicates with state authorities on a regular basis, monitors changes in applicable laws and law-making initiatives.
STRATEGIC RISKS	
1. Inefficient allocation of investment budget funds	
The company faces the following challenges: • untimely submission and lack of information provided by project originators on projects intended to be included in the investment programme • difficulties in prioritising investments in basic projects that do not present a clear economic impact	To minimise this risk, the company: • regularly updates valuation models in the course of monitoring its investment projects • prioritises and stages its investments

Description & Impact	Mitigation
OPERATIONAL RISKS	
1. Mining risks (pit wall failures)	
Risk may occur due to lack of understanding of geotechnical and hydrogeological conditions of the rock mass, as well as due to implementation of ill-conceived design changes and failure to follow the operational procedures.	The company regularly: • carries out collection, processing and analysis of the geotechnical data • undertakes systematic approach in monitoring pit walls to identify critical ground movements • implements measures of reducing negative impact of blasting operations on slope stability • adopts best international practices in ensuring pit wall stability
2. Failure to comply with schedule and budget of capital construction investment projects (ongoing projects being implemented)	
Risk may occur due to inefficient management of the current ongoing projects that includes: • lack of project team's scope of competence • Inaccuracy in defining projects' terms and budgets at project kick-off • Ineffective change management	In order to mitigate this risk the company has implemented unified requirements to the project teams' functional and provides different programmes for the development of the project teams' skills. Moreover, the company constantly enhances the requirements for the development of projects. This includes planning of project terms and budgets with regard to the risk of incomplete input data. The company implements project change management procedures, controls the achievability of approved key project parameters. Planning and control procedures are based on automated reports from project management information systems.
3. Failure to meet supply chain management objectives	
Risk may occur due to logistics bottlenecks, late delivery of materials and equipment due to breach of delivery agreements by vendors or due to late provision of supply requirements by the buyer or lengthy procurement processes, poor quality materials provision by vendors.	Risk mitigation actions include: • early engagement of Procurement Division • maintaining the required level of reserve stock of materials and an emergency stock of spare parts • annual update of lead times • implementation of incoming quality control at initial acceptance points for all materials • implementation of measures to eliminate logistical bottlenecks
4. Selection of inefficient technology; inadequacy and / or poor quality of analysis, tests or expertise of engineering solutions leading to not reaching of design parameters of productivity or recovery ratio	
Risk may occur due to: • incorrect programme testing • discrepancy of scope of surveys and projects' stages • complexity of design for expansion of production volume	To mitigate this risk, the company: • engages highly qualified specialists, including international engineering companies, to study strategic projects • continuously improves the method of sampling • updates standards of sampling involvement in to design

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Description & Impact	Mitigation
5. Business Interruption (production BUs)	
Risk may occur due to: • non-compliance with production equipment operation procedures • untimely repair and maintenance programme execution • accidents in the electricity supply network • insufficient throughput capacity of internal electrical grid infrastructure.	To reduce the negative impact of this risk, the company continuously: • performs ongoing monitoring of technical and operational conditions of the main production equipment • examines out-of-schedule shut-downs of operational equipment • updates and maintains an emergency stock of materials at a minimum required level • determines the necessity to build new or to maintain the existing power facilities; • monitors the conditions and timely maintenance of power facilities; • creates and timely maintain emergency systems for power generating capacity and power system redundancy
6. Low reliability of external power supply	
Risk may occur due to limited capacity of external energy grids and possible electrical power shortage at the market.	To increase the reliability of power supplies, the company develops a strategy for energy capacity expansion including new production development projects.
7. Accidents at worksite	
Risk may occur due to an employee breach of their duties related to health and safety.	Risk mitigation actions include: • safety training for employees on a regular basis • quality control and timely provision of safety facilities • purchase and installation of equipment necessary for safe working • performing preventive measures aimed at increasing control over compliance with internal regulations.
8. Negative environmental impact	
The company's operations are subject to environmental control and regulations where they relate to possible environmental damage, potential harm to flora and fauna.	The company fulfils all requirements of Russian legislation and applicable international environmental protection laws. The company evaluates the impact of its business on the environment and society by identifying possible ecological risks at all stages of its projects – from design to land recultivation.
9. Imperfection of the company's operating model & lack of skilled human resources	
Difficulties in hiring a sufficient number of qualified personnel arise for the following reasons: • increase of competitive environment on the Russian labour market • low level of qualification provided by educational institutions, especially for technical profiles • lack of adequate social conditions for employees which can affect the image of the company as a responsible employer • non-compliance of the current organization design (operating model and organizational chart) with the company's development goals	The company's key risk mitigation actions: • development of special programmes for high-potential employees • development of a corporate culture and improvement of employee loyalty to the company • improvement of social conditions for employees • improvement and development of the recruitment process • implementation of measures to optimize organizational design

Description & Impact	Mitigation
10. Information Security	
Risk may occur due to: • cyberattacks against the company • breach of information security rules by the company's employees and contractors	Risk mitigation actions include: • implementation of a reaction system against targeted attacks • improvement of antivirus protection • implementation of specialized software for identification and monitoring of information security events (DLP) • identification and monitoring of information security events
11. Failure to achieve key milestones of large-scale capital construction projects	
Main reasons that may lead to risk's occurrence are: • low predictability of timeline of seasonal (weather-dependent) works due to global warming • failure to comply with the stages for decision making on process/technical/engineering solutions • failure to promptly identify hidden defects in supplied equipment • challenges related to recruitment of highly-qualified personnel for leading positions within the project teams	Risk mitigation actions include: • proactive planning of logistic routes and time • assessment of quality of engineering deliverables at all stages • preliminary testing of critical items at manufacturing facilities • recruitment of highly qualified project managers and their promotion depending on productivity while managing their current projects
12. Functional safety failure of mill APCS, mining fleet management systems	
Due to enhanced process automation, operational efficiency depends on reliability of mill APCS and mining fleet ACS. Main reasons that may lead to risk's occurrence are: • inappropriate installation and assembly of the equipment • internal software errors or network failure • low qualification of personnel operating the equipment • focused actions of external or internal violators aimed to damage the major infrastructure	In order to mitigate the risk the company: • standardizes design, installation, assembly requirements and service routines, aligning the requirements to contractors for construction and installation related to mill APCS • provides regular trainings for automation services staff, mine dispatchers and mill operators • prevents unauthorized access to the equipment and software of the mill APCS and fleet management system
13. Failure to fulfill business transformation project goals	
Main reasons that may lead to occurrence of risks are: • system users continue to use alternative sources of information • organizational actions that support the implementation of business transformation projects may not be carried out • poor data quality at the start of the end-to-end process affects all the downstream consumers	Risk mitigation actions include: • development and introduction of the data governance concept • implementation of plans for linearization of transformation project deliverables (focus on controlling solutions success) • use of functional strategies to balance the business transformation portfolio

OPERATIONAL REVIEW
Q&A WITH VLADIMIR POLIN, SENIOR VICE PRESIDENT, OPERATIONS

“The main factor behind the increased output across the company was Natalka, our latest development project that became a full-fledged operating asset in 2018”

ORE MINED IN 2019

66 MILLION TONNES

ORE PROCESSED

44 MILLION TONNES

Q What were 2019’s principal achievements from an operational perspective?

A Polyus exceeded its total gold production target for the sixth consecutive year and set several records. The company produced 2,841 thousand ounces of refined gold, which is 16% higher than in 2018. The volume of ore processed also went up 16% and totalled 44 million tonnes.

In early 2020, we have seen that the ability to ensure business continuity in extreme situations is crucial for a gold mining company. We are glad to have finished 2019 with a strong system, prepared for the potential effects of the COVID-19 pandemic, including those on supply chains and contractors.

Q What have been the main drivers behind the improved production in 2019?

A The main factor behind the increased output across the company clearly was Natalka, our latest development project that became a full-fledged operating asset in 2018. Over 2019, the volume of ore processed at Natalka was up 77% compared to last year – and the output more than tripled to achieve over 414 thousand ounces of doré gold. Natalka is now Polyus’ third largest asset in terms of gold output, after Olimpiada and Blagodatnoye.

Various improvements were carried out to decrease equipment shutdown, improve recovery and throughput rates. As a result, hourly throughput of the Natalka mill exceeded 1,400 tonnes, while the designed parameter stood slightly above 1,200 tonnes.

The second most important driver was Olimpiada, where doré volumes increased 5% on a year-on-year basis. We have increased recovery and ore treatment volumes on the back of improved throughput of the mills. We also substantially improved recovery at Olimpiada, which was 84%, 3.1 percentage points higher than in 2018. The increase was mainly attributable to the roll-out of flash flotation.

Q Are your plans for Sukhoi Log progressing as expected?

A Yes they are. In 2019, we completed the exploration drilling programme at Sukhoi Log. We are now analysing its results and expect an update on indicated and inferred mineral resources in the first half of 2020. We plan to upgrade part of the mineral resources to ore reserves.

In the reporting year we also completed the surveys for infrastructure layout and processing facilities design at Sukhoi Log. We assessed the options of the mill capacity as well as application of loading, hauling and drilling equipment. In 2020, we plan to release the pre-feasibility study results.

In 2020, we plan to complete an additional 30 thousand metres of in-fill drilling at Sukhoi Log. We also aim to conduct additional drilling at the flanks and deep levels. This will allow us to better delineate gold mineralisation and improve the precision of mine scheduling.

This project is among our top priorities, and its importance will only increase in the years to come.

Q Can you provide an update on your development projects? What are your objectives for 2020?

A We are gradually increasing recovery at Natalka and we will continue to implement operating initiatives to improve this. We will also consider debottlenecking for further improvement of the mill’s throughput. There are plans for installation and roll-out of flash flotation coupled with CIL, installation of concentrating tables at the first stage of gravity.

Olimpiada continues to assess various options of upgrade and process development. In particular, we are considering further steps to upgrade and expand the existing bio-oxidation facilities.

The roll-out of the Verninskoye capacity expansion to 3.5 million tonnes continues. By the end of 2019, we had completed the feasibility study and initiated the procurement of equipment and construction. The project provides for an upgrade of crushing and grinding circuits as well as gravity separation.

At Blagodatnoye, Polyus completed throughput capacity expansion and treated over nine million tonnes in 2019. Engineering surveys are currently underway on site as part of the capacity expansion project stipulating the construction of an additional mill. It provides for an increase in throughput capacities up to 15 million tonnes per annum. In 2020, we expect the feasibility study deliverables and a potential investment decision.

OPERATIONAL REVIEW CONTINUED

HIGHLIGHTS

Total gold output was 2,841 thousand ounces, compared to 2,440 thousand ounces produced in 2018.

This growth was mainly attributable to operations at Natalka, which added a further 272 thousand ounces of incremental volumes compared to the full year 2018, following the completion of its ramp-up in December 2018. This was further supported by increased production volumes across all hard-rock deposits. Doré volumes totalled 2,847 thousand ounces, up 16% year-on-year.

Volumes of ore processed increased 16% to 44,078 thousand tonnes, following the completion of the ramp-up at the Natalka mill and the implementation of throughput capacity expansion projects across core assets.

Recovery rate stood at 82.3%, up 1.5 percentage points from the prior year, primarily driven by an increase in recoveries at Olimpiada.

CONSOLIDATED OPERATING RESULTS

	2019	2018	Y-o-Y
Olimpiada[1]	**1,071.7**	1,065.4	1%
Blagodatnoye	**420.8**	415.8	1%
Verninskoye	**255.9**	223.3	15%
Alluvials	**145.6**	147.7	-1%
Kuranakh	**224.7**	198.9	13%
Natalka	**405.0**	132.7	205%
Refined gold produced, koz	**2,523.7**	**2,183.8**	**16%**
Flotation concentrate production, t	**121,362**	116,466	4%
Antimony in flotation concentrate, t	**14,773**	23,602	-37%
Gold in flotation concentrate produced, koz	**317.5**	**256.3**	**24%**
Gold payable in concentrate, koz	**235.5**	189.7	24%
Total gold output, koz	**2,841.2**	**2,440.1**	**16%**
Rock moved, kt	**328,863**	300,648	9%
Stripping ratio, t/t	**4.0**	6.0	-33%
Ore mined, kt	**66,095**	42,841	54%
Ore processed, kt	**44,078**	38,025	16%
Recovery rate, %	**82.3%**	80.8%	1.5ppts
Total doré & slime gold output, koz[2]	**2,846.6**	**2,450.0**	**16%**

[1] Including refined gold produced from concentrate purchased from the third party-owned Drazhniy mine (FY2019: 2.7koz).
[2] Including doré gold produced from concentrate purchased from the third party-owned Drazhniy mine (FY2019: 2.6koz).

OPERATIONAL REVIEW:
INDIVIDUAL ASSET REVIEWS

OLIMPIADA

Russia's largest operating gold mine and Polyus' flagship operation.

ORE MINED IN 2019

+13%

DORÉ GOLD OUTPUT IN 2019

+5%

To see our regions of operation go to page 18

OVERVIEW

Location	Krasnoyarsk Territory
Commissioned	1996
Mining/processing type	Open-pit, gravity, flotation-bioleach
Processing capacity	Three plants with a total capacity of above 13 million tonnes per annum

Olimpiada is located in the Krasnoyarsk Territory in Western Siberia, approximately 500 kilometres north of the city of Krasnoyarsk. The mine is located in Yeruda in the Severo-Yeniseysky administrative district. The town of Severo-Yeniseysky, the local administrative centre, is located 60 kilometres by road north of Yeruda.

Olimpiada ore is processed in Mill Nos. 1, 2 and 3, with a combined nominal capacity of above 13 million tonnes per annum.

Gold at Olimpiada occurs in a complex form, with arsenopyrite, pyrrhotite, stibnite, and pyrite. Coupled with the carbonaceous nature of much of the ore, this results in Olimpiada ore being highly refractory. Mining operations are currently based on conventional open-pit methods. The mine comprises the Vostochny and Zapadny pits. After blasting, rock is removed by excavation and hauling. Mine production uses drill and blast, with a standard truck-and-shovel operation, hauling ore to stockpiles for blending (high antimony ore is currently stockpiled). Processing involves gravity and flotation concentration methods, with subsequent bio-oxidation of the flotation concentrate and sorption leaching of the bioleach product using the carbon-in-leach (CIL) process.

In 2019, refined gold output increased 5% year-on-year to 1,389 thousand ounces. Ore processing volumes at Olimpiada's existing facilities grew also by 5% year-on-year to exceed 13.8 million tonnes.

Polyus has approved and proceeded with a number of initiatives to enhance the BIO units' performance (the ongoing modernisation of BIO-3 unit, introduction of magnet separation and upgrade of automation and cooling systems, construction of two additional reactors at BIO-4 unit and two agitation tanks). We are evaluating further steps to upgrade and expand existing bio-oxidation facilities, with an option to construct an additional BIO-5 unit. Polyus has completed the installation of the Jameson Cell flotation unit at Mill No. 1 and is in the process of installing of two Jameson Cell flotation units at Mill No. 3. We are also proceeding with ramp-up and calibration of processing parameters of the second stage of alkaline leaching, following completion of construction works in 2019.

SUSTAINABILITY HIGHLIGHTS

We have completed the construction of a double-circuit 1110-kV Taiga – Olimpiada power line connecting the production asset to federal power grids and enabling supplies of renewable hydropower-generated energy. This has enabled us to completely halt the operation of diesel power plants at Olimpiada and Blagodatnoye, which led to a drop in diesel fuel consumption.

COMPANY-WIDE REDUCTION OF SPECIFIC GHG EMISSIONS IN 2019 VS. 2018

9.6%

	2019	2018	Y-O-Y
Rock moved, kt	135,489	126,608	7%
incl. stripping, kt	114,776	108,449	6%
Stripping ratio, t/t	5.5	6.0	-8%
Ore mined, kt	**20,713**	**18,160**	**14%**
Average grade in ore mined, g/t	3.42	3.71	-8%
Ore processed, kt	**13,908**	**13,267**	**5%**
Average grade in ore processed, g/t	3.92	4.10	-4%
Recovery, %	82.4%	79.3%	3.1ppts
Doré gold (incl. gold in concentrate), koz	**1,385.8**	**1,325.3**	**5%**
Refined gold output, koz	**1,071.7**	**1,065.4**	**1%**
Flotation concentrate production, t	121,362	116,466	4%
Antimony in flotation concentrate, t	14,773	23,602	-37%
Gold contained in concentrate, koz	**317.5**	**256.3**	**24%**
Total gold output, koz	**1,389.2**	**1,321.7**	**5%**

OPERATIONAL REVIEW: INDIVIDUAL ASSET REVIEWS

BLAGODATNOYE

Together with Olimpiada, Blagodatnoye is part of Polyus' Krasnoyarsk business unit.

DORÉ GOLD OUTPUT IN 2019

421.2

THOUSAND OUNCES

To see our regions of operation go to page 18

OVERVIEW

Location	Krasnoyarsk Territory
Commissioned	2010
Mining/processing type	Open-pit, gravity, flotation cyanide leaching
Processing capacity	One mill with a capacity of above nine million tonnes per annum

The Blagodatnoye deposit is located 25 kilometres north of Olimpiada. Ores consist of quartz–micaceous schists, with impregnated and vein-impregnated sulphide mineralisation. The main forms of gold in the ores are free, connected with barren minerals and in aggregates.

Blagodatnoye operates as an open-pit mine with surface stockpiling. The process mill was commissioned in 2010 with a nominal capacity of 6.0 million tonnes per annum, with gravity concentration, flotation and CIL sections.

In 2019, we completed the project to expand the Blagodatnoye Mill throughput capacity to 9.0 million tonnes per annum. We are now proceeding with operational initiatives targeting further recovery improvement and stabilisation of current processing parameters.

The company is considering a construction of a new mill (Mill-5), with a capacity of 6.0 million tonnes per annum. This will bring total processing capacity at Blagodatnoye to 15 million tonnes per annum. The Feasibility Study is expected to be completed in the first half of 2020.

SUSTAINABILITY HIGHLIGHTS

In the reporting period we extended the LOTO (LockOut-TagOut) equipment safety system project to Blagodatnoye, Olimpiada, and Natalka. The goal of this programme is to prevent injuries caused by rotating machinery and electrical shocks for workers performing high-risk tasks. The project comprised an audit and assessment of hazardous sources, the delivery and installation of LOTO equipment, integrating LOTO requirements into existing work methods, and employee education. We also drafted guidelines to use the LockOut-TagOut system and conducted detailed plant inspections to elaborate system guidelines.

COMPANY-WIDE DECREASE OF LTIFR IN 2019 VS. 2018

11%

	2019	2018	Y-O-Y
Rock moved, kt	**67,802**	77,407	-12%
incl. stripping, kt	**53,172**	70,236	-24%
Stripping ratio, t/t	**3.6**	9.8	-63%
Ore mined, kt	**14,630**	**7,170**	**104%**
Average grade in ore mined, g/t	**1.18**	1.60	-26%
Ore processed, kt	**9,005**	**8,719**	**3%**
Average grade in ore processed, g/t	**1.67**	1.70	-2%
Recovery, %	**87.8%**	87.5%	0.3ppts
Doré gold (incl. gold in concentrate), koz	**421.2**	**417.3**	1%
Refined gold output, koz	**420.8**	**415.8**	**1%**

OPERATIONAL REVIEW:
INDIVIDUAL ASSET REVIEWS

ALLUVIALS

Alluvial deposits in the river Lena basin in the Irkutsk Region have been developed since the mid 1840s.

REFINED GOLD OUTPUT IN 2019

145.6
THOUSAND OUNCES

To see our regions of operation go to page 18

OVERVIEW

Location	Irkutsk Region
Mining/processing type	Sand washing
Processing capacity	9.8 million m3 per annum

Alluvial deposits in the river Lena basin in the Irkutsk Region have been developed since the mid 1840s. They continue to generate steady income.

In 2019 refined gold output amounted to 145.6 thousand ounces

SUSTAINABILITY HIGHLIGHTS

To reduce water losses and fresh water intake, Polyus implements informational, technical and metrological activities at its operations, as well as control and supervision.

In 2019, a series of measures were taken at Alluvials to prevent pollution of water protection zones and coastal zones of water bodies, as well as pollution of water resources with oil products.

	2019	2018	Y-O-Y
Sands washed, 000 m³	8,581	7,689	12%
Average grade, g/m³	0.53	0.60	-12%
Gold in slime, koz	145.6	147.7	-1%
Refined gold output, koz	145.6	**147.7**	**-1%**

OPERATIONAL REVIEW:
INDIVIDUAL ASSET REVIEWS

VERNINSKOYE

Polyus' main operating asset in Irkutsk Region and a basis for the future development of Sukhoi Log.

ORE MINED IN 2019

4.4
MILLION TONNES

REFINED GOLD OUTPUT IN 2019

+15%

To see our regions of operation go to page 18

OVERVIEW

Location	Irkutsk Region
Commissioned	2011
Mining/processing type	Open-pit, gravity, flotation and cyanide leaching
Processing capacity	One mill with a capacity of above three million tonnes per annum

The Verninskoye gold deposit is located in the northern part of the Bodaybo Administrative District of the Irkutsk Region. The development of the mine commenced in 2006 and it was commissioned in December 2011. Ore is processed through gravity concentration, flotation, and CIL.

Gold occurs in auriferous quartz-sulphide veins and is associated with disseminated sulphide minerals (pyrite and arsenopyrite) within the sedimentary rocks. Minor pyrrhotite, chalcopyrite, sphalerite, and galena have been recorded. Sheeted and stockwork quartz-carbonate vein mineralisation and disseminated mineralisation occur both sub-parallel to and cross-cutting stratigraphy, which seems to include local quartz and sericite alteration overprinting primary sedimentary features.

In 2019, refined gold output rose 15% year-on-year, to above 255 thousand ounces. Polyus carried out construction works at the extension to the main building, where an additional grinding circuit will be installed.

SUSTAINABILITY HIGHLIGHTS

In a partnership with Polyus, the Vitim Nature Reserve conducted biodiversity studies and an assessment programme in the area adjacent to the Verninskoye mine.

Results of the field studies showed that the ratio of functional groups of plants was preserved in the area. As part of the fish compensation activities, Polyus released over 58 thousand baby fish were released in the local rivers system.

	2019	2018	Y-O-Y
Rock moved, kt	**24,473**	19,341	27%
incl. stripping, kt	**20,025**	16,352	22%
Stripping ratio, t/t	**4.5**	5.5	-18%
Ore mined, kt	**4,448**	**2,990**	**49%**
Average grade in ore mined, g/t	**2.54**	2.63	-3%
Ore processed, kt	**3,035**	**2,979**	**2%**
Average grade in ore processed, g/t	**2.90**	2.63	10%
Recovery, %	**89.5%**	89.5%	0.0ppts
Doré gold (incl. gold in concentrate), koz	**254.0**	**225.8**	**12%**
Refined gold output, koz	**255.9**	**223.3**	**15%**

OPERATIONAL REVIEW:
INDIVIDUAL ASSET REVIEWS

KURANAKH

Polyus' operating asset located in the Republic of Sakha (Yakutia) and featuring a heap leaching facility along with a processing mill.

REFINED GOLD OUTPUT IN 2019

+13%

To see our regions of operation go to page 18

OVERVIEW

Location	Republic of Sakha (Yakutia)
Commissioned	1965
Mining/processing type	Open-pit, RIP cyanide leaching
Processing capacity	One mill with a capacity of above five million tonnes per annum and a heap leaching facility with a capacity of 1.5 million tonnes per annum

The Kuranakh mine is located in the Aldansky District of the Republic of Sakha in Far Eastern Russia, approximately 400 kilometres south-west of the regional capital city of Yakutsk. The mine was commissioned in 1965.

The gold deposits comprise 11 deposits and 24 stockpiles, situated between 6 kilometres and 25 kilometres from the processing plant.

Mineralisation is similar in character throughout all the deposits; ores are of the quartz-pyrite type. Mining at Kuranakh is based on open-cut, drilling, and blasting operations. The processing mill uses resin-in-pulp (RIP) sorption technology, with subsequent electrolysis and smelting.

In 2020, Polyus plans to expand the mill throughput at Kuranakh by 5.9 mtpa. The project includes expansion of CIL (already completed with 18 columns installed), automation of the mill, including a CIL circuit – and reconstruction of auxiliary infrastructure (ventilation system, water supply pipe system).

SUSTAINABILITY HIGHLIGHTS

New training equipment was purchased for the electric workshop at the Kuranakh mine. In addition, we bought and installed equipment for a training area, with a complete simulation of the internal 6 kV quarry line. Several times a week electrical workshop employees practice skills to perform the technical measures necessary for working in electrical installations with a more than one kilowatt capacity.

	2019	2018	Y-O-Y
Total rock moved, kt	**30,813**	31,948	-4%
including stripping, kt	**22,964**	24,116	-5%
Stripping ratio, t/t	**2.9**	3.1	-6%
Ore mined, kt	**7,849**	**7,833**	**0%**
Average grade in ore mined, g/t	**1.09**	1.07	2%
Total ore processed, kt	**6,882**	**6,709**	**3%**
Mill			
Ore processed, kt	**5,634**	5,195	8%
Average grade in ore processed, g/t	**1.23**	1.23	0%
Recovery, %	**88.8%**	88.7%	0.1ppts
Doré gold, koz	**197.7**	181.5	9%
Heap-leach			
Ore processed, kt	**1,248**	1,514	-18%
Average grade in ore processed, g/t	**0.76**	0.75	1%
Recovery, %	**72.3%**	72.3%	0.0ppts
Doré gold, koz	**27.9**	18.2	53%
Total doré gold, koz	**225.6**	**199.6**	**13%**
Refined gold output, koz	**224.7**	**198.9**	**13%**

OPERATIONAL REVIEW:
INDIVIDUAL ASSET REVIEWS

NATALKA

Polyus' latest successfully completed development project. 2019 was Natalka's first full year of operation after reaching name-plate throughput capacity.

ORE MINED IN 2019

+177%

DORÉ GOLD OUTPUT IN 2018

+205%

To see our regions of operation go to page 18

OVERVIEW

Location	Magadan Region
Commissioned	2018
Mining/processing type	Open-pit, gravity, cyanide leaching
Processing capacity	One mill with a capacity of above 11 million tonnes per annum

The Natalka deposit is located near the town of Omchak in the Tenkinsky District of the Magadan Region of North East Russia. Natalka is a large-scale, open-pit operation, which uses conventional drill-and-blast and truck-and-shovel mining methods.

The Natalka mineralisation is hosted in carbonaceous sediments; principally, black shale. The main mineralisation zone is developed within the volcanogenic-sedimentary sequence. The gold demonstrates a complex distribution. The gold grade in the mineralisation is correlated with the intensity of veining and brecciation, the quartz content and the sulphide content. Gold grades gradually diminish from the core of the deposit towards its flanks.

Over the course of 2019, Polyus' technical team completed a set of operational initiatives, including optimisation of grinding media loading into the ball mill, the introduction of an air-conditioning system for SAG and ball mills and reducing the circulation load at the grinding circuit by upgrading the hydrocyclones.

We continued to debottleneck the first stage of gravity concentration by introducing four additional Knelson concentrators, bringing the total number of concentrators operating at the first stage up to 26. We identified a set of further development initiatives, which are scheduled for 2020. These include flash flotation technology roll-out combined with CIL expansion and concentration shaker tables introduction at the first stage of the gravity circuit to increase productivity of intensive cyanidation

SUSTAINABILITY HIGHLIGHTS

To raise the professional level of all rescuers, Polyus prepared for Natalka specialists a course on conducting search and rescue operations. As part of the training, employees mastered the technique of using insulating breathing apparatus, and worked out techniques for conducting search and rescue operations in the event of accidents at hazardous production facilities. In addition, trainings were conducted on emergency response programmes to oil spills.

For training in safe methods of performing work at heights, a training area was introduced at Natalka. Continual trainings for the auxiliary mine rescue team are held, and measures developed to eliminate accidents at hazardous production facilities.

	2019	2018	Y-O-Y
Rock moved, kt	**70,274**	45,297	55%
incl. stripping, kt	**51,821**	38,637	34%
Stripping ratio, t/t	**2.8**	5.8	-52%
Ore mined, kt	**18,453**	**6,661**	**177%**
Average grade in ore mined, g/t	**1.13**	1.03	10%
Ore processed, kt	**11,248**	**6,352**	**77%**
Average grade in ore processed, g/t	**1.61**	1.10	46%
Recovery, %	**71.8%**	62.9%	8.9ppts
Doré gold (incl. gold in concentrate), koz	**414.4**	**134.3**	**209%**
Refined gold output, koz	**405.0**	**132.7**	**205%**

OPERATIONAL REVIEW:
INDIVIDUAL ASSET REVIEWS

SUKHOI LOG

The largest gold deposit in Russia and one of the largest greenfield assets globally.

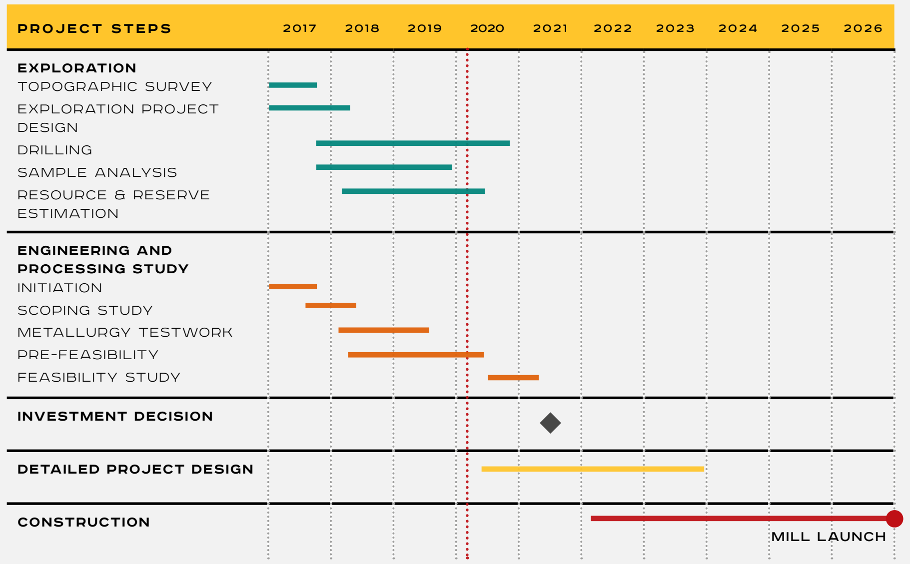
To see our regions of operation go to page 18

Polyus obtained the licence for Sukhoi Log in 2017. By the end of 2019, we had completed a large-scale drilling campaign, scoping study and metallurgy tests.

In 2019 Polyus finalised the trade-off studies on throughput capacity and comminution circuits design. We are now in the middle of the pre-feasibility Study at Sukhoi Log. Its completion is planned for the first half of 2020.

We plan to install a conventional gravity-flotation scheme at the future mill at Sukhoi Log. The throughput capacity of the mill is estimated at about 33 million tonnes per annum. Two milling circuits are proposed, each consisting of a 40ft SAG mill and two 25ft ball mills.

The trade-off study on mining equipment size is being finalised, with two major options under consideration: 220 tonne diesel-electric trucks with 35 cubic metre electric rope shovels as currently used at Olimpiada, or ultra-class 300 tonne diesel-electric trucks and 55 cubic metre electric rope shovels with smaller equipment for selective mining in the first few years (43 cubic metre diesel-hydraulic shovel).



OVERVIEW

Location	Irkutsk Region
JORC Resources	63 million ounces
Grade in resources	2.1 grams per tonne
Planned commissioning	2026
Planned mining/ processing type	Open-pit, gravity, flotation and cyanide leaching
Planned processing capacity	One mill with a capacity of about 33 million tonnes per annum
Life of mine	40
Planned TCC	$420-$470 per ounce
Production volumes estimation	1.6moz LoM
Project construction capex (excl. infrastructure spending)	$2.0 – 2.5 billion
Planned investment decision	2021

The area around Sukhoi Log has a well-developed infrastructure. The existing electricity facilities enable Polyus to commence construction; we are in negotiations to build two additional power grids to ensure future production. Polyus owns a majority stake in the Bodaybo airport, located 145 kilometres from Sukhoi Log. We are conducting a pre-feasibility study on the refurbishment of the airport infrastructure and reconstruction of the runway. We are also evaluating opportunities to develop road infrastructure and negotiating a potential expansion of a local railway station.

OPERATIONAL REVIEW CONTINUED

ORE RESERVES AND MINERAL RESOURCES

As at 31 December 2019, Polyus' proved and probable ore reserves in accordance with JORC Code 2012 were estimated at 61 million ounces of gold. The measured, indicated and inferred mineral resources are estimated at 188 million ounces of gold, including 63 million ounces of indicated and inferred mineral resources for Sukhoi Log.

These numbers only reflect the depletion of ore reserve and mineral resource estimates, as well as changes to stockpile inventories, during 2019. They do not include updated models, mine plans and production schedules, which Polyus will derive from the results of the ongoing drilling programme. Later in 2020, the company anticipates reporting a Maiden estimate of ore reserves for Sukhoi Log.

ORE RESERVES

Polyus' ore reserves are estimated at 61 million ounces of gold, down from 64 million ounces as at 31 December 2018.

Over 90% of the company's estimated ore reserves of gold are located within its operating assets:

- Polyus Krasnoyarsk has the largest share of the company's ore reserves, with 24 million ounces at Olimpiada and 8.8 million ounces at Blagodatnoye.
- Natalka has estimated ore reserves of 15 million ounces.
- Ore reserves at Verninskoye and Kuranakh contain 4.6 million ounces and 4.1 million ounces, respectively.

Polyus' ore reserve estimate of 61 million ounces has an average grade of 1.8 grams per tonne.

Approximately 861 million tonnes of ore reserve, containing 54 million ounces of gold out of the total 61 million ounces, are expected to be mined by conventional open pit truck-and-shovel or underground mining methods at a grade of 2.0 grams per tonne. The remaining ore reserve totaling 216 million tonnes is lower grade and stored in stockpiles or in situ at the Alluvial operations.

MINERAL RESOURCES

The company's mineral resources are estimated at 188 million ounces of gold, compared to 192 million ounces as at 31 December 2018.

Approximately 60% of the company's mineral resources are attributable to operational mines:

- Olimpiada's mineral resources are estimated at 39 million ounces.
- Natalka mineral resources amount to 32 million ounces.
- Blagodatnoye's mineral resources stand at 17 million ounces.
- Verninskoye and Kuranakh's mineral resources include estimates of 12 million ounces and 8.4 million ounces, respectively.

EXPLORATION

Polyus has been conducting a comprehensive drilling programme across its asset portfolio since 2018.

Following completion of the programme, the company expects to report updated ore reserves and mineral resources estimates for existing operations in the first half of 2021.

At Sukhoi Log, the company completed an exploration, verification, geotechnical and hydrogeological drilling programme of approximately 222 kilometres launched in 2017. In 2020, Polyus plans to proceed with an additional 30 kilometres of in-fill drilling along with additional drilling at flanks and deep levels at Sukhoi Log. Later in 2020, the company anticipates publishing maiden estimate of ore reserves for Sukhoi Log.

MINERAL RESOURCE AND ORE RESERVE ESTIMATES

The company's mineral resource and ore reserve estimates are summarized in the tables below. The effective date for the estimates is 31 December 2019. There is no material change to the base estimates since the original statement on 5 June 2017, apart from mining depletion and an update to the Sukhoi Log mineral resource estimate. As a result, there is no requirement to update the JORC Code checklist of assessment criteria (Table 1) summaries[1].

For comparison, the company's reported 2018 ore reserve estimate was 1,147 million tonnes grading 1.7 grams per tonne and containing 64 million ounces of gold as at 31 December 2018. The changes in the estimates from 2018 to 2019 are due to depletion by mining and changes to stockpile inventories due to additions from mining and reclaim for processing.

For comparison, the company's reported 2018 mineral resource estimate was 3,272 million tonnes grading 1.8 grams per tonne and containing 192 million ounces of gold as at 31 December 2018. The changes in the estimates from 2018 to 2019 are due to depletion by mining and changes to stockpile inventories due to additions from mining and reclaim for processing.

[1] Summaries reported on 24 January 2019 for Sukhoi Log and 5 June 2017 for all other deposits can be viewed at:
www.polyus.com/en/media/press-releases/sukhoi-log-mineral-resources-update/
www.polyus.com/en/media/press-releases/ore-reserves-and-mineral-resources-update/

A **mineral resource** is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilised organic material, including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such a form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories.

An **inferred mineral resource** is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An **indicated mineral resource** is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

A **measured mineral resource** is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling, and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes that are spaced closely enough to confirm both geological and grade continuity.

Mineral resources that are not mineral reserves have not demonstrated economic viability.

A **mineral reserve** is the economically mineable part of a measured or indicated mineral resource demonstrated at least by a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral reserves are sub-divided in order of increasing confidence into probable mineral reserves and proved mineral reserves.

A **probable mineral reserve** is the economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated at least by a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

A **proved mineral reserve** is the economically mineable part of a measured mineral resource demonstrated at least by a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

Competent persons

The ore reserve and mineral resource estimates are classified and reported according to the JORC Code reporting requirements. All material assumptions and technical parameters underpinning the estimates in the announcement have been reported previously, have not materially changed, and continue to apply.

The competent persons responsible for each estimate of ore reserves and mineral resources are:

- Mr Mark Chesher, AMC Principal Mining Engineer (Olimpiada open pit, Verninskoye, Chertovo Koryto, Kuranakh, Blagodatnoye, Titimukhta, Natalka and all stockpile ore reserve estimates).
- Mr Leo Dawson, AMC Principal Mining Engineer (Olimpiada underground ore reserve estimate).
- Mr Anthony Cameron, Cameron Mining Pty Ltd, Principal Mining Engineer (Alluvials ore reserve estimate)
- Mr Ingvar Kirchner, AMC Principal Resource Geologist (Kuranakh, Poputninskoye, Chertovo Koryto, Medvezhy, Titimukhta, Panimba, Zmeinoye and all Stockpile mineral resource estimates).
- Mr Dean Carville, AMC, Principal Resource Geologist (Sukhoi Log, Olimpiada, Verninskoye, Bamskoye mineral resource estimates).
- Mr Alex Virisheff, AMC, Principal Resource Geologist (Blagodatnoye mineral resource estimate).
- Mr Mark Burnett, AMC, Principal Resource Geologist (Alluvials mineral resource estimate)
- Mr Mohan Srivastava, Red Dot 3D, Principal Consultant (Natalka mineral resource estimate).

All competent persons are members of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists, or approved recognized professional organisations, and have sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity which is being undertaken to qualify as competent persons as defined in the JORC Code.

In reporting the mineral resources and ore reserves referred to in this public release, AMC, Cameron Mining Pty Ltd and Red Dot 3D have acted as independent parties, have no interest in the outcomes of Polyus projects, and have no business relationship with Polyus other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates with reimbursement for out-of-pocket expenses. Therefore, AMC, Cameron Mining Pty Ltd, Red Dot 3D and the competent persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.

OPERATIONAL REVIEW CONTINUED

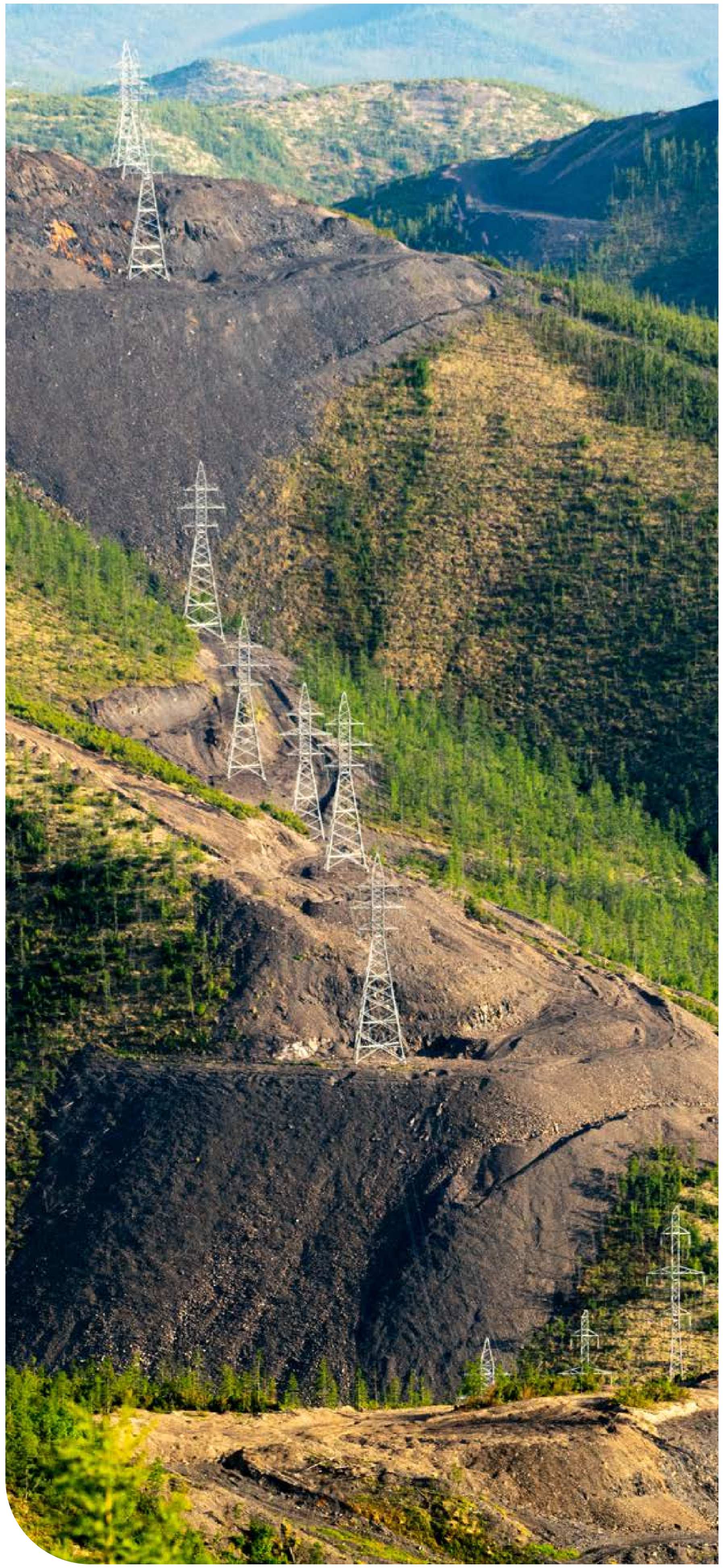
POLYUS ORE RESERVE ESTIMATES AS AT 31 DECEMBER 2019[1]

Deposit[2]	Proved			Probable			Total		
	Ore, million t	Gold, g/t	Gold, moz	Ore, million t	Gold, g/t	Gold, moz	Ore, million t	Gold, g/t	Gold, moz
Mines in operation									
Olimpiada	18	2.7	1.6	248	2.8	22.5	266	2.8	24.0
Blagodatnoye	62	0.8	1.7	143	1.6	7.2	205	1.3	8.8
Titimukhta	5	1.6	0.3	6.3	3.1	0.6	12	2.4	0.9
Verninskoye	14	1.4	0.6	75	1.7	4.0	89	1.6	4.6
Alluvials[3]	0	0.0	0.0	57	0.4	0.6	57	0.4	0.6
Kuranakh	0	0.0	0.0	117	1.1	4.1	117	1.1	4.1
Natalka	124	1.6	6.3	145	1.8	8.4	269	1.7	14.6
Development and exploration projects									
Chertovo Koryto	0	0.0	0.0	62	1.5	3.1	62	1.5	3.1
Total[4]	**224**	**1.4**	**10.3**	**854**	**1.8**	**50.5**	**1,077**	**1.8**	**60.8**

POLYUS MINERAL RESOURCE ESTIMATES AS AT 31 DECEMBER 2019[5]

Deposit[2]	Measured			Indicated			Inferred			Total		
	Ore, million t	Gold, g/t	Gold, moz	Ore, million t	Gold, g/t	Gold, moz	Ore, million t	Gold, g/t	Gold, moz	Ore, million t	Gold, g/t	Gold, moz
Mines in operation												
Olimpiada	18	2.7	1.6	280	2.9	26.3	126	2.9	11.6	425	2.9	39.4
Blagodatnoye	62	0.8	1.7	269	1.5	12.9	69	1.3	2.9	400	1.4	17.5
Titimukhta	5	1.6	0.3	6	3.3	0.6	0	1.4	0.0	12	2.5	0.9
Verninskoye	14	1.4	0.6	201	1.6	10.0	14	2.0	0.9	228	1.6	11.5
Alluvials	0	0.0	0.0	194	0.2	1.1	34	0.4	0.4	228	0.2	1.6
Kuranakh	0	0.0	0.0	129	1.2	5.0	91	1.2	3.5	220	1.2	8.4
Natalka	129	1.7	7.1	259	1.8	15.4	147	2.1	9.9	536	1.9	32.4
Development and exploration projects												
Sukhoi Log	0	0.0	0.0	374	2.4	28.3	588	1.9	35.0	962	2.1	63.3
Panimba	5	2.3	0.4	11	2.3	0.8	24	1.8	1.4	40	2.0	2.6
Poputninskoye	0	0.0	0.0	37	3.2	3.9	4	2.9	0.4	42	3.2	4.3
Zmeinoye	0	0.0	0.0	1	5.0	0.1	2	4.5	0.3	2.9	4.6	0.4
Chertovo Koryto	0	0.0	0.0	67	1.5	3.3	8	1.3	0.3	75	1.5	3.6
Bamskoye	0	0.0	0.0	15	1.8	0.9	5	1.6	0.3	20	1.8	1.1
Medvezhy	0	0.0	0.0	0	0.0	0.0	6	1.8	0.4	6	1.8	0.4
Total[4]	**233**	**1.5**	**11.6**	**1,845**	**1.8**	**108.7**	**1,118**	**1.9**	**67.3**	**3,196**	**1.8**	**187.5**

1 Using a gold price assumption of US$1,250/oz
2 The estimates for all deposits are presented on a 100% Polyus ownership basis
3 For the Alluvials, cubic metres (m^3) have been converted to tonnages using the general bulk density factor of 1.85 t/m^3 strictly for the purpose of the summary accumulations. Gold grades have been adjusted from g/m^3 to g/t accordingly. Contained gold estimates are not affected.
4 Any minor discrepancies for sums in the table are related to rounding
5 Using a gold price assumption of US$1,500/oz



OPERATIONAL REVIEW: OUR PIPELINE FOR GROWTH

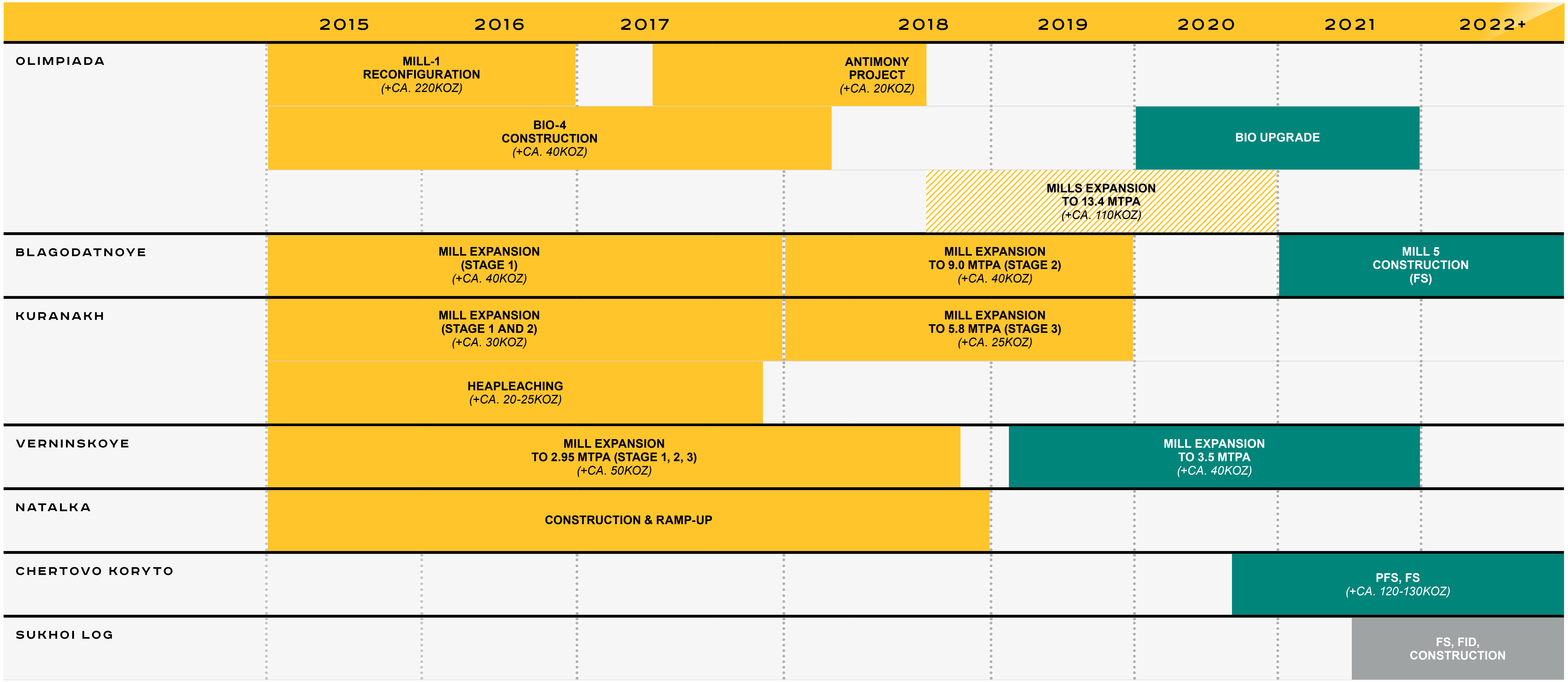
Our project pipeline ensures our strong position on the market and creates further growth prospects. Currently Polyus evaluates a set of new projects, which could be added to the pipeline in the medium term and represent a potential upside.

KEY

1ST GENERATION: Completed, Execution

2ST GENERATION

3ST GENERATION



POTENTIAL NEW PROJECTS

1 BIO UNITS MODERNIZATION AT OLIMPIADA MILL COMPLEX

- BIO-4 unit demonstrates higher recovery, throughput and decreased reagent consumption, compared to BIO 1,2,3 units
- BIO-3 modernization is ongoing
- Polyus is currently evaluating options for further upgrade and modernization of existing bio-facilities and construction of BIO-5

2 BLAGODATNOYE: EXPANSION TO 15 MTPA

- Construction of an additional 6 mtpa mill on site
- Processing capacity Increase from 9.0 mtpa to 15 mtpa
- Feasibility study is ongoing

3 CHERTOVO KORYTO (CHK) DEVELOPMENT

- Greenfield with 3.1moz of JORC probable reserves @ 1,5 g/t
- Scoping study completed
- Pre-feasibility study is ongoing

FINANCIAL REVIEW
Q&A WITH MIKHAIL STISKIN, SENIOR VICE PRESIDENT, FINANCE AND STRATEGY

"We remain committed to our dividend policy"

2019 REVENUE

$4.0 BILLION

2019 ADJUSTED EBITDA

$2.68 BILLION

Q How would you summarise the company's financial performance in 2019?

A In terms of our financial indicators, 2019 was a record year for Polyus, as we demonstrated our highest ever revenue, EBITDA and total dividend pay-out. This result came on top of favourable market conditions and growing production volumes – and despite increasing production costs, which we have also successfully managed to keep below our guidance range.

Q What measures are in place to ensure ongoing effective cost management?

A Our total cash costs for 2019 increased to $365 per ounce, remaining significantly lower than the average TCC levels of our global peers.

Low production costs are among our company's main strengths and are both an inherent feature of our operating assets, as well as a result of carefully designed business processes at all stages of the production cycle. All our assets are large-scale open-pit mines. Some of our assets, like Olimpiada and Blagodatnoye or Verninskoye and the development project of Sukhoi Log, are located in a close proximity to each other, which allows for a shared usage of adjacent infrastructure.

Obviously, like the whole industry, we are feeling the impact of mining inflation, rising prices for our consumables and spares as well as energy prices. However, we have our strategy to mitigate this by relying on innovation and new technologies which enable us to optimize the usage of resources. We are constantly modernising our mining fleet, with an emphasis on introducing large-capacity mining fleet. At the processing stage, our engineers constantly work on tailored optimisation solutions for individual production facilities. During the past several years, our management team has been actively promoting a culture of innovation and process optimisation at all levels, which is also having a direct effect on our production costs.

In terms of our cost expectations for 2020, we expect TCC to stay within the range of $400-$450 per ounce.

Q What were the key directions of capex spending in 2019 – and what are your capital allocation priorities for 2020?

A Our 2019 capital expenditure was $630 million, a large part of which has been spent on development projects at Natalka and Olimpiada. We have a very tight pipeline of projects across our operating asset portfolio, which is the core of our productivity maximisation strategy.

In 2020, we plan on spending between $700 and $750 million across the business. Apart from maintenance capex, the main priorities will be new development projects such as the BIO upgrade at Olimpiada. Other priorities include exploration at our core assets, as well as the further roll-out of IT infrastructure development initiatives and the group-wide ERP transformation programme.

We have always been very conservative in choosing our development projects, setting a very high bar in terms of profitability and effectiveness. Since 2014, we have implemented more than 150 investment projects with an IRR of over 20% under an assumed gold price of $1,050 per ounce and a currency exchange rate of 60 Russian roubles per US dollar. Those are probably the strictest investment criteria in the global gold mining industry, and our track record gives us additional confidence in times of macroeconomic turbulence.

Q How have you managed the company's debt status during the year?

A As of the end of 2019, Polyus' net debt to EBITDA ratio declined to 1.2x from 1.7x at the end of 2018, reflecting an adjusted EBITDA expansion over the last 12 months.

During the year, Polyus has proactively managed its debt portfolio through renegotiating terms, refinancing and prepaying its existing facilities.

The share of fixed-rate instruments remained at 97% as at the end of 2019, with the average interest rate going down from 4.8% to 4.7% compared to year-begin. During 2019, we increased our share of public debt instruments from 58% to 62%. We are very cautious in managing debt maturities, with the majority of our currently outstanding debt due after 2022.

The company has a solid financial position, which is of a crucial importance in the face of the macroeconomic challenges of 2020. Polyus maintains access to a wide variety of financing options both in Russia and internationally, and a strong reputation among the global financial community, which is a valuable resource.

RESPONSIBILITY STATEMENT

The Directors of PJSC Polyus are responsible for the preparation of the consolidated financial statements that present fairly the financial position of PJSC Polyus and its subsidiaries (the 'group') as of 31 December 2019, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ('IFRS').

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

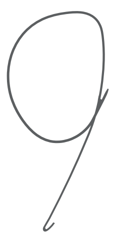
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- compliance with the requirements of IFRS and providing additional disclosures when compliance with the specific requirements of IFRS 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.

The Directors are also responsible for:

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

The consolidated financial statements of the group for the year ended 31 December 2019 were approved by Directors on 11 February 2020.

By order of the Board of Directors,
Chief Executive Officer and Director



Pavel Grachev

[1] Gold production is comprised of 721koz of refined gold and 83koz of gold in flotation concentrate in the fourth quarter of 2019 and 2,524koz of refined gold and 317koz of gold in flotation concentrate in 2019 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 for the period adjusted for impairment, unrealised (gain)/loss on revaluation of derivative financial instruments, 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 expense, depreciation and amortisation, (gain)/loss on revaluation of derivative financial instruments, finance costs, net, interest income, foreign exchange (gain)/loss, net, 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 licence acquisition cost and net of Omchak power grid construction cost).

[6] TCC is defined by the group as the cost of gold sales, less property, plant and equipment depreciation and intangible assets amortisation, employee benefits obligation cost and change in allowance for obsolescence of inventory and adjusted by inventories. TCC per ounce sold is the cost of producing an ounce of gold, which includes mining, processing and refining costs. The group calculates TCC per ounce sold as TCC divided by total ounces of gold sold for the period. The group calculates TCC and TCC per ounce sold for certain mines on the same basis, using corresponding mine-level financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY METRICS OVERVIEW

$ million (if not stated otherwise)	2019	2018	Y-o-Y
Operating highlights			
Gold production (koz)[1]	**2,841**	2,440	16%
Gold sold (koz)	**2,878**	2,333	23%
Realised prices			
Average realised refined gold price (excluding effect of SPPP) ($/oz)[2]	**1,403**	1,263	11%
Average realised refined gold price (including effect of SPPP) ($/oz)	**1,403**	1,265	11%
Financial performance			
Total revenue	**4,005**	2,915	37%
Operating profit	**2,217**	1,524	45%
Operating profit margin	**55%**	52%	3ppts
Profit for the period	**1,944**	474	N.A.
Earnings/(loss) per share – basic (US dollar)	**14.52**	3.45	N.A.
Earnings/(loss) per share – diluted (US dollar)	**14.48**	3.30	N.A.
Adjusted net profit[3]	**1,587**	1,326	20%
Adjusted net profit margin	**40%**	45%	(5)ppts
Adjusted EBITDA[4]	**2,680**	1,865	44%
Adjusted EBITDA margin	**67%**	64%	3ppts
Net cash flow from operations	**2,174**	1,464	48%
Capital expenditure[5]	**630**	736	(14%)
Cash costs			
Total cash cost (TCC) per ounce sold ($/oz)[6]	**365**	348	5%
All-in sustaining cash cost (AISC) per ounce sold ($/oz)[7]	**594**	605	(2%)
Financial position			
Cash and cash equivalents	**1,801**	896	N.A.
Net debt[8]	**3,285**	3,086	6%
Net debt/adjusted EBITDA (x)[9]	**1.2**	1.7	(29%)

[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, employee benefit obligations cost, and change in allowance for obsolescence of inventory less amortisation and depreciation related to 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 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.

FINANCIAL REVIEW CONTINUED

KEY HIGHLIGHTS

1

Total gold sales volumes amounted to 2,878 thousand ounces of gold, up 23% compared to the previous year. This was primarily driven by higher volumes of refined gold output from Natalka following the completion of its ramp-up in December 2018 and higher output of gold contained in concentrate from Olimpiada.

2

Revenue for 2019 totalled $4,005 million, a 37% increase from the previous year, mainly driven by higher volumes of refined gold output from Natalka and higher output of gold contained in concentrate from Olimpiada. In addition, the average realised refined gold price was 11% higher compared to the previous year, at $1,403 per ounce.

3

TCC increased 5% to $365 per ounce compared to 2018. This reflects a decline in average grades in ore processed at Olimpiada (3.92 grams per tonne in 2019 compared to 4.10 grams per tonne in 2018) and lower by-product credit from sales of antimony-rich flotation concentrate ($10 per ounce in 2019 compared to $21 per ounce in 2018). Inflation in consumables and diesel prices also negatively impacted the cost performance during the reporting period. These factors were partially offset by a higher share of lower cost flotation concentrate in total gold sold and modest local currency depreciation compared to the previous year.

4

Adjusted EBITDA stood at $2,680 million, a 44% increase compared to the previous year. This was driven by production growth, following the ramp-up of operations at Natalka and higher production volumes of flotation concentrate at Olimpiada. Increased TCC on a per ounce basis were offset by the higher gold price in 2019.

5

Adjusted EBITDA stood at $2,680 Adjusted net profit increased to $1,587 million, which mainly reflects the growth in operating profit during the year.

6

Net cash generated from operations increased to $2,174 million, compared to $1,464 million in 2018.

7

Capital expenditures ("capex") for the full year of 2019 decreased to $630 million from $736 million in the previous year. This decrease mainly reflects the lower capital expenditures at Natalka, which was fully ramped-up in 2018, and lower capital expenditures at Olimpiada and Blagodatnoye.

8

The net debt/adjusted EBITDA ratio decreased to 1.2x compared to 1.7x as at the end of 2018, reflecting growth in adjusted EBITDA in 2019.

STATEMENT OF PROFIT OR LOSS REVIEW

REVENUE ANALYSIS

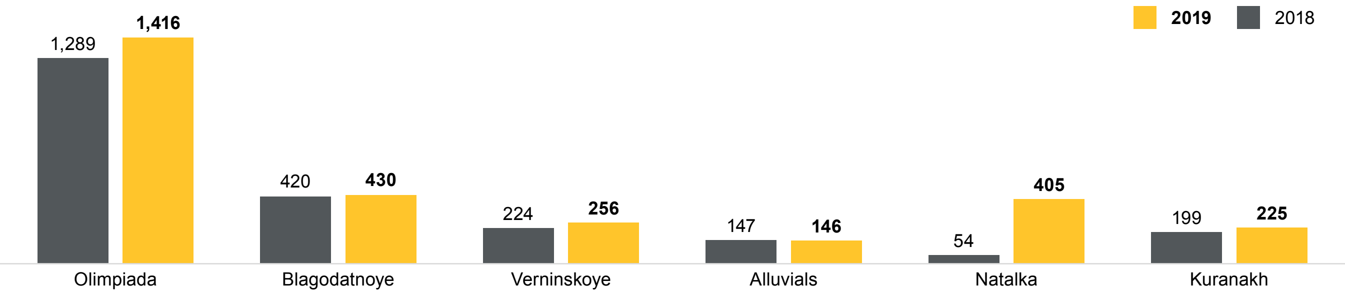
	2019	2018	Y-o-Y
Gold sales (koz)	**2,878**	2,333	23%
Average realised refined gold price (excluding effect of SPPP) ($/oz)	**1,403**	1,263	11%
Average realised refined gold price (including effect of SPPP) ($/oz)	**1,403**	1,265	11%
Average afternoon gold LBMA price fixing ($/oz)	**1,393**	1,268	10%
Premium of average selling price (including effect of SPPP) over average LBMA price fixing ($/oz)	**10**	(3)	N.A.
Gold sales ($ million)	**3,965**	2,876	38%
Other sales ($ million)	**40**	39	3%

For the full year 2019, the group's revenue from gold sales amounted to $3,965 million, a 38% increase from the prior year. This was driven by higher gold sales volumes and an increase in gold price during the year. Gold sales totalled 2,878 thousand ounces, a 23% increase from the previous year. This was driven mainly by higher volumes of refined gold output from Natalka following the completion of its ramp-up in December 2018 and higher output of gold contained in concentrate from Olimpiada. In addition, the average realised refined gold price was 11% higher compared to the previous year, at $1,403 per ounce.

REVENUE BREAKDOWN BY BUSINESS UNIT, 2019 VS. 2018

Assets	2019 ($ million)			2018 ($ million)		
	Gold sales	Other sales	Total sales	Gold sales	Other sales	Total sales
Olimpiada	**1,906**	**8**	**1,914**	1,561	6	1,567
Blagodatnoye	**602**	**—**	**602**	533	—	533
Verninskoye	**357**	**1**	**358**	284	—	284
Alluvials	**212**	**4**	**216**	181	5	186
Kuranakh	**317**	**4**	**321**	252	3	255
Natalka	**571**	**7**	**578**	65	2	67
Other	**—**	**16**	**16**	—	23	23
Total	**3,965**	**40**	**4,005**	**2,876**	**39**	**2,915**

GOLD SOLD BY MINE, KOZ



FINANCIAL REVIEW CONTINUED

CASH COSTS ANALYSIS

In 2019, the group's cost of gold sales increased 36% compared to the prior year, to $1,405 million. At the same time, cash operating costs increased 29% compared to the prior year, to $1,135 million. This reflects the inclusion of costs related to Natalka into the cost of gold sales, starting from 1 August 2018 and inflation in consumables, diesel prices and annual salary indexation across all business units. All these factors were partially offset by modest local currency depreciation compared to the previous year.

COST OF GOLD SALES BREAKDOWN

$ million	2019	2018	Y-o-Y
Cash operating costs[1]	**1,135**	**879**	**29%**
Depreciation and amortisation (D&A) of operating assets	**349**	295	18%
Total cost of production	**1,484**	**1,174**	**26%**
Decrease/(increase) in stockpiles, gold-in-process and refined gold inventories	**(79)**	(139)	(43%)
Cost of gold sales	**1,405**	**1,035**	**36%**

CASH OPERATING COSTS – BREAKDOWN BY ITEM

$ million	2019	2018	Y-o-Y
Consumables and spares	**325**	254	28%
Labour	**337**	285	18%
Mineral Extraction Tax ('MET')	**192**	161	19%
Fuel	**129**	98	32%
Power	**59**	42	40%
Outsourced mining services	**9**	4	125%
Other[1]	**84**	35	140%
Total	**1,135**	**879**	**29%**

For the full year of 2019, consumables and spares expenses increased 28% compared to the previous reporting period, due to the provision of reserves in relation to spares. This reflects the aforementioned factors related to Natalka and inflation in consumables prices. Additional impact came on the back of higher maintenance expenses compared to the previous year.

In 2019, labour expenses increased 18% compared to the prior year, due to annual salary indexation and the aforementioned factors related to Natalka.

Power costs increased 40% compared to the prior year mainly due to the aforementioned factors related to Natalka. In addition, this reflects a regular power tariff increase in Far Eastern Federal District.

In 2019, MET expenses increased 19% following the increase in average gold price and growth in sales volumes of flotation concentrate from Olimpiada and production volumes at Verninskoye and Kuranakh. Separately, the company registered a step-up in the MET rate at Verninskoye under the schedule of the regional investment project ('RInvP'). RInvP is a special tax regime, allowing tax benefits for projects in the Far East of Russia and the Transbaikal region. Verninskoye operates in the Irkutsk region of the Russian Federation and started to apply a zero per cent tax rate on MET from 2017. According to the RInvP schedule, the MET rate at Verninskoye will increase gradually starting from 2019.

Fuel costs increased 32% due to the aforementioned factors related Natalka operations and inflation in diesel prices.

[1] The group calculates cash operating costs as the sum of the following costs within cost of sales for the period: Labour, Consumables and spares, Tax on mining, Fuel, Power, Outsourced mining services and other costs – including Refining, logistics and cost of explosives.

CASH OPERATING COSTS – BREAKDOWN BY KEY BUSINESS UNITS, 2019 VS. 2018

	Olimpiada		Blagodatnoye		Verninskoye		Alluvials		Kuranakh		Natalka	
$ million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Consumables and spares	**148**	120	**53**	43	**28**	26	**17**	16	**26**	24	**48**	17
Labour	**80**	77	**38**	36	**35**	30	**46**	46	**40**	38	**49**	16
MET	**117**	99	**39**	36	**4**	—	**13**	11	**19**	15	**—**	—
Fuel	**29**	25	**20**	16	**8**	5	**16**	16	**17**	16	**32**	11
Power	**22**	21	**8**	7	**4**	5	**6**	6	**8**	8	**20**	4
Outsourced mining services	**—**	—	**—**	—	**—**	—	**9**	5	**—**	—	**—**	—
Other	**41**	18	**30**	28	**22**	14	**13**	12	**13**	10	**45**	17
Total	**437**	**360**	**188**	**166**	**101**	**80**	**120**	**112**	**123**	**111**	**194**	**65**

TOTAL CASH COSTS

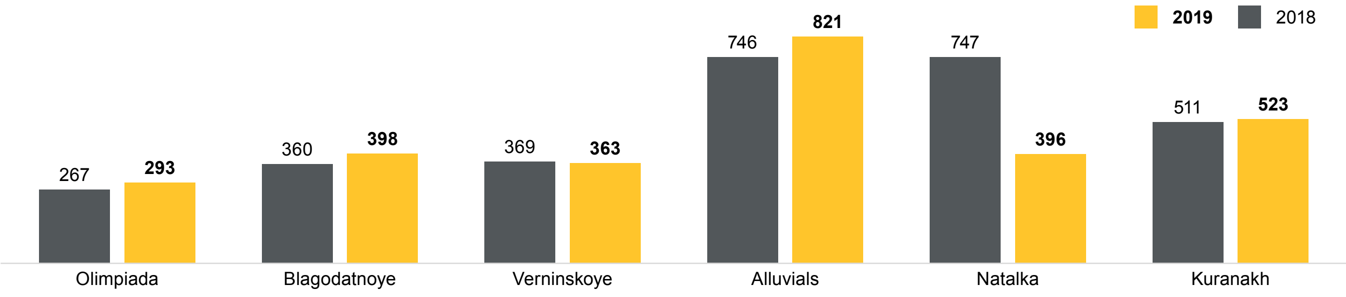
TCC CALCULATION

$ million	2019	2018	Y-o-Y
Cost of gold sales before by—product	**1,435**	**1,083**	**33%**
Antimony by—product credit	**(30)**	(48)	(38%)
Cost of gold sales	**1,405**	**1,035**	**36%**
Property, plant and equipment depreciation and intangible assets amortisation	**(349)**	(295)	18%
Employee benefit obligations cost	**—**	1	(100%)
Change in allowance for obsolescence of inventory	**(15)**	(2)	N.A.
Non—monetary changes in inventories	**9**	74	(88%)
TCC	**1,050**	**813**	**29%**
Gold sold (koz)	**2,878**	2,333	23%
TCC per ounce sold ($/oz)	**365**	**348**	**5%**

The group's TCC increased 5% to $365 per ounce compared to 2018. This reflects a decline in average grades in ore processed at Olimpiada (3.92 grams per tonne in 2019 compared to 4.10 grams per tonne in 2018) and lower by-product credit from sales of antimony-rich flotation concentrate ($10 per ounce in 2019 compared to $21 per ounce in 2018). Inflation in consumables and diesel prices also negatively impacted the cost performance during the reporting period. These factors were partially offset by a higher share of lower cost flotation concentrate in total gold sold and modest local currency depreciation compared to the previous year.

FINANCIAL REVIEW CONTINUED

TCC PERFORMANCE BY MINE, $/OZ



Olimpiada: TCC amounted to $293 per ounce, a 10% increase compared to 2018. This was mainly attributable to a decline in average grades in ore processed (3.92 grams per tonne in 2019 compared to 4.10 grams per tonne in 2018) and inflation in consumables and diesel prices in the reporting period. In addition, lower by-product credit from sales of antimony-rich flotation concentrate ($21 per ounce in 2019 compared to $37 per ounce in 2018) negatively impacted the cost performance. These factors were partially offset by improved recovery rate (82.4% in 2019 compared to 79.3% in 2018), higher share of lower cost flotation concentrate in total gold sold during the reporting period and modest local currency depreciation compared to the previous year.

Blagodatnoye: TCC were $398 per ounce, up 11% compared to the previous year due to a decline in the average grade in ore processed (1.67 grams per tonne in 2019 compared to 1.70 grams per tonne in 2018) and inflation in consumables and diesel prices. These factors were partially offset by modest local currency depreciation compared to the previous year.

Verninskoye: TCC decreased to $363 per ounce, down 2%, mainly due to the higher average grade in ore processed (2.90 grams per tonne in 2019 compared to 2.63 grams per tonne in 2018) and modest Russian rouble depreciation compared to the previous year. These factors were partially offset by an increase in MET rate under the schedule of the RInvP, as well as inflation in consumables and diesel prices.

Kuranakh: TCC increased to $523 per ounce, up 2% compared to 2018. This reflects the increase in MET on the back of higher gold price and inflation in consumables and diesel prices. These factors were partially offset by modest local currency depreciation compared to the previous year.

Alluvials: TCC amounted to $821 per ounce, up 10% compared to $746 per ounce in the previous year due to a decrease in alluvial gold grade (0.53 grams per cubic metre in 2019 compared to 0.60 grams per cubic metre in 2018). This factor was partially offset by modest local currency depreciation compared to the previous year.

Natalka: TCC declined to $396 per ounce, compared to $747 per ounce in 2018, post the ramp-up completion in December 2018. Over the course of 2019, Polyus' technical team completed a set of operational initiatives, which resulted an increase in hourly throughput (1,462 tonnes per hour in 2019 compared to 1,005 tonnes per hour in 2018) exceeding its initial nameplate hourly throughput capacity of 1,227 tonnes per hour. This was accompanied by a higher average grade in ore processed (1.61 grams per tonne in 2019 compared to 1.10 grams per tonne in 2018). Higher recovery rates compared to the previous year, increasing from 62.9% to 71.8%, also contributed to the improved cost performance.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The group's selling, general and administrative (SG&A) expenses amounted to $295 million, a 25% increase from the prior year. This was due to higher expenses under a long-term incentive plan ('LTIP') and annual salary indexation.

SG&A BREAKDOWN BY ITEM

$ million	2019	2018	Y-o-Y
Salaries	**188**	148	27%
Distribution expenses related to gold-bearing products	**25**	20	25%
Taxes other than mining and income taxes	**20**	18	11%
Professional services	**12**	10	20%
Amortisation and depreciation	**21**	11	91%
Other	**29**	29	0%
Total	**295**	**236**	**25%**

ALL-IN SUSTAINING COSTS (AISC)

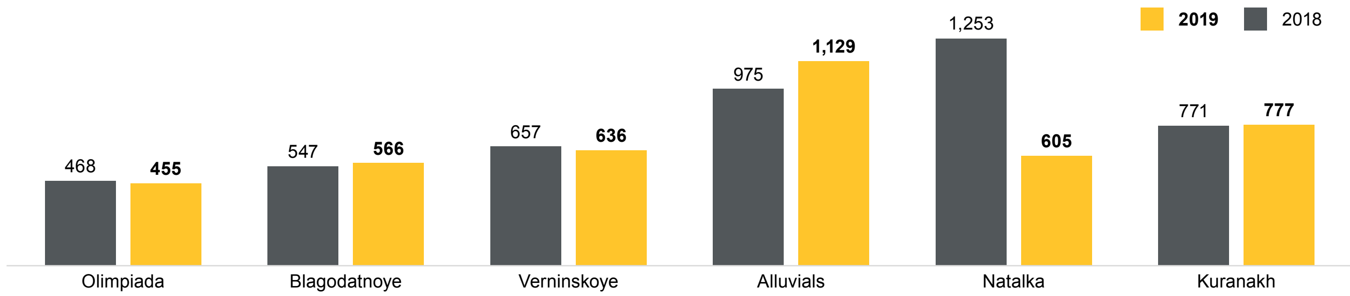
The group's AISC per ounce decreased to $594 per ounce, down 2% compared to the previous year. The improvement reflects the lower sustaining capital expenditures in 2019 compared to the previous year.

ALL-IN SUSTAINING COSTS CALCULATION

$ million	2019	2018	Y-o-Y
Total TCC	**1,050**	**813**	**29%**
Selling, general and administrative expenses	**295**	236	25%
Amortisation and depreciation related to SG&A	**(21)**	(11)	91%
Stripping activity asset additions[1]	**179**	174	3%
Sustaining capital expenditure[2]	**187**	196	(5%)
Unwinding of discounts on decommissioning liabilities	**4**	3	33%
Adding back expenses excluded from cost of gold sales			
Employee benefit obligations cost	**—**	(1)	(100%)
Change in allowance for obsolescence of inventory	**15**	2	N.A.
Total all—in sustaining costs	**1,709**	**1,412**	**21%**
Gold sold (koz)	**2,878**	2,333	23%
All—in—sustaining cost ($/oz)	**594**	**605**	**(2%)**

AISC at Olimpiada decreased to $455 per ounce as an increase in TCC was fully offset by the lower sustaining capital expenditures. AISC at Blagodatnoye increased to $566 per ounce, in line with TCC performance. At Verninskoye AISC decreased to $636 per ounce compared to the previous year due to TCC performance. At Kuranakh, AISC remained almost flat at $777 per ounce. AISC at Natalka decreased to $605 per ounce, in line with TCC performance during the period.

ALL-IN SUSTAINING COSTS BY MINE, $/OZ



[1] Following an update of the methodology and extraction of the depreciation included in the additions to the stripping activity asset. The amount of non-cash depreciation was $16 million in the fourth quarter of 2019, $16 million in the third quarter of 2019, $64 million in 2019 and $46 million in 2018.

[2] 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.

FINANCIAL REVIEW CONTINUED

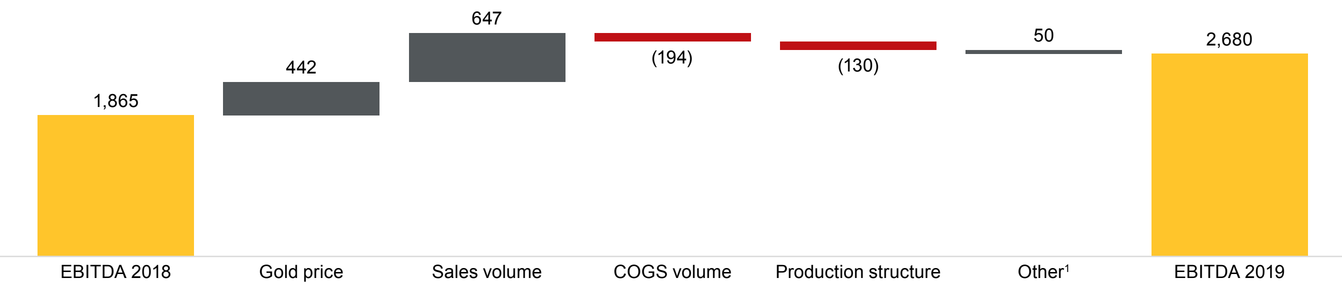
ADJUSTED EBITDA

The group's adjusted EBITDA stood at $2,680 million, a 44% increase compared to the previous year. This was driven by production growth, following the ramp-up of operations at Natalka and higher production volumes of flotation concentrate at Olimpiada. Increased TCC on a per ounce basis were offset by the higher gold price in 2019

ADJUSTED EBITDA CALCULATION

$ million	2019	2018	Y-o-Y
Profit for the period	**1,944**	**474**	**N.A.**
Income tax expense	**433**	77	N.A.
Depreciation and amortisation	**367**	236	56%
(Gain)/loss on revaluation of derivative financial instruments, net	**(93)**	281	N.A.
Finance costs, net	**254**	201	26%
Equity—settled share—based payment plans	**40**	24	67%
Foreign exchange (gain)/loss, net	**(273)**	517	N.A.
Interest income	**(48)**	(26)	85%
Impairment	**9**	54	(83%)
Special charitable contributions	**43**	27	59%
Loss on property, plant and equipment disposal	**4**	—	N.A.
Adjusted EBITDA	**2,680**	**1,865**	**44%**
Total revenue	**4,005**	2,915	37%
Adjusted EBITDA margin (%)	**67%**	**64%**	**3ppts**

ADJUSTED EBITDA BRIDGE, $ MILLION



[1] Includes operating efficiency and FX effects.

ADJUSTED EBITDA BREAKDOWN BY BUSINESS UNIT, $ MILLION

$ million	2019	2018	Y-o-Y
Olimpiada	**1,381**	1,135	22%
Blagodatnoye	**415**	356	17%
Verninskoye	**237**	180	32%
Alluvials	**74**	52	42%
Kuranakh	**174**	133	31%
Natalka	**361**	11	N.A.
Other[2]	**38**	(2)	N.A.
Total	**2,680**	**1,865**	**44%**

FINANCE COST ANALYSIS

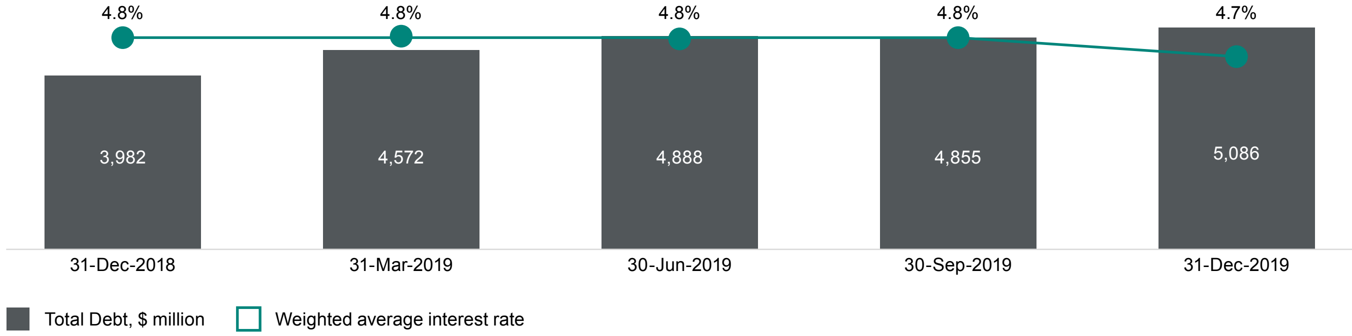
$ million	2019	2018	Y-o-Y
Interest on borrowings	**294**	267	10%
Interest on lease liabilities	**5**	—	N.A.
Bank commission and write—off of unamortised debt cost due to early extinguishment	**3**	13	(77%)
Unwinding of discounts	**13**	15	(13%)
Gain on debt modification	**(17)**	—	N.A.
Gain on an early redemption of financial liabilities	**—**	(5)	(100%)
Gain on exchange of interest payments under cross—currency swap and interest rate swap	**(44)**	(36)	22%
Sub–total finance cost, net	**254**	**254**	**0%**
Interest included in the cost of qualifying assets	**—**	(53)	(100%)
Total finance cost expensed	**254**	**201**	**26%**

The group's total finance costs were $254 million, remaining flat compared to the previous year. Interest on borrowings increased to $294 million. This figure reflects the higher gross debt in 2019.

[2] Reflects consolidation adjustments, Sukhoi Log and non-producing business units, including exploration business unit, capital construction business unit and unallocated segments.

FINANCIAL REVIEW CONTINUED

WEIGHTED AVERAGE INTEREST RATE DYNAMICS[1]



FOREIGN EXCHANGE LOSS AND DERIVATIVES

The group's foreign exchange gain was $273 million, compared to a $517 million loss in the previous year. This reflects the revaluation of US dollar-denominated bank deposits, US dollar-denominated accounts receivables and US dollar-denominated liabilities as at 31 December 2019 due to FX rate fluctuation.

VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS AS AT 31 DECEMBER AND FOR THE YEAR ENDED 31 DECEMBER 2019

$ million	Asset	Liability	Fair value recorded in the statement of financial position	Profit & loss (expenses)/ income
Revenue stabiliser	—	(7)	(7)	(10)
Cross-currency swaps	98	(62)	36	169
Interest rate swaps	1	(5)	(4)	(8)
Conversion option on convertible bonds	—	(63)	(63)	(58)
Total	**99**	**(137)**	**(38)**	**93**

REVENUE STABILISER[2]

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

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

The amounts under call options for 2020 stay at 280 thousand ounces with no gold hedges outstanding post 2020.

CROSS-CURRENCY AND INTEREST RATE SWAPS[2]

In 2019, the overall positive effect from cross-currency and interest rate swaps on finance cost amounted to $44 million. This was presented within Note 8 of the consolidated financial statement as a gain on the exchange of interest payments under interest rate and cross-currency swaps.

CONVERSION OPTION ON CONVERTIBLE BONDS

As at 31 December 2019, the fair value of conversion option of $63 million was determined with reference to the quoted market price and is presented within Note 14 of the consolidated financial statements.

[1] Weighted average interest rate is calculated as at the end of the period.
[2] For additional information on revenue stabiliser, cross-currency and interest rate swaps, see Note 14 of the consolidated financial statements.

PROFIT BEFORE TAX & INCOME TAXES

Profit before tax increased to $2,377 million primarily driven by higher operating profit and foreign exchange gain in the reporting period. Income tax amounted to $433 million, resulting in an effective income tax rate of 18%.

NET PROFIT

Net profit increased to $1,944 million compared to $474 million in 2018. This was driven by an increase in operating profit and the positive impact of non-cash items on profit before tax. Polyus recognised a foreign exchange gain of $273 million and a gain on derivative financial instruments of $93 million in 2019. Adjusted for these items (see the reconciliation below), the group's adjusted net profit for 2019 amounted to $1,587 million, a 20% increase from the prior year.

ADJUSTED NET PROFIT CALCULATION

$ million	2019	2018	Y-o-Y
Net profit for the period	**1,944**	**474**	**N.A.**
Impairment	**9**	54	(83%)
(Gain)/loss on revaluation of derivative financial instruments, net	**(93)**	281	N.A.
Foreign exchange (gain)/loss, net	**(273)**	517	N.A.
Adjusted net profit	**1,587**	**1,326**	**19%**
Total revenue	**4,005**	2,915	37%
Adjusted net profit margin	**40%**	**45%**	**(5)ppts**

STATEMENT OF FINANCIAL POSITION REVIEW

DEBT

As at 31 December 2019, the company's gross debt increased to $5,086 million, compared to $4,855 million as at 30 September 2019 and to $3,982 million as at 31 December 2018.

In the second quarter of 2019, the company repaid the principal amount on credit facilities nominated in Russian roubles and liabilities under cross-currency swaps totalling $1 billion, utilising a 65 billion Russian roubles credit facility with Sberbank due in 2024.

In the fourth quarter of 2019, Polyus issued a 20 billion Russian roubles ten-year (with a put in five years) bond and entered into cross-currency swaps with banks to convert those amounts into a fixed-rate US dollar liability (approximately $310 million), following the placement. The interest rate was set at 3.23%, the lowest rate across Polyus' existing debt portfolio, excluding convertibles.

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

As of 31 December 2019, the group had a lease liability in the amount of $80 million, which is discussed further within Note 2 of the consolidated financial statements. This follows the introduction of IFRS 16 'Leases', approved by the International Accounting Standard Board.

DEBT BREAKDOWN BY TYPE

$ million	2019	2018	Y-o-Y
Eurobonds	**2,408**	2,404	N.A.
Convertible bonds	**194**	186	N.A.
Russian rouble bonds	**566**	218	59%
Lease	**80**	10	N.A.
Bank loans	**1,838**	1,164	37%
Total	**5,086**	**3,982**	**3ppts**

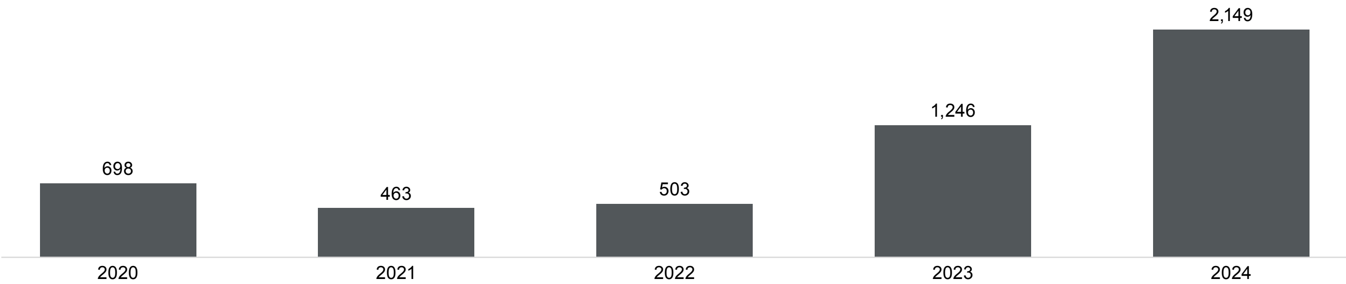
The group's debt portfolio remains dominated by US dollar-denominated instruments.

FINANCIAL REVIEW CONTINUED

DEBT BREAKDOWN BY CURRENCY

	31 December 2019		31 December 2018	
	$ million	% of total	$ million	% of total
Russian roubles	**1,945**	**38%**	762	19%
US dollars	**3,141**	**62%**	3,220	81%
Total	**5,086**	**100%**	**3,982**	**100%**

DEBT MATURITY SCHEDULE (AS AT 31 DEC 2019)[1], $ MILLION



CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

As at 31 December 2019, the group's cash and cash equivalents and bank deposits totalled 1,801 million, up 17% compared to the end of the third quarter of 2019. Among other factors, the change in cash position reflects a dividend pay-out for the first half of 2019 of $342 million.

The group's cash position is primarily held in US dollar-denominated instruments. Existing cash balances cover all principal debt repayments up to 2022.

CASH, CASH EQUIVALENTS, AND BANK DEPOSITS BREAKDOWN BY CURRENCY

$ million	31 December 2019		31 December 2018	
Russian roubles	**142**	**132**	762	19%
US dollars	**1,659**	**764**	3,220	81%
Total	**1,801**	**896**	**3,982**	**100%**

[1] The breakdown is based on actual maturities and excludes $46 million of banking commissions and deduction of conversion option component of convertible bonds and the lease liabilities recognised under IFRS 16 as of 31 December 2019 of $73 million.

NET DEBT

At the end of 2019, the group's net debt amounted to $3,285 million, up 6% compared to the end of 2018. This is primarily a result of solid cash flow generation during 2019.

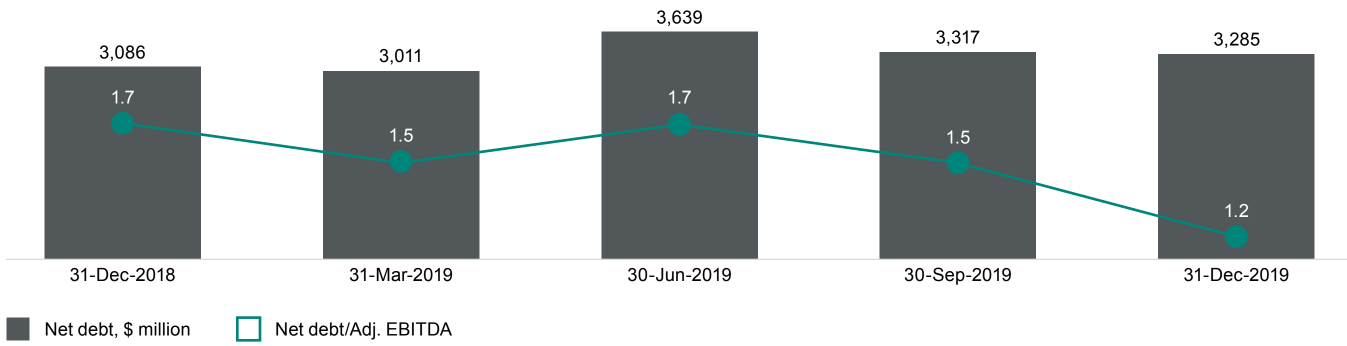
Accounting for debt-related derivative assets and liabilities under cross-currency and interest rate swaps, the company's net debt stands at $3,253 million compared with $3,677 million at the end of 2018, reflecting solid cash flow generation during 2019. In addition, Polyus repaid the liabilities under cross-currency swaps of $472 million in 2019

NET DEBT CALCULATION

$ million	31 December 2019	31 December 2018
Non-current borrowings	**4,382**	3,975
+ Current borrowings	**704**	7
– Cash and cash equivalents	**(1,801)**	(896)
Net debt	**3,285**	**3,086**
Net debt (incl. derivatives)[2]	**3,253**	3,677

The net debt/adjusted EBITDA ratio decreased to 1.2x compared to the end of 2018, reflecting a growth in adjusted EBITDA for the last 12 months.

NET DEBT AND NET DEBT/ADJUSTED EBITDA (LAST 12 MONTHS)[3] RATIO



[2] Net debt includes liabilities and assets under cross-currency and interest rate swaps as at the reporting date.

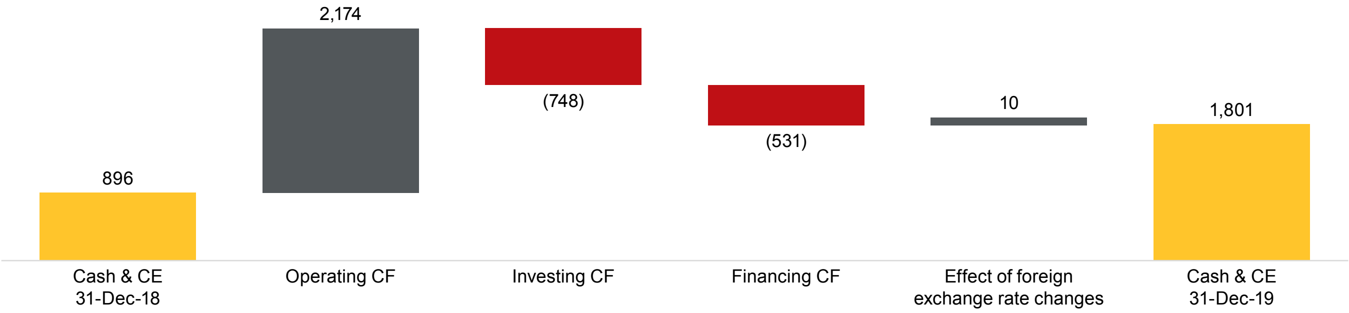
[3] Net debt to Adjusted EBITDA ratio is calculated as net debt as of the end of the relevant period divided by Adjusted EBITDA for the relevant period. For the purpose of the net debt to Adjusted EBITDA ratio as of 31 December 2019, Adjusted EBITDA is calculated as the 12 months ended 31 December 2019. For the purpose of the net debt to Adjusted EBITDA ratio as of 30 September 2019, Adjusted EBITDA is calculated as the trailing 12 months ended 30 September 2019 (being Adjusted EBITDA for 2018 less Adjusted EBITDA for the nine months ended 30 September 2018 plus Adjusted EBITDA for the nine months ended 30 September 2019). For the purpose of the net debt to Adjusted EBITDA ratio as of 30 June 2019, Adjusted EBITDA is calculated as the trailing 12 months ended on 30 June 2019 (being Adjusted EBITDA for 2018 less Adjusted EBITDA for the six months ended 30 June 2018 plus Adjusted EBITDA for the six months ended 30 June 2019). For the purpose of the net debt to Adjusted EBITDA ratio as of 31 March 2019, Adjusted EBITDA is calculated as the trailing 12 months ended on 31 March 2019 (being Adjusted EBITDA for 2018 less Adjusted EBITDA for the three months ended 31 March 2018 plus Adjusted EBITDA for the three months ended 31 March 2019). For the purpose of the net debt to Adjusted EBITDA ratio as of 31 December 2018, Adjusted EBITDA is calculated as the 12 months ended on 31 December 2018.

FINANCIAL REVIEW CONTINUED

STATEMENT OF CASH FLOWS REVIEW

In 2019, cash flow from operations increased to $2,174 million, up 48% compared to $1,464 million in 2018. Cash outflow on investing activities amounted to $748 million, due to lower cash spent on purchase of property, plant and equipment ('PP&E') in 2019. Net financing cash outflow totalled $531 million, reflecting the inflow of $1,300 million of proceeds from borrowings, the repayment of $877 million of derivative liabilities and credit facilities combined and $638 million of dividend payments for the second half of 2018 and the first half of 2019.

CASH FLOW BRIDGE, $ MILLION



OPERATING CASH FLOW

For the full year 2019, the group generated operational cash inflow of $2,174 million, which was negatively impacted by a working capital outflow of $236 million. The latter was mainly driven by an accumulation of ore stockpiles across hard rock deposits, an increase in receivables related to sales of merchant gold containing flotation concentrate and growth of consumables, spares and fuel stocks at Olimpiada, Blagodatnoye and Natalka.

INVESTING CASH FLOW

Capital expenditures decreased to $630 million from the $736 million in the previous year. This decrease mainly reflects the lower capital expenditures at Natalka, Olimpiada and Blagodatnoye.

In 2019, capital expenditures at Natalka decreased to $155 million, down 32% compared to the previous year, as the company had completed the active phase of construction activities and mining fleet procurement in 2018. Separately, Polyus ceased the capitalisation of borrowing costs and other directly attributable operating costs at Natalka, starting the third quarter of 2018.

Polyus continued development works at the Mill's auxiliary and infrastructure facilities as well as mining fleet procurement. This included construction of a slurry pipeline and starter dams at a new tailings facility. The mining fleet was expanded with the delivery of two Caterpillar 186t dump trucks and one TYHI WK-20 shovel.

The company is continuing to implement operational initiatives, targeting further recovery rate improvement at Natalka. In the fourth quarter of 2019, Polyus debottlenecked the first stage of gravity concentration by introducing four additional Knelson concentrators, bringing the total number of concentrators operating at the first stage up to 26. The company has identified a set of additional development initiatives for the Mill, scheduled for 2020, which includes the roll-out of flash flotation with CIL expansion and introduction of concentration shaker tables at the first stage of the gravity circuit.

At Olimpiada, capital expenditures decreased 9%, to $165 million, as the company completed an active phase of mining fleet procurement and construction of Bio Oxidation circuit ('BIO-4') in the previous year. Polyus continued to implement a set of initiatives that led to higher recoveries, in particular a roll-out of four flash-flotation units at the Olimpiada mills complex. The company is also proceeding with ramp-up and calibration of processing parameters of the second stage of alkaline leaching, following the completion of construction works in 2019.

In addition, Polyus approved and proceeded with a number of initiatives, allowing for BIO units performance improvement. This includes the ongoing modernisation of BIO-3 unit, introduction of magnet separation and upgrading of automation and cooling systems. Polyus is proceeding with the construction of two additional reactors at BIO-4 unit and two agitation tanks. The company is currently evaluating further steps to upgrade and expand its existing bio-oxidation facilities, with an option to construct an additional BIO-5 unit. Polyus is continuing to implement a throughput capacity expansion project at Olimpiada, aimed at stabilising at 13.4 million tonnes per annum with potential to expand it further.

At Blagodatnoye, capital expenditures decreased to $37 million compared with $71 million in 2018. This was mainly due to completion of the active phase of mining fleet procurement in 2018. The company is proceeding with initiatives that target further recovery improvement and stabilisation of current processing parameters. Polyus completed the roll-out of flash flotation in 2019. During the reporting period, the company added a Jameson Cell flotation unit at Mill-4 for further recovery improvement. Polyus is now considering the construction of a new mill (Mill-5), with capacity of 6.0 million tonnes per annum, bringing total processing capacity at Blagodatnoye to 15 million tonnes per annum. The Feasibility Study is expected to be completed in the first half of 2020.

At Verninskoye, capital expenditures increased 27% to $57 million as the company entered an active stage of the Mill expansion project.

At Kuranakh, capital expenditures decreased 32% compared with 2018 to $39 million, as the main construction activities for the launch of heap leaching operations and the mill capacity expansion project had been subsided in the reporting year. In 2019, Polyus completed commissioning of an additional thickener and new adsorption line. The Kuranakh Mill throughput capacity reached 5.8 million tonnes on an annualised basis in the second half of 2019. At the heap leaching operations, inter-lift liners for the second lift were laid and mobile conveyor equipment was delivered. During the year, Polyus also launched construction of the second heap leaching pad.

At Alluvials, capital expenditures amounted to $21 million in 2019 and consisted of ongoing replacement of worn-out equipment, as well as the exploration activity.

IT-related capital expenditures remained flat in the fourth quarter although they increased 9% to $51 million in 2019 compared to the previous year. This was mainly due to the continued implementation of the ERP programme and related IT projects.

At Sukhoi Log, Polyus completed the exploration and verification drilling programme of approximately 204 kilometres launched in 2017. Additionally, in December 2019, the company completed geotechnical, hydrogeological drilling (approximately 18 kilometres) required for the design of the Sukhoi Log pit. The company has completed a comprehensive assessment of the drilling samples obtained during the exploration and verification programme.

In line with the initial schedule, based on the assessment results, Polyus expects to provide a further update on the Inferred & Indicated Mineral Resources estimates and to publish a maiden Ore Reserve estimate for Sukhoi Log in 2020.

The pre-feasibility Study of the Sukhoi Log project is at an advanced stage. In 2019, Polyus completed trade-off studies on comminution and throughput capacity, gravity and flotation circuits, loading and drilling mining equipment. The development of geological, geophysical and hydrometeorological surveys has been completed. The results of these surveys will be used for infrastructure layout and processing facilities design.

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

The company also plans to conduct additional drilling at Sukhoi Log's flanks and deep levels in 2020.

FINANCIAL REVIEW CONTINUED

CAPEX BREAKDOWN[1]

$ million	2019	2018	Y-o-Y
Natalka, including:			
Purchase of equipment	**155**	169	(8%)
Capitalisation of borrowing costs	**—**	54	(100%)
Operating costs	**—**	25	(100%)
Net proceeds from selling gold produced during the ramp–up period	**—**	(20)	(100%)
Natalka, total	**155**	228	(32%)
Olimpiada	**165**	182	(9%)
Blagodatnoe	**37**	71	(48%)
Verninskoye	**57**	45	27%
Alluvials	**21**	24	(13%)
Kuranakh	**39**	57	(32%)
Sukhoi Log	**28**	23	22%
IT capex	**51**	47	9%
Other[2]	**77**	59	31%
CAPEX	**630**	**736**	**(14%)**
Omchak electricity transmitting line	**26**	36	(28%)
Items capitalised[3], net	**161**	95	69%
Change in working capital for purchase of property, plant and equipment	**(22)**	(17)	29%
Purchase of PP&E[4]	**795**	**850**	**(6%)**

Total cash spent on the purchase of PP&E decreased to $795 million compared to $850 million in the previous year. This mainly reflects the respective decrease in capex spending at Natalka and almost all hard rock deposits during 2019.

Other investment activities in 2019 comprised $48 million of interest received and $23 million of cash received from the Federal Grid Company for the disposal of Razdolinskaya-Taiga, in line with initial agreements. In addition, the company received $3 million of proceeds from the Federal Treasury under a Government Grant agreement related to construction of the Omchack electricity transmitting line

[1] The capex above presents the capital construction-in-progress unit as allocated to other business units, whilst in the consolidated financial statements capital construction-in-progress is presented as a separate business unit.
[2] Reflects expenses related to exploration business unit, IT projects and construction of Razdolinskaya-Taiga and Peleduy-Mamakan grid lines.
[3] Including capitalised stripping costs net of capitalised interest on loans and capitalised within capital construction-in-progress. For more details see Note 12 of the consolidated financial statements.
[4] Presented net of the Sukhoi Log deposit licence acquisition cost and payments to Rostec.

FINANCING CASH FLOW

Net financing cash outflow totalled $531 million compared to $936 million the previous year. Polyus completed repayment of approximately $1,249 million of credit facilities and paid out a total of $638 million in dividends for the second half of 2018 and the first half of 2019 combined.

DIVIDEND UPDATE

Polyus's current dividend policy suggests the total dividend pay-out in respect of 2019 as 30% of the company's EBITDA for the year, or $804 million. This includes $342 million paid in form of dividend for the first half of 2019.

OUTLOOK

TCC GUIDANCE

Polyus further refines its initial total cash costs ('TCC') guidance for 2020 of below $450 per ounce. The company now expects TCC for 2020 to stay within the range of $400-$450 per ounce.

The company anticipates a gradual increase in TCC from the 2019 level of $365 per ounce, driven mainly by inflationary factors in 2020. The estimate continues to be based on the assumptions of foreign exchange rate of 60 Russian roubles per US dollar and a gold price of $1,200 per ounce.

CAPEX GUIDANCE

In 2020, the company expects capex to stay within the range of $700-750[5] million, compared to the previous estimate of $550 million, initially provided in March 2018.

The updated capex guidance reflects:

1. The introduction of new development projects

The list of new approved projects includes the Verninskoye Mill expansion to 3.5 million tonnes per annum and further debottlenecking of the Natalka Mill. The feasibility study on the upgrade of BIO facilities at Olimpiada and engineering design works on Mill-5 at Blagodatnoye are also included in the estimate. Polyus plans to announce the final investment decision on these projects and provide a detailed overview in 2020.

These projects represent the second phase of Polyus' development. The company continues to focus on high-return projects with an expected internal rate of return of over 20%, based on conservative assumptions, a gold price of $1,050 per ounce and a foreign exchange rate of 60 Russian roubles per US dollar.

2. An increased exploration budget

Alongside the drilling programme at Sukhoi Log, Polyus is intensifying exploration activities at its core assets. These include extensive hydrogeology, geomechanics, flank and deep level drilling studies.

3. Capex rollover mainly related to infrastructure projects

4. Increased spending on IT and other small-scale initiatives

Polyus is continuing with the further roll-out of IT infrastructure improvement initiatives and its ERP transformation programme across the group.

5. Inflation accumulated since 2018

[5] On the assumption of foreign exchange rate of 60 roubles per dollar.

FINANCIAL REVIEW CONTINUED

GOING CONCERN

The financial position of the group, its cash flows, liquidity position, and borrowing facilities are set out in the MD&A on pages 75. As of 31 December 2019, the group held $1,801 million in cash and cash equivalents and bank deposits and had a net debt of $3,285 million, with $1,433 million of unused credit facilities, subject to covenant compliance. Details of borrowings and credit facilities are disclosed in Note 19 to the consolidated financial statements. In assessing its 'going concern' status, the directors considered the uncertainties affecting future cash flows and have taken into account its financial position, anticipated future trading performance, borrowings and other available credit facilities, as well as its forecast compliance with the covenants on those borrowings and its capital expenditure commitments and plans. In the event of certain reasonably possible adverse pricing and forex scenarios and the risks and uncertainties below, management has within its control the option of deferring uncommitted capital expenditure – or managing the dividend payment profile to maintain the group's funding position.

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

RISKS AND UNCERTAINTIES

The group's activities are associated with a variety of risks that could affect its operational and financial results and, consequently, shareholder returns. Successful risk management requires, amongst other things, identification and assessment of potential threats and the development of 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.

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

The Directors do not believe that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2018. Detailed explanation of the risks summarised below, together with the group's risk mitigation plans, can be found on pages 32 to 34 of the 2018 Annual Review which is available at www.polyus.com/upload/iblock/52e/polyus-annual-review-2018-eng-_1_.pdf.

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

COMMODITY PRICE RISK

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

FOREIGN EXCHANGE RISK

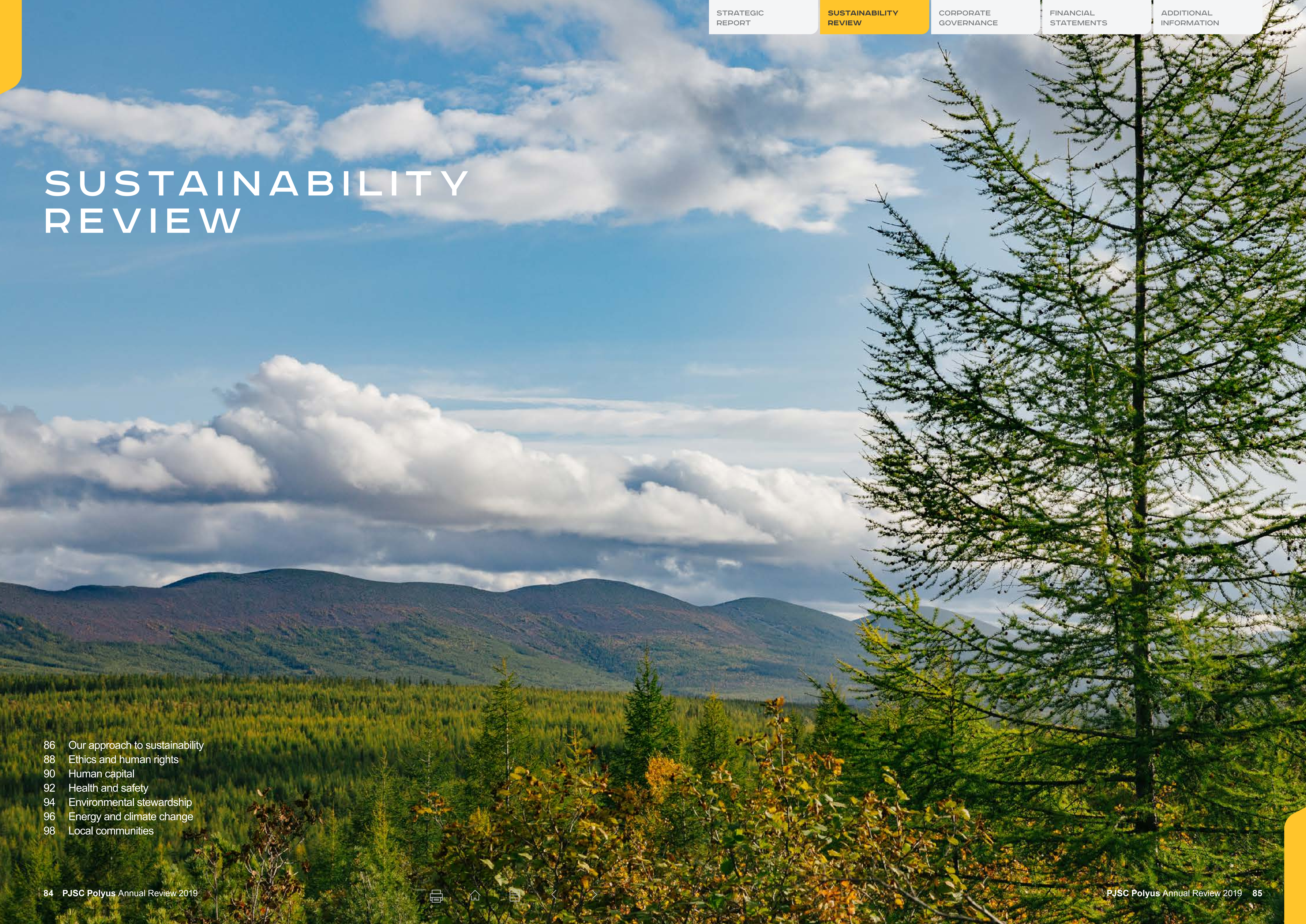
As stated on page 33, the group's revenue is linked to the US dollar, as the gold price is quoted in this currency. Thus the group's strategy is to have mostly US dollar-denominated debt and to keep its cash and deposits in US dollars. As of 31 December 2019, 92% of the cash and cash equivalents and bank deposits of the group were in US dollars – see page 65 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 74).

INTEREST RATE RISK

The group is not materially exposed to interest rate risk, as only 3% of the group's debt portfolio is made up of US dollar-floating rate borrowings.

INFLATION RISK

As stated on page 68, the group's earnings are exposed to inflationary trends in Russia. Inflation negatively impacts the group's earnings, increasing future operating costs. To mitigate Russian rouble inflation risk, the group estimates possible inflation levels and incorporates them into its cost planning; it has also 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 US dollars.



SUSTAINABILITY REVIEW

OUR APPROACH TO SUSTAINABILITY

We believe that sustainability is integral to the success of our business. We strive to adhere to best-in-class industry standards in order to create additional value for all our shareholders and stakeholders.

POLYUS IN MAJOR ESG RATINGS

71 SUSTAINALYTICS
APRIL 2020

A MSCI
TOP 31% – 2020

45 SAM
63RD PERCENTILE – 2019

1ST IN 2019 WWF
UP FROM 2ND PLACE IN 2018

WE ARE COMMITTED TO BEING:

- **A people-orientated company** that provides development opportunities, adheres to safety standards, and can attract, motivate and retain the best employees and management available.
- **An environmentally responsible company** that identifies and mitigates environmental impacts from its operations, through conscientious management of its assets throughout the life cycle of mining activity.
- **A socially responsible company** that contributes to social development in its areas of operation.

OUR SUSTAINABILITY STRATEGIC OBJECTIVES:

1. **Sustainable growth and management of environmental and social risks** to ensure the efficiency of each stage of the life cycle of a mine/asset: exploration, engineering and design, production and processing, closure and rehabilitation.
2. To achieve **strong financial results** while adhering to principles of sustainability in our operations.
3. To achieve a **zero injury rate** by implementing a world-class safety culture.
4. To be a **reliable partner to local communities** in our areas of operation and conduct an open dialogue with all stakeholders, always taking their interests into account when making decisions.
5. To **cultivate a team of professionals** committed to helping the company achieve leading positions in the industry while at the same time adhering to principles of sustainable development.

"Over the years, Polyus has made significant progress in embedding sustainability across our operations. As a major enterprise, we must work responsibly to ensure that Polyus continues to create value for all of our stakeholders. This involves a commitment to developing our employees and protecting the broader communities where we operate as well as the natural environment."

PAVEL GRACHEV
CEO OF PJSC POLYUS

ETHICS AND HUMAN RIGHTS

Respecting human rights and complying with the highest ethical standards is a crucial part of Polyus' business approach.

BEING AN ETHICAL BUSINESS IS ABOUT BUILDING TRUST WITH STAKEHOLDERS

We strive to ensure that our internal regulatory documents concerning ethics and human rights keep pace with the changing world and are properly communicated to all our employees. We also make constant efforts to improve our communication system, as we believe that any business ethics violations in the company should be identified and promptly investigated.

17 PARTNERSHIPS FOR THE GOALS

PERFORMANCE AGAINST GOALS

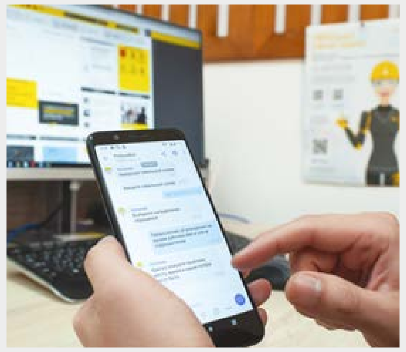
Goal	Status	Summary of progress in 2019
Evaluate the level of employee awareness about the Corporate Ethics Code and its values	Achieved	A study was carried out and identified the strengths and weaknesses of our approach to communicating the Code and its values to our employees. An information campaign is planned for 2020 to raise awareness levels.
Improve employee training practices vis-à-vis on ethics issues	On track	An online training course focusing on Corporate Ethics Code requirements was developed. The elaboration of a new version of the course, specifically for workers, is planned for 2020.
Review and update policies and standards.	Achieved	The Anti-corruption Policy was supplemented with new control procedures, and the conflicts of interest section was expanded. Work was conducted to update the Human Rights Policy

WHISTLEBLOWING LINE

Polyus has a hotline communication channel set up, which operates in all the company's business units and subsidiaries. It is an effective and popular communication tool, both for internal and external stakeholders.

The main aim of the hotline is to identify, prevent, and minimise corruption risks, as well as receive and analyse human rights and business ethics-related concerns from Polyus stakeholders.

We promote an anti-blame policy in relation to the internal security hotline in terms of any violations of anti-corruption laws or business ethics and ensure that the identity of an individual submitting a report remains confidential.



PRINCIPLES OF THE POLYUS HUMAN RIGHTS POLICY

- RESPECT AND FAIR TREATMENT OF ALL STAFF AND SUPPLIERS OF GOODS
- RESPECT FOR THE RIGHT FOR FREEDOM OF ASSOCIATION, MEETINGS, OPINIONS, AND EXPRESSION
- PROHIBITION OF FORCED AND CHILD LABOUR
- DECENT WORKING CONDITIONS AND FAIR WAGES
- SAFE AND HEALTHY WORKING ENVIRONMENT
- HSE LEGAL COMPLIANCE
- RESPECTING THE CULTURE OF LOCAL COMMUNITIES AND INDIGENOUS PEOPLES
- OPEN DIALOGUE WITH STAKEHOLDERS
- ZERO TOLERANCE TOWARDS CORRUPTION
- SECURITY STAFF COMPLYING WITH LEGAL REQUIREMENTS

See more in our Sustainability Report

EMPLOYEES COMPLETED OUR ONLINE COURSE ON ANTI-CORRUPTION

5,500+

HUMAN CAPITAL

Polyus' employees are its greatest asset.

BEING A GOOD PLACE TO WORK IS KEY TO BUSINESS SUCCESS

The company takes full responsibility for ensuring that its employees work in a safe and comfortable environment. We are focused on constantly improving living and working conditions for our staff, enhancing our remuneration system and creating opportunities for professional development and career growth.

This work is regulated by the corporate HR Policy and Human Rights Policy, developed in accordance with the United Nations Guiding Principles on Business and Human Rights and ICMM Principles, which are also incorporated in the Polyus Code of Corporate Conduct.

PERFORMANCE AGAINST GOALS

Goal	Status	Summary of progress in 2019
Development of leadership potential	On track	• Basic design of the Operational model elaborated • The Foundation of the Production System training program launched
Create a world-class team	On track	• The Mentoring Program methodology transferred to Business Units
Increase labor productivity	On track	• A "tree of objectives" with operational KPIs for all employees created
Increase staff stability	On track	• 5-years plan for the development of social infrastructure and living conditions developed • The Universities and Colleges Collaboration Concept developed
Increase quality of HR services	On track	• Multi-functional centre (MFC) functioned in full operational mode • Automation of main HR business process completed

NEW COMFORTABLE ACCOMMODATION FOR POLYUS EMPLOYEES IN KURANAKH

Polyus has completed the construction of a two-story accommodation block at Kuranakh, its operating asset in the Republic of Sakha. The building covers a 1,500 sq. m area and can accommodate up to 100 people.

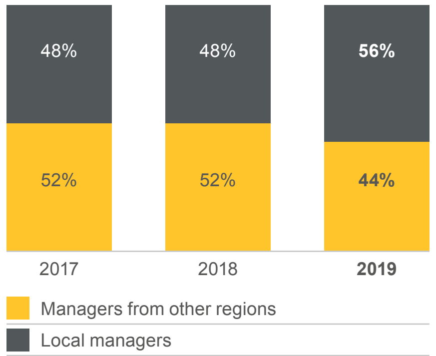
The accommodation block is protected against the severe weather conditions of Siberia and has several features of a smart house, such as automated heating controls and lighting systems.

The block accommodates employees in 12-13 sq. m double rooms. Each pair of rooms shares a hall and a bathroom including shower. Every floor has dining facilities and a breakout area for relaxing and leisure activities.

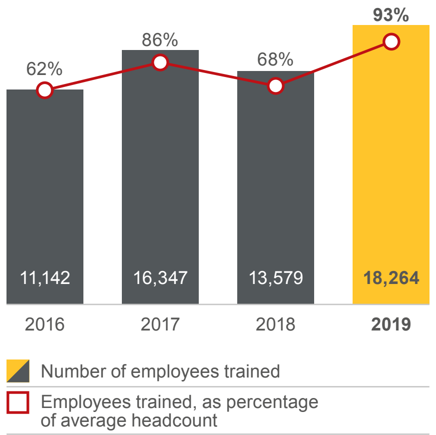
EMPLOYEES BY GENDER BY BUSINESS UNITS, 2019

Business unit	Male / Female
Oimpiada and Blagodatnoe	92% / 8%
Verninskoye	88% / 12%
Kuranakh	75% / 25%
Natalka	85% / 15%
Alluvials	78% / 22%

PERCENTAGE OF MANAGEMENT RECRUITED LOCALLY

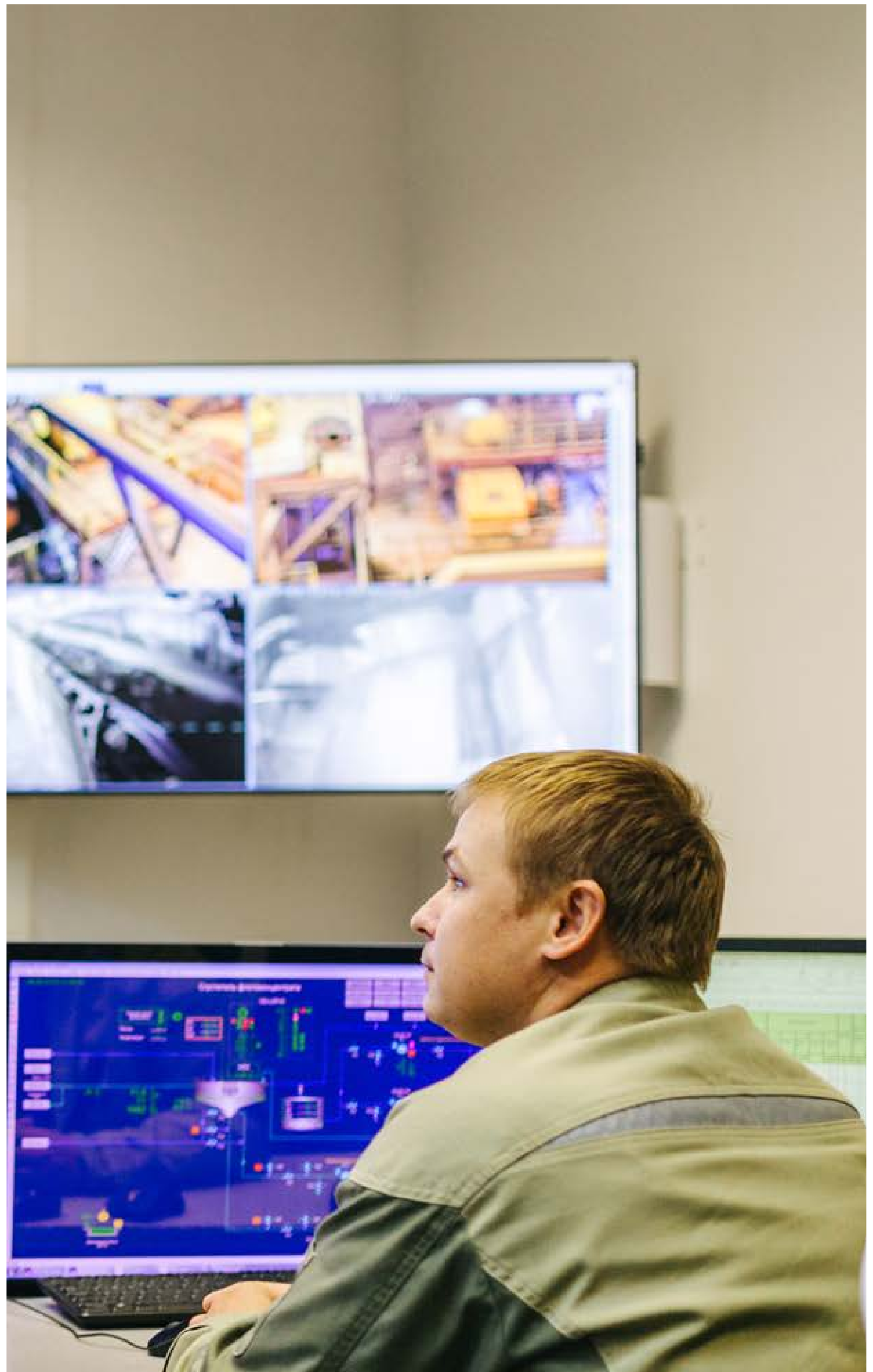


NUMBER OF EMPLOYEES TRAINED[5]



[5] The number of employees trained in 2016 has been clarified and revised. The number of employees presented in the 2016 Sustainability Report did not include the number of employees trained in Security Services.

See more in our Sustainability Report



AVERAGE HEADCOUNT FOR 2019

19,674

HEALTH AND SAFETY

Occupational health and safety (H&S) is an essential element of Polyus' sustainability strategy – and we are constantly taking steps to improve our approach to and performance in this area.

OPERATIONAL EXCELLENCE MEANS SAFETY

Our Health, Safety and Environment policy is binding for both contractors and company staff. A high standard of health, safety and environmental practices (HSE) is one of Polyus' basic selection criteria for contractors.

We regularly re-evaluate and update the safety levels at our facilities. All of our mining assets are certified against ISO 45001.

3 GOOD HEALTH AND WELL-BEING

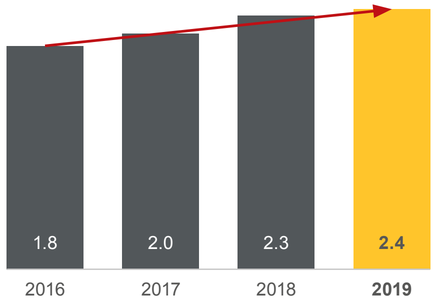
PERFORMANCE AGAINST GOALS

Goal	Status	Summary of progress in 2019
To reduce the lost time injury rate (LTIFR) by 20% by 2020 vs. 2016	Achieved	LTIFR was 0.08 (38%↓ compared to the LTIFR in 2016)
To reduce the automotive accident rate (AARk) by 20% by 2020 vs. 2016	Achieved	AARk was 0.28 (22%↓ compared to the AARk in 2016)
To raise the safety culture level to 2.5 points (under the Bradley scale) by 2020	On track	An intermediate level of 2.4 points was achieved in 2019
Corporate trainings: HSE minimum: > 98% of employees by 2020 H&S for Line management (Leadership) Injury prevention: > 98% of employees by 2020	On track	We gave training on H&S minimum to 95% of employees
Zero fatalities	On track	The fatality rate in 2019 was 0.005 (0.01 in 2018)

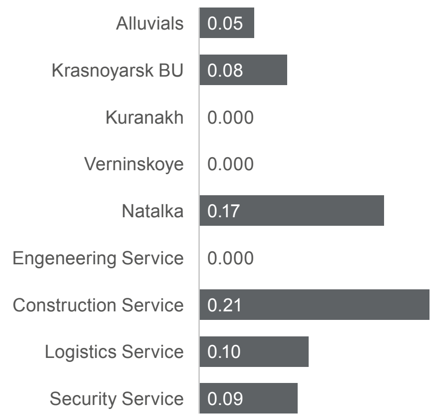
AUTOMATION OF HSE PROCESSES – SAP ENVIRONMENTAL, HEALTH, AND SAFETY MANAGEMENT (EHSM)

In 2019 Polyus launched a SAP EHSM development, based on the SAP ERP solution. The key goal of the SAP EHSM roll-out in Polyus is to reduce risk levels through performing an appropriate risk analysis and launching procedures to transform HSE processes. The implementation of the new system allows information to support H&S strategies and objectives to be centralised and consolidated, thereby providing analytical support for decision-making processes.

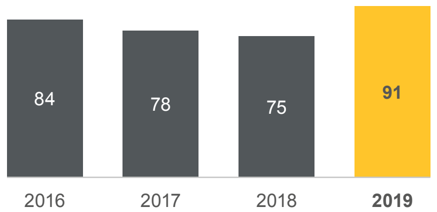
AVERAGE LEVEL OF SAFETY CULTURE DEVELOPMENT ACCORDING TO THE BRADLEY SCALE



LOST TIME INJURY FREQUENCY RATE (LTIFR) BY BUSINESS UNIT, PER 200,000 HOURS WORKED



TOTAL REGISTERED INJURIES (TRI) AMONG EMPLOYEES 2016–2019



See more in our Sustainability Report

POLYUS LTIFR IN 2019

0.08

ENVIRONMENTAL STEWARDSHIP

Polyus is committed to minimising its environmental impact and working to preserve the natural areas surrounding our operations.

PROTECTING THE ENVIRONMENT IS OUR COMMON RESPONSIBILITY

Our aim is the sustainable use of natural resources, as well as ensuring safe working and living conditions for employees and local communities. With an average life of mine of roughly 21 years, we take a long-term approach to environmental management across our assets. By continuously working to improve our environmental performance at every stage of the production cycle, we strive to consistently minimise any potential adverse effects of our activities.

PERFORMANCE AGAINST GOALS

Goal	Status	Summary of progress in 2019
Reduction of specific water intake from natural sources up to 0.23 m³ per tonne of ore (2020)	On track	0.26 m³ per tonne of ore achieved in 2019
Reducing levies for environmental impact over set limits to $35.5 thousand	Achieved	In 2019, the value for the metric was $13.9 thousands
Availability of environmental permits at 90% (2020)	Achieved	Rate of 100% achieved in 2019
Improved disposal of tires and used plastic at 50% (2020)	On track	Rate of 35% achieved in 2019

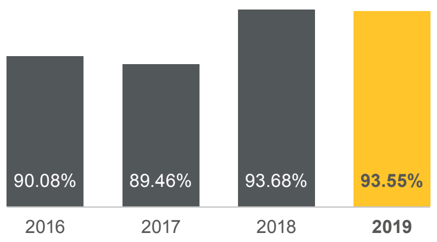
MINING AND TAILINGS SAFETY INITIATIVE

After the environmental disaster at the Brumadinho tailings dam (Brazil) in January 2019, the global investor community made a public call to establish a new publicly accessible and independent international standard for tailings dams.

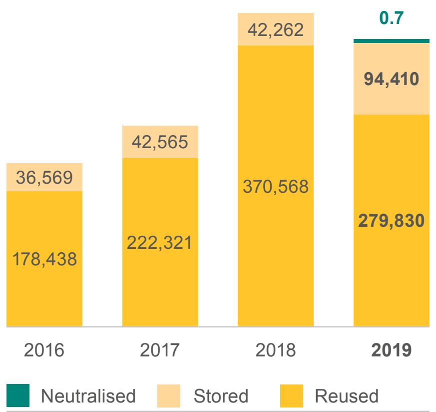
In April 2019 over 100 investors representing the Mining and Tailings Safety Initiative, co-led by the Church of England Pensions Board and the Swedish AP Funds Council of Ethics, requested for specific dam-by-dam disclosure to be made by more than 600 companies.

Polyus fully supports this initiative, as it corresponds to our desire to ensure tailings storages safety. We responded to the request by providing comprehensive disclosure of all of the necessary information in our TSF Safety Report, available at www.polyus.com.

PERCENTAGE OF WATER RECYCLED AND REUSED

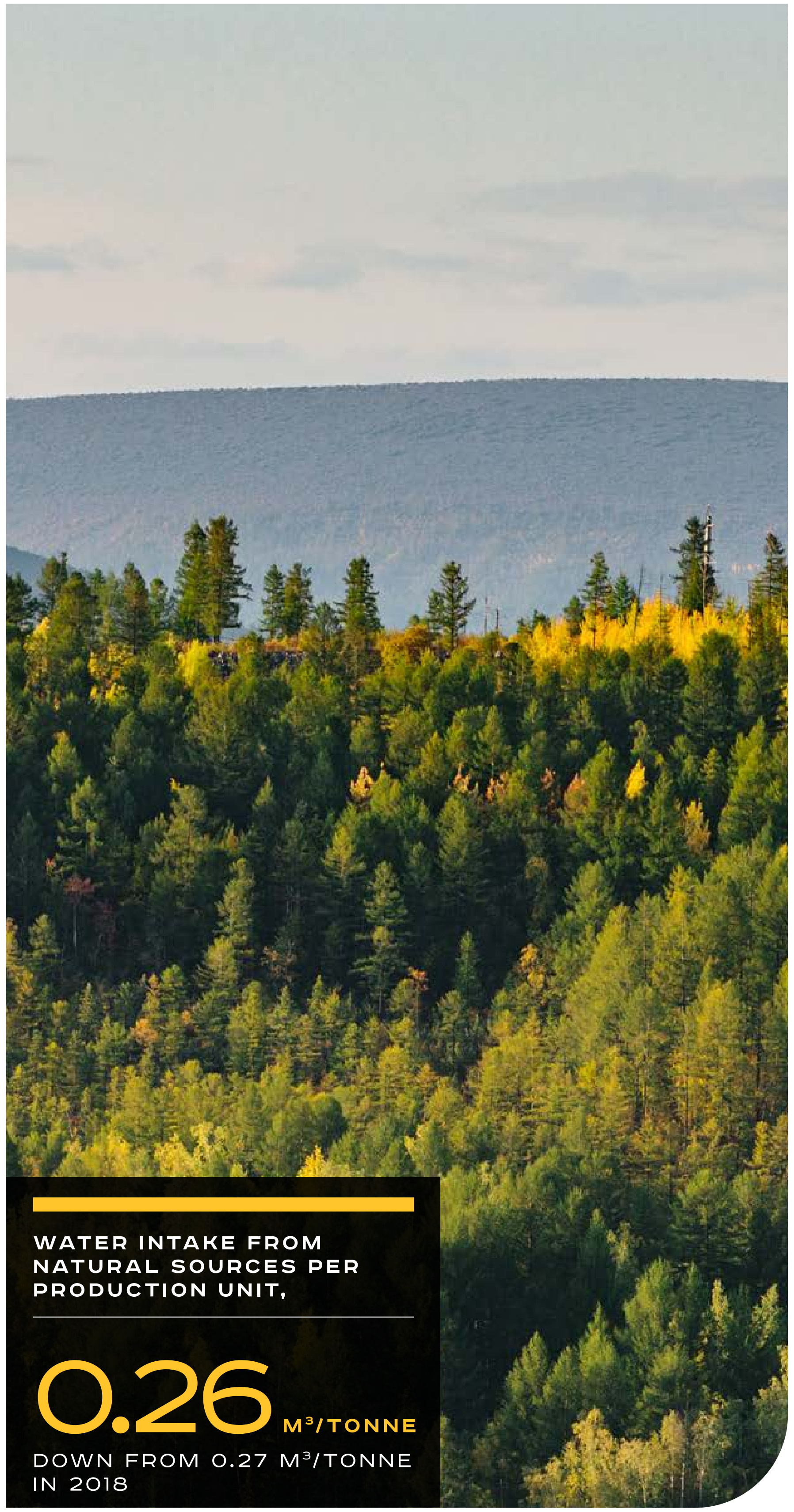


WASTE REUSED, STORED AND NEUTRALISED[1], THOUSAND TONNES



See more in our Sustainability Report

[1] Data on 2016-2018 includes waste stored and reused at own facilities only.



WATER INTAKE FROM NATURAL SOURCES PER PRODUCTION UNIT,

0.26 M³/TONNE

DOWN FROM 0.27 M³/TONNE IN 2018

ENERGY AND CLIMATE CHANGE

Creating a low-carbon and sustainable future is a global challenge, and large businesses play significant role in achieving this goal.

MINIMIZING CARBON FOOTPRINT IS ESSENTIAL FOR A SUSTAINABLE BUSINESS

Polyus is dedicated to responding to climate change appropriately by changing our energy management approach according to the best sustainability practices.

PERFORMANCE AGAINST GOALS

Goal	Status	Summary of progress in 2019
Carbon intensity reduction at 15% (2020 vs. 2015)	Achieved	The goal for 2020 was achieved ahead of time: the 2019 metric reaches 43.6% vs. 2015
Own energy generation reduction	On track	8.5% decrease relative to 2018
Organisation of internal energy audits across all business units	On track	Audits are ongoing. Results will be available in the second quarter of 2020
Construction of a double-circuit 1110-kV Taiga-Olimpiada powerline	Achieved	Construction of the powerline was completed
Construction of the 220-kV powerline Ust-Omchug - Omchak Novaya	On track	The project will be fully implemented in second quarter of 2020

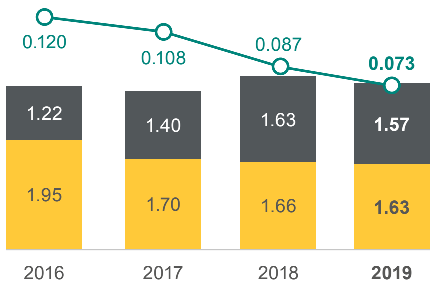
LONG-TERM CONTRACT FOR PURCHASE OF RENEWABLE ENERGY FOR NATALKA

In 2020 Polyus has signed a five-year contract with PJSC Kolymaenergo to purchase 310 million kWh of energy generated by hydropower plants of Magadan Region.

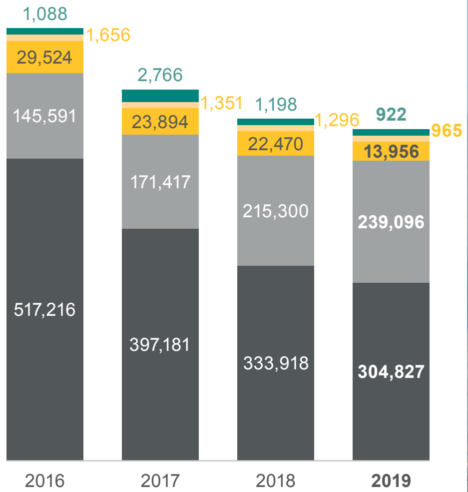
The contract will cover more than 90% of the electricity needs of Natalka, Polyus' third-largest production asset.

Apart from having a positive impact on Polyus' carbon footprint, the deal will be an important driver of the development of the hydropower industry in Magadan Region.

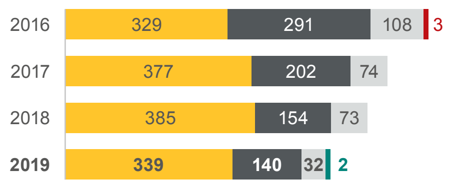
TOTAL GHG EMISSIONS AND CARBON INTENSITY



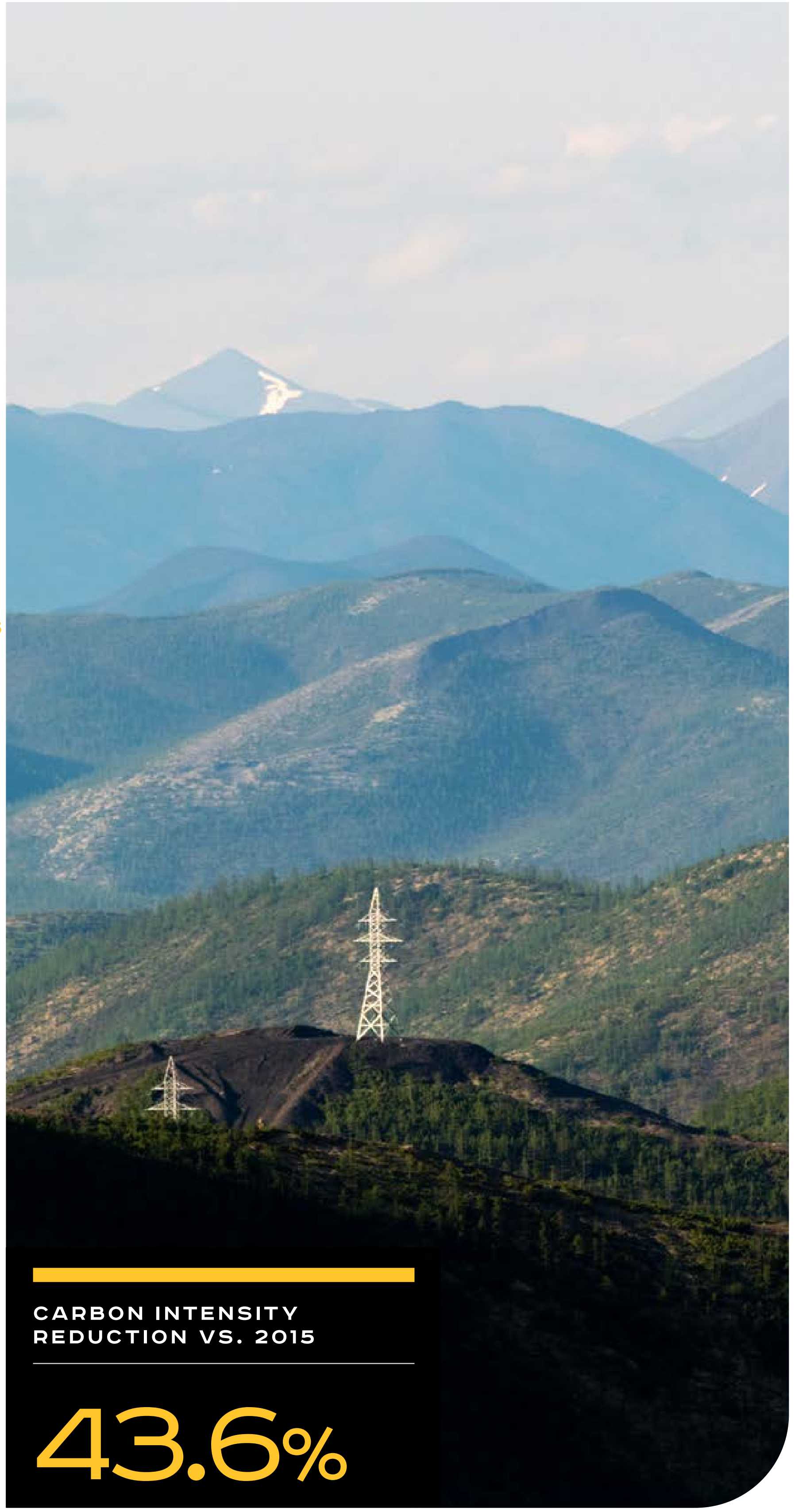
CONSUMPTION OF PRIMARY ENERGY SOURCES, TONNES



POLYUS OWN ELECTRICITY GENERATION, MILLION KWH



See more in our Sustainability Report

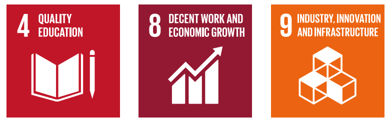


LOCAL COMMUNITIES

Polyus works hard to ensure that its business improves people's lives and contributes towards the development of local communities.

BEING A RESPONSIBLE MEMBER OF THE SOCIETY IS TO UNDERSTAND THE INTERESTS OF THE PEOPLE

Our company is one of the largest taxpayers and employers in the areas in which it operates, and we also work proactively to have a positive impact on local communities, including running various social and charity programmes and infrastructure projects. Our corporate Policy on Charity, Sponsorship and Donations acts as a guideline for these activities, ensuring we have a unified approach in of the regions where Polyus mines gold.



PERFORMANCE AGAINST GOALS

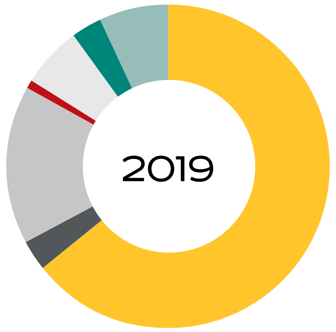
Goal	Status	Summary of progress in 2019
Further developing infrastructure in the Bodaybo Region	On track	We continued developing social infrastructure in the region and renovated the cultural and recreational centre
Sponsoring various projects to mark the 90th anniversary of Magadan	Achieved	We participated in the celebrations of the 90th anniversary of Magadan by organising various cultural events, including *Territory.Magadan*, a major theatre festival (see below)
A joint cultural project with Moscow Kremlin museums	Achieved	Together with the Moscow Kremlin Museums, Polyus organised a series of exhibitions in various Russian cities, presenting the treasures of the Moscow Kremlin

POLYUS' REGIONAL THEATRE FESTIVAL IN MAGADAN

The *Territory.Magadan* theatre festival and school was organised in June 2019 in Magadan by Polyus in a partnership with the Territory festival and the Moscow Museum of Modern Art (MMOMA). Over 4,000 residents of Magadan watched performances of artists from leading Moscow theatres.

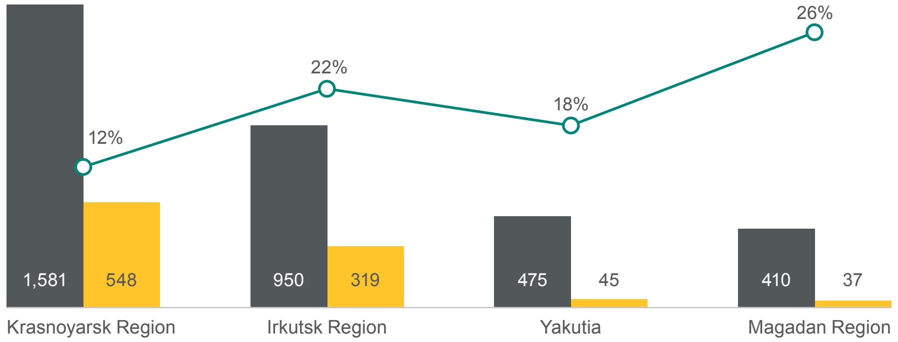
Polyus. Golden Season, a competition of theatre companies from Polyus' regions of operation, was held as part of the festival, along with an exhibition displaying over 60 pieces of fine art from MMOMA and the Magadan museum.

EXPENDITURE ON SOCIAL PROJECTS BY CATEGORY, 2019



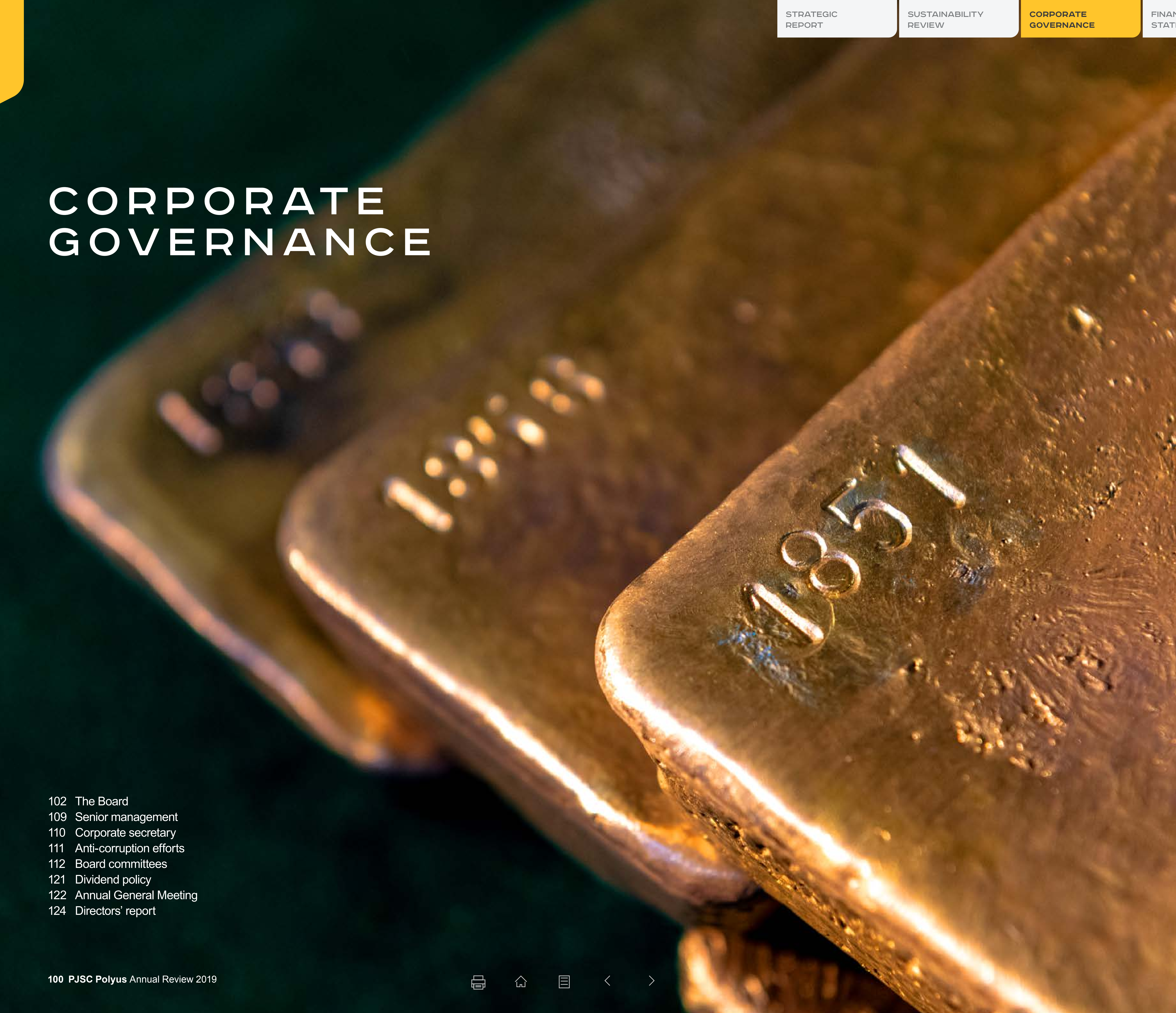
Education and science	65%
Promoting gld mining industry unions and associations	3%
Sports and healthy lifestyle	16%
Ecology and environmental protection	0%
Regional development	6%
Support for vulnerable social groups	3%
Arts and culture	7%

LOCAL PROCUREMENT BY REGION, 2019



- Total number of suppliers
- Number of local suppliers
- Procurement from local suppliers

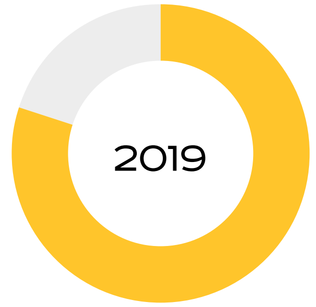
See more in our Sustainability Report



CORPORATE GOVERNANCE

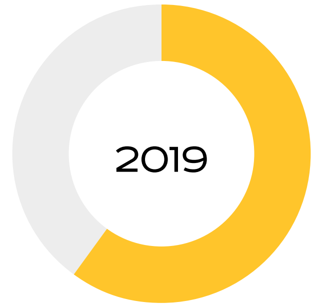
AT A GLANCE

BOARD COMPOSITION
GENDER SPLIT



Male	8
Female	1

BOARD COMPOSITION
INDEPENDENCE



Independent (incl. Chairman)	4
Non-independent	5

BOARD COMPOSITION
EXPERIENCE

Metals and mining	4
International business	7
Finance	3
UK capital markets and legal	4

THE BOARD

Polyus has a robust and effective corporate governance structure. It underpins all our activities – enabling us to run the company efficiently, transparently and with integrity. Our policies and procedures are regularly reviewed and updated to ensure they are not only relevant and fit for purpose, but are also evolving with the changing needs of our growing business.

THE BOARD

The Board of Directors of PJSC Polyus is the governing body for the general management of PJSC Polyus, except for issues that fall under the responsibility of the General Meeting of Shareholders according to the Russian Federal Law on Joint Stock Companies and the company's Articles of Association ('Charter').

The Board of Directors comprises nine members, each of whom was re-elected at the Annual General Shareholders' Meeting on 6 May 2019 for the term until the next Annual General Meeting of PJSC Polyus.

Four of the current nine directors of PJSC Polyus – Edward Dowling, Kent Potter, William Champion and Maria Gordon – are independent in line with the Listing Rules of the Moscow Exchange and the UK Corporate Governance Code, and have no cross-directorships or significant links that could materially interfere with them exercising their independent judgement.

Polyus' Independent Directors are fully involved in the Board's Committees to ensure corporate accountability and good governance.

THE BOARD'S ROLE AND RESPONSIBILITIES

The Board's role is to create and deliver long-term value for shareholders and wider society through the effective governance of the company. It is accountable to shareholders for ensuring the success of the company, which can only be achieved if the Board is supported by appropriate and well-managed governance processes.

The Board provides entrepreneurial leadership for the company – and oversees the activities of the management team by providing guidance and strategic initiatives. It has collective responsibility and accountability for Polyus' long-term success: developing the strategy, determining risk appetite (including establishing a framework of controls, which enable risk to be assessed and managed), establishing the company's values and standards, ensuring good governance and promoting ethical behaviour.

The Board is responsible for:

- developing the company's strategy and the management's strategy; direction and performance of the business
- the long-term success of the company, taking into account the interests of all stakeholders
- ensuring the effectiveness of the corporate governance system
- compliance with the Health and Safety Policy, Environmental Policy, Stakeholder Engagement Policy, Charity, Donations and Sponsorship Policy and Corporate Ethics Code as well as other relevant documents.

This requires a highly skilled and experienced Board, with all Board members contributing to its collective decision-making processes. An effective Board should comprise a diversity of backgrounds, skills, knowledge, experience, geographic locations, nationalities and gender. Details of our Board members can be found in their biographies.

The Russian Corporate Governance Code recommends that PJSC Polyus undertakes an externally facilitated Board evaluation every three years. The previous externally facilitated evaluation took place in late 2018 and early 2019. The next such evaluation is planned for late 2021 and early 2022.

In early 2020, in accordance with the Corporate Governance Code recommendations the Board has arranged for a self-assessment of its performance in 2019, which also included assessment of each Committee and the Chairman. The Board efficiency assessment was overseen by the Nomination and Remuneration Committee and carried through the completion of a detailed questionnaire by each member of the Board.

The results of the self-assessment have been reviewed by the Board of Directors at a face-to-face meeting.

Members of the Board and Committees agreed that the Board and each Committee have operated effectively.

CHAIRMAN OF THE BOARD

Edward Dowling has been elected Chairman of the Board on 7 May 2019 and has been carrying out the functions of Chairman since 29 April 2016. His role is to lead the Board, to ensure that it functions effectively (including ensuring that all Board members make effective contributions), and that the company maintains effective communication with stakeholders.

In particular, the Chairman's responsibilities include:

- effective leadership, operation, and governance of the Board in keeping with the highest standards of corporate governance
- ensuring the effectiveness of the Board
- setting the agenda, style, and tone of Board discussions to promote constructive debate and effective decision-making, thereby ensuring that Board members receive accurate, timely, and clear information
- building an effective and complementary Board, initiating change and planning succession on the Board and company's executive appointments
- promoting effective relationships and communications between Non-Executive Directors and the executive management
- ensuring that the performance of both the Board and individual Board members is formally evaluated on an annual basis
- ensuring effective communication with shareholders
- establishing and maintaining a harmonious and constructive relationship with the CEO.

CHIEF EXECUTIVE OFFICER

Pavel Grachev is the CEO of PJSC Polyus. The CEO's role is to manage the company's day-to-day operations, ensuring they are consistent with the policies developed by the Board and executed in such a way that they meet operational, financial, and legal requirements. The CEO makes recommendations to the Board and implements the company's strategy, applies company policies and promotes its culture and standards.

The CEO is responsible for:

- managing the company's business
- implementing the company's strategy and policies
- maintaining a close working relationship with the Chairman.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Polyus' Independent Non-Executive Directors are responsible for bringing their objective scrutiny to all matters considered by the Board and its Committees, using their substantial and wide-ranging experience.

They constructively challenge the executive management in all areas, scrutinise management's performance, help develop proposals on strategy and satisfy themselves as to the integrity of financial information, as well as the effectiveness of Polyus' financial controls and risk management systems.

Their in-depth understanding of the company's overall strategy and priorities, combined with their knowledge of the company and its industry allows Polyus to be effectively governed. It also enables them to monitor the business' performance and contribute effectively to the development of strategy. They are also aware of the risks faced by Polyus and the processes that exist to mitigate and manage such risks.

NEW BOARD MEMBERS

The detailed procedure of nominating and electing Board members is set out in the Company Charter which can be found on the company's official website at: www.polyus.com/en/company/corporate_governance/company-documents/

Polyus has a comprehensive induction programme for newly elected Board members. This includes:

- provision of Board packs with internal reporting documents for previous periods
- provision of internal documents and Q&As with the management team
- visits to production sites with full briefings on operational and managerial issues and meetings with local management
- presence, as invitees, at meetings of all Board Committees
- telephone briefings with the CEO and CFO
- mandatory training, including by external advisers, on insider trading, regulatory disclosure and sanctions compliance.

THE BOARD

STAKEHOLDER ENGAGEMENT

Polyus is committed to developing and maintaining lasting relationships with its stakeholders. We aim to comply with all federal and regional legislation – as well as international standards – on stakeholder engagement and rights. Key stakeholders are defined as those whose interests may be impacted by, or have potential influence over, our activities, namely: shareholders, local and federal governments and regulators, employees and contractors, local communities, suppliers, the media, NGOs, and industry organisations.

Our Stakeholder Engagement Policy aligns with Polyus' strategic sustainability objective – to be a reliable partner for local communities and maintain an open dialogue with stakeholders, taking into account their interests across Polyus' activities.

Each business unit commits to developing a stakeholder engagement plan commensurate with its scale, size, potential impacts and stakeholder expectations. The plan facilitates tracking of – and responses to – stakeholders' questions and concerns via a standardised process across all the company's activities.

In September 2019 the company's Independent Non-Executive Directors visited Kuranakh and met with several stakeholder groups. The event included visits to the asset field, heap leaching site and factory, as well as meetings with government representatives of Sakha Republic (Yakutia). The Directors also held discussions with representatives of the local senior management team and various employees.

Details of our Stakeholder Engagement Policy are available on the company's website at www.polyus.com/en/sustainability/approach-and-policies/sustainability-policies/.

BOARD COMMITTEES

The Board of Directors comprises the following committees:

- Audit Committee
- Nomination and Remuneration Committee
- Strategy Committee
- Operations Committee

The detailed procedure of nominating and electing members of Board Committees is set out in the Company Charter and individual Committee Regulations. These can be found on the company's official website at: www.polyus.com/en/company/corporate_governance/company-documents/

An Independent Director chairs each Committee. The Committees serve as consultative and advisory bodies that deal with issues raised by the Board. They may not act on behalf of the Board and are not considered to be management bodies of Polyus. They have no powers in relation to management of PJSC Polyus. Committee meetings are held separately from Board meetings, so that extra attention can be paid to issues that require preliminary Board consideration prior to Board approval, and the necessity of the Board's approval for a specific issue can be determined.

Committee decisions are taken by a majority vote of members participating in a Committee meeting. Each Committee member has one vote and the Committee Chairman has no casting vote in the event of a tie. Details of the Committees' activities during the year can be found on page 112.

INFORMATION FLOW

Directors receive monthly detailed information on Polyus' operational and financial performance. The Board receives presentations and verbal updates from executives at Board meetings, as appropriate.

All Directors have access to the services of a professionally qualified and experienced Corporate Secretary. This person is responsible for providing information to the Board and, when applicable, its Committees, and between senior management and Non-Executive Directors. The Corporate Secretary also facilitates induction processes and assists with professional development as required, ensuring compliance with Board procedures as well as with applicable laws and regulations.

CONFLICT OF INTEREST

Should a Director experience a conflict of interest relating to any items on a Board or Committee agenda, they are required to inform the Board prior to the discussion of the item. They are also required to abstain from voting on any matter where a conflict of interest arises.

Directors must inform the Board of their intention to join the governing body of any other entity (except for the company's controlled and associated entities).

In 2019, the Directors did not notify PJSC Polyus on any conflict of interest.

BOARD ACTIVITY

The Board has a framework of ongoing processes and formal, transparent arrangements for assessing how to apply corporate reporting, risk management, and internal control principles – and for maintaining an appropriate relationship with Polyus' auditors.

The identification and assessment of risk – as well as its management and mitigation – are fundamental to our business. Details of the company's principal risks and uncertainties can be found on pages 32.

Board members met frequently in 2019 in compliance with the formal schedule of matters to discharge their duties in the best interests of Polyus.

The Regulations of the Board of Directors, adopted in 2016, regulate the preparation and conduct of Board meetings. They include a provision that, in general, the Board shall be notified of a meeting no less than five days in advance. Each meeting agenda includes several business and strategy presentations from the company's senior managers.

To ensure that the Board is kept up to date on important issues, including environmental, legal, governance, and regulatory developments, presentations are also made to the Board by external and internal advisers. Directors have the right to access documents and make enquiries relating to the company and its controlled entities – and the company's executives are required to provide all relevant information and documents.

Decisions on certain matters can only be taken at meetings at which all Directors are present; either in person or by telephone, not by correspondence. These include – but are not limited to – appointment of the company's executive bodies and termination of their powers.

A total of 19 meetings were held during the year. Of these, seven were conducted in person and 12 by absentee voting. Individual Directors in certain cases participated in face-to-face meetings, or via telephone.

In 2019, the Directors did not notify the Board on any conflict of interest.

ATTENDANCE OF THE IN-PERSON MEETINGS OF THE BOARD AND MEETINGS OF ITS COMMITTEES DURING 2019 BY THE COMPANY'S DIRECTORS

Name	Number of Board meetings attended (out of 7)	Number of meetings of the Audit Committee attended (out of 10)	Number of meetings of the Nomination and Remuneration Committee attended (out of 6)	Number of meetings of the Strategy Committee attended (out of 4)	Number of meetings of the Operations Committee attended (out of 4)
Edward Dowling	7	8	6	4	4
Kent Potter	7	10	6	4	
William Champion	7	10	6	—	4
Maria Gordon	7	9	6	4	—
Said Kerimov	7	—	—	2	—
Sergei Nossoff	7	—	—	—	—
Pavel Grachev	7	—	—	4	4
Vladimir Polin	7	—	—	—	4
Mikhail Stiskin	7	—	—	4	—

The principal matters reviewed by the Board in 2019 included:

- Polyus' financial plan, financial performance and reporting
- recommendations on distribution of profit (dividends)
- issues related to Polyus' strategy
- risk and risk mitigation matters
- conduct of General Meetings of Shareholders of PJSC Polyus
- transactions with related parties
- sustainable development initiatives
- closed subscription for additional shares

COMPOSITION OF THE BOARD

At the Annual General Meeting held on 6 May 2019, the Board of Directors was re-elected.
The composition of the Board of Directors is presented below:

EDWARD DOWLING
INDEPENDENT DIRECTOR

Date of birth: 10 May 1955

Role

Chairman of the Board of Directors

Chairman of the Strategy Committee

Member of the Nomination and Remuneration Committee

Member of the Audit Committee

Member of the Operations Committee

Experience

Edward Dowling's mining experience spans 30 years, and includes holding the positions of Executive Director for Mining and Exploration at De Beers, President and CEO of Meridian Gold Inc., and Executive Vice President for Operations at Cliffs Natural Resources Inc. He is a former Board member of De Beers Société Anonyme, Victoria Gold Corp, Polyus Gold International Limited, Detour Gold Corporation and Zinco de Brasil Inc.

External appointments

Chairman of the Board of Directors of Alacer Gold, where he served as President and CEO between 1998 and 2012. Board member at Teck Resources Limited, Canada's largest diversified mining company.

Education

Pennsylvania State University, BSc. in Mining Engineering (1982), MSc. and PhD in Mineral Processing (1987 and 1998, respectively); Harvard Business School, AMP (2006).

Note

Edward Dowling does not own any shares in PJSC Polyus.

KENT POTTER
INDEPENDENT DIRECTOR

Date of birth: 15 August 1946

Role

Chairman of the Audit Committee

Member of the Nomination and Remuneration Committee

Member of the Strategy Committee

Experience

Kent Potter spent 27 years with Chevron, during which he held a number of senior management positions. In 2003, he was appointed CFO of TNK-BP. Following TNK-BP, he was appointed Executive Vice President and CFO of LyondellBasell Industries. Mr Potter also served on the Board of EuroChem Group AG, the leading mineral fertilizer producer in Russia, and on the Board of SUEK Plc., Russia's largest coal producer and exporting company.

External appointments

Member of the Board and Chairman of the Audit Committee at Berry Petroleum, LLC, an independent publicly traded energy company.

Education

Bachelor's degree in Engineering and an MBA from the University of California, Berkeley.

Note

Kent Potter does not own any shares in PJSC Polyus.

WILLIAM CHAMPION
INDEPENDENT DIRECTOR

Date of birth: 18 September 1952

Role

Chairman of the Operations Committee

Member of the Nomination and Remuneration Committee

Member of the Audit Committee

Experience

William Champion has over 30 years of experience in the mining industry. From 2002 to 2014, he worked at Rio Tinto where he held a number of senior management positions. These included Managing Director of Rio Tinto's Diamonds Business Unit and Managing Director of Rio Tinto Coal Australia.

External appointments

Member of the Board of Compañía de Minas Buenaventura S.A.A., the largest publicly traded precious metals company in Peru, and of Gladiator Mining Group LLC.

Education

BSc in Chemical Engineering from the University of Arizona.

Note

William Champion does not own any shares in PJSC Polyus.

MARIA GORDON
INDEPENDENT DIRECTOR

Date of birth: 13 February 1974

Role

Chairperson of the Nomination and Remuneration Committee

Member of the Strategy Committee

Member of the Audit Committee

Experience

Maria Gordon has over 20 years of experience in finance and capital markets. She previously led the emerging markets portfolio management team at PIMCO, the world's second largest asset manager, as Executive Vice President and Head of EME Strategy. Prior to PIMCO, Maria Gordon spent 12 years at Goldman Sachs Asset Management, where she rose to Managing Director, Head of Emerging Markets Equity Strategy. During her time there, Ms Gordon became a lead emerging markets portfolio manager with assets under management of $10 billion.

External appointments

Non-Executive Director of the Moscow Exchange;

Senior Independent Director, Chairman of the Audit Committee, member of the Strategic Planning Committee, member of the HR and Remuneration Committee of ALROSA, the world's largest diamond producer.

Education

Bachelor's degree in Political Science from the University of Wisconsin; Master's degree in law and diplomacy from The Fletcher School of Law and Diplomacy at Tufts University; Degree in Journalism from the M.V. Lomonosov Moscow State University.

Note

Maria Gordon does not own any shares in PJSC Polyus.

PAVEL GRACHEV

Date of birth: 21 January 1973

Role

Chief Executive Officer of PJSC Polyus

Member of the Strategy Committee

Member of the Operations Committee

Experience

From 2010 to 2013, Pavel Grachev served as Chief Executive Officer of the leading potash producer Uralkali, and then of the Far East and Baikal Region Development Fund. From 1997 to 2005, he was the head of the Moscow office of the law firm Pavia e Ansaldo (Italy). Mr Grachev has also served on the Boards of RusHydro, Uralkali, PIK Group (as Chairman), and Polymetal.

External appointments

Since 2014, General Director of PJSC Polyus. Since 2016, General Director of MC Polyus LLC, a management company for several Polyus group companies. Member of the Boards of Directors of Federal Grid Company and RusHydro – two major Russian energy companies.

Education

St. Petersburg State University, University of Trieste (Italy), degrees in law.

Deals with shares of PJSC Polyus

As part of Polyus' top management Long-Term Incentive Plan, on 26 March 2019 Pavel Grachev acquired 120,997 ordinary shares of PJSC Polyus.

As at 31 December 2019, Pavel Grachev owned 254,154 ordinary shares in PJSC Polyus, which represents 0.1893% of the share capital.

VLADIMIR POLIN

Date of birth: 10 August 1962

Role

Senior Vice President, Operations at MC Polyus LLC

Member of the Operations Committee

Experience

Prior to joining Polyus, Vladimir Polin was Chief Operating Officer at En+, a leading Russian industrial group with assets in the metals, mining, and energy sectors. Before that, for three years, he headed the East aluminium division at Rusal, one of the world's leading aluminium producers. Prior to joining Rusal, Mr Polin spent almost ten years at Mechel, a major coal and steel producer in Russia, in a variety of senior posts, including Chief Executive Officer and Senior Vice President at Mechel Management.

External appointments

Board of Directors membership at a number of Polyus group companies.

Education

Chelyabinsk Polytechnic Institute, degree in metallurgy.

Deals with shares of PJSC Polyus

As part of Polyus' top management Long-Term Incentive Plan, on 26 March 2019 Vladimir Polin acquired 103,712 ordinary shares of PJSC Polyus.

As at 31 December 2019, Vladimir Polin owned 217,847 ordinary shares in PJSC Polyus, which represents 0.1623% of the share capital.

COMPOSITION OF THE BOARD CONTINUED

At the Annual General Meeting held on 6 May 2019, the Board of Directors was re-elected. The composition of the Board of Directors is presented below:

MIKHAIL STISKIN

Date of birth: 6 July 1983

Role

Senior Vice President, Finance and Strategy at MC Polyus LLC

Member of the Strategy Committee

Experience

Prior to joining Polyus, Mikhail Stiskin was Managing Director at Sberbank CIB (until 2011 known as Troika Dialog, where he was also a partner), a corporate and investment banking arm of Sberbank, Russia's largest financial institution, where he led research coverage of the metals and mining/fertiliser sectors. For many years his team was rated as best in the sector within both the CIS and EMEA regions, according to annual institutional investor surveys. He was also actively involved in a number of landmark transactions in the sector.

External appointments

Board of Directors membership at PJSC Polyus subsidiaries.

Education

Moscow State Institute of International Relations, degree in economics (with honours); Master's in Economics from the University of Michigan (Ann Arbor).

Deals with shares of PJSC Polyus

As part of Polyus' top management Long-Term Incentive Plan, on 26 March 2019 Mikhail Stiskin acquired 69,141 ordinary shares of PJSC Polyus.

As at 31 December 2019, Mikhail Stiskin owned 152,038 ordinary shares in PJSC Polyus, which represents 0.1132% of the share capital.

SERGEI NOSSOFF

Date of birth: 5 November 1977

Experience

Sergei Nossoff has over 20 years of experience in metals and mining, private equity and investment banking. His experience in the industry includes senior executive positions at GeoProMining Group, an international gold, copper and antimony producer, and UC Rusal, a leading global aluminium producer.

External appointments

Executive Director of Polyus Gold International Limited and Polyus Finance plc, Director of Nugget Capital plc.

Education

European Business School, INSEAD (Executive MBA).

Note

Sergei Nossoff does not own any shares in PJSC Polyus.

SAID KERIMOV

Date of birth: 6 July 1995

Role

Member of the Strategy Committee

Experience

Said Kerimov is currently a Board Member at Polyus Gold International Limited.

Education

Moscow State Institute of International Relations (University) of the Russian Ministry of Foreign Affairs.

Note

Said Kerimov indirectly controlled approximately 78.19% of the share capital of PJSC Polyus as at 31 December 2019.

CHANGES TO THE BOARD IN 2019

There were no changes to the Board's composition in 2019.

[1] including approximately 1.91% lent in the form of GDRs under stock lending arrangements which are expected to be used for the purposes of facilitating hedging activities of investors of convertible bonds due 2021 issued by Polyus Finance PLC.

SENIOR MANAGEMENT

as at 31 December 2019

Name	Position with the company	Date of appointment
Pavel Grachev	Chief Executive Officer	2 October 2014
Mikhail Stiskin	Senior Vice President, Finance and Strategy	2 December 2013
Vladimir Polin	Senior Vice President, Operations	4 December 2014
Andrey Krylov	Vice President, Operations & Technical Development	27 October 2014
Sergey Lobov	Vice President, Mineral Resources	27 August 2013
Tamara Solntseva	Vice President, HR & Organisational Development	2 May 2017
Sergey Zhuravlev	Vice President, Government Relations	3 March 2014
Sergey Burkov	Vice President, Internal Control & Audit	2 April 2019
Nikolai Bukharov	Vice President, Project Management & Capital Construction	1 November 2018
Felix Itskov	Vice President, Commercial & Logistics	20 July 2015
Oleg Solin	Vice President, Security & Assets Protection	2 December 2013
Lev Bondarenko	Vice President, Business Transformation	7 November 2016
Kirill Pristanskiy	Vice President, Engineering	1 April 2019
Anton Rumyantsev	Vice President, Strategy and Business Development	1 July 2019
Anna Lobanova	Vice President, Economics and Planning	1 July 2019
Aleksandr Tokarenko	Acting Managing Director, Head of Production, JSC Polyus Krasnoyarsk	6 March 2019
Igor Tsukurov	Managing Director, JSC Polyus Verninskoye	12 November 2012
Alexey Noskov	Managing Director, JSC Polyus Aldan	17 April 2015
Pavel Vorsin	Managing Director, JSC Polyus Magadan	23 January 2018
Maxim Semyanskikh	General Director, JSC ZDK Lenzoloto	1 December 2014

CORPORATE SECRETARY

Alexey Vostokov was appointed Corporate Secretary of PJSC Polyus on 22 August 2019. The main duties of the Corporate Secretary are to:

- facilitate and implement the information disclosure policy, as well as provide storage for the company's corporate documents
- facilitate interaction between the company and its shareholders and participate in the prevention of corporate conflicts
- facilitate the implementation of procedures established by legislation and the internal documents, which ensure the exercising of the rights and legal interests of shareholders and monitoring their fulfilment
- prepare and facilitate the organisation of the General Meeting of the company's shareholders
- prepare and facilitate the organisation of meetings of the Board of Directors and Committees of the Board of Directors
- maintain Polyus' status as a public company, interact with regulatory bodies, securities market operators, depositories, registrars and other professional participants of the securities market
- develop and keep up to date internal documents governing the company's corporate management system
- organise procedures aimed at developing Polyus' corporate management system
- immediately notify the Board of any identified violations of legislation, as well as violations of provisions of Polyus' internal documents, observance of which relates to the functions of the Corporate Secretary of the company.

The statutory base of the functions of the Corporate Secretary of PJSC Polyus was, in addition to the Charter, the Regulation of the Corporate Secretary of PJSC Polyus, adopted by the Board of Directors in April 2016.

ANTI-CORRUPTION EFFORTS

Polyus operates a zero-tolerance policy towards bribery – or any other form of corruption – at all levels. Any evidence of violations of applicable anti-corruption laws will be investigated, following which disciplinary measures may be taken.

The company complies with the legislative requirements of the Russian Federation. These include statutory and regulatory provisions to combat corruption and bribery, which impose restrictions and prohibitions on a wide range of actions during the process of engaging and communicating with private individuals and public officials.

Polyus aims to ensure that the company meets all anti-corruption law requirements. The company has always focused on high ethical standards and best practice in anti-corruption compliance.

Anti-corruption policies and associated directly applicable internal documents are fully embedded within Polyus, its business units and support services. These take into account all requirements of Russian anti-corruption law. They also stipulate full compliance with legislative regulations of other countries where the company's personnel (or other parties acting either on behalf of or to the benefit of Polyus) operate; in addition, the company's international deals are subject to such legal standards.

All anti-corruption initiatives and strategies are implemented with the direct involvement of the company's senior management. Essential issues relating to anti-corruption activity are included on the agendas of the Audit Committee and Board on a regular basis.

The managers of security divisions work in all Polyus' business units to ensure the effectiveness of the respective policies and procedures – and supervise their execution. In addition, the anti-corruption compliance function is performed by other company divisions whose goal is to accomplish a specific task, as well as by each employee in their daily work routines.

Employees must therefore understand and adhere to corporate policy standards and legislative regulations. To this end, a multi-stage training and education system is created for each employee, involving familiarisation with corporate documents, face-to-face interviews, distance learning certification and further information support, consultations and clarifications.

Every employee is responsible for promptly informing their compliance manager of any violations and 'red flags' that come to their attention. A hotline is available to all employees and interested parties to report and share information. Details of the hotline are available on the company's website: www.polyus.com.

Polyus employs and regularly improves systems to monitor its contractors and third parties – and to engage new information service providers to mitigate corruption risks on the part of its partners. All agreements and draft contracts are subject to preliminary review and approval within the company. These reviews focus on the assessment and subsequent monitoring of projects in high-risk areas. Corporate philanthropy, sponsorship projects, interaction with state authorities, selected projects associated with consulting services, etc. are also subject to strict controls. In addition, the company carefully monitors business entertainment spending.

In 2019, no legal proceedings took place related to corruption activities or any other non-ethical practices against the company or its employees.

BOARD COMMITTEES

Membership
Edward Dowling (Chair)
Kent Potter
Pavel Grachev
Mikhail Stiskin
Maria Gordon
Said Kerimov

REPORT OF THE STRATEGY COMMITTEE

Dear Shareholders,

I am pleased to share the Strategy Committee's report for 2019.

Our main aim is to help the Board develop and implement Polyus' long-term strategy. We meet regularly to discuss and evaluate various issues related to the company's strategy, finances, risks and corporate governance. You can find details of the Committee's full remit in the Regulation on the Strategy Committee, in the Corporate Governance section of our website at www.polyus.com/upload/iblock/ec4/regulation-on-the-strategy-committee.pdf.

In 2019 we considered a range of strategy-related matters. These included regular updates on the market environment, shareholder ID evolution and liability management. We also received updates on market performance and reviewed the company's debt management and refinancing arrangements.

EDWARD DOWLING
CHAIRMAN OF THE STRATEGY COMMITTEE

RESPONSIBILITIES

The Committee's main responsibilities include:

- elaborating recommendations to the Board in relation to strategic development issues
- determining the priority areas of the company's activity, its development strategy and implementation
- improving activities related to the strategic management of the company's equity
- developing, approving, elaborating and adjusting the company's strategic development plans, as well as its long-term financial model and key indicators
- introducing and improving the strategic planning procedure as a continuous management technology
- monitoring the execution of the company's approved development plans, assessing the company's performance and risk exposure
- analysing the effective governance structure and system of the company and the entities controlled by it.

MEETINGS

The Strategy Committee met four times in 2019. Detailed information about the attendance of the meetings can be found in chapter Board activity on page 105.

MAIN ACTIVITIES

The key matters reviewed by the Committee in 2019 included:

- Debt management and refinancing
- Liability management
- Shareholder ID, investor targeting and public markets updates
- Sanctions updates

Membership
William Champion (Chair)
Edward Dowling
Pavel Grachev
Vladimir Polin

REPORT OF THE OPERATIONS COMMITTEE

Dear Shareholders,

I am pleased to present our Committee's report for 2019.

Put simply, we are responsible for ensuring that Polyus is implementing its strategies in the right way. This means evaluating and improving our operational effectiveness and health, safety and environmental performance, as well as our sustainability in general. It is also our job to ensure that the company is meeting its stated objectives in these areas. We are particularly focused on ensuring that Polyus operates as a sustainable and socially responsible business – and therefore we also oversee the management of environmental risks, including climate change risks.

Details of our responsibilities can be found in the Regulation on the Operations Committee, in the Corporate Governance section of our website at www.polyus.com/upload/iblock/4b7/regulation-on-the-operations-committee.pdf.

As is usual, all our 2019 meetings began with a detailed health and safety review of the previous quarter. Alongside this, we considered additional site-specific safety issues – and received ongoing reports on the safety status of the company's tailings facilities. Our wider safety culture was also a topic for discussion.

The Committee received regular updates on major projects at Natalka and Sukhoi Log. The end of the year saw us pay particular attention to the company's goals, risks and strategy associated with the pressing issue of climate change.

WILLIAM CHAMPION
CHAIRMAN OF THE OPERATIONS COMMITTEE

RESPONSIBILITIES

The Committee's main responsibilities include:

- reviewing the company's functional business strategy in health, safety, environmental and operational effectiveness
- reviewing issues related to the membership in ICMM and other organisations
- monitoring results in the areas of health, safety, environmental and social responsibility
- reviewing issues related to the company's mineral resource and reserve statements
- reviewing the company's strategy and operations to ensure reliability of business processes.

MEETINGS

The Operations Committee met four times in 2019. All members of the Committee participated in every meeting.

MAIN ACTIVITIES

The key matters reviewed by the Committee in 2019 included:

- Review of tailings dam safety and monitoring protocol
- Safety review of Polyus tailings facilities
- Natalka and Sukhoi Log project updates
- Safety culture interim assessment report (Bradley scale)
- Climate change: goals, risks, strategy (project launch)

BOARD COMMITTEES CONTINUED

Membership
Kent Potter (Chair)
Edward Dowling
William Champion
Maria Gordon

The Audit Committee consists solely of Independent Non-Executive Directors

REPORT OF THE AUDIT COMMITTEE

Dear Shareholders,

I am pleased to present the Audit Committee's report for 2019.

The Audit Committee works closely with the Board to monitor Polyus' risk management and control processes. Our aim is to ensure that they are reliable, efficient and fit for purpose. We also review the company's financial statements for accuracy and completeness – and oversee the internal and external audit functions. You can find details of the Committee's responsibilities in the Regulation on the Audit Committee, available in the Corporate Governance section of the Polyus website: www.polyus.com/upload/iblock/0be/regulation-on-the-audit-committee.pdf.

In 2019 our discussions covered a wide range of issues. Some of these were 'routine' tasks for the Committee; others related to specific programmes or initiatives underway during the year that fell within our remit. We approved the company's Internal Audit plan for the year and reviewed the structure of the Internal Audit Unit. We also scrutinised the effectiveness and independence of the external auditor for the previous year and discussed its work plan – and any expected audit areas of focus – for the year ahead.

The Committee was also kept up to date on the status of various internal initiatives including the ERP transformation programme, Code of Ethics implementation and development of the Shared Services centre.

KENT POTTER
CHAIRMAN OF THE AUDIT COMMITTEE

RESPONSIBILITIES

The Committee's roles and responsibilities are based on the UK Corporate Governance Code and set out in accordance with the Guidance on Audit Committees issued by the Financial Reporting Council (UK) in April 2016. As a Committee, it is responsible for:

- monitoring the integrity of the company's financial statements and any formal announcements relating to the company's financial performance, including Interim and Annual Reports, through the review of significant financial reporting judgements contained in them and monitoring compliance with relevant statutory and stock exchange requirements
- reviewing the internal control and risk management systems and assessing their adequacy to prevent fraud, protect company assets, ensure compliance with all applicable laws and regulations, and avoid material misstatements in the company's financial reports
- explaining what actions have been, or are being taken, to remedy any significant failings or weaknesses
- impact assessment of key judgements and the level of management challenge
- reviewing external audit findings, key judgements and level of misstatements
- assessing the quality of the internal team, their incentives and the need for supplementary skillsets
- assessing the completeness and clarity of disclosures
- providing advice (where requested by the Board) on whether the annual report and accounts – taken as a whole – is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy
- making recommendations to the Board regarding the appointment, reappointment and removal of the external auditor
- approving the remuneration and terms of engagement of the external auditor, overseeing the relationship with the external auditor and assessing the audit's quality, effectiveness and independence
- reviewing the effectiveness of the company's systems for financial control, internal audit, financial reporting and risk management, incorporating a review of reports on any significant frauds, misappropriation of assets or unethical behaviour
- reviewing and approving the remit of the internal audit function, ensuring its independence, and that there are necessary resources and access to information for it to fulfil its mandate
- ensuring that the system of notification for potential cases of unethical practices by company employees (including the unfair use of any insider or confidential information) and third parties, as well as other violations of the company's activity, is efficient; ensuring that the practices adopted by the company within the framework of such a system are duly implemented.

MEETINGS

The Committee met ten times during the year. AO Deloitte & Touche CIS ('Deloitte') attended the meetings as auditors of the company by invitation.

MAIN ACTIVITIES

In the period since the last Annual Review, our work has focused on the following areas:

1. Financial reporting
2. Internal control and risk management
3. Internal audit
4. External audit

1. Financial reporting

The Committee's principal responsibility in this area is to review and challenge, where necessary, the actions and judgements of management in relation to financial statements before submission to the Board for approval. The Committee's activities comprised:

- assessing and approving the 2019 financial statements and Annual Review, the interim consolidated financial statements for the first three, six and nine months of 2019, and the Interim Management Reports for the first, second and third quarters of 2019
- monitoring the proposed overall timeline for the preparation of the 2019 financial statements and the Annual Review
- monitoring compliance with relevant legal and financial reporting standards, including consideration of the results of statutory audits for various group entities
- considering application of new accounting policies, critical accounting judgments and estimates and their disclosure in the consolidated financial statements
- assessing the going concern basis for the preparation of the consolidated financial statements
- advising and supporting the Board to help it assess whether the Annual Review is fair, balanced, and understandable
- reviewing management initiatives to improve financial reporting process including how it might be affected by the strategic business transformation programs such as ERP implementation and development of the shared service centre
- reviewing the annual budget.

2. Internal control and risk management

The Board has established a continuous process for identifying, evaluating, and mitigating the significant risks – including principal and emerging risks – the company faces and for determining the nature and extent of any significant risks the Board is willing to take to achieve its strategic objectives. In addition, the Board regularly reviews the risk mitigation process. The Board is also responsible for implementing the company's system of internal controls.

The main functions of the Audit Committee related to internal controls and risk management include:

- controlling the reliability and effectiveness of the risk management and internal controls system
- controlling the procedures that ensure the company's compliance with legislation and requirements of stock exchanges, as well as the fulfilment of the company's ethical norms, rules and procedures
- analysis and evaluation of the implementation of the company's risk management and internal controls policies, including controlling information security and the effectiveness of the information technologies used by the company
- controlling the timeliness of the assessment by the company's governing bodies of internal and external auditor recommendations regarding improvement of the internal controls system.

The Board regularly reviews the effectiveness of the company's risk management and internal control systems and monitors the implementation of the anti-corruption policy. The Board's monitoring covers all material controls, including financial, operational and compliance controls. It is primarily based on reviewing reports from management, internal and external auditors to assess whether significant risks have been identified, evaluated, managed, and monitored and whether any significant weaknesses have been promptly remedied, and to indicate any need for more extensive monitoring.

During the year, the Committee also considered the status of implementation of the company's Code of Corporate Conduct, and reviewed of the structure, leadership and overall staffing of the company's risk management, internal control and internal audit functions as well responsibilities for continuing development and documentation of business processes and controls.

3. Internal audit

One of the Committee's main duties is to review the annual internal audit programme and ensure that the internal audit function is adequately resourced (which includes assessing the function's independence) and has appropriate standing within the company. A risk-based approach is taken when deciding which businesses and processes to audit, as well as the scope of each audit. The factors considered include critical system or senior management changes in the period, financial results, the timing of the most recent Internal Audit visit and any other assurance reviews undertaken.

The Internal Audit Plan is reviewed in detail and approved by the Committee each year. The Head of Internal Audit reports quarterly on audit activities, progress against the plan and the results of audit visits, with a particular focus on high-priority findings and action plans, including management responses to address these areas.

Private discussions between the Head of Internal Audit and the Chair of the Audit Committee are held during the year and at least once a year with the full Committee. The Audit Committee reviews all key audit findings and issues identified by Internal Audit during the course of its work.

Internal Auditor effectiveness

An annual assessment of the effectiveness, independence and quality of the Internal Audit function was undertaken with questionnaires addressed to Committee members, management and external auditors. This assessment found the effectiveness of the Internal Audit function to be satisfactory.

BOARD COMMITTEES CONTINUED

4. External audit

Deloitte is the current auditor of the company.

External auditor effectiveness

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. Deloitte presents its detailed audit plan to the Committee each year, identifying its assessment of the key risks, group audit scoping their approach to determine audit materiality, control reliance strategy and other important audit considerations. For 2019, the most significant areas of audit risk and some other key focus areas were:

- The carrying value of exploration and evaluation assets where there could be potential indicators of impairment;
- The presumed risk in relation to ability of management to override internal controls;
- Valuation of derivative financial instruments;
- Key inputs and assumptions affecting the amount of capitalised stripping activity asset and related amortisation change;
- Accounting for long-term ore stockpiles;
- Capitalisation of internally generated intangible assets.

The Committee discussed the performance of Deloitte during the period and was satisfied that the level of communication and reporting was in line with the requirements. This evaluation included a review of the effectiveness and quality of the audit management as well as the planning of the audit and post-audit evaluation.

Our assessment of the effectiveness and quality of the audit process in addressing these matters is formed by, among other things, a review of the reporting from the auditor to the Committee and by seeking feedback from management on the effectiveness of the audit process. Overall, management is satisfied that there is an appropriate focus on and challenges to the primary areas of audit risk.

The Committee holds private quarterly meetings with the external auditor to provide additional opportunities for open dialogue and feedback without management being present. Matters typically discussed include the auditor's assessment of business risks and related management activity, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on the auditor by management – and how they have exercised professional scepticism. The Committee Chairman also meets or communicates with the lead audit partner outside the formal Committee process throughout the year as necessary.

Every year the Audit Committee carefully assesses the proposal from the auditors, including the audit fee for the forthcoming year, and formally reappoints the auditor. During the assessment, in addition to the aforementioned evaluation measures implemented and the consideration of management's recommendation, the Committee conducts a benchmarking analysis of audit fees against peers in mining and related industries, both for Russian and internationally based companies.

Based on input from management and discussions we have held with Deloitte, we are of the view that the audit process is of a high quality.

Independence and non-audit services

Oversight and responsibility for monitoring independence, objectivity, and compliance with ethical and regulatory requirements remain the day-to-day responsibility of the company's CFO and are reported to the Audit Committee or Board. The auditor's objectivity is maintained, amongst other things, through a required lead audit partner rotation at least every seven years.

The company's CFO and Audit Committee set out the categories of non-audit services that the external auditor will and will not be allowed to provide to the company. Types of non-audit services external auditors should not perform to avoid compromising their independence (unless it can be clearly shown that the auditor undertaking such activity creates no threat to auditor independence) include:

- work related to the maintenance of accounting records and the preparation of consolidated financial statements that will ultimately be subject to an external audit
- management of, or significant involvement in, internal audit services
- design and implementation of the financial information system
- actuarial services
- nvestment advice and banking service
- advising the Remuneration Committee (other than general assistance relating to appropriate levels of disclosures and accounting advice)
- legal services
- custody of assets
- valuation services of a public nature
- any work where a mutuality of interest is created that could compromise the independence of the external auditor.

Audit and other assurance services comprise statutory and voluntary audits, interim reviews, reporting accountants' work, and other assurance engagements, all of which require that the firm conducting the work is independent.

Total fees incurred during the financial year are set out in the table below. The Audit Committee monitors the ratio of other fees to Audit and Other assurance fees, as set out below:

PROFESSIONAL FEES EARNED BY DELOITTE IN 2019, THOUSAND $

Total audit fees		**695**
Total other assurance fees		**843**
Audit-related assurance services	686	
Sustainability assurance services	157	
Total audit and other assurance fees		**1,538**
Total other advisory services		**745**
Total fees		**1,957**
Other advisory services fees as % of audit and other assurance fees		48%

Advisory services primary related to assessment of and advice on improvements to internal controls and involved a review of company-designed business process controls and rules on segregation of duties against best practice methodology. These services were discussed and agreed with the Audit Committee during the reporting and previous year. A separate team, fully independent from the audit engagement, provides these non-audit services.

BOARD COMMITTEES CONTINUED

Membership
Maria Gordon (Chair)
Edward Dowling
Kent Potter
William Champion

The Nomination and Remuneration Committee consists solely of Independent Non-Executive Directors

REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

Dear Shareholders,

I am pleased to present the Nomination and Remuneration Committee's report.

The Committee's aim is to ensure the Board has the appropriate balance of knowledge, capabilities, skills, experience, independence and diversity to work effectively. It's also our responsibility to make sure that we have the appropriate selection criteria and processes to identify a diverse range of suitable candidates for Directorships – as and when they arise.

We also make recommendations on the composition of Board Committees – and are responsible for succession planning for directors and other senior executives.

During the year we considered a variety of issues at our meetings. A key focus was the management of our talent pool. We also discussed the results of the Board effectiveness review. In addition, we considered several aspects related to the company's Long-Term Incentive Plan (LTIP), such as performance, participants and goals – both financial and non-financial. The 2018 Key Performance Indicator (KPI) results for our top management were discussed at the start of the year; we subsequently undertook a mid-year review of the KPIs themselves in September, before approving the 2020 KPIs at our last meeting of the year.

MARIA GORDON
CHAIRPERSON OF THE NOMINATION AND REMUNERATION COMMITTEE

MEETINGS

The Committee met six times in 2019. There were no absentees at any of the meetings.

MAIN ACTIVITIES

The key matters reviewed by the Committee in 2019 included:

- Top management KPI results and approval of KPIs
- LTIP performance
- Board effectiveness review results
- Talent management initiatives
- Overview of talent pool programmes
- Directors' liabilities and indemnity

REMUNERATION OF THE BOARD OF DIRECTORS

In 2019, the Board of Directors of the company consisted of the following three categories:

- Executive Directors
- Non-Executive Directors representing major shareholders of the company
- Independent Non-Executive Directors

Only Independent Non-Executive Directors are entitled to receive remuneration for their services as members of the Board.

Each Independent Non-Executive Director receives a total of $165,000 annually, paid on a monthly basis starting from the date of their election to the Board until the date of termination of their services.

If an Independent Non-Executive Director is elected as Board Chairman of PJSC Polyus, he or she receives an additional annual compensation in the total amount of $135,000.

Additional remuneration in the total amount of $10,000 annually is paid for the membership of each of the Committees. $50,000 annually is paid for the chairmanship of the Audit Committee; $30,000 annually is paid for the chairmanship of other Board Committees.

Independent Non-Executive Directors are entitled to be reimbursed for expenses incurred in the performance of their Board duties.

The remuneration of Independent Non-Executive Directors in 2019 amounted to $1,025,000.

The reimbursement of expenses for Independent Non-Executive Directors in 2019 amounted to $3,200.

The company's expenses for servicing of the Board of Directors amounted to $227,143.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the CEO and other members of the senior management team consisted of:

- a basic monthly salary, which is fixed in individual employment contracts
- an annual bonus under the short-term incentive plan (STIP), linked to attainment of corporate and functional KPIs, as well as to a personal performance assessment
- award of the LTIP, adopted by the Board in December 2016.

Basic salaries are reviewed annually, with any possible changes taking effect from 1 April and taking into account:

- individual and business performance
- level of experience
- scope of responsibility, including any changes during the year
- external comparisons to international and Russian peers.

Annual bonuses under the STIP are based on performance conditions calibrated and set by the Nomination and Remuneration Committee at the start of each financial year. Actual performance is measured over the preceding financial year.

Targets within the STIP are reflected the company's annual plan, which in turn reflects the strategic priorities of the company. The corporate KPIs consist of:

- adjusted EBITDA
- gold production volume
- total cash cost per ounce of gold sold
- safety culture evaluation

Each corporate and functional KPI has a predetermined minimum, target and maximum value, against which the actual results are assessed. Achievement of target results will lead to an on-target STIP payment. Minimum and maximum results are rewarded according to a predetermined numerical scale for each KPI.

The on-target STIP opportunity is set at 100% of the annual base salary for all senior managers. The maximum opportunity is calculated individually for each KPI, but typically does not exceed 120% of the annual base salary for exceptional performance.

Under the option agreements executed pursuant to the existing LTIP, eligible members of the senior management of MC Polyus LLC received 773,453 ordinary shares of PJSC Polyus, constituting approximately 0.58% of the entire issued share capital of PJSC Polyus.

The remuneration of the CEO and other top managers for the services rendered in 2019 totalled $64,385,894, including variable incentives amounted to $52,510,326.

APPROACH TO DIVERSITY

Polyus recognises and embraces the principle that diversity benefits and enhances the quality of its business performance.

The company views diversity at Board level as an essential prerequisite to attaining its strategic objectives – as well as sustainable and balanced development. When deciding on the Board's composition, diversity was considered from a number of perspectives, including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

All Board appointments are based on merit. Candidates are considered against objective criteria, with due regard for the benefits of diversity on the Board itself and within Polyus.

Potential benefits of Board diversity are:

Creativity and different perspectives
Individuals from different backgrounds and with different life experiences are likely to approach similar problems in different ways.

Access to resources and connections
By selecting Directors with different characteristics, firms can gain access to different resources. For example, Directors with financial industry experience could facilitate access to specific investors.

Career incentives through signalling and mentoring
Boardroom diversity can signal to more junior employees that the company is committed to promoting minority workers – or at least demonstrate that minority status is not a hindrance to their career prospects within the company.

BOARD COMMITTEES CONTINUED

BOARD COMPOSITION

The Nomination and Remuneration Committee reports annually on the Board's composition in terms of the diversity of its make-up – and monitors the implementation of this policy.

The Nomination and Remuneration Committee reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. The Committee also oversees the annual review of Board effectiveness.

In reviewing Board composition, the Committee considers the benefits of all aspects of diversity. When identifying suitable candidates for appointment to the Board, the Committee considers candidates based on merit against objective criteria, and with due regard for the benefits of diversity.

As part of the annual performance evaluation of the effectiveness of the Board, the Committee considered a balance of skills, experience, independence, the knowledge and diversity make-up of the Board (including gender), how the Board worked together as a unit, and other factors relevant to its effectiveness.

The Board recognises that some challenges in achieving diversity arise from the industry in which the company operates – and are unrelated to the specifics of the company. Polyus faces challenges similar to those of other companies and organisations in the metals and mining industries.

By the end of 2019, women made up 16.53% of the company's total workforce, and there were two women among the company's top 20 managers. With the exception of a short interval, since 2012 the Board has always had at least one female member.

For more information on Polyus' approach to gender equality, see section Ethics and Human Rights of the company's Sustainability Report.

HUMAN RIGHTS

Polyus is committed to integrating the best human rights practices into its business processes – and to having these practices inform our decision-making and due diligence processes. The company's Human Rights Policy mandates that we operate in a way that respects the human rights of all employees and the communities in which we operate.

To meet our responsibilities to respect human rights, Polyus makes the following commitments:

1. All employees will uphold and respect the human rights set forth in the Universal Declaration of Human Rights and international humanitarian law.
2. The company respects the rights and dignity of employees, contractors and local communities – and is committed to providing equal opportunity and freedom from discrimination for all.
3. The company respects workers' rights, including freedom of association, the right to peaceful protest and assembly and engagement in collective bargaining in association with International Labour Organisation conventions on organising and collective bargaining.
4. The company respects the rights and traditions of indigenous people and seeks to protect cultural and spiritual heritages as well as the environment.
5. The company supports the elimination of all forms of forced, compulsory and child labour.
6. The company seeks opportunities to provide training and capacity building in accordance with the voluntary principles to public security forces.
7. The company is committed to the continuous improvement of its human rights standards and practices and to that end, will regularly review and assess the effectiveness of and compliance with these standards and practices.

Polyus is committed to conducting its operations in accordance with domestic legal requirements and internationally recognised human rights.

The Nomination and Remuneration Committee is responsible for overseeing the implementation of the Human Rights Policy. This policy is informed by – and should be read in conjunction – with Polyus' Diversity and Anti-Corruption policies.

DIVIDEND POLICY

Russian law governs the procedure for how a company pays dividends to its shareholders. Dividends may be paid on a quarterly, semi-annual or annual basis. Under the Russian Law On Joint-Stock Companies, dividends may only be paid out of the company's net income, calculated according to Russian Accounting Standards. Under the Joint-Stock Companies Law and the company's Charter, it is within the Board of Directors' remit to recommend to shareholders the amount of dividend for approval by a majority vote at the General Meeting of Shareholders. The dividend approved at this meeting may not exceed that recommended by the Board.

Dividends, if declared, are payable to shareholders within 10 labour days (to nominal holders who are registered shareholders in the shareholder register and who are professional participants in the securities market) or 25 business days (to other persons registered in the shareholder register) from the date on which persons entitled to receive dividends are determined).

According to Polyus' dividend policy approved on 7 October 2016 and amended on 17 January 2018, the company, subject to applicable requirements of the applicable legislation, pays dividends on a semi-annual basis in an amount of 30% of the company's EBITDA for the respective reporting period. The payment is calculated on the basis of the consolidated financial statements of the company in accordance with IFRS requirements, provided that the net debt/adjusted EBITDA ratio for the previous 12 months, based on the consolidated financial statements of the company, is lower than 2.5x.

Should the net debt/adjusted EBITDA ratio for the previous 12 months be higher than 2.5x, the Board of Directors will exercise discretion on dividends, taking into account the company's financial position, free cash flow, outlook and the macro-economic environment.

The Board may consider the option of paying special dividends, subject to the company's liquidity position, capital expenditure requirements, free cash flow and leverage.

An amendment to the dividend policy passed on 17 January 2018 introduced a minimum total dividend pay-out of $550 million for the full years 2017 and 2018. For these years, Polyus paid its shareholders a total dividend of $550 million and $559 million respectively.

The provision on the minimum dividends applied exclusively to 2017 and 2018. For dividends in respect of 2019 onwards, the company adheres to the initial pay-out basis of 30% of EBITDA. The dividends for the full year 2019 will be close to $804 million, subject to approval by the Annual Shareholders Meeting of PJSC Polyus.

The dividend policy is intended to provide key stakeholders with visibility on dividend distributions and aims to balance the appropriate cash returns to equity holders with the requirement to maintain a balanced and sound financial position.

The dividend policy can be found on the Polyus website at: www.polyus.com/en/company/corporate_governance/company-documents/.

ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders is the highest governing body for the company's related affairs.

PROCEDURE

The terms of reference of a shareholders' meeting are set out in the Joint-Stock Companies Law. A shareholders' meeting may not decide on issues that are not included in its terms of reference as set out in the Joint-Stock Companies Law.

Voting at a General Meeting of Shareholders is generally conducted according to the principle of one vote per ordinary share, with the exception of the election of the Board of Directors, which is conducted through cumulative voting. Decisions are generally passed by a majority vote of the shareholders present. However, Russian law requires a three-quarters majority vote of the holders of Shares present at a General Meeting of Shareholders to approve the following:

- charter amendments
- reorganisation or liquidation
  - certain major transactions involving assets in excess of 50% of the balance sheet value of the assets of the company
- determining the number, nominal value, and type of authorised shares as well as the rights granted by such shares
  - repurchase by the company of its issued shares
  - adoption of a decision on the filing of an application to delist the company's shares and/or other securities convertible to shares
- any issuance of ordinary shares or securities convertible into ordinary shares by private placement, or
- issuance by public offering of ordinary shares or securities convertible into ordinary shares, in each case constituting more than 25% of the number of issued ordinary shares

The quorum for the General Meeting of Shareholders is met if shareholders (or their representatives) accounting for more than 50% of the shares are present. If the 50% quorum requirement is not met, another General Meeting of Shareholders with the same agenda may (or, in the case of an annual meeting, must) be scheduled and the quorum requirement is satisfied if shareholders (or their representatives) accounting for at least 30% of the shares are present.

The Annual General Meeting of Shareholders must be convened by the Board of Directors each year in the time period defined by the current legislation, and the agenda must include the following items:

- election of the Board of Directors
- approval of the annual report and accounting (financial) statements
- distribution of the company's profits (including the payment of dividends) and losses of the reporting year
- approval of the company's auditor

A shareholder or group of shareholders owning in aggregate at least 2% of the issued voting shares may introduce proposals for inclusion in the agenda of the Annual General Meeting of Shareholders and may nominate candidates to the Board of Directors. Such agenda proposals must be provided to the company by no later than 60 days after the end of the reporting year.

NOTICE AND PARTICIPATION

The company's shares are listed for trading on the Moscow Stock Exchange and, as a result, PJSC Polyus is subject to certain shareholder notification recommendations. Under the company's Charter, all shareholders entitled to participate in a General Meeting of Shareholders must be notified of the meeting, whether it is to be held in a form of joint attendance or absentee voting, no less than 30 days in advance – and such notification shall specify the agenda for the meeting.

However, shareholders must be notified at least 50 days prior to the date of the meeting in the cases of an Extraordinary General Meeting of Shareholders to elect the Board of Directors, or a General Meeting of Shareholders to approve any reorganisation in the form of a merger, spin-off or demerger and to elect the Board of Directors of Polyus established as a result of any reorganisation in the form of a merger, spin-off or demerger. Only those items that were set out in the agenda may be voted on at a General Meeting of Shareholders.

The list of persons entitled to participate in a General Meeting of Shareholders is compiled from the company's shareholder register on the date set by the Board of Directors. The date may not be earlier than ten days from the date of adoption of the Board's resolution to hold a General Meeting of Shareholders, or more than 25 days before the date of the meeting (or, in the case of a shareholders' meeting to approve a reorganisation, not more than 35 days before the date of the meeting).

The right to participate in a General Meeting of Shareholders may be exercised by a shareholder as follows:

- by personally participating in the discussion of agenda items and voting thereon
- by sending an authorised representative to participate in the discussion of agenda items and to vote thereon, or by absentee ballot

DIRECTORS' REPORT

FAIR, BALANCED AND UNDERSTANDABLE

The Directors consider this Annual Review and accounts, taken as a whole, to be fair, balanced and understandable, meeting obligatory regulatory requirements and providing the necessary information for all stakeholders to assess the company's strategy, business model and performance. The report discusses all aspects of the company's business and provides non-IFRS financial metrics in addition to the figures disclosed in the consolidated financial statements. In justifying this statement, the Directors have considered the robust process, which operates in creating the Annual Report and the financial statements, including:

- clear guidance and instructions are given to all contributors
- early warning meetings are conducted between management and the auditors in advance of the year-end reporting process
- input is provided by senior management and corporate functions
- further reviews are conducted by senior management
- final sign-off is provided by the Board of Directors

REVIEW OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Strategic Report (pages 4 to 85) provides a comprehensive review of Polyus' operations, its financial position, business strategies and outlook. It is incorporated by reference to – and forms part of – this Directors' report.

The company's principal activities during 2019 were the production and sale of gold. The company is also engaged in exploration, construction, and research activities in order to maintain its operations.

Pages 38 to 58 of the Strategic Report provide a full consideration of the performance and key milestones of Polyus' operations for the year ended 31 December 2019 and the potential aspects of further growth, coupled with the expected results of those operations.

RISK IDENTIFICATION, ASSESSMENT AND TREATMENT

The company's principal risks and uncertainties – and its treatment of risk – are disclosed on page 32.

SHARE CAPITAL

PJSC Polyus share capital consists of 134,262,084.1059 issued, fully paid, registered ordinary shares, each with a par value of 1.00 Russian rouble, issued in accordance with the laws of the Russian Federation. PJSC Polyus also has 21,878,506.1059 authorised and non-issued ordinary shares, each with a par value of 1.00 rouble.

On 30 June 2017, American Depositary Shares and Global Depositary Shares representing ordinary shares of PJSC Polyus were admitted to the Official List of the UKLA and to trading on the London Stock Exchange. In connection with the listing, PJSC Polyus made an offering of 12,910,081 of its ordinary shares in the form of shares and Global Depositary Shares, including through the facilities of the London Stock Exchange and the Moscow Exchange, raising approximately $858 million ($400 million of such proceeds were attributable to PJSC Polyus, with the remaining $458 million attributable to PGIL as selling shareholder) after the exercise of the over-allotment option.

No preferred shares are authorised or outstanding. Additional ordinary shares in excess of the number of authorised and non-issued ordinary shares stipulated in PJSC Polyus Charter may only be issued if the scope of the relevant authorisations in PJSC Polyus Charter is amended by a shareholders' resolution.

SUBSTANTIAL SHAREHOLDINGS

The shareholder structure as at 31 December 2019 was as follows:

- 78.19%[1] – Polyus Gold International Limited
- 0.27% – treasury shares
- 20.96% – free float
- 0.58% – senior management (via LTIP)

DIVIDENDS

Information about the dividend policy is outlined in the 'Dividend policy' section in the Corporate Governance Report on page 121.

REGISTRATION AND DOMICILE

Polyus was incorporated in the Russian Federation on 17 March 2006.
The company's state registration number is 1068400002990. The company's main administrative office and its registered office are located at Krasina St. 3 bldg. 1, cab. 801, Moscow, 123056, Russia. Its telephone number is +7 (495) 641-3377.

CORPORATE GOVERNANCE STATEMENT

As the shares of PJSC Polyus are included in the Quotation list of Level 1 of the Moscow Stock Exchange, the company complies with a number of corporate governance requirements:

- at least three (and not less than one fifth) of the Board of Directors should be Independent Directors, with the independence criteria determined pursuant to the Listing Rules of the Moscow Exchange
- having the following Committees of the Board of Directors:
  - an Audit Committee, to be chaired by an Independent Director and made up of Independent Directors
  - a Nominations Committee, made up of Independent Directors
  - a Remuneration Committee, comprising Independent Directors
- the appointment of a Corporate Secretary and the adoption by the Board of Directors of Regulations of the Corporate Secretary
- compliance with the disclosure and notification requirements set forth in applicable Russian laws
- having a Board-approved document defining the issuer's dividend policy
- having a separate unit within its organisational structure conducting internal audit as well as an internal audit policy or regulation approved by the Board.

[1] As at 31 December 2019, including approximately 1.91% lent in the form of GDRs under stock lending arrangements, which are expected to be used for the purposes of facilitating hedging activities of investors of convertible bonds due 2021 issued by Polyus Finance PLC.

PJSC Polyus follows the recommendations of the Corporate Governance Code (2014) approved by the Central Bank of Russia (available at www.cbr.ru/statichtml/file/59420/inf_apr_1014.pdf). Information on compliance with specific principles and key recommendations of the Corporate Governance Code is presented on page 182.

EMPLOYMENT POLICIES AND COMMUNICATION

Information on the company's employment policies and its employees is set out in the Sustainability Report.

POLITICAL CONTRIBUTIONS

No donations to political parties were made and no political expenditure was incurred during the year 2019.

CHARITABLE DONATIONS

During the year, the company made charitable donations of $47.3 million (2018: $33.6 million), with a significant part donated to local charities serving the communities in which the company operates. Further details are set out in the Sustainability Report.

GOVERNMENT REGULATIONS

Polyus' mining and processing facilities are located in Krasnoyarsk Territory, Irkutsk Region, Magadan Region and the Republic of Sakha. All operations are subject to extensive regulations imposed by municipal, regional and federal governments. Numerous aspects of the company's operations are governed by these regulations, including:

- how it explores, evaluates, mines and processes ore
- health, safety, and environmental requirements
- how Polyus operates as a company, including laws regarding securities, taxation, intellectual property and sales policy

Polyus has a strong compliance system and engagement mechanisms in place to mitigate risks in this area. Moreover, as the largest gold mining company in Russia and a key employer in a number of Russian regions, Polyus enjoys government support at both regional and federal level. For that reason, there is a low likelihood of any governmental regulations having a material impact on the company's business. Moreover, the company is guided by its Corporate Code of Ethics, high standards of practice, as well as a Human Rights Policy, which was developed internally within the company. All these internal controls help mitigate against regulatory impacts.

ENVIRONMENTAL REGULATIONS

Polyus has an Environmental Management System (EMS) in place. This covers all group companies and constitutes a part of the company's integrated health, safety, and environment management system. The EMS enables prompt and flexible responses to any changes of internal and external environment. All business units and support services are ISO 14001 certified and regularly update their certificates.

The status of environmental targets and objectives across the company are continuously tracked and presented for discussion on a quarterly basis at the meetings of the Central Security Committee and the Operations Committee. In terms of regulating environmental issues, Polyus continues to develop and incorporate best practices at all levels throughout the company.

Further information on the company's environmental performance can be found in the Sustainability Report.

GREENHOUSE GAS EMISSIONS

In 2019, the company's specific greenhouse gas (GHG) emissions stood at 0.075 tonnes of CO_2-e per tonne of ore processed, 9.6% lower than the 2018 level. For more details on GHG emissions, including the calculation methodology, as well as the company's GHG policy and reduction targets for GHG emissions, see the Environmental Stewardship section of the Sustainability Report.

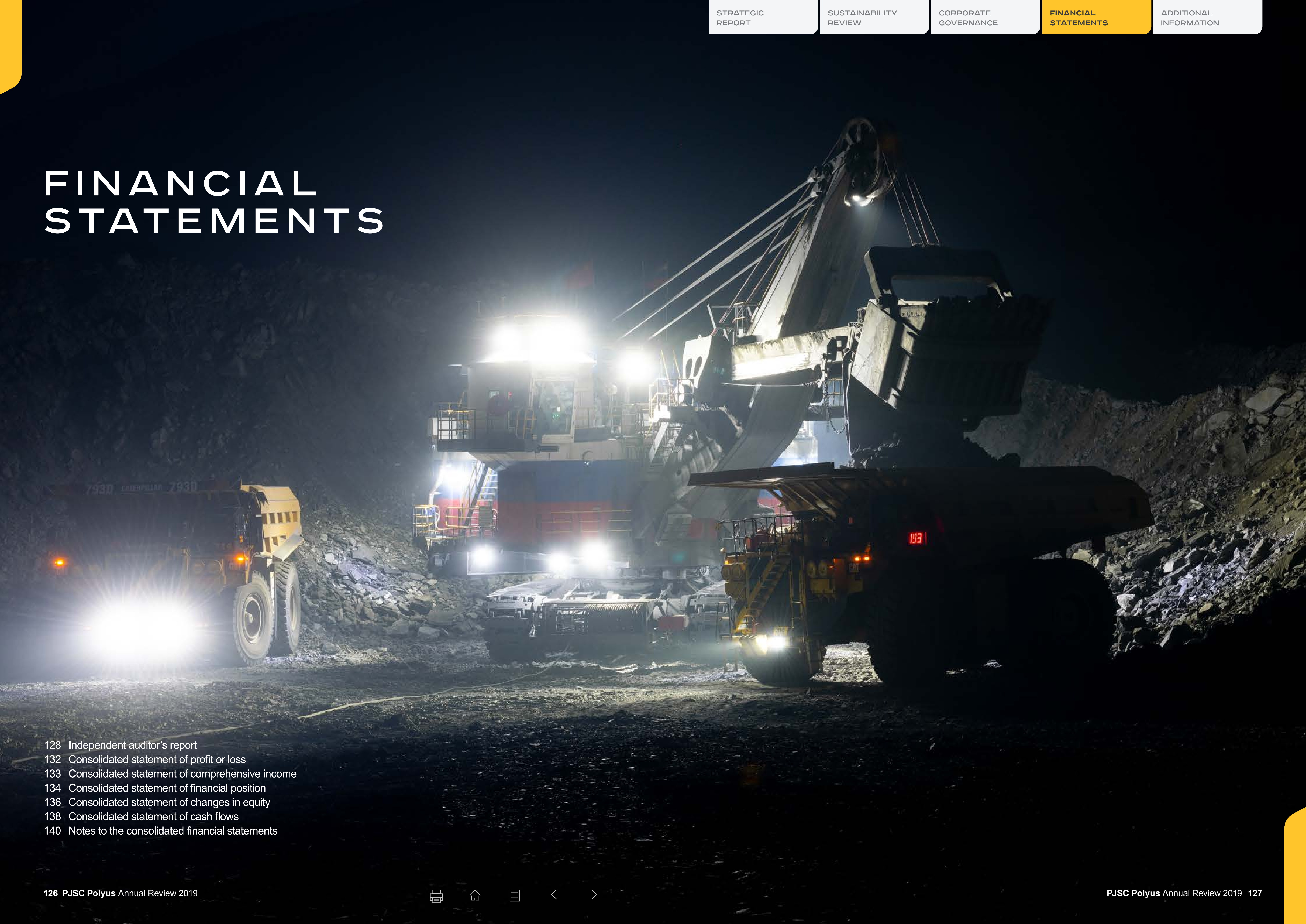
AUDITOR

Each of the Directors confirms that:

- so far as the Director is aware, there is no relevant audit information about which the company's auditor is not informed or made aware
- each Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of such information

EDWARD DOWLING
CHAIRMAN OF THE BOARD OF DIRECTORS

30 APRIL 2020



FINANCIAL STATEMENTS

Deloitte.

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Public Joint Stock Company "Polyus" and its subsidiaries (the "group"), which comprise the consolidated statement of financial position as of 31 December 2019 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as of 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Valuation of financial instruments (Notes 4.2.4, 14 and 27) The group entered into a number of different derivative contracts in order to mitigate its exposure to gold price and currency fluctuations and reduce interest rate risk. The group did not apply hedge accounting. The carrying value of the group's net derivative financial liabilities amounted to $38 million as of 31 December 2019 (31 December 2018: $621 million). The most complex of these instruments is the Revenue Stabiliser, represented by barrier collar agreements, used to manage gold price fluctuations. Additionally, cross-currency swaps which economically hedge the Russian rouble denominated principal and interest payments against foreign currency and interest rate risks, may have a material effect on the consolidated financial statements because of significant nominal amounts. The fair value of derivatives is sensitive to changes in one or more key inputs, including gold price, exchange rate, interest rate and the credit risk valuation adjustment. The valuation of these contracts is complex and involves management's judgements and estimates, which could significantly affect the amounts recognised in the consolidated financial statements. Based on the above, we determined this issue to be a key audit matter.	We performed the following procedures with respect to valuation of derivative financial instruments: • Obtained an understanding of the process of identifying and measuring derivatives; • Checked the appropriateness and consistency of the methodology used by management for the valuation, including assessment of major inputs and methods of valuation for compliance with the requirements set out in IFRS 13; • On a sample basis performed independent valuation of these derivatives using key assumptions, including the gold price, exchange rate and interest rate based on information available on the market, and compared it with the client valuation; • Considered the adequacy of the related disclosure in the group's consolidated financial statements.
Recoverability of exploration and evaluation ("E&E") assets (Notes 4.2.2, 12) The carrying value of the group's E&E assets amounted to $611 million as of 31 December 2019 (31 December 2018: $505 million), $452 million (31 December 2018: $377 million) of which related to the Sukhoi Log gold deposit, which is at the pre-feasibility study stage. The assessment of each E&E asset of the group is based on many facts and assumptions and involves management judgement. There is a risk that the carrying amounts of the E&E assets may exceed their recoverable amounts. Because of significance of this balance to the group's consolidated financial statements and judgements involved in assessing existence of indicators of impairment, we determined this to be a key audit matter.	We completed the following procedures with respect to the valuation of E&E assets: • Read minutes of the Board and its committees and held discussions with management to understand strategic priorities of the group; • Held discussions with key operational and finance staff to understand exploration and evaluation activities; • Reviewed updates of gold resources estimates and results of other geological studies; • Reviewed management's assessment of the existence of impairment indicators in the E&E asset portfolio by evaluating the appropriateness of management assumptions; • Reviewed approved exploration budgets for 2020 in order to confirm that exploration projects were ongoing and have the committed funding; and • Reviewed an actual versus budget analysis of E&E expenses and investigated significant deviations.

Other Information

Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Olga Tabakova,
Engagement partner

11 February 2020

The Entity: Public Joint Stock Company "Polyus"

Primary State Registration Number: 1068400002990

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

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

Audit Firm: AO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

	Notes	Year ended 31 December 2019	2018
Gold sales	5	**3,965**	2,876
Other sales		**40**	39
Total revenue		**4,005**	**2,915**
Cost of gold sales	6	**(1,405)**	(1,035)
Cost of other sales		**(33)**	(29)
Gross profit		**2,567**	**1,851**
Selling, general and administrative expenses	7	**(295)**	(236)
Other expenses, net		**(55)**	(91)
Operating profit		**2,217**	**1,524**
Finance costs, net	8	**(254)**	(201)
Interest income		**48**	26
Gain/(loss) on revaluation of derivative financial instruments, net	9	**93**	(281)
Foreign exchange gain/(loss), net		**273**	(517)
Profit before income tax		**2,377**	**551**
Income tax expense	10	**(433)**	(77)
Profit for the year		**1,944**	**474**
Profit for the year attributable to:			
Shareholders of the company		**1,931**	456
Non-controlling interests		**13**	18
		1,944	**474**
Weighted average number of ordinary shares '000			
- for basic earnings per share	18	**133,017**	132,251
- for dilutive earnings per share	18	**133,317**	134,745
Earnings per share (US dollar per share)			
- basic		**14.52**	3.45
- dilutive		**14.48**	3.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

	Year ended 31 December 2019	2018
Profit for the year	**1,944**	**474**
Other comprehensive income/(loss) for the year		
Items that may be subsequently reclassified to profit or loss:		
Effect of translation to presentation currency	**105**	(119)
Items that will not be subsequently reclassified to profit or loss:		
Increase in other reserves	**–**	2
Other comprehensive income/(loss) for the year	**105**	**(117)**
Total comprehensive income for the year	**2,049**	**357**
Total comprehensive income for the year attributable to:		
Shareholders of the company	**2,025**	357
Non-controlling interests	**24**	–
	2,049	357

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

		Year ended 31 December	
	Notes	2019	2018
ASSETS			
Non-current assets			
Intangible assets	11	**123**	73
Property, plant and equipment	12	**4,680**	3,720
Inventories	13	**431**	277
Deferred tax assets	23	**134**	120
Derivative financial instruments	14	**98**	6
Other receivables		**30**	60
Other non-current assets		**6**	9
		5,502	4,265
Current assets			
Inventories	13	**659**	557
Deferred expenditure		**17**	14
Derivative financial instruments	14	**1**	1
Advances paid to suppliers and prepaid expenses		**26**	30
Trade and other receivables	15	**197**	94
Taxes receivable	16	**124**	166
Cash and cash equivalents	17	**1,801**	896
		2,825	1,758
Total assets		**8,327**	**6,023**

		Year ended 31 December	
	Notes	2019	2018
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	**5**	5
Additional paid-in capital	18	**2,049**	1,949
Treasury shares	18	**(103)**	(67)
Translation reserve		**(2,727)**	(2,824)
Retained earnings		**2,586**	1,300
Equity attributable to shareholders of the company		**1,810**	**363**
Non-controlling interests		**103**	87
		1,913	450
Non-current liabilities			
Borrowings	19	**4,382**	3,975
Derivative financial instruments	14	**130**	118
Deferred revenue	20	**126**	117
Deferred consideration	21	**119**	168
Deferred tax liabilities	23	**308**	207
Site restoration, decommissioning and environmental obligations		**64**	40
Other non-current liabilities		**32**	29
		5,161	4,654
Current liabilities			
Borrowings	19	**704**	7
Derivative financial instruments	14	**7**	510
Deferred consideration	21	**57**	57
Trade and other payables	22	**355**	289
Taxes payable	24	**130**	56
		1,253	919
Total liabilities		**6,414**	**5,573**
Total equity and liabilities		**8,327**	**6,023**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 (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	Translation reserve	Retained earnings	Total	Non–controlling interests	Total
Balance at 31 December 2017		**131,924**	**5**	**1,948**	**(89)**	**(2)**	**(2,723)**	**1,425**	**564**	**92**	**656**
Profit for the year		–	–	–	–	–	–	456	**456**	18	**474**
Other comprehensive income/(loss)		–	–	–	–	2	(101)	–	**(99)**	(18)	**(117)**
Total comprehensive income/(loss)		**–**	**–**	**–**	**–**	**2**	**(101)**	**456**	**357**	**–**	**357**
Equity–settled share–based compensation (LTIP), net of tax		–	–	18	–	–	–	–	**18**	–	**18**
Shares awarded for LTIP		415	–	(17)	22	–	–	(6)	**(1)**	–	**(1)**
Increase ownership in subsidiaries		–	–	–	–	–	–	–	**–**	(2)	**(2)**
Dividends declared to shareholders of non–controlling interests		–	–	–	–	–	–	–	**–**	(3)	**(3)**
Dividends declared to shareholders of the company		–	–	–	–	–	–	(575)	**(575)**	–	**(575)**
Balance at 31 December 2018		**132,339**	**5**	**1,949**	**(67)**	**–**	**(2,824)**	**1,300**	**363**	**87**	**450**
Profit for the year		–	–	–	–	–	–	1,931	**1,931**	13	**1,944**
Other comprehensive income		–	–	–	–	–	94	–	**94**	11	**105**
Total comprehensive income		–	–	–	–	–	94	1,931	**2,025**	24	**2,049**
Equity–settled share–based compensation (LTIP), net of tax	**18**	**–**	**–**	**29**	**–**	**–**	**–**	**–**	**29**	**–**	**29**
Shares awarded for LTIP	18	487	–	(18)	27	–	–	(12)	**(3)**	–	**(3)**
Issue and buy–back of treasury shares	18	–	–	83	(83)	–	–	–	**–**	–	**–**
Purchase of additional ownership in SL Gold (payable in treasury shares)	21	370	–	6	20	–	3	–	**29**	–	**29**
Dividends declared to shareholders of non–controlling interests		–	–	–	–	–	–	–	**–**	(8)	**(8)**
Dividends declared to shareholders of the company	18	–	–	–	–	–	–	(633)	**(633)**	–	**(633)**
Balance at 31 December 2019		**133,196**	**5**	**2,049**	**(103)**	**–**	**(2,727)**	**2,586**	**1,810**	**103**	**1,913**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

		Year ended 31 December	
	Notes	2019	2018
Operating activities			
Profit before income tax		**2,377**	**551**
Adjustments for:			
Finance costs, net	8	**254**	201
Interest income		**(48)**	(26)
(Gain)/loss on revaluation of derivative financial instruments, net	9	**(93)**	281
Depreciation and amortisation		**367**	236
Foreign exchange (gain)/loss, net		**(273)**	517
Other		**76**	64
		2,660	1,824
Movements in working capital			
Inventories		**(151)**	(114)
Deferred expenditure		**(1)**	(5)
Trade and other receivables		**(82)**	4
Advances paid to suppliers and prepaid expenses		**4**	(12)
Taxes receivable		**(9)**	(1)
Trade and other payables and accrued expenses		**1**	4
Taxes payable		**2**	(27)
Cash flows from operations		**2,424**	**1,673**
Income tax paid		**(250)**	(209)
Net cash generated from operating activities		**2,174**	**1,464**
Investing activities[1]			
Purchase of property, plant and equipment (excluding purchase of additional ownership in LLC SL Gold and construction of the Omchak high-voltage power grid)		**(769)**	(814)
Purchase of additional ownership in LLC SL Gold	21	**(28)**	–
Payments for the Omchak high voltage power grid	5	**(26)**	(36)
Interest received		**48**	26
Proceeds from government grants[2]		**3**	13
Proceeds from disposal of electricity transmission grids		**23**	15
Other		**1**	4

		Year ended 31 December	
	Notes	2019	2018
Net cash utilised in investing activities		**(748)**	**(792)**
Financing activities[1]			
Proceeds from borrowings		**1,300**	1,125
Repayment of borrowings		**(405)**	(1,249)
Interest paid		**(272)**	(253)
Commissions on borrowings paid		**(6)**	(17)
Payments on initial exchange of principal amounts under cross-currency swaps		**(28)**	–
Payments on expiration of cross-currency swaps		**(472)**	–
Repayments of lease liability		**(15)**	(4)
Net proceeds on exchange of interest payments under cross-currency swaps	8	**42**	34
Net proceeds on exchange of interest payments under interest rate swaps	8	**2**	2
Payments for modification and partial close out of revenue stabiliser	14	**(30)**	–-
Dividends paid to shareholders of the company		**(638)**	(569)
Dividends paid to shareholders of non-controlling interests		**(9)**	(4)
Other		**–**	(1)
Net cash utilised in financing activities		**(531)**	**(936)**
Net increase/(decrease) in cash and cash equivalents		**895**	**(264)**
Cash and cash equivalents at the beginning of the year	**17**	**896**	**1,204**
Effect of foreign exchange rate changes on cash and cash equivalents		**10**	(44)
Cash and cash equivalents at the end of the year	**17**	**1,801**	**896**

[1] Significant non-cash transactions relating to investing (right-of-use assets recognition, deferred consideration and LTIP payments in treasury shares) and financing activities (lease liabilities recognition and debt modification) are disclosed in the Notes 2.4, 18, 19 and 21 to these consolidated financial statements, respectively.

[2] Proceeds from government grants are presented including amounts received to compensate for Value Added Tax (VAT) incurred on purchase of qualifying assets. Purchase of property, plant and equipment is presented exclusive of VAT; related VAT paid is included in cash flows from operations (Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

1. GENERAL

Public Joint Stock Company Polyus (the 'company' or 'Polyus') was incorporated in Moscow, Russian Federation, on 17 March 2006.

The principal activities of the company and its controlled entities (the 'group') are the extraction, refining and sale of gold. The mining and processing facilities of the group are located in the Krasnoyarsk, Irkutsk, Magadan regions and the Sakha Republic of the Russian Federation. The group also performs research and exploration works. Further details regarding the nature of the business of the significant subsidiaries of the group are presented in Note 29.

The shares of the company are 'level one' listed on the Moscow Exchange. Global depositary shares (GDSs) representing Polyus' shares (with two global depositary shares representing interest in one Polyus share) are traded on the main market for listed securities of the London Stock Exchange plc ('LSE'). The controlling shareholder of the company is Polyus Gold International Limited ('PGIL'), a public limited company registered in Jersey. The most senior parent of the company is Wandle Holdings Limited, a company registered in Cyprus. As of 31 December 2019 and 2018, the ultimate controlling party of the company was Mr. Said Kerimov.

2. BASIS OF PREPARATION AND PRESENTATION

2.1. Going concern

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

2.2. Compliance with the International Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ('IASB'). IFRS include the standards and interpretations approved by the IASB including IFRS, International Accounting Standards ('IAS') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

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 consolidated financial statements are presented in accordance with IFRS.

The consolidated 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.

2.4. IFRS standards first time applied in 2019

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

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
IFRS 16	Leases	1 January 2019	For the effect see below
Amendments to IFRS 9	Prepayment Features with Negative Compensation and modifications of financial liabilities	1 January 2019	No effect
IFRIC 23	Uncertainty over Income Tax Treatment	1 January 2019	No effect
Amendments to IAS 12	Income tax consequences of dividends	1 January 2019	No effect
Amendments to IAS 19	Plan Amendments, Curtailment and Settlement	1 January 2019	No effect
Amendments to IAS 23	Treatment of borrowings after the related asset is ready for its intended use or sale	1 January 2019	No effect

IFRS 16

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

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

The group reassessed whether all contracts contained leases at the date of initial application of IFRS 16 and starting from 1 January 2019, recognised a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. Previously, such a liability except for finance leases was not presented in the financial statements due to the fact that it was treated as an operating lease in accordance with IAS 17 'Leases'. Accounting policy related to IFRS 16 is presented in section 3.10 'Leases' below.

Transition to IFRS 16

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

- In these consolidated financial statements for the year ended 31 December 2019, the group has not restated comparative information for the year ended 31 December 2018 and as of 31 December 2018;
- As of 1 January 2019, the group recognised a lease liability in the amount of $63 million, calculated as net present value of the remaining lease payments (as of the application date), discounted using the group's weighted average incremental borrowing rate of 5.15% as of 1 January 2019;
- As of 1 January 2019, the group recognised an asset in the form of a right-of-use in the amount of $64 million;
- The group applies IAS 36 Impairment of Assets to an asset in the form of a right-of-use.

As of 1 January 2019, no indicators of impairment were identified.

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

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

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

- With variable lease payments that do not depend on index or a rate; and
- Those to explore for or use minerals and similar non-regenerative resources (Note 26).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

Right-of-use assets

Movements of the right-of-use assets for the year ended 31 December 2019 are as follows:

	Related party transactions	Non-related party transactions	Total
Right-of-use assets as of 1 January 2019 (including $4 million of assets previously recognised under IAS 17)	**59**	**9**	**68**
Additions	-	13	13
Depreciation charge	(4)	(6)	(10)
Effect of translation to presentation currency	3	6	9
Right-of-use assets as of 31 December 2019	**58**	**22**	**80**

The most significant leases of the group are office leases.

Lease liabilities

Movements of the lease liabilities for the year ended 31 December 2019 are as follows:

	Related party transactions	Non-related party transactions	Total
Lease liabilities as of 1 January 2019	**58**	**15**	**73**
New lease contracts	-	13	13
Foreign exchange gain	(6)	-	(6)
Interest on lease liabilities	3	2	5
Repayments of lease liability	(7)	(8)	(15)
Effect of translation to presentation currency	5	5	10
Lease liabilities as of 31 December 2019	**53**	**27**	**80**

Maturity profile of lease liabilities

Future minimum undiscounted lease payments due under lease agreements as of 31 December 2019 were as follows:

	Related party transactions	Non-related party transactions	Total
Due within one year	6	8	14
From one to five years	23	25	48
Thereafter	43	2	45
Total	**72**	**35**	**107**

Lease expenses

Lease-related expenses for the year ended 31 December 2019 includes the following components:

	Year ended 31 December 2019
Expenses for leases with variable lease payments that do not depend on index or a rate	6
Other	3
Sub-total	**9**
Interest on lease liabilities	5
Depreciation of right-of-use assets	10
Sub-total	**15**
Total lease-related expenses	**24**

2.5. IFRS standards to be applied after 2019

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

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
Amendment IFRS 3	Business Combinations	1 January 2020	No effect
Amendments IAS 1 and IAS 8	Definition of Material	1 January 2020	No effect
Amendments to References to the Conceptual Framework in IFRS Standards	Updates of references to or from the Conceptual Frameworks to the IFRS standards	1 January 2020	No effect
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	Identification of interest rate in hedge accounting	1 January 2020	No effect
IFRS 17	Insurance Contracts	1 January 2021	No effect

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of consolidation

Subsidiaries

The consolidated financial statements of the group incorporate the financial statements of the company and all its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the company has the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect its returns. The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control defined above. Subsidiaries are included in the consolidated financial results of the company from the effective date of acquisition up to the effective date of loss of control.

For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as non-controlling interests in the equity section of the consolidated statement of financial position. The non-controlling interest may initially be measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the subsidiary's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated on consolidation.

Functional currency

The functional currency of the company and all the subsidiaries of the group is the Russian rouble ("RUB").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

3.2. Presentation currency

The group presents its consolidated financial statements in the US dollar ('USD', '$'), as management believes it is a more convenient presentation currency for international users of the consolidated financial statements of the group as it is a common presentation currency in the mining industry. The translation of the financial statements of the group entities from their functional currencies to the presentation currency is performed as follows:

- All assets and liabilities are translated at closing exchange rates at each reporting date;
- All income and expenses are translated at the monthly average exchange rates, except for significant transactions that are translated at rates on the date of such transactions;
- Resulting exchange differences are included in the Translation reserve in equity (on disposal of such entities this Translation reserve is reclassified into the consolidated statement of profit or loss); and
- In the consolidated statement of cash flows, cash balances at the beginning and end of each reporting period presented are translated at exchange rates at the respective dates. All cash flows are translated at the monthly average exchange rates, except for significant transactions that are translated at rates on the date of such transactions.

As of 31 December 2019, the year-end Russian rouble / US dollar exchange rate used in the preparation of the consolidated financial statements was 61.91 (31 December 2018: 69.47).

3.3. Foreign currencies

Transactions not denominated in Russian roubles (the functional currency of the company and all the subsidiaries of the group) are recorded at the exchange rate prevailing on the date of the transactions. All monetary assets and liabilities not denominated in Russian roubles are translated at the exchange rates prevailing at the reporting date. Nonmonetary items carried at historical cost are translated at the exchange rate prevailing on the date of the transaction.

3.4. Revenue

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.

Refined gold sales

The group recognises revenue from refined gold sales upon physical shipment of gold from refinery plant to customers, which are major Russian banks. The gold price is based on prevailing spot market metal prices. Cash payments are received in advance or within several days after sale.

Gold-antimony and gold flotation concentrates sales

The group has a number of sales contracts for gold flotation concentrates, which contain provisional pricing terms depending on quantity and price. Revenue from sales of gold flotation concentrates is recognised upon shipments from the railroad stations, seaports or group's warehouses depending on the date of passing the title as per contracts with customers.

Revenue from sales of gold within gold flotation concentrates is recognised in Gold in flotation concentrate sales within Gold sales. The net income from sale of antimony contained in the gold-antimony flotation concentrate is treated as by-product sales and recognised as a decrease to cost of gold sales (Note 3.12).

Cash payments are received within several months after the shipment when customers have processed the concentrates and extracted gold and antimony.

The adjustment to the quantity of gold in gold flotation concentrates delivered is treated as a variable consideration, thus completely recognised in Gold in flotation concentrate sales within Gold sales.

The adjustment to the gold price depends on gold market prices, therefore represents a sales contract with an embedded derivative. The embedded derivative relates to the trade receivables and fails the "solely payments of principal and interest" test under IFRS 9, thus such trade receivables are recognised and measured at fair value through profit or loss (FVTPL). The revaluation result is presented within Gain/(loss) on revaluation of derivative financial instruments, net.

3.5. Income tax

The income tax expense or benefit for the period consists of two components: current and deferred. Income tax expense is recognised in the consolidated statement of profit or loss except to the extent it relates to a business combination or items recognised directly in the consolidated statement of changes in equity (the group does not have any significant amounts of income tax recognised directly in the consolidated statement of changes in equity).

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements of the separate legal entities and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not recognised for taxable temporary differences associated with investments in subsidiaries because the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

3.6. Dividends

Dividends and related taxation thereon are recognised as a liability in the period in which they have been declared and become legally payable.

Retained earnings legally distributable by the company are based on the amounts available for distribution in accordance with the applicable legislation and as reflected in the statutory financial statements of the individual subsidiaries of the group. These amounts may differ significantly from the amounts calculated on the basis of IFRS.

3.7. Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses.

Intangible assets with a finite useful life are amortised on a straight-line basis over the estimated economic useful life of the asset. The amortisation of such intangible assets is included in Cost of sales or Selling, general and administrative expenses based on whether intangible asset is used in operating activities or not. Intangible assets with an infinite useful life are not amortised.

The remaining useful lives of the group's intangible assets are from one to 15 years.

The group applies IAS 36 Impairment of Assets to determine whether an intangible asset is impaired and accounts for any identified impairment loss when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

3.8. Property, plant and equipment

Fixed assets

Fixed assets are recorded at cost less accumulated depreciation. Fixed assets include the cost of acquiring and developing mining properties, pre-production expenditure and mine infrastructure, processing plant, mineral rights and mining and exploration licences and the present value of future mine closure, rehabilitation and decommissioning costs.

Fixed assets are amortised on a straight-line basis over the estimated economic useful life of the asset, or the remaining life-of-mine in accordance with the mine operating plans (MOPs), whichever is shorter.

Depreciation is charged from the date a new mine reaches commercial production quantities and is included in the Cost of sales, Selling, general and administrative expenses or Stripping activity assets accordingly. The estimated remaining useful lives of the group's significant mines and processing facilities based on the MOPs are as follows:

Olimpiada	11 years
Verninskoye	18 years
Blagodatnoye	22 years
Kuranakh	22 years
Natalka	23 years

Stripping activity asset

The group incurs stripping costs during the production phases of its surface mining operations.

The group identifies separate components towards which the stripping costs are incurred for the ore bodies in each of its mines. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. For the purposes of identification of separate components the group uses MOPs. Each discrete stage of mining identified in a MOP is considered as a unit of account. If the MOP identify several discrete stages which are scheduled to be mined consecutively (one after the another) or located in the different parts of the mine, these stages are identified as components.

The group uses an allocation basis that compares volume of waste extracted with expected volume, for a given volume of ore production in the period for the identified component of the ore body to determine if stripping costs are to be allocated to stripping activity asset or the cost of inventory.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of the ore body, plus an allocation of directly attributable overhead costs.

After initial recognition the stripping activity asset is carried at cost less depreciation using unit-of production method and any impairment losses.

Capital construction in progress

Assets under construction at operating mines are accounted for as capital construction in progress. When the capital construction in progress is completed and in a condition necessary to be capable of operating in the manner intended by management, the objects are reclassified to fixed assets. Capital construction in progress is not depreciated.

Exploration and evaluation assets

Exploration and evaluation expenditure is capitalised when the exploration and evaluation activities have not reached a stage that permits a reasonable assessment of the existence of commercially recoverable gold resources. When the technical feasibility and commercial viability of extracting a gold resource are demonstrable and a decision has been made to develop the mine, capitalised exploration and evaluation assets are reclassified to Mine under development or Fixed assets.

3.9. Impairment of long-lived tangible assets

Long-lived tangible assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets, which is generally at the individual mine level. An impairment review of long-lived tangible assets is carried out when there is an indication that those assets have suffered an impairment loss. There were no such indicators during 2019 and 2018.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The following facts and circumstances, among others, indicate that exploration and evaluation assets must be tested for impairment:

- The term of the exploration licence in the specific area has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of gold resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of gold resources in the specific area have not led to the discovery of commercially viable quantities of gold resources and the decision was made to discontinue such activities in the specific area; and
- Sufficient data exists to indicate that, although a development in the specific area is likely to occur, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

3.10. Leases

The group assesses all contracts to ascertain whether they contain leases and recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee except for short-term leases and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments discounted by using the rate implicit in the lease or incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method and presented within Borrowings in the consolidated statement of financial position.

The group excludes the following lease agreements from the measurement of lease liabilities and accounts lease payments associated with those leases as an expense:

- With variable lease payments that do not depend on index or a rate; and
- Those to explore for or use minerals and similar non-regenerative resources (Note 26).

The right-of-use assets comprise the initial measurement of the corresponding lease liability. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

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

3.11. Financial instruments

Financial assets and financial liabilities are initially recognised at fair value when the group becomes a party to the contractual provisions of the instruments.

The group subsequently measures its financial instruments as follows:

- Trade receivables for gold flotation concentrates, derivatives – at FVTPL with effect of fair value change presented within Note 9;
- Borrowings, cash and cash equivalents, trade and receivables (except for those at FVTPL), deferred consideration, trade and other payables – at amortised cost using the effective interest method.

The group neither applies hedge accounting nor has any financial instruments measured at fair value through other comprehensive income.

Trade receivables for gold flotation concentrates

Accounting of trade receivables for gold flotation concentrates is disclosed in Note 3.4 Revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

Derivatives

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

Derivatives are carried at fair value through profit or loss. Changes in the fair value of the derivative financial instruments are recognised within Gain/(loss) on revaluation of derivative financial instruments, net of the consolidated statement of profit or loss (Note 9). Gain or loss on the exchange of interest payments under cross-currency and interest rate swaps are recognised within Finance cost, net (Note 8). Realised gain or loss on revenue stabiliser agreements (Note 14) are recognised within Gold Sales.

Convertible bonds contain both a derivative (Conversion option on convertible bonds – Note 14) and a non-derivative (Convertible bond – Note 19) component. As the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, the hybrid contract itself is not carried at FVTPL. The Convertible bond is accounted at amortised cost using the effective interest method, while the Conversion option on convertible bonds is accounted at FVTPL.

Borrowings

Borrowings (consisting of bonds issued, bank loans and lease liabilities) are initially recognised at fair value adjusted for directly attributable transaction costs and are subsequently accounted at amortised cost using the effective interest method.

Amortisation under the effective interest method (interest expense) and gains or losses on de-recognition or debt modification are recognised as profit or loss in the consolidated statement of income within Finance costs, net.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments which are:

- Readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value; or
- With original maturities of three months or less.

Impairment of financial assets

Cash and cash equivalents and non-current receivables that are determined to have a low credit risk at the reporting date and for which credit risk has not increased significantly since initial recognition, are measured based on 12-month expected credit loss (ECL).

Lifetime ECLs are recognised in respect of current receivables.

The expected credit losses on these financial assets are estimated at each reporting date 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.

Fair value

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.

3.12. Inventories

Refined gold, ore stockpiles and gold-in-process

Stockpiles are valued at a lower of the average production costs per unit of ore mined and net realisable value. Gold-in-process, refined gold and gold in flotation concentrate are valued at a lower of the average production costs per recoverable gold and net realisable value. Costs are assigned to individual items of inventory on a weighted average cost basis.

Materials and supplies

Materials and supplies consist of consumable materials and are stated at the lower of cost or net realisable value. Costs of materials and supplies are determined on a weighted average cost basis.

Antimony in gold-antimony flotation concentrate

The group produces a gold-antimony flotation concentrate. Antimony contained in the gold-antimony flotation concentrate is treated as a by-product of the gold production and is valued at its net realisable value.

3.13. Deferred expenditure

Deferred expenditure relates to the preparation for the seasonal alluvial mining activities comprised of excavation costs, general production and specific administration costs.

3.14. Government grants

Government grants are not recognised until there is reasonable assurance that the grants will be received and the group will comply with the conditions attached to them.

Government grants whose primary condition is that the group should purchase, construct or otherwise acquire property, plant and equipment are recognised as deferred revenue in the consolidated statement of financial position and amortised to profit or loss on a systematic and rational basis over the useful lives of property, plant and equipment to which it relates. Amortisation of deferred revenue starts at the moment when items of property, plant and equipment are put into operation and is presented as a deduction of depreciation and amortisation charge in the statement of profit or loss.

3.15. Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date and subsequently expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the consolidated financial statements in accordance with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

4.1. Critical judgements in applying accounting policies

The following critical judgements have been applied when selecting the appropriate accounting policies:

4.1.1. Determination of functional currency

The functional currency of each of the group's consolidated entities is the currency of the primary economic environment in which the entity operates. In accordance with IAS 21 the group has analysed several factors that influence the choice of functional currency and, based on this analysis, has determined that the functional currency for each consolidated entity of the group is the Russian rouble.

4.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Mine operating plans;
- Recoverability of the exploration and evaluation assets;
- Impairment of long-lived assets;
- Derivative financial instruments valuation; and
- Interpretation of tax legislation and recoverability of deferred tax assets.

4.2.1. Mine operating plans

The group estimates ore, stripping volumes and grades for MOPs based on the data that accounts for Joint Ore Reserves Committee Code (JORC) principles, where applicable, and considering national regulations. The MOPs are prepared based on geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity prices and exchange rates. This process requires complex and difficult geological judgements and calculations to interpret the data. The MOPs are usually updated annually to account for the newly obtained information including, but not limited to, recourse definition drilling.

MOPs are the best estimates of the group about the expected volume and timing of extraction and processing of the reserves and resources from the group's mines. MOPs are used for the planning and actual extraction of ore from the mines and affect the following amounts in the financial statements:

- Depreciation and amortisation expense, when an asset is amortised based on the units-of-production or straight-line basis (if life-of-mine is shorter than the useful economic life of the asset);
- Allocation of overburden removal (stripping) costs either to stripping activity asset or the cost of inventory, depending on proportion of ore and waste as per MOPs and actual performance in the reporting period;
- Asset retirement obligations due to expectations about the timing or cost of these activities; and
- Carrying value of deferred tax assets which depends on ability of the group to realise the related tax benefits and is impacted by the expected results of mine operation and their timing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

4.2.2. Recoverability of exploration and evaluation assets

Management's judgement is involved in the determination of whether the expenditures which are capitalised as exploration and evaluation assets may be recouped by future exploitation or sale or should be impaired. Determining this, management estimates the possibility of finding recoverable ore reserves related to a particular area of interest. However, these estimates are subject to significant uncertainties. The group is involved in exploration and evaluation activities and some of its licensed properties contain gold resources. Management assumes that all licences will be renewed. Many of the factors, assumptions and variables involved in estimating resources are beyond the group's control and may prove to be incorrect over time. Subsequent changes in gold resources estimates could impact the carrying value of exploration and evaluation assets.

4.2.3. Impairment of long-lived assets

The group reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment indicators, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate cash-generating units and also in estimating the timing and value of underlying cash flows within the value-in-use calculation. The value-in-use calculations for operating mines are based on the best available reserve estimates at the time of the analysis such as JORC.

Factors which could impact the underlying cash flows include:

- Commodity prices and exchange rates;
- Timelines of granting of licences and permits;
- Capital and operating expenditure; and
- Available reserves and resources and future production profile.

Subsequent changes to the cash-generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

4.2.4. Derivative financial instruments valuation

Derivative instruments are carried at fair value and the group evaluates the quality and reliability of the assumptions and data used to measure fair value. Fair values of Derivative financial instruments are determined using valuation models based on inputs which are observable in the market (Level 2). The models incorporate various inputs including the credit quality of the group and counterparties. Changes in inputs are not controllable by the group and may change in future.

4.2.5. Interpretation of tax legislation and recoverability of deferred tax assets

The group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the group's provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences may impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgements based on expected performance. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward and tax planning strategies. If actual results differ from the estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. See Note 10 for further details.

5. SEGMENT INFORMATION

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

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

Business units	Gold sales	Ounces of gold sold in thousands[1]	Adjusted EBITDA	TCC[1]	TCC per ounce (US dollar)[1]	Capital expenditure
For the year ended 31 December 2019						
Olimpiada	**1,906**	**1,416**	**1,381**	**415**	**293**	**165**
Blagodatnoye	**602**	**430**	**415**	**170**	**398**	**37**
Natalka	**571**	**405**	**361**	**160**	**396**	**155**
Verninskoye	**357**	**256**	**237**	**93**	**363**	**57**
Kuranakh	**317**	**225**	**174**	**117**	**523**	**39**
Alluvials	**212**	**146**	**74**	**119**	**821**	**21**
Exploration	**–**	**–**	**–**	**–**	**–**	**12**
Capital construction	**–**	**–**	**(5)**	**–**	**–**	**23**
Sukhoi Log	**–**	**–**	**–**	**–**	**–**	**28**
Unallocated	**–**	**–**	**43**	**(24)**	**–**	**93**
Total	**3,965**	**2,878**	**2,680**	**1,050**	**365**	**630**
For the year ended 31 December 2018						
Olimpiada	1,561	1,289	1,135	344	267	182
Blagodatnoye	533	420	356	151	360	71
Natalka	65	54	11	40	747	228
Verninskoye	284	224	180	82	369	45
Kuranakh	252	199	133	102	511	57
Alluvials	181	147	52	110	746	24
Exploration	–	–	–	–	–	7
Capital construction	–	–	(5)	–	–	16
Sukhoi Log	–	–	–	–	–	23
Unallocated	–	–	3	(16)	–	83
Total	**2,876**	**2,333**	**1,865**	**813**	**348**	**736**

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

	Year ended 31 December	
	2019	2018
Profit for the year	**1,944**	**474**
Finance costs, net (Note 8)	**254**	201
Interest income	**(48)**	(26)
Income tax expense	**433**	77
Depreciation and amortisation	**367**	236
Foreign exchange (gain)/loss, net	**(273)**	517
(Gain)/loss on revaluation of derivative financial instruments, net (Note 9)	**(93)**	281
Equity-settled share-based plans (LTIP) (Note 18)	**40**	24
Special charitable contributions	**43**	27
Property, plant and equipment impairment	**9**	54
Loss on disposal of property, plant and equipment	**4**	–
Adjusted EBITDA	**2,680**	**1,865**

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

	Year ended 31 December	
	2019	2018
Cost of gold sales before by-product	**1,435**	1,083
Antimony by-product sales	**(30)**	**(48)**
Cost of gold sales	**1,405**	**1,035**
Adjusted for:		
Depreciation and amortisation (Note 12)	**(349)**	**(295)**
Effect of depreciation, amortisation, accrual and provisions in inventory change	**(6)**	73
TCC[1]	**1,050**	**813**
Ounces of gold sold, in thousands[1]	**2,878**	2,333
TCC per ounce of gold sold, US dollar per ounce[1]	**365**	**348**

[1] Unaudited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

Gold sales

	Year ended 31 December	
	2019	2018
Refined gold	**3,575**	2,678
Gold in flotation concentrate	**390**	194
Realised gains on derivatives	**–**	4
Total	**3,965**	**2,876**

Gold sales reported above represent revenue generated from external customers. There were no inter-segment gold sales during the years ended 31 December 2019 and 2018.

Reconciliation of capital expenditure to the property plant and equipment additions (Note 12) is presented below:

	Year ended 31 December	
	2019	2018
Capital expenditure	**630**	**736**
Construction of the Omchak high-voltage power grid	**26**	36
Stripping activity assets additions (Note 12)	**243**	220
Right-of-use assets additions (Note 2.4)	**13**	–
Less: intangible and other non-current assets additions	**(51)**	(50)
Property plant and equipment additions (Note 12)	**861**	**942**

6. COST OF GOLD SALES

	Year ended 31 December	
	2019	2018
Depreciation and amortisation	**349**	295
Employee compensation	**337**	285
Consumables and spares	**325**	254
Tax on mining	**192**	161
Fuel	**129**	98
Power	**59**	42
Other	**93**	39
Total cost of production	**1,484**	**1,174**
Increase in stockpiles, gold-in-process and refined gold inventories	**(79)**	(139)
Total	**1,405**	**1,035**

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2019	2018
Employee compensation	**188**	148
Distribution expenses related to gold flotation concentrate	**25**	20
Depreciation and amortisation	**21**	11
Taxes other than mining and income taxes	**20**	18
Professional services	**12**	10
Other	**29**	29
Total	**295**	**236**

8. FINANCE COSTS, NET

	Year ended 31 December	
	2019	2018
Interest on borrowings	**294**	267
Gain on exchange of interest payments under cross-currency swaps	**(42)**	(34)
Gain on exchange of interest payments under interest rate swaps	**(2)**	(2)
Interest on lease liabilities	**5**	–
Gain on an early redemption of financial liabilities	**–**	(5)
Unwinding of discounts	**13**	15
Gain on debt modification	**(17)**	–
Bank commission and write-off of unamortised debt cost due to early extinguishment	**3**	13
Sub-total finance cost, net	**254**	**254**
Interest included in the cost of qualifying assets	**–**	(53)
Total	**254**	**201**

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

	Year ended 31 December	
	2019	2018
Revaluation gain/(loss) on cross-currency swaps	**169**	(326)
Revaluation (loss)/gain on revenue stabiliser	**(10)**	31
Revaluation loss on interest rate swaps	**(8)**	(1)
Revaluation (loss)/gain on conversion option (Note 14)	**(58)**	15
Total	**93**	**(281)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
Current tax expense	**360**	127
Deferred tax expense/(income)	**73**	(50)
Total income tax expense	**433**	**77**

The corporate income tax rate in the Russian Federation is 20% (17% regional and 3% federal).

Taxpayers in Russia have a right to apply reduced rates on tax on mining and income tax if they implement a regional investment programme in certain regions and meeting certain criteria (thereafter ‘RInvP’).

The Tax Code provides for a right of each specified region of the Russian Federation to reduce the regional component of the income tax rate to as low as 0%.

JSC Polyus Verninskoye RInvP (Verninskoye business unit)
JSC Polyus Verninskoye, a 100% subsidiary of JSC Polyus Krasnoyarsk operating in the Irkutsk region of the Russian Federation, applies the following RInvP rates:

- Tax on mining: 0% for 2017-2018 increasing by 1.2% every two years thereafter to 6% by 2027. Amount of tax savings should not exceed the amount of investments in RInvP;
- Corporate income tax: 17% for 2017-2024; 18% for 2025-2026; and the standard 20% rate thereafter.

JSC Polyus Magadan RInvP (Natalka business unit)
JSC Polyus Magadan, a 100% subsidiary of JSC Polyus Krasnoyarsk operating in the Magadan region of the Russian Federation, applies the following RInvP rates:

- Tax on mining: 0% for 2018-2020 increasing by 1.2% every two years thereafter to 6% by 2029. Amount of tax savings should not exceed the amount of investments in RInvP;
- Corporate income tax: 0% for 2019-2023; 10% for 2024-2028; and the standard 20% rate thereafter.

A reconciliation of Russian Federation statutory income tax, the location of the group’s major production entities and operations, to the income tax expense recorded in the consolidated statement of profit or loss is as follows:

	Year ended 31 December	
	2019	2018
Profit before income tax	**2,377**	551
Income tax at statutory rate applicable to principal entities (20%)	**475**	**110**
Effect of the RinvP due to different tax rates (JSC Polyus Magadan and JSC Polyus Verninskoye)	**(48)**	(4)
Unrecognised deductible temporary differences on revaluation of derivative financial instruments	**(10)**	53
Tax effect of non-deductible expenses and other permanent differences	**16**	6
Effect of the revision of income tax rate (JSC Polyus Magadan)	**–**	(88)
Income tax expense	**433**	**77**

11. INTANGIBLE ASSETS

	Software	Other	Total
Cost	32	17	**49**
Accumulated amortisation and impairment	(2)	(1)	**(3)**
Net book value at 31 December 2017	**30**	**16**	**46**
Additions	40	6	**46**
Amortisation charge	(7)	(1)	**(8)**
Effect of translation to presentation currency	(8)	(3)	**(11)**
Cost	63	19	**82**
Accumulated amortisation and impairment	(8)	(1)	**(9)**
Net book value at 31 December 2018	**55**	**18**	**73**
Additions	42	9	**51**
Disposals	–	(1)	**(1)**
Amortisation charge	(9)	(2)	**(11)**
Effect of translation to presentation currency	8	3	**11**
Cost	113	28	**141**
Accumulated amortisation and impairment	(17)	(1)	**(18)**
Net book value at 31 December 2019	**96**	**27**	**123**

Software includes purchased licences, directly attributable development costs incurred by dedicated internal project teams and external service providers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

12. PROPERTY, PLANT AND EQUIPMENT

	Fixed assets	Mine under development	Stripping activity assets	Capital construction in progress	Exploration and evaluation assets	Total
Cost	2,014	1,876	522	335	592	**5,339**
Accumulated depreciation and impairment	(1,120)	(13)	(158)	(11)	(32)	**(1,334)**
Net book value at 31 December 2017	**894**	**1,863**	**364**	**324**	**560**	**4,005**
Additions	–	190	220	488	44	**942**
Transfers	460	–	–	(460)	–	**–**
Change in site restoration, decommissioning and environmental obligations	3	–	–	–	–	**3**
Disposals	(2)	–	–	(2)	–	**(4)**
Natalka mine commissioning	1,484	(1,779)	–	294	1	**–**
Reclassification to inventory	–	(74)	–	–	–	**(74)**
Depreciation charge	(241)	–	(123)	–	–	**(364)**
Impairment	–	(49)	–	(4)	(1)	**(54)**
Effect of translation to presentation currency	(323)	(151)	(72)	(89)	(99)	**(734)**
Cost	3,467	–	611	600	532	**5,210**
Accumulated depreciation and impairment	(1,192)	–	(222)	(49)	(27)	**(1,490)**
Net book value at 31 December 2018 before transition to IFRS 16	**2,275**	**–**	**389**	**551**	**505**	**3,720**
Recognition of right–of–use assets at the transition date according to IFRS 16 (Note 2.4)	64	–	–	–	–	**64**
Net book value at 1 January 2019 after transition to IFRS 16	**2,339**	**–**	**389**	**551**	**505**	**3,784**
Additions	13	–	243	541	64	**861**
Transfers	516	–	–	(494)	(22)	**–**
Change in site restoration, decommissioning and environmental obligations	16	–	–	–	–	**16**
Disposals	(5)	–	–	(5)	–	**(10)**
Depreciation charge	(371)	–	(71)	–	–	**(442)**
Impairment	–	–	–	(9)	–	**(9)**
Effect of translation to presentation currency	290	–	56	70	64	**480**
Cost	4,484	–	918	717	641	**6,760**
Accumulated depreciation and impairment	(1,686)	–	(301)	(63)	(30)	**(2,080)**
Net book value at 31 December 2019	**2,798**	**–**	**617**	**654**	**611**	**4,680**

Mineral rights

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

	Year ended 31 December	
	2019	2018
Mineral rights presented within:		
- fixed assets	**72**	67
- exploration and evaluation assets	**413**	370
Total	**485**	**437**

Exploration and evaluation assets

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

	Year ended 31 December	
	2019	2018
Sukhoi Log	**452**	377
Chertovo Koryto	**34**	26
Razdolinskoye	**30**	24
Olimpiada	**23**	12
Panimba	**19**	16
Bamsky	**18**	15
Burgakhchan area	**14**	9
Blagodatnoye	**9**	7
Natalka	**8**	7
Smezhny and Medvezhy Zapadny	**–**	11
Other	**4**	1
Total	**611**	**505**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

Depreciation and amortisation charges are allocated as follows:

	Year ended 31 December	
	2019	2018
Cost of gold sales	**340**	221
Depreciation in change in inventory	**9**	74
Depreciation and amortisation within cost of production (Note 6)	**349**	**295**
Capitalised within property, plant and equipment	**79**	68
Selling, general and administrative expenses (Note 7)	**21**	11
Cost of other sales	**6**	4
Total depreciation and amortisation	**455**	**378**
Less: amortisation of intangible and other non-current assets	**(13)**	(14)
Total depreciation of property, plant and equipment	**442**	**364**

13. INVENTORIES

	Year ended 31 December	
	2019	2018
Stockpiles	**416**	265
Gold-in-process	**15**	12
Inventories expected to be used after 12 months	**431**	**277**
Stockpiles	**119**	112
Gold-in-process	**82**	85
Antimony in gold-antimony flotation concentrate	**11**	15
Refined gold and gold in flotation concentrate	**4**	13
Materials and supplies	**474**	348
Less: obsolescence provision for materials and supplies	**(31)**	(16)
Inventories expected to be used in the next 12 months	**659**	**557**
Total	**1,090**	**834**

14. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2019			31 December 2018		
	Non-Current	Current	Total	Non-Current	Current	Total
Cross currency swaps	**98**	**–**	**98**	1	1	2
Interest rate swaps	**–**	**1**	**1**	5	–	5
Total derivative financial assets	**98**	**1**	**99**	**6**	**1**	**7**
Cross currency swaps	**62**	**–**	**62**	96	500	596
Revenue stabiliser	**–**	**7**	**7**	16	10	26
Conversion option on convertible bonds	**63**	**–**	**63**	4	–	4
Interest rate swaps	**5**	**–**	**5**	2	–	2
Total derivative financial liabilities	**130**	**7**	**137**	**118**	**510**	**628**

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.

During the year ended 31 December 2019 the group restructured some of its revenue stabiliser agreements, effectively resulting in a partial close out, and an increase in strikes and 'knock-in' barriers for certain call options expiring in 2020. The premium paid amounted to approximately $30 million.

As of 31 December 2019, the remaining revenue stabiliser options have the following summarised terms:

	Put options with barriers (1 January – 31 March 2020)	Call options without barriers (1 January – 31 December 2020)	Call options with barriers (1 January – 31 December 2020)
Volume, thousand ounces	75	175	105
Average strike, US dollar per ounce	1,000	1,617	1,531
Average knock-out barrier, US dollar per ounce	950	–	–
Average knock-in barrier, US dollar per ounce	–	–	1,731

The revenue stabiliser options are exercised quarterly and accounted at fair value through profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

Cross-currency swaps

In April 2019, on expiration of cross-currency swaps the group exchanged principal amounts paying $1,023 million and receiving 35,999 million Russian roubles.

During 2019, the group amended previous cross-currency contracts and entered into new cross-currency swap agreements with leading Russian banks to economically hedge interest payments and principal amounts nominated in Russian roubles. The following terms were in place as of 31 December 2019:

	Nominal		Interest payments		
Expiration date	Group pays ($ million)	Group receives (million Russian roubles)	Frequency	Group pays (in $)	Group receives (in Russian roubles)
July 2021	173	10,000	semi-annually	LIBOR + 4.45%	12.1%
July 2021	82	5,300	semi-annually	5.9%	12.1%
March 2024	125	8,225	quarterly	5.09%	MosPrime 3m + 0.2%
March 2024	125	8,169	quarterly	4.99%	9.35%
April 2024	965	64,801	quarterly	5.00%	MosPrime 3m – 0.45%
October 2024	310	20,000	semi-annually	3.23%	7.4%

Interest rate swaps

During 2019, the group entered into new interest rate swap agreements with leading Russian banks to economically hedge interest payments. The following terms were in place as of 31 December 2019:

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

Conversion option on convertible bonds

In January 2018, the group issued $250 million of convertible bonds due in January 2021 that have a fixed coupon of 1.0% per annum payable on a semi-annual basis in arrears.

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 $50 million.

The bonds could be converted by the bondholders into the group's GDSs listed on the London Stock Exchange at a conversion price of $50.0427 per GDS, but subject to standard adjustments for the issue by the group of dilutive equity instruments and payment of dividends, starting from 8 March 2018 and until 7 days before maturity. Upon request for conversion, the group has a right to settle in cash. The group will have an option to redeem all of the bonds in issue at any time after 16 February 2020 at their principal amount together with accrued interest, if the value of the GDSs deliverable on conversion exceeds 130% of the principal amount of the bonds.

15. TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2019	2018
Trade receivables for gold-bearing products at FVTPL (Level 2)	**140**	57
Other receivables	**67**	46
Less: allowance for other receivables	**(10)**	(9)
Total	**197**	**94**

16. TAXES RECEIVABLE

	Year ended 31 December	
	2019	2018
Reimbursable value added tax	**107**	90
Income tax prepaid	**13**	74
Other prepaid taxes	**4**	2
Total	**124**	**166**

17. CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2019	2018
Bank deposits denominated in US dollars	**1,467**	661
Bank deposits denominated in Russian roubles	**97**	54
Current US dollar bank accounts	**192**	101
Current Russian rouble bank accounts	**18**	33
Cash in the Federal Treasury	**27**	45
Other cash equivalents	**–**	2
Total	**1,801**	**896**

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 Russian roubles and US dollars and accrue interest at the following rates:

Interest rates:		
- Bank deposits denominated in US dollars	0.7-4.3%	0.6-4.4%
- Bank deposits denominated in Russian roubles	3.4-6.1%	5.5-7.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

18. SHARE CAPITAL

In December 2019, the company issued 700 thousand of the company's ordinary shares at par value of one Russian rouble each. The shares were acquired in form of closed subscription by a 100% subsidiary JSC Polyus Krasnoyarsk. Accordingly, authorised share capital of the company as of 31 December 2019 comprised 134,261 thousand issued and fully paid ordinary shares at par value of one Russian rouble, of which 1,065 thousand were included within treasury shares.

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

PJSC Polyus grants long-term incentive awards according to which the members of the group's senior management are entitled to a conditional award in the form of PJSC Polyus' ordinary shares which vest upon achievement of financial and non-financial performance targets on expiry of performance periods. Expenses arising from the LTIP are recognised in the consolidated statement of profit or loss within Employee compensation included within Selling, general and administrative expenses. Related amounts are disclosed in Note 5.

Dividends

On 6 May 2019, the shareholders of the company declared dividends of 143.62 Russian roubles per share in the total amount of $296 million for the second half of 2018 financial year.

On 30 September 2019, the shareholders of the company declared dividends of 162.98 Russian roubles per share in the total amount of $337 million for the first half of 2019 financial year. Thus the total amount of dividends declared during the year ended 31 December 2019 was $633 million.

Weighted average number of ordinary shares

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share ('EPS') is as follows (in thousands of shares):

	Year ended 31 December	
	2019	2018
Ordinary shares in issue at the beginning of the year	**132,339**	**131,924**
Shares awarded for LTIP	**487**	415
Purchase of additional ownership in SL Gold (payable in treasury shares)	**370**	–
Ordinary shares in issue at the end of the year	**133,196**	**132,339**
Weighted average number of ordinary shares – basic EPS	**133,017**	**132,251**
Convertible bonds (Note 14)[1]	**–**	2,134
LTIP	**300**	360
Weighted average number of ordinary shares – dilutive EPS	**133,317**	**134,745**
Profit after tax attributable to the shareholders of the company (million US dollars)	**1,931**	456
Effect of potential dilution (million US dollars)	**–**	(11)
Profit after tax attributable to the shareholders of the company for diluted EPS calculation (million US dollars)	**1,931**	**445**

[1] During the year ended 31 December 2019 convertible bonds caused an antidilutive effect and were excluded from the calculation of the dilutive earnings per share.

19. BORROWINGS

		Year ended 31 December	
	Nominal rate %	2019	2018
Eurobonds with fixed interest rate due in 2020	5.625%	**677**	675
Eurobonds with fixed interest rate due in 2022	4.699%	**480**	479
Eurobonds with fixed interest rate due in 2023	5.250%	**784**	782
Eurobonds with fixed interest rate due in 2024	4.7%	**467**	468
Convertible bonds with fixed interest rate due in 2021	1%	**194**	186
Notes due in 2029 (Rusbonds) with noteholders' early repayment option in 2024	7.4%	**322**	–
Notes due in 2025 (Rusbonds) with noteholders' early repayment option in 2021	12.1%	**244**	218
Credit facilities with financial institutions nominated in US dollars with fixed interest rates	3.5%-5.0%	**331**	620
Credit facilities with financial institutions nominated in Russian roubles with fixed interest rates	9.35%	**131**	481
Credit facilities with financial institutions nominated in RUR with variable interest rates	Central bank rate + 2.3% MosPrime + 0.2% / - 0.45%	**1,228**	63
Credit facilities with financial institutions nominated in US dollars with variable interest rates	USD LIBOR + 1.65%	**148**	–
Lease liabilities nominated in US dollars and Russian roubles	5.15%	**80**	10
Sub-total		**5,086**	**3,982**
Less: current portion of long-term borrowings due within 12 months		**(704)**	(7)
Long-term borrowings		**4,382**	**3,975**

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.

Notes due in 2029 (Rusbonds) with noteholders' early repayment option in 2024

In October 2019, the group issued Russian rouble bonds due 2029 with a put option in 2024 at a coupon rate of 7.4% per annum and with the nominal value of 20,000 million Russian roubles. Following the placement the group entered into cross-currency swaps with banks to convert 20,000 million Russian rouble bonds into US dollar liability at a fixed rate 3.23% per annum (Note 14).

Credit facilities with financial institutions nominated in US dollars with fixed interest rates

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

In April 2019, the group repaid in advance of maturity $250 million of credit facilities nominated in US dollars with fixed interest rates.

In October 2019, the group repaid in advance of maturity $150 million of credit facility nominated in US dollars with fixed interest rates.

In October and November 2019, the group refinanced part of its credit facilities with financial institutions nominated in US dollars with fixed interest which was treated as non-substantial debt modification and resulted in $7 million gain reflected in line Gain on debt modification within Finance costs, net (Note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

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

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

In April 2019, the group drew down an additional 31 billion Russian roubles under the existing credit facility agreement with the fixed rate to finance the liabilities under the cross-currency swaps (Note 14).

In April - May 2019 the group refinanced 64.8 billion Russian roubles with a new credit facility due in 2024 with a floating interest rate of MosPrime 3m – 0.45%. This was treated as a non-substantial debt modification and resulted in $10 million gain reflected in line Gain on debt modification within Finance costs, net (Note 8).

Credit facilities with financial institutions nominated in Russian roubles with variable interest rates

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

Credit facilities with financial institutions nominated in US dollars with variable interest rates

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

Unused credit facilities

As of 31 December 2019, the group had unused credit facilities in the total amount of $1,433 million and an unused facility to borrow certain number of unpledged company's shares from PGIL.

Pledge

As of 31 December 2019 and 2018, all shares of JSC TaigaEnergoStroy belonging to the group were pledged to secure a credit line. Additionally, the group pledged proceeds from certain gold sales agreements as a security for the Pre-Export Finance facility.

Other matters

There were a number of financial covenants under several loan agreements in effect as of 31 December 2019 according to which the respective subsidiaries of the company and the company itself are limited in its level of leverage and other financial and non-financial parameters.

The group tests covenants quarterly and was in compliance with the covenants as of 31 December 2019.

Reconciliation of liabilities arising from financing activities

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Borrowings	Lease	Total	Borrowings	Lease	Total
Carrying value as of the beginning of the year	**3,972**	**10**	**3,982**	**4,268**	**13**	**4,281**
Cash flows	**895**	**(15)**	**880**	(135)	(3)	(138)
Non–cash changes including:						
Recognition of lease liabilities (Note 2.4.)	**–**	**76**	**76**	–	–	–
Foreign exchange (gain)/loss, net	**(388)**	**(6)**	**(394)**	594	2	596
Debt modification	**(17)**	**–**	**(17)**	–	–	–
Commissions on borrowings and amortisation at effective interest rate	**9**	**5**	**14**	21	–	21
Effect of currency translation	**535**	**10**	**545**	(754)	(2)	(756)
Other	**–**	**–**	**–**	(22)	–	(22)
Carrying value as of the end of the year	**5,006**	**80**	**5,086**	**3,972**	**10**	**3,982**

20. DEFERRED REVENUE

As of 31 December 2019, JSC Polyus Magadan, was a party to an agreement with the Ministry for the Development of the Russian Far East ('Minvostokrazvitiya') under which Minvostokrazvitiya was to provide to JSC Polyus Magadan a government grant in the total amount 8,797 million Russian roubles ($137 million, including VAT).

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

	Year ended 31 December	
	2019	2018
Carrying value as of the beginning of the year	**117**	**132**
Received cash	**3**	13
VAT attributable to construction of the Omchak high-voltage power grid	**(8)**	(5)
Effect of translation to presentation currency	**14**	(23)
Carrying value as of the end of the year	**126**	**117**

21. DEFERRED CONSIDERATION

As of 31 December 2019, the group was a party to the following options agreements to increase its ownership in LLC SL Gold to 100% by 2022 with a right to accelerate:

	First set of options (payable in cash)		Second set of options (payable in Polyus shares)	
	Participation interest	Approximate amount	Participation interest	Approximate amount
To be exercised up to February 2020	4.8%	28	5.0%	29
To be exercised up to February 2021	4.8%	28	5.0%	29
To be exercised up to February 2022	5.9%	34	6.3%	37
Total	**15.5%**	**90**	**16.3%**	**95**

In March 2019 the group exercised the next tranche of options in LLC SL Gold and increased its participation interest from 58.4% to 68.2%. The group paid approximately $28 million for a 4.8% participation interest and transferred 370 thousand PJSC Polyus treasury shares (Note 18) totalling $29 million for a 5% participation interest in LLC SL Gold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

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

	Year ended 31 December	
	2019	2018
Carrying value as of the beginning of the year	**225**	**216**
Settled in shares	**(29)**	–
Settled in cash	**(28)**	–
Unwinding of interest on deferred consideration	**8**	9
Foreign exchange (gain)/loss, net	**(24)**	41
Effect of translation to presentation currency	**24**	(41)
Total carrying value as of the end of the year	**176**	**225**
Less: short-term part of the option liabilities	**(57)**	(57)
Long-term part of the option liabilities as of the end of the year	**119**	**168**

22. TRADE AND OTHER PAYABLES

	31 December	
	2019	2018
Employee compensation payable	**95**	78
Interest payable	**77**	66
Trade payables	**49**	52
Accrued annual leave	**27**	21
Dividends payable	**2**	2
Other accounts payable and accrued expenses	**105**	70
Total	**355**	**289**

23. DEFERRED TAX ASSETS AND LIABILITIES

The movement in the group's deferred taxation position was as follows (tax assets are presented as negative amounts, tax liabilities – as positive):

	Year ended 31 December	
	2019	2018
Net deferred tax liability at the beginning of the year	**87**	**157**
Recognised in the consolidated statement of profit or loss	**73**	(50)
Recognised in equity	**–**	1
Effect of translation to presentation currency	**14**	(21)
Net deferred tax liability at the end of the year	**174**	**87**

Deferred taxation is attributable to tax losses carried forward and the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes and was as follows:

	31 December 2019	Recognised in profit or loss	Effect of translation to presentation currency	31 December 2018
Property, plant and equipment	**384**	74	38	272
Inventory	**90**	13	9	68
Borrowings	**(5)**	(11)	–	6
Deferred expenditure	**3**	1	–	2
Tax losses carried forward	**(294)**	(13)	(31)	(250)
Trade and other payables	**(36)**	(15)	(3)	(18)
Intangible assets	**14**	5	1	8
Derivatives	**18**	17	1	–
Other	**–**	2	(1)	(1)
Net deferred tax liability	**174**	**73**	**14**	**87**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) as they are presented in the consolidated statement of financial position:

	31 December	
	2019	2018
Deferred tax assets	(134)	(120)
Deferred tax liabilities	308	207
Net deferred tax liability	**174**	**87**

Unrecognised deferred tax asset

	31 December	
	2019	2018
Unrecognised deferred tax assets resulting from losses on derivative financial instruments	**141**	156
Unrecognised deferred tax assets resulted from impairments	**6**	5
Unrecognised deferred tax assets in respect of tax losses carried forward available for offset against future taxable profit	**8**	8
Total	**155**	**169**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

Unrecognised deferred tax liability

	31 December	
	2019	2018
Taxable temporary difference associated with investments in subsidiaries	178	148

Deferred tax liability for the taxable temporary difference associated with investments in subsidiaries is not recognised because the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The group does not recognise deferred tax assets for some of its tax losses if it is more likely than not that the future taxable profits will not be available to offset them in certain group entities.

24. TAXES PAYABLE

	31 December	
	2019	2018
Income tax payable	**49**	4
Value added tax	**21**	12
Social taxes	**20**	14
Tax on mining	**18**	12
Property tax	**5**	5
Other taxes	**17**	9
Total	**130**	**56**

25. RELATED PARTIES

The group, in the ordinary course of business, has entered into property lease agreement which is accounted for in accordance with IFRS 16 with an entity that was subsequently acquired by members of key management. Accordingly, the balances and transactions recognised during the period are presented within Note 2.4. There were no other transactions with related parties throughout 2019.

Key management personnel

	Year ended 31 December	
	2019	2018
Short-term compensation to key management personnel accrued	**23**	19
Equity-settled share-based compensation (LTIP)	**37**	25
Total	**60**	**44**

26. COMMITMENTS

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

The land in the Russian Federation on which the group's production facilities are located is owned by the state. The group leases this land through operating lease agreements, which expire in various years through to 2065. Future lease payments due under non-cancellable operating lease agreements excluded from IFRS 16 scope (Note 2.4) were as follows:

	31 December	
	2019	2018
Due within one year	**7**	11
From one to five years	**24**	39
Thereafter	**54**	80
Total	**85**	**130**

Capital commitments

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

	31 December	
	2019	2018
Project Natalka	**65**	44
Projects in Krasnoyarsk	**49**	78
Project Omchak high-voltage power grid	**12**	15
Other capital commitments	**3**	10
Total	**129**	**147**

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of revenue stabiliser agreements is determined using a Monte Carlo simulation model. Input data used in the valuation model (spot gold prices and gold price volatility) corresponds to Level 2 of the fair value hierarchy in accordance with IFRS 13.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

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

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Eurobonds (Level 1)	**2,408**	**2,535**	2,404	2,368
Borrowings (Level 2)	**1,918**	**1,903**	1,174	1,151
Rusbonds (Level 1)	**322**	**592**	218	232
Convertible bonds (Level 2)	**194**	**258**	186	188
Total	**4,842**	**5,288**	**3,982**	**3,939**

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

The fair value of deferred consideration on the date of initial recognition is based on inputs (spot currency exchange rates and discount rates), which are observable in the market and are classified as Level 2 of the fair value hierarchy in accordance with IFRS 13. As of 31 December 2019, the fair value of the deferred consideration approximately equals $180 million (2018: $222 million).

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT ACTIVITIES

Capital risk management

The primary objective of managing the group's capital is to ensure that there is sufficient capital available to support the funding requirements of the group, including capital expenditure, in a way that optimises the cost of capital, maximises shareholders' returns and ensures that the group remains in a sound financial position.

The group manages and makes adjustments to the capital structure as opportunities arise in the marketplace, as and when borrowings mature, or as and when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof. The level of dividends is monitored by the Board of Directors in accordance with the dividend policy of the group.

In the capital management process the group utilises various financial metrics including the ratio of group Net Indebtedness to Adjusted EBITDA ('group Leverage Ratio'). The group takes into account that group Leverage Ratio should not exceed 3.5 times as per the Terms and Conditions of the Notes (Eurobonds).

'Group Net Indebtedness' is defined in the Terms and Conditions of the Notes (Eurobonds) as all consolidated indebtedness less cash and cash equivalents, as shown on the Consolidated Financial Statements of the group. Indebtedness is defined as the sum of any monies borrowed, any principal amount raised by acceptance under any acceptance credit facility, any principal amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, any principal amount raised under any other transaction having the economic or commercial effect of a borrowing and the amount of any liability in respect of the guarantee or indemnity.

There were no changes in the group's approach to capital management during the year.

Major categories of financial instruments

The group's principal financial liabilities comprise borrowings, derivative financial instruments, deferred consideration and account payables. The main purpose of these financial instruments is to finance the group's operations. The group has various financial assets such as cash and cash equivalents, trade and other receivables, derivative financial instruments and loans receivable.

	31 December	
	2019	2018
Financial assets measured at fair value through profit or loss (FVPL)		
Derivative financial instruments (Level 2)	**99**	7
Trade receivables (Level 2)	**140**	57
Financial assets measured at measured at amortised cost		
Trade and other receivables	**87**	97
Cash and cash equivalents	**1,801**	896
Total financial assets	**2,127**	**1,057**
Financial liabilities measured at fair value through profit or loss (FVPL)		
Derivative financial instruments (Level 2)	**137**	628
Financial liabilities measured at measured at amortised cost		
Borrowings	**5,086**	3,982
Accounts payable	**345**	283
Deferred consideration	**176**	225
Total financial liabilities	**5,744**	**5,118**

The fair value of the group's financial instruments and levels of fair value hierarchy are disclosed in Note 27. The main risks arising from the group's financial instruments are the gold price, interest rates, foreign currency exchange rates, credit and liquidity risks.

Gold price risk

The group is exposed to changes in the gold price due to its significant volatility. During 2014 and 2016, the group entered into a number of derivative transactions (revenue stabiliser and gold forward agreements) under a Strategic Price Protection Programme to limit its exposure to future possible fluctuations of the gold price (as detailed further in Note 14). Under the terms of the revenue stabiliser the group ensures a minimum selling gold price in the case of declines in the gold price and at the same time may benefit from increases in the gold price until certain barrier prices are reached on the call options, at which point the sale price is capped.

If the gold price has been 10% higher/lower during the year ended 31 December 2019 gold sales for the year would have increased/decreased by $357 million/$355 million, respectively (2018: $264 million/$210 million).

Interest rate risk

Interest expenses on borrowings issued at variable interest rates are in its majority effectively converted into fixed-rate interest payments using cross-currency and interest rate swaps (Note 14); the group is not materially exposed to interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

Foreign currency exchange rate risk

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

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than the functional currencies of the individual group entities were as follows:

	31 December	
	2019	2018
Assets		
US dollars	**1,821**	823
Euro (presented in US dollars at closing exchange rate)	**1**	3
Total	**1,822**	**826**
Liabilities		
US dollars	**3,532**	4,098
Euro (presented in US dollars at closing exchange rate)	**8**	7
Total	**3,540**	**4,105**

Currency risk is monitored regularly by performing a sensitivity analysis of foreign currency positions in order to verify that potential effects are within planned parameters. The table below details the group's sensitivity to changes in exchange rates by 25% which is the sensitivity rate used by the group for internal analysis. The analysis was applied to monetary items at the reporting dates denominated in the respective currencies.

If the US dollar or Euro exchange rate had increased by 25% for the year ended 31 December 2019 and 2018 compared to the Russian rouble as of the end of respective year, the group would have incurred the following losses:

	Year ended 31 December	
	2019	2018
Loss (US dollar exchange rate increased by 25% compared to Russian rouble)	**793**	1,131
Loss (Euro exchange rate increased by 25% compared to Russian rouble)	**2**	1

Credit risk

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

In order to mitigate credit risk, the group conducts its business with creditworthy and reliable counterparties, and minimises advance payments, actively uses guarantees, letters of credit and other instruments for trade finance to decrease risks of non-payment. The group employs a methodology for in-house financial analysis of banks and non-banking counterparties, which is used during new agreements with counterparties.

The group's credit risk profile is regularly monitored by management in order to avoid undesirable increases in risk, to limit concentration of credit and to ensure compliance with the above mentioned policies and procedures. Deposits, current bank accounts and derivative financial instruments are held with major Russian and international banks, with reasonable and appropriate diversification, which decreases concentration risk by spreading the credit risk exposure across several top rated banks.

Although the group sells more than 90% of the total gold sales to several major customers, the group is not economically dependent on these customers because of the high level of liquidity in the gold commodity market. A substantial portion of gold sales are made to banks on advance payment or immediate payment terms, therefore the credit risk related to trade receivables is minimal.

As of 31 December 2019, trade receivables for gold bearing products sales were $140 million (31 December 2018: $57 million).

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

	Year ended 31 December	
	2019	2018
Otkritie Bank	**1,994**	936
VTB Bank	**721**	596
Sovkombank	**511**	355
Sberbank	**204**	672
Gazprom Bank	**144**	119
Other	**391**	198
Total	**3,965**	**2,876**

Liquidity risk

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

For assessing own credit risk, a proxy credit default swaps for the industry is used since Polyus does not have quoted credit default swaps. The group's cash management procedures include medium-term forecasting (a budget approved each financial year and updated on a quarterly basis) and short-term forecasting (monthly cash-flow budgets are established for each business unit and a review of each entity's daily cash position is performed using a two-week rolling basis).

Presented below is the maturity profile of the group's financial liabilities as of 31 December 2019 based on undiscounted contractual cash payments, including interest payments:

	Borrowings			
	Principal	Interest	Accounts payable and deferred consideration	Total
Due in the first year	709	270	373	1,352
Due in the second year	474	248	28	750
Due in the third year	513	206	34	753
Due in the fourth year	1,256	165	–	1,421
Due in the fifth year	2,159	74	–	2,233
Due in the period between sixth to eight years	45	–	–	45
Total	**5,156**	**963**	**435**	**6,554**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

Presented below is the maturity profile of the group's financial liabilities as of 31 December 2018 based on undiscounted contractual payments, including interest payments:

	Borrowings			
	Principal	Interest	Accounts payable and deferred consideration	Total
Due in the first year	8	234	311	553
Due in the second year	696	209	28	933
Due in the third year	434	187	28	649
Due in the fourth year	613	146	35	794
Due in the fifth year	1,312	91	–	1,403
Due in the period between sixth to eight years	956	31	–	987
Total	**4,019**	**898**	**402**	**5,319**

Maturity of the derivative financial instruments and deferred consideration is presented within Notes 14 and 21.

29. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

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

Information about significant subsidiaries of the group

		Effective % held at 31 December[1]	
Subsidiaries	Nature of business	2019	2018
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 of Alluvials business unit	**64**	64
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[2]	Exploration and evaluation of the Sukhoi Log deposit	**68**	58

[1] Effective % held by the company, including holdings by other subsidiaries of the group.

[2] In March 2019 the group increased effective ownership in SL Gold (Note 21) from 58.4% to 68.2% for a cash consideration of $28 million and a transfer of PJSC Polyus shares valued at $29 million.

Summarised financial information of each of the group's subsidiaries that have a material non-controlling interest

	PJSC Lenzoloto 31 December		LLC SL Gold 31 December	
Summarised statements of financial position	2019	2018	2019	2018
Current assets	**258**	216	**101**	39
Non-current assets	**104**	81	**229**	176
Current liabilities	**25**	23	**258**	163
Non-current liabilities	**41**	24	**75**	51
Equity attributable to the shareholders of the subsidiary	**231**	187	**(2)**	–
Non-controlling interests	**65**	63	**(1)**	1
Summarised statements of profit or loss				
Revenue	**216**	186	**–**	–
Profit/(loss) for the year	**23**	40	**(5)**	2
Profit attributable to non-controlling interests	**10**	5	**(2)**	1
Summarised statements of cash flows				
Net cash inflow from operating activities	**46**	27	**–**	–
Net cash outflow from investing activities	**(15)**	(21)	**(26)**	(18)
Net cash (outflow)/inflow from financing activities	**(2)**	(1)	**87**	56
Dividends paid to non-controlling interests	**8**	4	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (IN MILLIONS OF US DOLLARS)

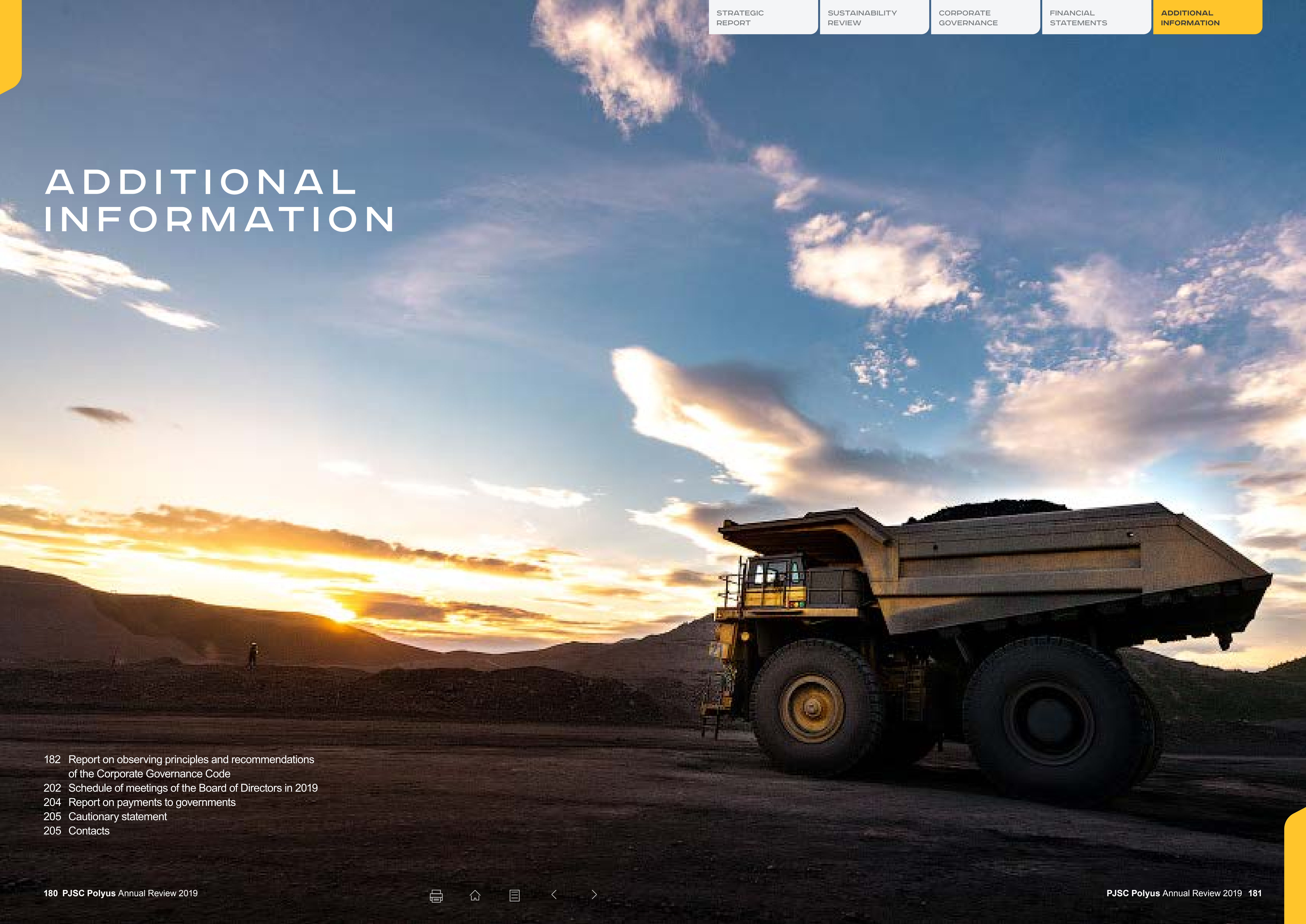
30. EVENTS AFTER THE REPORTING DATE

There were no events subsequent to the reporting date that should adjust amounts of assets, liabilities, income or expenses or that should be disclosed in these consolidated financial statements.

Significant matters related to financial statements

The Audit Committee discussed a variety of issues with management and the external auditors with respect to suitability of accounting policies adopted and appropriateness of estimates and judgements made by management. The significant matters arising from these discussions – and how they were addressed – are outlined below:

Matters considered	Action
Derivative financial instruments The company has various derivative contracts to manage its exposure to gold price, currency, and interest rate fluctuations. Valuation of these instruments is based on management's judgements and estimates, which could significantly affect the amounts recognised in the financial statement.	• Reviewed reporting by external auditors providing details of their assessment of accounting treatment of significant derivative contracts concluded or amended during the year. • Considered consistency in the valuation methodology and major inputs in the valuation models • Considered appropriateness of related disclosures in the consolidated financial statements.
Impairment of Exploration and evaluation assets Judgement is required to determine whether it is appropriate to continue to carry assets related to exploration and evaluation costs on the balance sheet.	• Received regular briefings from management on continuing exploration drilling and other activities in relation to Sukhoi Log deposit. • Reviewed presentation by external auditors on their assessment of recoverability of the exploration and evaluation asset portfolio.
Stripping activity asset Due to the active stripping campaign at Olimpiada and Blagodatnoe business units the carrying value of stripping activity asset has significantly increased. Capitalisation of stripping activity costs and their subsequent amortisation is sensitive to technical and commercial judgements affecting reserve estimates incorporated in the company's mining plans.	• Received reporting from external auditor on their evaluation of appropriateness of inputs and the company's method to determine stripping ratio and amortisation rates with the requirements of IFRIC 20 • Considered changes in reserve estimates at certain business units on reported numbers in the consolidated financial statements.
Related party lease transaction Judgement may be required in relation to the extent and form of disclosure.	• Reviewed the proposed disclosure of a new office lease contract involving related parties to ensure absolute transparency and compliance with requirements of the accounting standards.



ADDITIONAL INFORMATION

REPORT ON OBSERVING PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

BOARD OF DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In its operations the Company adheres to global best practices in corporate governance largely supported by the recommendations outlined in the Corporate Governance Code issued by the Bank of Russia. Hereby, the Board of Directors confirms its commitment to the highest corporate governance standards as a reflection of the general approach and policy of the Company in this field.

The methodology used by the Company to assess its compliance with the corporate governance principles is based on the Recommendations for the report on observing principles and recommendations of the Corporate Governance Code (Appendix to letter of the Bank of Russia dated 17 February 2016 No. IN-06-52/8).

The table below has been prepared in accordance with the stated Recommendations and reflects the Company's efforts to further improve the internal corporate governance standards.

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
1.1.	The Company should ensure equitable and fair treatment of all shareholders exercising their right to take part in steering the Company.			
1.1.1.	The Company provides the best possible conditions for shareholders to participate in the general meeting, make informed decisions, coordinate their actions and express their opinion on agenda items.	1. The Company's internal document approved by the general shareholder meeting and regulating the general meeting policy is in public access. 2. The Company provides easy to use communication channels, such as a hotline, e-mail and an online forum, which allow shareholders to express their opinion and submit questions regarding the agenda in the course of preparation for the general meeting. The Company used these communication channels to prepare for each general meeting held in the reporting period.	Observed	
1.1.2.	The procedure to notify shareholders of a general meeting and circulate appropriate materials enables shareholders to duly prepare for the meeting.	1. A general meeting notice is posted on the website not later than 30 days prior to the date of the general meeting. 2. A notice of the general meeting specifies the venue of the meeting and documents necessary to access the venue. 3. Shareholders are informed of who suggested agenda items and who nominated candidates to the Company's board of directors and the auditing commission.	Observed	
1.1.3.	When preparing for and participating in the general meeting, shareholders had unrestricted and timely access to any relevant information and materials, could communicate with one another and address questions to the Company's executive bodies and directors.	1. During the reporting period, shareholders had the opportunity to address questions to the Company's executive bodies and directors both before and during the annual general meeting. 2. The directors' opinions (including dissenting opinions recorded in the minutes) on each of the agenda items of the general meetings held during the reporting period were added to the materials for the annual general meeting. 3. The lists of persons entitled to participate in each general meeting in the reporting period were made available to the shareholders eligible to review such lists as soon as the Company received those.	Observed	
1.1.4.	There were no unjustified difficulties preventing shareholders from exercising their rights to convene a general meeting, nominate candidates to the Company's management bodies, and propose items for the agenda.	1. In the reporting period, shareholders had the opportunity to propose items for the agenda of the annual general meeting during at least 60 days following the end of the respective calendar year. 2. In the reporting period, the Company rejected no item proposed for the agenda and no candidate nominated to the management bodies due to misprints or other minor flaws in shareholder proposals.	Observed	
1.1.5.	Every shareholder was able to exercise their voting rights without hindrance, in the simplest and most convenient way.	1. The Company's internal document (corporate policy) authorises every general meeting participant to request a copy of their completed voting ballot certified by the counting board before the end of the meeting.	Observed	
1.1.6.	The procedure for holding a general meeting set by the Company provides equal opportunities for all persons present at the meeting to express their opinions and ask questions.	1. There was sufficient time for reporting on the agenda items and discussing the respective matters provided at the general meetings of shareholders held during the reporting period in the form of a meeting (joint presence of shareholders). 2. Candidates to the Company's management and control bodies were available to give answers to shareholders during the meeting at which their nominations as candidates were put to voting. 3. When voting on resolutions in respect of preparing for and holding general shareholder meetings, the board of directors considered using telecommunication equipment to provide shareholders with remote access in order to participate in general meetings during the reporting period.	Observed	
1.2.	The shareholders have been given equal and fair opportunities to receive a share in the Company's profit in the form of dividends.			
1.2.1.	The Company developed and introduced a transparent and coherent procedure to determine the amount of dividends and pay them out.	1. The Company's dividend policy has been developed, approved by the board of directors and disclosed. 2. If the Company's dividend policy uses indicators of the Company's financial statements to determine the amount of dividends, the respective provisions of the dividend policy take into consideration consolidated indicators of financial statements.	Observed	
1.2.2.	The Company does not resolve to pay out dividends, if such resolution, though compliant with the legislation, is not economically viable and may lead to false assumptions about the Company's performance.	1. Dividend policy contains clear references to the financial and/or economic circumstances under which the Company should not pay dividends.	Observed	
1.2.3.	The Company does not allow detriment to the dividend rights of its current shareholders.	1. During the reporting period, the Company did not take any actions leading to deterioration of its current shareholders' dividend rights.	Observed	

REPORT ON OBSERVING PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE CONTINUED

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
1.2.4.	The Company should seek to prevent shareholders from making profit (gain) from the Company other than through dividends and liquidation value.	1. In order to rule out the possibility of shareholders using any other methods to make profit (gain) from the Company other than through dividends and liquidation value, the Company's internal regulations establish controls that ensure timely detection of and an approval procedure for transactions with persons affiliated (related) with substantial shareholders (persons entitled to cast votes granted by the voting shares) in cases where the law formally does not recognise such transactions as non-arm's length transactions.	Observed	
1.3.	Corporate governance framework and practices ensure equality for shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equitable treatment by the Company.			
1.3.1.	The Company has ensured equitable treatment of each and every shareholder by its management bodies and controlling entities, specifically to prevent abuse by major shareholders against minority shareholders.	1. During the reporting period, the procedures used to manage potential conflict of interest among the substantial shareholders were effective, and the board of directors paid proper attention to any and all conflicts among shareholders.	Observed	
1.3.2.	The Company refrains from any and all actions that will or may result in the artificial redistribution of corporate control.	1. The Company has no quasi-treasury shares, or no quasi-treasury shares were used in voting during the reporting period.	Observed	
1.4.	Shareholders are provided with reliable and effective methods to record their title to shares, as well as the opportunity to dispose of such shares freely and without hindrance.			
1.4.1.	Shareholders are provided with reliable and effective methods to record their title to shares, as well as the opportunity to dispose of such shares freely and without hindrance.	1. The quality and reliability of the work carried out by the registrar to maintain the register of the holders of securities suffice for the needs of the Company and its shareholders.	Observed	
2.1.	The board of directors is responsible for the strategic governance of the Company, defining key principles and approaches to risk management and internal controls, exercising control over the Company's executive bodies, and delivering on other core responsibilities.			
2.1.1.	The board of directors is responsible for the appointment of executives and termination of their appointments, including as a result of their failure to perform properly. The board of directors also ensures that the Company's executive bodies act in accordance with the approved development strategy and the Company's business profile.	1. The board of directors' authority related to appointment, dismissal and determining the terms and conditions of the contracts with the members of the executive bodies is stated in the charter. 2. The board of directors reviewed the report (reports) of the sole executive body and of the members of the collective executive body on the implementation of the Company's strategy.	Observed	
2.1.2.	The board of directors defines the Company's general long-term strategic priorities, evaluating and approving key performance indicators and the Company's primary business goals, as well as the strategy and business plans for the Company's core activities.	1. Meetings of the board of directors held during the reporting period reviewed matters related to the progress and adjustment of the strategy, approval of the Company's business plan (budget), and to the review of the criteria and indicators (including interim criteria and indicators) of the implementation of the Company's strategy and business plans.	Observed	

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
2.1.3.	The board of directors determines the Company's risk management and internal control principles and approaches.	1. The board of directors determined the Company's risk management and internal control principles and approaches. 2. During the reporting period, the board of directors evaluated the Company's risk management and internal control framework.	Observed	
2.1.4.	The board of directors defines the Company's policy on remunerating and/or reimbursing (compensating) its directors, executives and other key managers.	1. The Company has developed and implemented a board of directors-approved policy (policies) on remunerating and/or reimbursing (compensating) its directors, executives and other key managers. 2. During the reporting period, the meetings of the board of directors reviewed matters relating to said policy (policies).	Observed	
2.1.5.	The board of directors plays a key role in prevention, identification and settlement of internal conflicts between the Company's bodies, shareholders and employees.	1. The board of directors plays a key role in preventing, identifying and settling internal conflicts. 2. The Company has developed a system for identifying transactions with a conflict of interests and a system of measures to settle such conflicts.	Observed	
2.1.6.	The board of directors plays a key role in ensuring the Company's transparency, full and timely information disclosure, and unhindered access of shareholders to corporate documents.	1. The board of directors has approved regulations on the information policy. 2. The Company has determined the persons responsible for implementing the information policy.	Observed	
2.1.7.	The board of directors exercises control over the Company's corporate governance practices and plays a key role in material corporate events.	1. During the reporting period, the board of directors reviewed the Company's corporate governance practices.	Observed	
2.2.	The board of directors reports to the Company's shareholders.			
2.2.1.	Information about the performance of the board of directors is disclosed and provided to shareholders.	1. The Company's annual report for the reporting period includes information about attendance of meetings of the board of directors and its committees by individual directors. 2. The annual report provides information about key deliverables of the board performance assessment conducted during the reporting period.	Observed	
2.2.2.	The chairman of the board of directors is available for communication with the Company's shareholders.	The Company has in place a transparent procedure enabling shareholders to submit items and their opinions thereon to the chairman of the board of directors.	Observed	

REPORT ON OBSERVING PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE CONTINUED

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
2.3.	The board of directors is the Company's effective and professional governance body capable of making fair and independent judgements and decisions in line with the interests of the Company and its shareholders.			
2.3.1.	Persons elected as members of the board of directors have impeccable business and personal reputation, as well as expertise, skills and experience necessary to make decisions reserved to the remit of the board of directors, and to perform the board's responsibilities efficiently.	1. The Company's procedure for assessing the performance of the board of directors covers, among other things, the assessment of directors' professional skills. 2. During the reporting period, the board of directors (or its nomination committee) assessed the experience, knowledge, business reputation, conflicts of interests, etc., of candidates to the board of directors.	Observed	
2.3.2.	Members of the board of directors shall be elected through a transparent procedure enabling the shareholders to obtain sufficient information about candidates so that they could get a clear idea of their personal and professional qualities.	1. In all cases where a general meeting of shareholders was held during the reporting period electing members of the board of directors, the Company provided the shareholders with biographical data of all candidates to the board of directors, results of the candidate assessment performed by the board of directors (or its nomination committee), information about the candidates' compliance with the independence criteria, as prescribed by recommendations 102–107 of the Code, and the candidates' consent to be elected to the board of directors.	Observed	
2.3.3.	The composition of the board of directors is well-balanced, including in terms of its members' qualifications, experience, expertise and business skills, with directors being trusted by the shareholders.	1. As part of the board performance assessment for the reporting period, the board of directors reviewed its own needs for additional professional qualifications, experience and business skills.	Observed	
2.3.4.	The number of members in the Company's board of directors makes it possible to organise the board of directors in the most efficient way, including by way of establishing committees of the board of directors and enabling a candidate voted for by substantial minority shareholders to be elected to the board of directors.	1. As part of the board performance assessment for the reporting period, the board of directors analysed how the number of members in the board of directors meets the Company's needs and the shareholders' interests.	Observed	

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
2.4.	The board of directors includes a sufficient number of independent directors.			
2.4.1.	An independent director is a person with sufficient professional skills, experience and independence to have his/her own opinion and make unbiased and fair judgements that are not influenced by the Company's executive bodies, certain groups of shareholders or other stakeholders. Under normal conditions, a candidate (an elected member of the board of directors) cannot be considered independent if he/she is related to the Company, its substantial shareholder, major counterparty, competitor or the government.	1. In the reporting period, all independent members of the board of directors fully complied with the independence criteria set out in recommendations 102–107 of the Code or were recognised as independent by a resolution of the board of directors.	Observed	
2.4.2.	Candidates to the board of directors are assessed for compliance with the independence criteria, with independent directors being regularly checked against the same criteria. In such assessments, substance should prevail over form.	1. During the reporting period, the board of directors (or the nomination committee of the board of directors) formed an opinion on independence of each candidate to the board of directors and submitted the relevant report to the shareholders. 2. At least once during the reporting period, the board of directors (or the nomination committee of the board of directors) reviewed independence of the members of the board of directors who feature as independent directors in the Company's annual report. 3. The Company has developed procedures prescribing the course of action for a member of the board of directors when he/she ceases to be an independent director, including the obligation to inform the board of directors about this event in a timely manner.	Observed	
2.4.3.	Independent directors constitute at least one third of the elected board of directors.	1. Independent directors constitute at least one third of the board of directors.	Observed	
2.4.4.	Independent directors play a key role in preventing internal conflicts within the Company and taking material corporate actions.	1. Independent directors with no conflict of interests tentatively assess material corporate actions related to a potential conflict of interests and provide the results of such assessment to the board of directors.	Observed	

REPORT ON OBSERVING PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE CONTINUED

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
2.5.	The chairman of the board of directors ensures that the board of directors discharges its responsibilities in the most efficient way.			
2.5.1.	The chairman of the board of directors has been elected from among the independent directors, or a senior independent director has been appointed from among the elected independent directors to coordinate the work of such independent directors and liaise with the chairman of the board of directors.	1. The chairman of the board of directors is an independent director, or a senior independent director has been appointed from among the independent directors. 2. The role, rights and responsibilities of the chairman of the board of directors (and, where applicable, of the senior independent director) are duly set out in the Company's internal regulations.	Observed	
2.5.2.	The chairman of the board of directors promotes a constructive approach to the meetings and free discussion of agenda items, and oversees implementation of the resolutions adopted by the board of directors.	During the reporting period, the performance of the chairman of the board of directors was assessed as part of the board performance assessment procedure.	Observed	
2.5.3.	The chairman of the board of directors makes sure that directors are provided with materials required to make well-informed decisions on agenda items in a timely manner.	1. The responsibility of the chairman of the board of directors to timely provide directors with materials on the agenda items of the board's meeting is formalised in the Company's internal regulations.	Observed	
2.6	Members of the board of directors act reasonably and in good faith to protect the interests of the Company and its shareholders, based on sufficient awareness and with due care and diligence.			
2.6.1.	Members of the board of directors have no conflict of interests and make decisions taking in all available information, treating the shareholders equitably and assuming no excessive business risks.	1. The Company's internal regulations provide that a member of the board of directors shall notify the board if he/she has a conflict of interests with respect to any item on the agenda of a meeting of the board or its committee, before such agenda item is being discussed. 2. The Company's internal regulations provide that a member of the board of directors shall abstain from voting on any item in respect of which he/she has a conflict of interests. 3. The Company has adopted a procedure entitling the board of directors to professional consultations on matters falling within its remit at the Company's expense.	Observed	
2.6.2.	The rights and responsibilities of members of the board of directors are clearly set out and formalised in the Company's internal regulations.	1. The Company has adopted and published an internal regulation that clearly sets out the rights and responsibilities of members of the board of directors.	Observed	
2.6.3.	Members of the board of directors have sufficient time to perform their responsibilities.	1. Individual attendance of the board and committee meetings and the time spent to prepare for such meetings were taken into consideration during the board performance assessment for the reporting period. 2. In accordance with the Company's internal regulations, members of the board of directors shall notify the board of directors about their intention to join governance bodies of other organisations (excluding organisations controlled by or affiliated with the Company) or any such appointments that have already been approved.	Observed	
2.6.4.	All members of the board of directors have equal access to the Company's documents and information. Newly elected members of the board of directors receive sufficient information about the Company and the board's operations in the shortest possible time.	1. In accordance with the Company's internal regulations, members of the board of directors have the right to access documents and make inquiries about the Company and its controlled organisations, with the Company's executive bodies being obliged to provide the relevant information and documents. 2. The Company has put in place a formal orientation programme for newly elected members of the board of directors.	Observed	
2.7.	Holding of board meetings, preparation for them and effective attendance of board members ensure efficiency of the board of directors.			
2.7.1.	Meetings of the board of directors are held as and when necessary, with due regard for the Company's size and current objectives.	1. The board of directors held at least six meetings during the reporting year.	Observed	
2.7.2.	The Company's internal regulations establish a procedure to prepare for and hold board meetings, so that members of the board of directors could make proper preparations.	1. The Company has approved an internal regulation setting out the procedure to prepare for and hold board meetings and providing, among other things, that the notice of a meeting shall be generally served at least five days prior to the meeting date.	Observed	
2.7.3.	The form of a board meeting is determined based on the importance of the agenda items. Key matters are reviewed at meetings held in praesentia.	1. The Company's charter or internal regulations provide that critical matters (as per the list featuring in recommendation 168 of the Code) shall be reviewed at board meetings held in praesentia.	Partly observed	In accordance with clause 5.13 of the Company's Regulations on the Board of Directors, resolutions on certain matters may only be adopted by meetings held in praesentia. The Code (recommendation 168) provides a comprehensive list of matters suggested for review by the Board meetings held in praesentia, from which the Company has selected the most critical ones based on the context of the Company's operations and governance structure. It is important that over 40% of the Board members are non-resident independent directors. In the current situation, such non-compliance with the Corporate Governance Code is not limited in time. To mitigate any additional risks, the Company has adopted the practice of regular conference calls of the Board members to discuss the most important matters pertaining to the Company's operations. The number of conference calls of the Board of Directors (or independent members of the Board) increases significantly during the implementation of critical corporate projects.

REPORT ON OBSERVING PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE CONTINUED

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
2.7.4.	Resolutions on matters critical for the Company's operations are adopted at meetings of the board of directors by a qualified majority or a majority vote of all elected members of the board of directors.	1. The Company's charter provides that resolutions on critical matters, as listed in the Code's recommendation 170, shall be adopted at meetings of the board of directors by a qualified majority of at least three-fourth of the votes cast or by a majority vote of all elected members of the board of directors.	Not observed	This provision is not included in the Company's internal regulations. In line with the Company's practice, the Board of Directors seeks to take in opinions of all Directors in respect of draft resolutions. Final resolutions are developed and submitted for approval after a preliminary discussion and receipt of an approval from each Director on suggested options. Each member of the Board has an opportunity to submit his/her comments and suggestions on resolutions before the matter is put to the vote. In order to mitigate any additional risks, the Board of Directors holds conference calls for the preliminary discussion of matters to be put to the vote. The Company expects such non-compliance with the Code to be limited in time, and plans to draft a proposal on formalising a requirement to adopt certain resolutions by a qualified majority of all elected members of the Board of Directors as soon as a new version of its Charter is submitted to the Board of Directors and the General Meeting of Shareholders for review (possibly in late 2020).
2.8.	The board of directors sets up committees to carry out a preliminary review of the most important matters pertaining to the Company's operations.			
2.8.1.	To carry out a preliminary review of matters pertaining to the control of the Company's financial and business performance, the board of directors sets up an audit committee made up of independent directors.	1. The board of directors sets up an audit committee consisting of independent directors only. 2. The Company's internal regulations set forth the audit committee responsibilities, including those contained in recommendation 172 of the Code. 3. At least one audit committee member, who is an independent director, is required to have experience and knowledge in preparation, review, evaluation and audit of the accounting (financial) statements. 4. In the reporting period, the audit committee holds its meetings at least once every calendar quarter.	Observed	
2.8.2.	For the preliminary review of matters pertaining to implementing effective and transparent remuneration practices, the board of directors sets up a remuneration committee made up of independent directors and chaired by an independent director who is not chairman of the board of directors.	1. The board of directors sets up a remuneration committee made up of independent directors only. 2. The remuneration committee is chaired by an independent director who is not chairman of the board of directors. 3. The Company's internal regulations set forth the remuneration committee responsibilities, including those contained in recommendation 180 of the Code.	Observed	
2.8.3.	For the preliminary review of matters pertaining to the staff (succession planning), competencies and efficiency of the board of directors, the board sets up a nomination (appointment, HR) committee which is mostly made up of independent directors.	1. The board of directors sets up a nomination committee (or its functions specified in recommendation 186 of the Code are performed by another committee 40), which is mostly made up of independent directors. 2. The Company's internal regulations set forth the responsibilities of the nomination committee (or a similar committee with combined functions), including, inter alia, those specified in recommendation 186 of the Code.	Observed	
2.8.4.	Taking into consideration the scale of operations and risk levels, the board of directors makes sure that the composition of its committees fully meets the Company's goals. Additional committees (a strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, HSE committee, etc.) are either set up or found unnecessary.	1. In the reporting period, the board of directors reviews the composition of its committees and conformity thereof with the board's mandate and the Company's goals. Additional committees are either set up or found unnecessary.	Observed	
2.8.5.	The committee composition allows for comprehensive discussions of, and multiple opinions on, matters subject to preliminary review.	1. The board's committees are chaired by independent directors. 2. According to the Company's internal regulations (policies), any person that is not a member of the audit committee, the nomination committee or the remuneration committee, may attend meetings of such committees only by invitation of the chairman of the respective committee.	Observed	
2.8.6.	Committee chairmen regularly report on the work of their committees to the board of directors and its chairman.	1. During the reporting period, committee chairmen regularly report on the work of their committees to the board of directors.	Observed	
2.9.	The board of directors arranges for the assessment of the board of directors, its committee and member performance.			
2.9.1.	The board's performance assessment is aimed at evaluating the efficiency of the board of directors, its members and committees, and conformity with the Company's goals, identifying improvement areas, and improving the board performance.	1. Self-assessment or independent assessment of the board of directors in the reporting period includes performance assessment of its committees, individual members and the board of directors in general. 2. The board of directors reviews the results of its self-assessment or independent assessment in the reporting period at a meeting held in praesentia.	Observed	

REPORT ON OBSERVING PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE CONTINUED

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
2.9.2.	The assessment of the board of directors, its members and committees is performed on a regular basis, at least once a year. At least once every three years, the Company engages an independent organisation to assess the board performance.	1. At least once over the last three reporting periods, the Company engages an independent organisation (consultant) to assess the board performance.	Observed	
3.1.	The Company's corporate secretary ensures effective day-to-day interaction with the shareholders, coordinates the Company's efforts to protect the rights and interests of its shareholders and supports the efficient performance of the board of directors.			
3.1.1.	The corporate secretary has knowledge, experience and qualifications sufficient to perform their duties, as well as an impeccable reputation, and enjoys credibility with shareholders.	1. The Company adopts and discloses the internal regulations on the corporate secretary. 2. The Company's website and annual report feature the corporate secretary biography with the same level of detail as for the Company's board members and executive management.	Paragraph 1 is observed Paragraph 2 is partly observed	Re paragraph 2: The Company's Board of Directors approved the Regulations on the Corporate Secretary listing the requirements for this position including education, qualifications, work experience, and professional qualities. In line with the Company's practice, its website and Annual Report feature key information about the Corporate Secretary as deemed sufficient by the Company to ensure observance of shareholder interests and performance of the Corporate Secretary functions. In order to mitigate any additional risks, the Board of Directors' decision to appoint the Corporate Secretary takes into account the candidate's biographical data that have the same level of detail as for the Company's Board of Directors and executive management. Information about the Corporate Secretary will be published on the Company's official website in 2020.
3.1.2.	The corporate secretary has sufficient independence from the Company's executive bodies, as well as the power and resources required to perform their duties.	1. The board of directors approves the appointment or dismissal of the corporate secretary and additional remuneration payable to them.	Observed	
4.1.	The remuneration paid by the Company is sufficient to attract, motivate and retain professionals who have the required competencies and qualifications. Directors, executive bodies and other key managers are remunerated as per the Company's remuneration policy.			
4.1.1.	The remuneration payable to the Company's directors, executive bodies and other key managers is sufficient to motivate them to deliver on their commitments and enable the Company to attract and retain competent and qualified professionals. At the same time, the Company avoids exceeding the required size of remuneration or creating an unreasonably wide remuneration gap between any of the above and the Company's employees.	1. The Company adopts internal regulations (policies) on the remuneration of directors, executive bodies and other key managers clearly defining approaches to the remuneration thereof.	Observed	

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
4.1.2.	The Company's remuneration policy is drafted by the remuneration committee and approved by the board of directors. The board of directors and the remuneration committee jointly control the implementation of the remuneration policy and, if necessary, revise and amend the said policy.	1. In the reporting period, the remuneration committee reviews the remuneration policy (policies) and, where necessary, makes relevant recommendations to the board of directors.	Observed	
4.1.3.	The Company's remuneration policy provides for transparent mechanisms to determine the amount of remuneration payable to its directors, executive bodies and other key managers and governs all types of payments, benefits and privileges provided to them.	1. The Company's remuneration policy (policies) provides for (provide for) transparent mechanisms to determine the amount of remuneration payable to its directors, executive bodies and other key managers and governs (govern) all types of payments, benefits and privileges provided to them.	Observed	
4.1.4.	The Company adopts a reimbursement (compensation) policy specifying reimbursable expenses and services that the Company's directors, executive bodies and other key managers are entitled to. This policy may be part of the Company's remuneration policy.	1. The remuneration policy (policies) or other Company's internal regulations establish the rules to reimburse its directors, executive bodies and other key managers for the expenses incurred.	Observed	
4.2.	The system of remuneration for the members of the board of directors ensures that their financial interests are aligned with the long-term financial interests of shareholders.			
4.2.1.	The Company pays fixed annual remuneration to the members of the board of directors. The Company does not pay remuneration for the participation in individual meetings of the board of directors or the board's committees. The Company does not use short-term and additional financial incentives for the members of the board of directors.	1. Fixed annual remuneration was the only financial remuneration for the members of the board of directors for their participation in the board during the reporting period.	Observed	
4.2.2.	Long-term ownership of the Company's shares plays a central role in aligning the financial interests of the members of the board of directors with the long-term interests of the shareholders. The Company does not link the right to sell shares to achieving certain performance indicators, and members of the board of directors do not participate in option plans.	1. If the Company's internal regulation (regulations), i.e. remuneration policy (policies), allow for distribution of the Company's shares to the members of the board of directors, clear rules in respect of share ownership by the members of the board of directors must be approved and duly disclosed in order to encourage long-term ownership of such shares.	Observed	

REPORT ON OBSERVING PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE CONTINUED

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
4.2.3.	The Company does not provide any additional payments or compensations to the members of the board of directors in the event of early termination of office resulting from a transfer of control over the Company or any other circumstances.	1. The Company does not provide any additional payments or compensations to the members of the board of directors in the event of early termination of office resulting from a transfer of control over the Company or any other circumstances.	Observed	
4.3.	The system of remuneration for executives and other key managers of the Company is linked to the Company's performance and the employees' personal contribution to the latter.			
4.3.1.	Remuneration of the Company's executives and other key managers ensures reasonable and justifiable balance between the fixed and variable components, with the latter depending on the Company's performance and the employees' personal (individual) contributions thereto.	1. During the reporting period, annual performance indicators approved by the board of directors were used to determine the variable remuneration for executives and other key managers of the Company. 2. During the latest assessment of the remuneration system for the Company's executives and other key managers, the board of directors (remuneration committee) made sure that the Company maintains an effective balance between the fixed and variable components of remuneration. 3. The Company has approved a procedure ensuring repayment of bonuses wrongfully obtained by the Company's executives and other key managers.	Paragraphs 1 and 2 are observed Paragraph 3 is not observed	Re paragraph 3: The Company has not approved a procedure ensuring repayment of bonuses wrongfully obtained by the Company's executives and other key managers, as such matters are regulated by the Labour and Civil Codes of the Russian Federation. Such repayment is always subject to the employee's consent to return the bonus, as confirmed by the withholding application. In all other cases, the Company may not withhold any amounts, including those accrued incorrectly, without the employee's consent, unless the court rules otherwise. In order to mitigate any additional risks, the Company has developed procedures preventing any wrongful payment of bonuses to the Company's employees.
4.3.2.	The Company implemented a long-term incentive program for the Company's executives and other key managers of the Company, involving the Company's shares (options or other derivatives with the Company's shares as the underlying asset).	1. The Company has implemented a long-term incentive programme for the Company's executives and other key managers, involving the Company's shares (financial instruments with the Company's shares as the underlying asset). 2. Under the long-term incentive programme for the Company's executives and other key managers, the right to sell shares and other financial instruments used for the purposes of such programme can be exercised no earlier than three years from the date of granting. Moreover, the right to sell the shares is subject to the implementation of certain performance indicators of the Company.	Observed	
4.3.3.	The amount of severance pay ("golden parachute") delivered by the Company in the event of early termination of office by an executive or another key manager (provided that such termination was initiated by the Company with no misconduct on the part of the respective employee) should not exceed twice the value of the fixed component of their annual remuneration.	1. The amount of severance pay ("golden parachute") delivered by the Company in the event of early termination of office by an executive or another key manager (provided that such termination was initiated by the Company with no misconduct on the part of the respective employee) should not exceed twice the value of the fixed component of their annual remuneration.	Observed	

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
5.1.	The Company has put in place an effective risk management and internal control system to ensure reasonable assurance about the achievement of the Company's goals.			
5.1.1.	The board of directors has defined the Company's risk management and internal control principles and approaches.	1. The roles of the Company's various governance bodies and functions with respect to the risk management and internal control system are clearly set out in the internal regulations representing the Company's dedicated policy that was approved by the board of directors.	Observed	
5.1.2.	The Company's executive bodies ensure the creation and maintenance of an effective risk management and internal control system in the Company.	1. The Company's executive bodies have ensured the distribution of roles and responsibilities associated with risk management and internal control between the managers (heads) of divisions and departments reporting directly to them.	Observed	
5.1.3.	The Company's risk management and internal control system provides an unbiased, fair and clear view of the Company's current situation and outlook, and ensures integrity and transparency of the Company's reports, as well as a reasonable and acceptable level of risk-taking.	1. The Company has approved an anti-corruption policy. 2. The Company has developed an accessible framework to inform the board of directors or the board's committee about violations of law, internal procedures, and the Company's ethics code.	Observed	
5.1.4.	The Company's board of directors takes all the necessary steps to make sure that the risk management and internal control system implemented by the Company complies with the principles and approaches determined by the board of directors and operates effectively.	1. During the reporting period, the board of directors or the board's audit committee assessed the effectiveness of the Company's risk management and internal control system. Information on the key results of the assessment was included in the Company's annual report.	Observed	
5.2.	The Company conducts internal audits to ensure a systematic independent assessment of reliability and effectiveness of the risk management and internal control system as well as the corporate governance practices.			
5.2.1.	For the internal audit purposes, the Company has established a dedicated business unit or engaged an independent external service provider. Functional and administrative reporting lines of the internal audit unit are separated. The functional division of the internal audit unit reports directly to the board of directors.	1. For the internal audit purposes, the Company has established a dedicated internal audit unit functionally reporting to the board of directors or the audit committee, or engaged an independent third-party service provider following the same reporting line.	Observed	
5.2.2.	The internal audit unit assesses the effectiveness of the internal control, risk management and corporate governance systems. The Company employs the generally accepted internal audit standards.	1. During the reporting period, the effectiveness of the internal control and risk management system was assessed as part of the internal audit operations. 2. The Company uses generally accepted approaches to internal control and risk management.	Observed	

REPORT ON OBSERVING PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE CONTINUED

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
6.1.	The Company and its operations are transparent to the shareholders, investors and other stakeholders.			
6.1.1.	The Company has developed and implemented an information policy ensuring an effective information exchange between the Company, its shareholders, investors, and other stakeholders.	1. The Company's board of directors has approved an information policy in line with the Code's recommendations. 2. The board of directors (or one of its committees) has reviewed matters related to the Company's compliance with its information policy at least once during the reporting period.	Observed	
6.1.2.	The Company discloses information about its corporate governance system and practices, including details about its compliance with the principles and recommendations of the Code.	1. The Company discloses information about its corporate governance system and the general corporate governance principles employed by the Company, including by posting it on the Company's website. 2. The Company discloses information about the composition of the executive bodies and the board of directors, independence of directors and their membership in the committees of the board of directors (in accordance with the definition provided in the Code). 3. If there is a person controlling the Company, the Company publishes a memorandum on behalf of such controlling person to set out this person's plans with respect to the Company's corporate governance.	Paragraphs 1 and 2 are observed Paragraph 3 is not observed	Re paragraph 3: The controlling persons have not drafted a memorandum on plans with respect to the Company's corporate governance. In line with its practice, Polyus as a public Company regularly informs its shareholders and investors about the development plans, including those with respect to corporate governance, to mitigate any additional risks. The information is provided on behalf of the Board of Directors that includes the controlling person's representatives. In 2020, the Board of Directors plans to perform an in-depth analysis of the existing practices pertaining to the drafting and publication of this memorandum. Following the results of the analysis, the Board of Directors will submit relevant proposals to the controlling person.

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
6.2.	The Company timely discloses complete, up-to-date and reliable corporate information so that its shareholders and investors can make well-informed decisions.			
6.2.1.	The Company discloses information regularly, in a consistent and timely manner, in line with the principles of data accessibility, reliability, completeness and comparability.	1. The Company's information policy defines approaches and criteria used to identify information that could materially impact the Company's valuation, the price of its securities, and procedures ensuring timely disclosure of such information. 2. If the Company's securities are traded in established foreign markets, all material information with regard thereto is disclosed throughout the reporting year in both Russia and any such markets on a concurrent and equal basis. 3. If foreign shareholders own a significant number of the Company's shares, information is disclosed throughout the reporting year not only in Russian, but also in one of the most widely used foreign languages.	Observed	
6.2.2.	The Company avoids a formalistic approach to information disclosures and discloses material information on its operations even if it is not obliged to do so under the applicable law.	1. During the reporting period, the Company disclosed its IFRS financial statements for the full year and six months. The Company's annual report for the reporting period includes full-year IFRS financial statements along with the auditor's report. 2. The Company discloses full information about its capital structure in the annual report and on the corporate website in accordance with recommendation 290 of the Code.	Observed	
6.2.3.	As a key communication tool to liaise with shareholders and other stakeholders, the annual report provides information needed to assess the Company's full-year performance.	1. The Company's annual report provides information about the key aspects of the Company's operating and financial performance. 2. The Company's annual report provides information about the Company's environmental and social performance.	Observed	
6.3.	The Company provides information and documents at the request of shareholders pursuant to the principle of equal and unhindered availability.			
6.3.1.	The Company provides information and documents at the shareholders' request pursuant to the principle of equal and unhindered availability.	1. The Company's information policy determines the procedure ensuring unhindered access to information, including data about legal entities controlled by the Company, at the shareholders' request.	Observed	
6.3.2.	When providing information to shareholders, the Company maintains a reasonable balance between the interests of individual shareholders and its own interests, specifically as regards confidentiality of sensitive business information which may have a material effect on the Company's competitiveness.	1. In the reporting period, the Company did not turn down shareholders' information requests, or such refusals were justified. 2. If and when required by the Company's information policy, shareholders are informed about the sensitive nature of transferred data and undertake to keep the information received confidential.	Observed	

REPORT ON OBSERVING PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE CONTINUED

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
7.1.	Actions which do or may materially affect the structure of the Company's share capital and its financial standing and, consequently, that of the Company's shareholders (material corporate actions) are taken on fair terms ensuring that rights and interests of shareholders and other stakeholders are respected.			
7.1.1.	Material corporate actions include reorganisation of the Company, acquisition of 30% or more of its voting shares (takeover), material transactions made by the Company, increase or decrease of the Company's charter capital, listing and delisting of its shares, and other actions which may result in material changes to, or violation of shareholder rights and interests. The Company's charter sets out a list (criteria) of transactions or other actions deemed to be material corporate actions reserved to the Company's board of directors.	1. The Company's charter sets out a list of transactions or other actions deemed to be material corporate actions and criteria to determine the same. Decision-making with regard to material corporate actions is reserved to the board of directors. If and when the applicable law directly reserves such corporate actions to the general meeting of shareholders, the board of directors should provide relevant recommendations to shareholders. 2. The material corporate actions referred to in the Company's charter include, but are not limited to reorganisation of the Company, acquisition of 30% or more of its voting shares (takeover), material transactions made by the Company, increase or decrease of the Company's charter capital, and listing and delisting of its shares.	Paragraphs 1 and 2 are partly observed	Re paragraphs 1 and 2: The Company does not formally define the transactions and actions listed in the Code as material corporate actions in its internal regulations. In line with the Company's practice, transactions or other actions deemed to be material corporate actions according to the Code, are submitted for the Board of Directors' review or (in cases where a formal resolution is not provided for) are discussed by the members of the Board of Directors prior to the meetings. However, in order to mitigate any additional risks, the Company ensures that there are relevant procedures in place to comply with the statutory requirements and procedures for such actions. During the year, the Board of Directors, if necessary, will develop proposals on adding provisions that govern decision-making on matters critical for the Company's operations following the analysis of the Company's internal regulations.
7.1.2.	The board of directors plays the key role in making decisions and developing recommendations with respect to material corporate actions relying also on the opinions of the Company's independent directors.	1. The Company has put in place a procedure enabling independent directors to voice their position on material corporate actions prior to their approval.	Partly observed	The Company does not formally define the transactions and actions listed in the Code as material corporate actions in its internal regulations. In line with the Company's practice, transactions or other actions deemed to be material corporate actions according to the Code, are submitted for the Board of Directors' review or (in cases where a formal resolution is not provided for) are discussed by the members of the Board of Directors and, separately, by Independent Directors prior to the meetings. In some cases, they are reviewed at the meetings of the Audit Committee made up of Independent Directors only. However, in order to mitigate any additional risks, the Company ensures that there are relevant procedures in place to comply with the statutory requirements and procedures for such actions. During the year, the Board of Directors, if necessary, will develop proposals on adding provisions that govern decision-making on material corporate actions following the analysis of the Company's internal regulations.

REPORT ON OBSERVING PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE CONTINUED

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
7.1.3.	When undertaking material corporate actions affecting the rights and legitimate interests of its shareholders, the Company ensures equitable treatment of all shareholders, and, where statutory shareholder protection mechanisms are insufficient, takes additional measures to protect the rights and legitimate interests of the Company's shareholders. In this case, the Company is guided not only by the formal regulatory requirements, but also by the corporate governance principles set forth in the Code.	1. Subject to the specific context of the Company's operations, the Company's charter sets out lower than statutory minimum criteria for classifying the Company's transactions as material corporate actions. 2. During the reporting period, all material corporate actions were duly approved prior to their implementation.	partly observed	The Company does not formally define the transactions and actions listed in the Code as material corporate actions in its internal regulations. However, in order to mitigate any additional risks, the Company ensures that there are relevant procedures in place to comply with the statutory requirements and procedures for such actions. In particular, all material corporate actions are discussed by the Board of Directors prior to making such actions. The Board of Directors has an opportunity to express its opinion on the corporate action even when no formal approval is required in accordance with the law or the Company's internal regulations. During the reporting period, the Company effectively monitored compliance with this recommendation of the Code as required by the applicable law; all material corporate actions were duly approved prior to their implementation. However, in order to mitigate any additional risks, the Company ensures that there are relevant procedures in place to comply with the statutory requirements and procedures for such actions. During the year, the Board of Directors, if necessary, will develop proposals on adding provisions that govern decision-making on material corporate actions following the analysis of the Company's internal regulations.

No.	Corporate Governance Principles (CGP)	Criteria to evaluate compliance with the Corporate Governance Principle	CGP compliance status	Explanation for deviations from criteria to evaluate CGP compliance
7.2.	The Company ensures that material corporate actions are undertaken in such a manner that enables its shareholders to obtain comprehensive and timely information about such actions in due time, allows them to influence these actions, and guarantees respect and due protection of shareholder rights at the time when such actions are taken.			
7.2.1.	Information about material corporate actions is disclosed along with the description of their rationale, conditions and consequences.	1. During the reporting period, the Company timely disclosed detailed information about material corporate actions, including rationale for the same and implementation timelines.	Observed	
7.2.2.	Rules and procedures related to the implementation of material corporate actions are set out in the Company's internal regulations.	1. The Company's internal regulations set out a procedure for engaging an independent appraiser to determine value of the property sold or purchased as part of a major or non-arm's length transactions. 2. The Company's internal regulations set out a procedure for engaging an independent appraiser to determine the purchase and buyback price of the Company's shares. 3. The Company's internal regulations provide an extensive list of grounds whereby members of the board of directors or other persons (as required by the applicable law) are recognised as interested parties with respect to the Company's transactions.	Paragraph 2 is observed Paragraphs 1 and 3 are not observed	Re paragraph 1: The Company's internal regulations set out a procedure for engaging an independent appraiser to determine value of its assets when required by the applicable law. In other cases, for prompt decision making on the price of the assets, the Board of Directors analyses the complete and reliable information provided by the management. In order to mitigate any additional risks, such information is provided in the form of materials on the relevant agenda item of the meeting of the Board of Directors. The Company believes prompt decision making to be important for the management bodies. In order to mitigate any additional risks, the Company is committed to ensuring the highest quality of materials for the Board of Directors meetings that make relevant resolutions. Re paragraph 3: Currently, the Company believes that the applicable law, with recent substantial amendments, ensures due control over non-arm's length transactions and provides a fairly comprehensive list of interested-party criteria.

SCHEDULE OF MEETINGS OF THE BOARD OF DIRECTORS IN 2019

No	Date	Form	Attendance	Agenda
1.	11 February 2019	Absentee voting	All Directors	Approval of PJSC Polyus' consolidated financial statements for the year ended 31 December 2018.
2.	7 March 2019	Absentee voting	All Directors	Approving a related party transaction.
3.	26 March 2019	Joint attendance (call)	All Directors	Assessment of fulfillment of key performance indicators related to the long-term incentive programme for senior management Annual bonus of the CEO of PJSC Polyus for 2018.
4.	1 April 2019	Joint attendance (call)	All Directors	Convening the Annual General Meeting of Shareholders of PJSC Polyus upon the 2018 results. Candidates for the Board of Directors of PJSC Polyus. Recommendations regarding distribution of profit and losses of PJSC Polyus, including the amount of dividend on PJSC Polyus' shares based on 2018 results and the procedure of its payment.
5.	16 April 2019	Joint attendance	All Directors	Strategy update KBU BIO-4 project PIA results ESG ratings and indices
6.	07 May 2019	Absentee voting	All Directors	On the Chairman of the Board of PJSC Polyus On the Committees of the Board of Directors of PJSC Polyus
7.	14 May 2019	Absentee voting	All Directors	Approval of PJSC Polyus' condensed consolidated interim financial statements for the three months ended 31 March 2019 (unaudited).
8.	19 June 2019	Absentee voting	All Directors	Approving related party transactions.
9.	25 June 2019	Joint attendance	All Directors	Polyus IT development initiatives Polyus Production System development Chertovo Koryto project update
10.	06 August 2019	Absentee voting	All Directors	Approval of PJSC Polyus' interim condensed consolidated financial statements (unaudited) for the three and six months that ended on 30 June 2019.
11.	22 August, 2019	Joint attendance (call)	All Directors	PJSC Polyus new Corporate Secretary. New Secretary of Board of Directors of PJSC Polyus. Recommendations on the amount of dividend on PJSC Polyus shares following the 6M 2019 results. The increase of the PJSC Polyus charter capital through the issuance and placement of new ordinary shares by way of closed subscription. Convening the Extraordinary General Meeting of Shareholders of PJSC Polyus.
12.	3 September 2019	Joint attendance	All Directors	Sukhoi Log benchmarking Macroeconomic update Digitalisation of construction, BIO 3 case study (Polyus Krasnoyarsk)
13.	3 October 2019	Absentee voting	All Directors	Approval of new share issue.
14.	15 October 2019	Absentee voting	All Directors	Approving a related party transaction.
15.	5 November 2019	Absentee voting	All Directors	Approval of PJSC Polyus' interim condensed consolidated financial statement (unaudited) for the three and nine months that ended on 30 September 2019 RAS auditor's fees
16.	6 November 2019	Absentee voting	All Directors	Determination of the placement price of the additional ordinary shares of PJSC Polyus.
17.	17 December 2019	Joint attendance	All Directors	Budget for 2020 Post-Investment Analysis of Kuranakh Projects: Heap leaching and Mill Expansion ESG ratings: progress in 2019 and key focus areas overview
18.	24 December 2019	Absentee voting	All Directors	Approving a related party transaction.
19.	27 December 2019	Absentee voting	All Directors	Approval of the Report on results of additional shares issue of PJSC Polyus

REPORT ON PAYMENTS TO GOVERNMENTS

PJSC Polyus publishes its Review on payments to governments for the year 2019.

The reporting is part of the European Union's initiative to disclose contributions of the extractive industry to governments of the countries of operations (EU Accounting Directive 2013/34/EU from 26 June 2013).

The Review confirms Polyus' adherence to the highest standards of corporate governance and transparency.

All relevant payments in 2019 were made to the budget of the Russian Federation. The total amount of payments reached $436.67 million.

All payments in 2019 were made in Russian roubles. For the presentation and comparable purposes, the payments in this Review are presented in US dollars. The rouble payments were converted into dollars at the relevant average monthly exchange rates.

2019 NET PAYMENTS TO GOVERNMENTS, $ THOUSAND

	Income tax payments	Mineral extraction tax payments (royalties)	Licence payments and similar	Dividends	Total payments
Krasnoyarsk business unit	175,339	151,652	59,044		**386,034**
Alluvials	10,439	12,498	1,646	—	**24,583**
Kuranakh	30,776	18,610	1,775	—	**51,161**
Verninskoye	28,625	4,249	46	—	**32,920**
Chertovo Koryto	—	—	—	—	**—**
Natalka	3	—	1,324	—	**1,327**
Sukhoi Log	—	—	125	—	**125**
Polyus Logistika	424	—	32	—	**456**
PJSC Polyus	1,230	—	—	—	**1,230**
MC Polyus	—	—	—	—	**—**
Other companies, consolidations and eliminations	2,828	—	258	—	**3,086**
Total payments	**249,664**	**187,008**	**64,250**	**—**	**500,922**

CAUTIONARY STATEMENT

31 December 2019 – PJSC Polyus (the 'company' or 'Polyus') issues this Annual Management Report (AMR) to summarise recent operational activities and to provide trading guidance in respect of the consolidated financial statements for the year ended 31 December 2019.

This AMR has been prepared solely to provide additional information to Shareholders to assess the company's and its subsidiaries' (the 'group') strategies and the potential for those strategies to succeed. The AMR should not be relied on by any other party or for any other purpose.

The AMR 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 review, 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 AMR 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.

CONTACTS

PJSC POLYUS

Krasina St. 3 bldg. 1, Moscow, 123056, Russia
Phone: +7 495 641-33-77
Fax: +7 495 785-45-90
E-mail: info@polyus.com

INVESTORS

Victor Drozdov
E-mail: DrozdovVI@polyus.com

MEDIA

Vitaly Petlevoy
E-mail: PetlevoyVE@polyus.com

ESG

Alex Čaičics
E-mail: ChaychitsAV@polyus.com

POLYUS.COM