PJSC Polyus

Management Report

31 December 2020

25 February 2021

Contents

Cautionary statement

25 February 2021 – 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 full year ended 31 December 2020.

This AMR has been prepared solely to provide additional information to stakeholders to assess the Company's and its subsidiaries' (the "group") strategies and the potential for those strategies to succeed. The 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 report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This 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 subsidiaries undertakings when viewed as a whole.

Responsibility statement

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 2020, 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, 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.

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 2020 were approved by Directors on 25 February 2021.

By order of the Board of Directors,

Chief Executive Officer and Director

Pavel Grachev

Management Discussion and Analysis

The fourth quarter and full year 2020 key metrics overview

$ million (if not mentioned otherwise)	**4Q 2020**	**3Q 2020**	**Q-o-Q**	**4Q 2019**	**Y-o-Y**	**2020**	**2019**	**Y-o-Y**
Operating highlights								
Gold production (koz)[1]	710	771	(8%)	804	(12%)	2,766	2,841	(3%)
Gold sold (koz)	829	772	7%	894	(7%)	2,817	2,878	(2%)
Realised prices								
Weighted-average refined gold selling price, $/oz	1,872	1,907	(2%)	1,482	26%	1,786	1,403	27%
Financial performance								
Total revenue	1,515	1,454	4%	1,287	18%	4,998	4,005	25%
Operating profit	935	948	(1%)	725	29%	3,066	2,217	38%
Operating profit margin	62%	65%	(3) ppts	56%	6 ppts	61%	55%	6 ppts
Profit for the period	835	516	62%	697	20%	1,646	1,944	(15%)
Earnings per share - basic (US Dollar)	6.17	3.59	72%	5.25	18%	11.89	14.52	(18%)
Earnings per share - diluted (US Dollar)	6.15	3.58	72%	5.22	18%	11.85	14.48	(19%)
Adjusted net profit[2]	732	724	1%	550	33%	2,332	1,657	41%
Adjusted net profit margin	48%	50%	(2) ppts	43%	5 ppts	47%	41%	6 ppts
Adjusted EBITDA[3]	1,138	1,103	3%	883	29%	3,690	2,680	38%
Adjusted EBITDA margin	75%	76%	(1) ppts	69%	6 ppts	74%	67%	7 ppts
Net cash flow from operations	895	955	(6%)	682	31%	3,046	2,174	40%
Capital expenditures[4]	272	130	N.A.	220	24%	653	630	4%
Cash costs								
Total cash cost (TCC) per ounce sold ($/oz)[5]	354	369	(4%)	341	4%	362	365	(1%)
All-in sustaining cash cost (AISC) per ounce sold ($/oz)[6]	613	571	7%	576	6%	604	594	2%
Financial position								
Cash and cash equivalents	1,445	1,633	(12%)	1,801	(20%)	1,445	1,801	(20%)
Net debt (incl. derivatives)[7]	2,464	2,299	7%	3,253	(24%)	2,464	3,253	(24%)
Net debt (incl. derivatives)/adjusted EBITDA (x)[8]	0.7	0.7	0%	1.2	(42%)	0.7	1.2	(42%)

[1] Gold production is comprised of 688 thousand ounces of refined gold and 22 thousand ounces of gold in flotation concentrate in the fourth quarter of 2020 and 2,568 thousand ounces of refined gold and 198 thousand ounces of gold in flotation concentrate in 2020 respectively.
[2] Adjusted net profit is defined by the group as net profit / (loss) for the period plus impairment loss / (reversal of impairment), unrealised (gain) / loss on derivative financial instruments, net, foreign exchange (gain) / loss, net, and associated deferred and current income taxes related to such items.
[3] Adjusted EBITDA is defined by the group as profit for the period before income tax, depreciation and amortisation, loss / (gain) on revaluation of derivative financial instruments, net , finance costs, net, interest income, foreign exchange loss / (gain), net, impairment loss / (reversal of impairment), (gain) / loss on property, plant and equipment disposal, expenses associated with an equity-settled share-based payment plan, expenses associated with covid-19, loss on transfer of Omchak power grid and special charitable contributions as required to ensure calculation of the Adjusted EBITDA is comparable with the prior period.
[4] Capital expenditures figures are presented on an accrual basis (here presented net of the Sukhoi Log deposit license acquisition cost and net of Omchak power grid construction cost). For details see reconciliation on page 24.
[5] TCC is defined by the group as the cost of gold sales, less property, plant and equipment depreciation and amortisation and change in allowance for obsolescence of inventory, expenses associated with covid-19 and adjusted by non-monetary change in inventory. 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.
[6] AISC is defined by the group as TCC plus selling, general and administrative expenses, stripping activity asset additions, sustaining capital expenditures, unwinding of discounts on decommissioning liabilities, provision for annual vacation payment, employee benefit obligations cost, and change in allowance for obsolescence of inventory less amortisation and depreciation included in selling, general and administrative expenses. AISC is an extension of TCC and incorporates costs related to sustaining production and additional costs which reflect the varying costs of producing gold over the life-cycle of a mine. The group believes AISC is helpful in understanding the economics of gold mining. AISC per ounce sold is the cost of producing and selling an ounce of gold, including mining, processing, transportation and refining costs, general costs from both mine and alluvial operations, and the additional expenditures noted in the definition of AISC. The group calculates AISC per ounce sold as AISC divided by total ounces of gold sold for the period.
[7] Net debt is defined as non-current borrowings plus current borrowings less cash and cash equivalents and bank deposits. Net debt also includes assets and liabilities under cross-currency and interest rate swaps at the reporting date. Net debt excludes derivative financial instrument assets/liabilities other than cross-currency and interest rate swaps, site restoration and environmental obligations, deferred tax, deferred revenue, deferred consideration for the Sukhoi Log licence and other non-current liabilities. Net debt should not be considered as an alternative to current and non-current borrowings, and should not necessarily be construed as a comprehensive indicator of the group's overall liquidity.
[8] The group calculates net debt to Adjusted EBITDA as net debt divided by Adjusted EBITDA for the last twelve months.

Key highlights for the fourth quarter and full year 2020

1. Total gold sales volumes amounted to 829 thousand ounces, up 7% compared to the third quarter of 2020. In 2020, the Company sold a total of 2,817 thousand ounces of gold, down 2% compared to the prior-year.
2. Revenue for the fourth quarter of 2020 totalled $1,515 million, up 4% compared to the previous quarter. This was driven by higher sales of flotation concentrate at 141 thousand ounces, compared to 70 thousand ounces in the previous quarter. In 2020, revenue totalled $4,998 million, a 25% increase from the prior year, driven by a higher average realised refined gold price ($1,786/oz in 2020, compared to $1,403/oz in 2019).
3. In the fourth quarter, the group's TCC decreased 4% to $354 per ounce, compared to $369 per ounce in the previous quarter. This improvement was attributable to a seasonal decrease in output at the structurally higher-cost alluvial operations and an increase in share of lower-cost flotation concentrate in total gold sold. In addition, the local currency depreciation also positively impacted the cost performance. In 2020, the group's TCC decreased 1% to $362 per ounce compared to 2019. This reflects higher average grades in ore processed at Blagodatnoye and Natalka and the local currency depreciation. These factors were partially offset by higher Mineral Extraction Tax ("MET") expenses, driven by higher average realised gold price, and lower average grades in ore processed at Olimpiada (3.40 grams per tonne in 2020 compared to 3.92 grams per tonne in 2019).
4. In the fourth quarter of 2020, the group's adjusted EBITDA amounted to $1,138 million, a 3% increase compared to $1,103 million in the previous quarter, driven by higher gold sales volumes during the quarter. In 2020, the group's adjusted EBITDA stood at $3,690 million, a 38% increase compared to the previous year, driven by higher average gold prices in 2020.
5. In the fourth quarter of 2020, net profit amounted to $835 million, compared to $516 million in the third quarter. Net profit for the full year of 2020 decreased to $1,646 million compared to $1,944 million in 2019. This was driven by the negative impact of non-cash items on profit before tax.
6. Adjusted net profit amounted to $732 million in the fourth quarter, up 1% compared to the third quarter of 2020. For the full year of 2020, adjusted net profit increased to $2,332 million, primarily reflecting growth in operating profit during the year.
7. Net cash generated from operations was $895 million in the fourth quarter, compared to $955 million in the previous quarter. In 2020, net cash generated from operations increased to $3,046 million, compared to $2,174 million in 2019.
8. Capital expenditures ("capex") for the period increased to $272 million, from $130 million in the previous reporting period, as the Company accelerated its capex spending programme in the fourth quarter in line with the approved 2020 investment plan. Capex for the full year of 2020 increased to $653 million from $630 million in the previous year.
9. Cash and cash equivalents as at 31 December 2020 decreased to $1,445 million (30 September 2020: $1,633 million), while the net debt position, including liabilities under cross-currency and interest rate swaps increased to $2,464 million (30 September 2020: $2,299 million). The group's net liabilities under cross-currency and interest rate swaps related to bank credit facilities and rouble bonds totalled approximately $355 million as of the end of the fourth quarter (30 September 2020: net liabilities of $420 million).

10. The net debt (incl. derivatives)/adjusted EBITDA ratio decreased to 0.7x compared to 1.2x at the end of 2019, reflecting a lower net debt position and adjusted EBITDA growth over the last twelve months.

11. The Board of Directors of the Company (the «Board») has preliminarily considered dividends for the second half of 2020 that it intends to recommend for approval by the Company's annual general shareholders' meeting. In accordance with the Company's Dividend Policy which targets the total dividend payout as 30% of the Company's EBITDA for the full year, dividends for the second half of 2020 will amount to the ruble equivalent of $693 million. Based on the current number of outstanding shares, the dividend per share for the second half of 2020 is expected to be $5.09 per ordinary share. The total dividend payout for the full year of 2020 will thus correspond to $1,107 million. This amount includes $414 million paid out in form of dividend for the first half of 2020.

12. In 2020, the Company allocated $155 million to measures aimed at preventing the spread of the COVID-19 pandemic. Out of this amount, $50 million is included in Cost of gold sales (additional staff expenses related to extended working shifts), and $56 million is in Other expenses (COVID-19 test kits, medical services and support provided to regional hospitals). The remaining $49 million was attributable to in-progress inventory and capitalised as part of property, plant and equipment in the Statement of Financial position. The expenses associated with COVID-19 and recognised as part of Cost of gold sales were excluded from both TCC and AISC calculations. At the same time, all P&L expenses related to COVID-19 ($106 million) were excluded from the adjusted EBITDA calculation.

OUTLOOK

Production guidance

- Based on the mining plan and processing capabilities, we expect total gold output of ca. 2.7 million ounces of gold in 2021. Production guidance reflects a temporary reduction of head grades at Olimpiada caused by forced changes to the mining schedules, following the virus outbreak in the second quarter of 2020 and subsequent downscale of stripping works. At the same time, Polyus expects the head grades to rebound in 2022-23 at Olimpiada as the Company gets access to the high-grade ore material. The Company continues to implement brownfield development initiatives to strengthen its operational profile.

TCC guidance

- The Company expects TCC for 2021 to stay within the range of $425-$450 per ounce. This estimate is based on the assumptions of foreign exchange rate of 65 roubles per dollar and a gold price of $1,300 per ounce. The Company anticipates a gradual increase in TCC from 2020 levels, driven by:
    - inflationary factors;
    - a temporary reduction of head grades at Olimpiada as defined above;
    - a decrease in the share of lower-cost flotation concentrate in total gold sold; and
    - lower antimony by-product credit.

Capex guidance

- In 2021, the Company expects capex to be within the range of $1,000-1,100[9] million. The capex guidance reflects:
    - The recently approved Mill-5 construction project at the Blagodatnoye complex, including site preparation, foundation works, and acceleration of mining fleet procurement;
    - the completion of the major part of the Sukhoi Log feasibility study, including comprehensive engineering surveys, the project team staffing and early start of infrastructure construction;
    - the reconstruction of the tailings storage facility and completion of the construction of the second heap leaching pad at Kuranakh;
    - a cyclical increase in spending on mining fleet maintenance; and
    - growth in the exploration budget and rollover of IT capex spending from 2020.

COVID-19 expenses

- Based on preliminary assessments, Polyus expects approximately $100 million of COVID-19 related expenses in 2021. These include salary increases paid to staff working extended shifts, procurement of medical and personal protection equipment, as all preventive measures remain in place at all sites. The expenses associated with COVID-19 and recognised as part of Cost of gold sales will be excluded from both TCC and AISC calculations as well as from the adjusted EBITDA calculation.

[9] On the assumption of foreign exchange rate of 65 roubles per dollar.

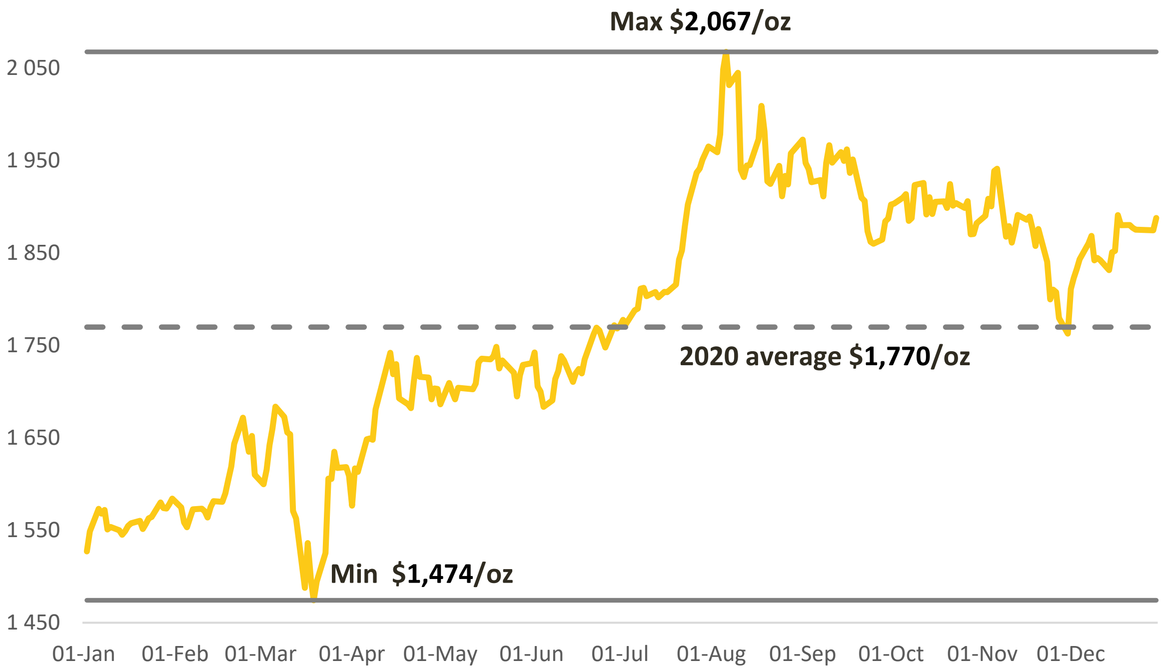
Review of external factors

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

Gold price dynamics

The market price of gold is a significant factor that influences the group's profitability and operating cash flow generation. In the fourth quarter of 2020, the average London Bullion Market Association (LBMA) gold price was $1,874 per ounce, compared to $1,907 per ounce in the previous quarter and $1,481 per ounce in the fourth quarter of 2019. In 2020, the average LBMA gold price was $1,770 per ounce, 27% above the 2019 average of $1,393 per ounce.

LBMA gold price dynamics in 2020 $/oz

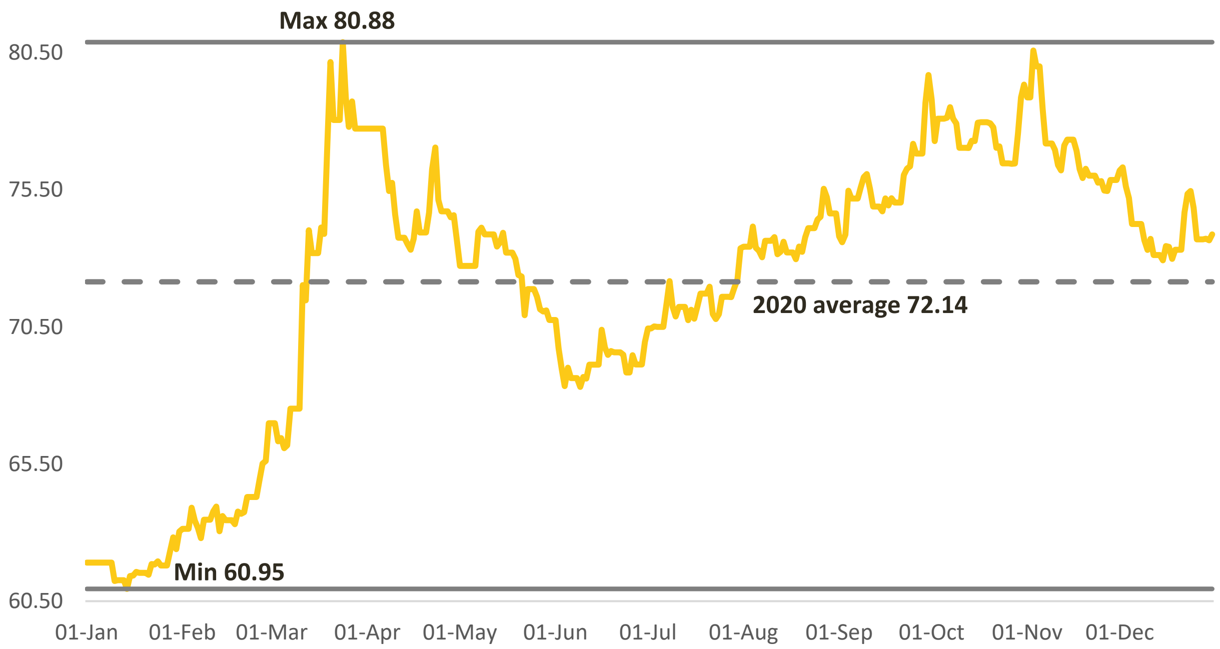


Source: London Bullion Market Association

Rouble exchange rate dynamics

The group's revenue from gold sales is linked to the US dollar (USD), whereas most of the group's operating expenses are denominated in Russian roubles (RUB). The strengthening of the RUB against the USD can negatively impact the group's margins by increasing the USD value of its RUB-denominated costs, while a weaker RUB positively affects its margins as it reduces the USD value of the group's RUB-denominated costs. In the fourth quarter of 2020, the average RUB/USD exchange rate amounted to 76.21, compared to 73.56 in the previous quarter and 63.72 in the fourth quarter of 2019.
In 2020, the average USD/RUB exchange rate was 72.14, compared to 64.74 in 2019.

RUB/USD dynamics, 2020



Source: The Central Bank of the Russian Federation

Inflationary trends

All of the group's operations are located in Russia. The rouble-based annualised Russian Consumer Price Index (CPI), calculated by the Federal State Statistics Service, was at 4.9% as of the end of the fourth quarter of 2020, compared to 3.7% as of the end of the previous quarter and 3.0% as of the end of the fourth quarter of 2019.

Financial review of the fourth quarter and full year 2020

Statement of profit or loss review

REVENUE ANALYSIS

	4Q 2020	3Q 2020	Q-o-Q	2020	2019	Y-o-Y
Gold sales (koz)	829	772	7%	2,817	2,878	(2%)
Weighted-average refined gold selling price, $/oz	1,872	1,907	(2%)	1,786	1,403	27%
Average afternoon gold LBMA price fixing ($/oz)	1,874	1,907	(2%)	1,770	1,393	27%
Premium of average selling price over average LBMA price fixing ($/oz)	(2)	-	N.A.	16	10	60%
Gold sales ($ million)	1,503	1,444	4%	4,956	3,965	25%
Other sales ($ million)	12	10	20%	42	40	5%
Total revenue ($ million)	**1,515**	**1,454**	**4%**	**4,998**	**4,005**	**25%**

In the fourth quarter, the group's revenue from gold sales amounted to $1,503 million, a 4% increase compared to the previous quarter. Gold sales totaled 829 thousand ounces, a 7% increase compared to the previous quarter, driven by higher volumes of flotation concentrate sales. At the same time, the average realised refined gold price was 2% lower than in the third quarter, at $1,872 per ounce.

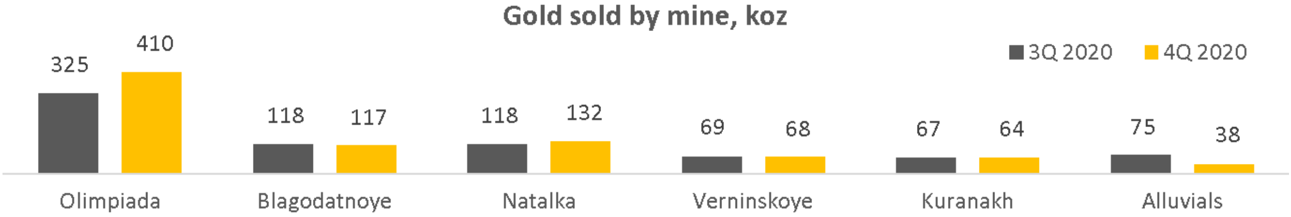
For the full year of 2020, the group's revenue from gold sales amounted to $4,956 million, a 25% increase from the prior-year. This was driven by an increase in gold price during the year. The average realised refined gold price was 27% higher compared to 2019, at $1,786 per ounce. Gold sales totaled 2,817 thousand ounce, a 2% decrease from the previous year.

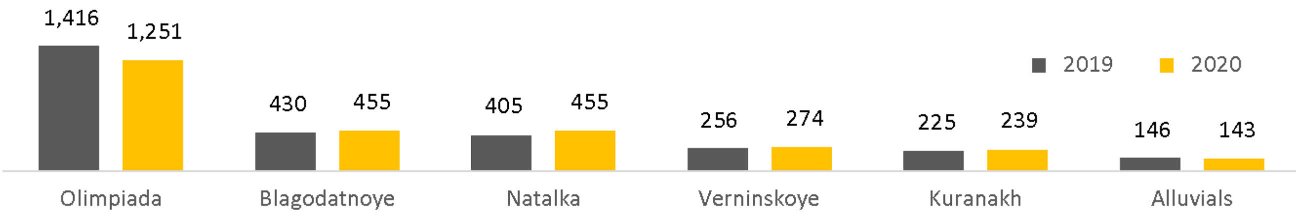
Revenue breakdown by business unit, 4Q 2020 vs. 3Q 2020

Assets	4Q 2020 ($ million)			3Q 2020 ($ million)		
	Gold sales	Other sales	Total sales	Gold sales	Other sales	Total sales
Olimpiada	717	1	718	592	4	596
Blagodatnoye	219	-	219	226	-	226
Natalka	248	-	248	225	2	227
Verninskoye	128	-	128	130	1	131
Kuranakh	119	1	120	128	-	128
Alluvials	72	2	74	143	2	145
Other	-	8	8	-	1	1
Total	**1,503**	**12**	**1,515**	**1,444**	**10**	**1,454**

Revenue breakdown by business unit, 2020 vs. 2019

Assets	2020 ($ million)			2019 ($ million)		
	Gold sales	Other sales	Total sales	Gold sales	Other sales	Total sales
Olimpiada	2,155	11	2,166	1,906	8	1,914
Blagodatnoye	810	-	810	602	-	602
Natalka	814	6	820	571	7	578
Verninskoye	484	3	487	357	1	358
Kuranakh	426	4	430	317	4	321
Alluvials	267	6	273	212	4	216
Other	-	12	12	-	16	16
Total	**4,956**	**42**	**4,998**	**3,965**	**40**	**4,005**





CASH COSTS ANALYSIS

In the fourth quarter, the group's cost of gold sales increased by 3% compared to the previous quarter, to $396 million, while cash operating costs decreased by 10%, to $308 million.

In 2020, the group's cost of gold sales decreased 1% compared to the prior year, to $1,389 million. Cash operating costs increased 8% compared to the prior year, to $1,230 million, reflecting COVID-19 related expenses and higher MET expenses, on the back of the increase in average gold price.

Cost of gold sales breakdown

$ million	4Q 2020	3Q 2020	Q-o-Q	2020	2019	Y-o-Y
Cash operating costs[10]	**308**	**343**	**(10%)**	**1,230**	**1,135**	**8%**
Depreciation and amortisation (D&A) of operating assets	93	102	(9%)	406	349	16%
Total cost of production	**401**	**445**	**(10%)**	**1,636**	**1,484**	**10%**
Increase in stockpiles, gold-in-process and refined gold inventories	(5)	(59)	(92%)	(247)	(79)	N.A.
Cost of gold sales	**396**	**386**	**3%**	**1,389**	**1,405**	**(1%)**

Cash operating costs - breakdown by item

$ million	4Q 2020	3Q 2020	Q-o-Q	2020	2019	Y-o-Y
Consumables and spares	81	80	1%	304	325	(6%)
Employee compensation	75	93	(19%)	331	337	(2%)
Mineral Extraction Tax ("MET")	69	71	(3%)	238	192	24%
Fuel	28	30	(7%)	120	129	(7%)
Power	15	15	0%	61	59	3%
Other[10]	40	54	(26%)	176	93	89%
Total	**308**	**343**	**(10%)**	**1,230**	**1,135**	**8%**

In the fourth quarter of 2020, consumables and spares expenses remained broadly flat compared to the previous quarter. The positive impact of the seasonal downscale of activities at Alluvials was offset by the

[10] The group calculates cash operating costs as the sum of the following costs within cost of sales for the period: Labour, Consumables and spares, Tax on mining, Fuel, Power, Outsourced mining services and other costs, including Refining, logistics and costs on explosives. Other costs also include $16 million and $50 million of COVID-19 expenses related to employee compensation in the fourth quarter of 2020 and for the full year of 2020, respectively.

increase in maintenance expenses. For the full year of 2020, consumables and spares expenses decreased by 6% compared to the previous reporting period, reflecting the local currency depreciation. This was partially offset by higher consumption of reagents at Natalka due to the rollout of flash flotation technology. Higher maintenance expenses at Natalka also impacted consumables and spares expenses.

Employee compensation expenses (excluding additional expenses related to COVID-19) decreased by 19% compared to the previous quarter. This reflects the seasonal downscale of activities at the Alluvials operations. In 2020, employee compensation expenses decreased by 2% compared to the prior year, while total amount of employee compensation in rouble terms increased by 10%, following an increase in headcount at operating assets and annual salary indexation.

Power costs remained flat quarter-on-quarter. For the full year of 2020, the group's power costs increased by 3% compared to the prior year, primarily due to the increase in power tariff at Natalka and Kuranakh.

The group's MET expenses decreased by 3% compared to the previous quarter. This reflects lower production volumes of gold dore and lower average gold prices during the period. In 2020, MET expenses rose by 24%, following higher average gold prices.

In the fourth quarter, fuel costs decreased by 7% compared to the previous quarter due to downscale of activities at the Alluvials operations. In 2020, fuel costs decreased by 7% due to local currency depreciation and the temporary downscale of stripping activities during the outbreak of coronavirus at Olimpiada in the second quarter of 2020.

Cash operating costs - breakdown by key business units[11], 4Q 2020 vs. 3Q 2020

$ million	Olimpiada		Blagodatnoye		Natalka		Verninskoye		Kuranakh		Alluvials	
	4Q 2020	3Q 2020	4Q 2020	3Q 2020	4Q 2020	3Q 2020	4Q 2020	3Q 2020	4Q 2020	3Q 2020	4Q 2020	3Q 2020
Consumables and spares	31	32	12	12	18	12	8	6	8	7	3	9
Employee compensation	15	18	9	10	14	13	7	9	8	10	7	21
MET	46	36	12	16	-	-	2	1	6	9	3	9
Fuel	5	5	5	5	8	8	2	2	3	4	3	7
Power	5	5	1	2	6	5	1	1	3	2	2	2
Other	13	10	12	9	19	13	8	11	3	3	8	18
Total	**115**	**106**	**51**	**54**	**65**	**51**	**28**	**30**	**31**	**35**	**26**	**66**

Cash operating costs - breakdown by key business units, 2020 vs. 2019

$ million	Olimpiada		Blagodatnoye		Natalka		Verninskoye		Kuranakh		Alluvials	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Consumables and spares	125	148	46	53	58	48	27	28	28	26	17	17
Employee compensation	71	80	41	38	54	49	35	35	39	40	37	46
MET	137	117	53	39	-	-	6	4	26	19	16	13
Fuel	22	29	21	20	33	32	8	8	15	17	14	16
Power	22	22	7	8	22	20	4	4	9	8	6	6
Other	66	41	39	30	60	45	36	22	13	13	37	22
Total	**443**	**437**	**207**	**188**	**227**	**194**	**116**	**101**	**130**	**123**	**127**	**120**

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

TOTAL CASH COSTS

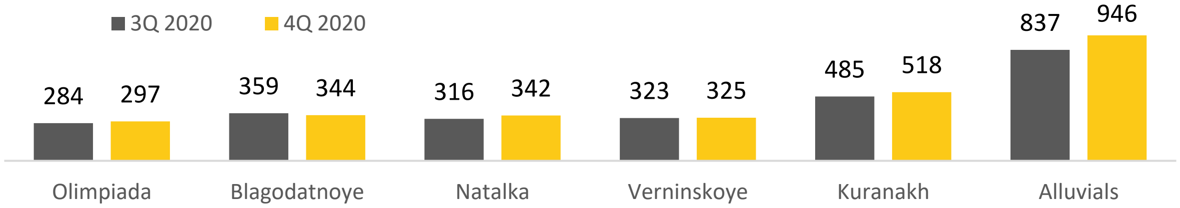
TCC calculation

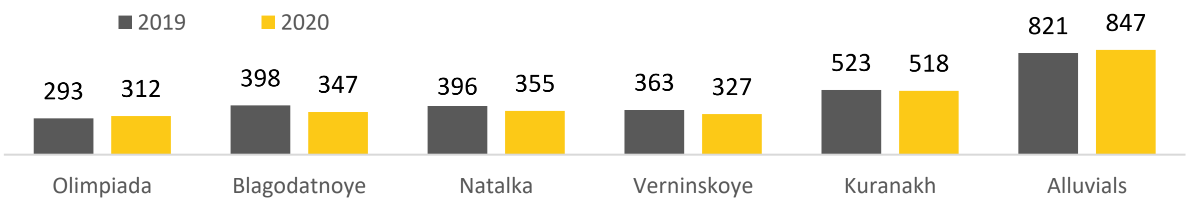
$ million	4Q 2020	3Q 2020	Q-o-Q	2020	2019	Y-o-Y
Cost of gold sales before by-product	**408**	**397**	**3%**	**1,413**	**1,435**	**(2%)**
Antimony by-product credit	(12)	(11)	9%	(24)	(30)	(20%)
Cost of gold sales	**396**	**386**	**3%**	**1,389**	**1,405**	**(1%)**
property, plant and equipment depreciation	(93)	(102)	(9%)	(406)	(349)	16%
expenses related to COVID-19 in cost of gold sales	(16)	(15)	(7%)	(50)	-	N.A.
non-monetary changes in inventories	5	16	(69%)	87	(6)	N.A.
TCC	**292**	**285**	**2%**	**1,020**	**1,050**	**(3%)**
Gold sold (koz)	829	772	7%	2,817	2,878	(2%)
TCC per ounce sold ($/oz)	**354**	**369**	**(4%)**	**362**	**365**	**(1%)**

In the fourth quarter, the group's TCC decreased by 4% to $354 per ounce compared to $369 per ounce in the previous quarter. This improvement was attributable to a seasonal decrease in output at the structurally higher-cost alluvial operations and an increase in share of lower-cost flotation concentrate in total gold sold. This was partially offset by scheduled maintenance works at Olimpiada, Blagodatnoye and Natalka.

In 2020, the group's TCC decreased 1% to $362 per ounce compared to 2019. This reflects higher average grades in ore processed at Blagodatnoye and Natalka and the local currency depreciation. These factors were partially offset by higher MET expenses, driven by the increase in average realised gold price and lower average grades in ore processed at Olimpiada (3.40 grams per tonne in 2020 compared to 3.92 grams per tonne in 2019).

TCC performance by mine, $/oz





In the fourth quarter, TCC at Olimpiada rose to $297 per ounce, a 5% increase compared to the third quarter of 2020. This increase reflects scheduled maintenance works, including the replacement of the SAG-mill at Mill No. 3. as well as a decline in average grades in ore processed (3.34 grams per tonne in the fourth quarter compared to 3.56 grams per tonne in the third quarter). This was partially offset by a higher share of lower-cost flotation concentrate in the total gold sold during the quarter.

In 2020, TCC at Olimpiada amounted to $312 per ounce, a 6% increase compared to 2019. This was attributable to a decline in average grades in ore processed (3.40 grams per tonne in 2020 compared to 3.92 grams per tonne in 2019) and higher MET expenses. These factors were partially offset by the local currency depreciation.

At Blagodatnoye, TCC amounted to $344 per ounce, down 4% compared to the third quarter. This was driven by higher average grades in ore processed (1.91 grams per tonne in the fourth quarter compared to 1.80 grams per tonne in the third quarter) as well as an increase in recovery rate from 87.9% to 88.7% compared to the previous quarter.

In 2020, TCC at Blagodatnoye were $347 per ounce, down 13% compared to the previous year due to higher average grades in ore processed (1.82 grams per tonne in 2020 compared to 1.67 grams per tonne in 2019) and the local currency depreciation.

In the fourth quarter, TCC at Natalka increased to $342 per ounce, up 8% compared to the previous quarter, driven by higher maintenance expenses. In 2020, TCC at Natalka declined to $355 per ounce, down 10% compared to $396 per ounce in 2019, driven by a higher average grade in ore processed (1.72 grams per tonne in 2020 compared to 1.61 grams per tonne in 2019). An increase in hourly throughput to an average of 1,495 t/h, compared to an average of 1,462 t/h in 2019, also contributed to the improved performance.

In the fourth quarter, TCC at Verninskoye amounted to $325 per ounce, up 1% compared to the third quarter. In 2020, TCC at Verniskoye decreased to $327 per ounce, down 10% compared to the previous year, due to increase in hourly throughput to an average of 403 t/h compared to an average of 375 t/h in 2019.

At Kuranakh, TCC rose to $518 per ounce, up 7% compared to the third quarter, due to scheduled maintenance works and a seasonal downscaling of heap leaching operations. In 2020, TCC at Kuranakh decreased to $518 per ounce, down 1% compared to 2019, which reflects the local currency depreciation compared to the previous year. This was offset by higher MET expenses and maintenance expenses during the year.

At Alluvials, TCC increased 13% to $946 per ounce, reflecting the conclusion of the washing season. In 2020, TCC at Alluvials amounted to $847 per ounce, up 3% compared to $821 per ounce in the previous year due to a decrease in alluvial gold grade (0.46 grams per cubic metre in 2020 compared to 0.53 grams per cubic metre in 2019) and higher MET expenses.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

In the fourth quarter, the group’s selling, general, and administrative (SG&A) expenses amounted to $91 million, a 10% increase compared to the previous quarter. This reflects higher distribution expenses due to increased sales volumes of flotation concentrate. In 2020, the group’s SG&A expenses amounted to $336 million.

SG&A breakdown by item

$ million	4Q 2020	3Q 2020	Q-o-Q	2020	2019	Y-o-Y
Salaries	55	59	(7%)	236	188	26%
Distribution expenses related to gold-bearing products	9	5	80%	18	25	(28%)
Taxes other than mining and income taxes	5	4	25%	19	20	(5%)
Professional services	6	5	20%	15	12	25%
Depreciation and amortisation	6	5	20%	23	21	5%
Other	10	5	100%	25	29	(14%)
Total	**91**	**83**	**10%**	**336**	**295**	**14%**

ALL-IN SUSTAINING COSTS (AISC)

In the fourth quarter, the group’s AISC increased to $613 per ounce, up 7% reflecting higher stripping activities and sustaining capital expenditures. In 2020, the group’s AISC per ounce stood at $604 per ounce.

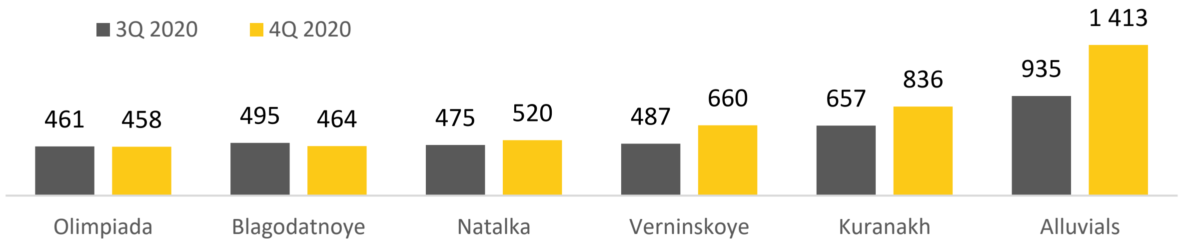
All-in sustaining costs calculation

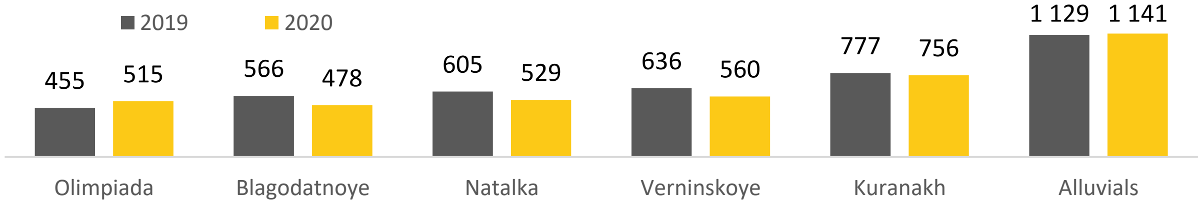
$ million	4Q 2020	3Q 2020	Q-o-Q	2020	2019	Y-o-Y
Total TCC	**292**	**285**	**2%**	**1,020**	**1,050**	**(3%)**
selling, general and administrative expenses	91	83	10%	336	295	14%
amortisation and depreciation related to SG&A	(6)	(5)	20%	(23)	(21)	10%
stripping activity asset additions[12]	44	29	52%	143	179	(20%)
sustaining capital expenditure[13]	84	46	83%	218	187	17%
unwinding of discounts on decommissioning liabilities	1	1	0%	4	4	0%
adding back expenses excluded from cost of gold sales						
change in allowance for obsolescence of inventory	2	2	0%	4	15	(73%)
Total all-in sustaining costs	**508**	**441**	**15%**	**1,702**	**1,709**	**(0%)**
Gold sold (koz)	829	772	8%	2,817	2,878	(2%)
All-in-sustaining cost ($/oz)	**613**	**571**	**7%**	**604**	**594**	**2%**

In the fourth quarter of 2020, AISC at Olimpiada remained largely flat at $458 per ounce. AISC at Blagodatnoye decreased to $464 per ounce, driven by lower TCC in the reporting period. AISC at Natalka increased to $520 per ounce due to higher sustaining capital expenditures in the reporting period. AISC at Verninskoye increased to $660 per ounce, while AISC at Kuranakh increase to $836/oz, both driven by higher stripping activity and higher sustaining capital expenditures in the reporting period.

In 2020, AISC at Olimpiada increased to $515 per ounce, driven by higher sustaining capital expenditures and higher stripping expenses compared to the previous year. AISC at Blagodatnoye decreased to $478 per ounce, in line with TCC performance and due to lower stripping expenses during the period. AISC at Natalka decreased to $529 per ounce, while AISC at Verninskoye decreased to $560 per ounce, both in line with TCC performance and driven by lower sustaining capital expenditures and lower stripping expenses in the reporting year. At Kuranakh, AISC decreased to $756 per ounce, in line with TCC performance during the period. AISC at Alluvial remained almost flat at $1,141 per ounce.

All-in sustaining costs by mine, $/oz





[12] Following an update of the methodology and extraction of the depreciation and COVID-19 related expenses included in the additions to the stripping activity asset. The amount of non-cash depreciation was $12 million in the fourth quarter of 2020, $12 million in the third quarter of 2020. The amount of COVID-19 related expenses amounted was 2 million in the fourth quarter of 2020 and $3 million in the third quarter of 2020.
[13] Sustaining capital expenditures represent capital expenditures at existing operations comprising mine development costs and ongoing replacement of mine equipment and other capital facilities, and does not include capital expenditures for major growth projects or enhancement capital for significant infrastructure improvements at existing operations.

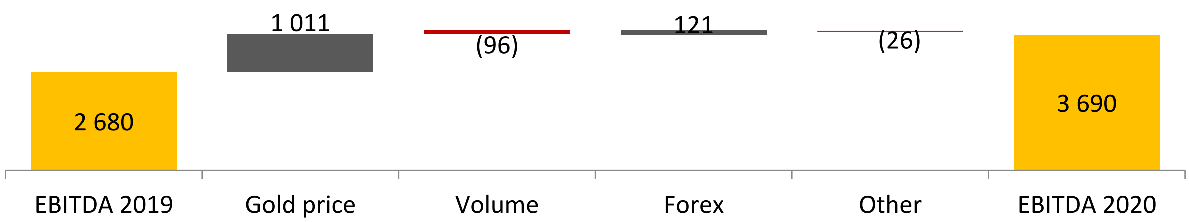
ADJUSTED EBITDA

In the fourth quarter of 2020, the group's adjusted EBITDA amounted to $1,138 million, a 3% increase compared to $1,103 million in the previous quarter, driven by higher gold sales volumes. In 2020, the group's adjusted EBITDA stood at $3,690 million, a 38% increase compared to the previous year. This was driven by higher average gold sales price in 2020, and supported by lower TCC on a per ounce basis.

Adjusted EBITDA calculation

$ million	4Q 2020	3Q 2020	Q-o-Q	2020	2019	Y-o-Y
Profit before income tax	**1,027**	**638**	**61%**	**2,062**	**2,377**	**(13%)**
Expenses related to COVID-19	34	36	(6%)	106	-	N.A.
Loss on transfer of Omchak power grid	45	-	N.A.	45	-	N.A.
Depreciation and amortisation	96	93	3%	349	367	(5%)
(Gain) / loss on revaluation of derivative financial instruments, net	(95)	178	N.A.	544	(93)	N.A.
Finance costs, net	46	59	(22%)	232	254	(9%)
Equity-settled share-based payment plans	12	22	(45%)	77	40	93%
Foreign exchange (gain) / loss, net	(40)	77	N.A.	250	(273)	N.A.
Interest income	(3)	(4)	(25%)	(22)	(48)	(54%)
Impairment	8	-	N.A.	10	9	11%
Special charitable contributions	8	3	N.A.	35	43	(19%)
Loss on property, plant and equipment disposal	-	1	(100%)	2	4	(50%)
Adjusted EBITDA	**1,138**	**1,103**	**3%**	**3,690**	**2,680**	**38%**
Total revenue	1,515	1,454	4%	4,998	4,005	25%
Adjusted EBITDA margin (%)	**75%**	**76%**	**(1)ppts**	**74%**	**67%**	**7ppts**

Adjusted EBITDA bridge, $ million



Adjusted EBITDA breakdown by business unit, $ million

$ million	4Q 2020	3Q 2020	Q-o-Q	2020	2019	Y-o-Y
Olimpiada	568	475	20%	1,665	1,381	21%
Blagodatnoye	174	174	0%	620	415	49%
Natalka	190	174	9%	594	361	65%
Verninskoye	99	102	(3%)	370	237	56%
Alluvials	31	77	(60%)	129	74	74%
Kuranakh	82	90	(9%)	279	174	60%
Other[14]	(6)	11	N.A.	33	38	(13%)
Total	**1,138**	**1,103**	**3%**	**3,690**	**2,680**	**38%**

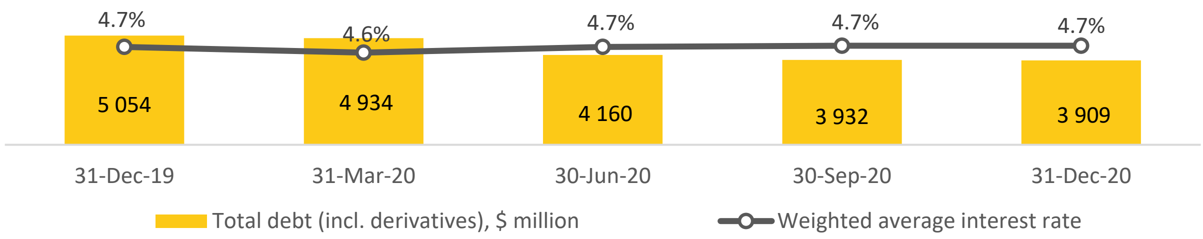
[14] Reflects consolidation adjustments and financial results of Sukhoi log and non-producing business units, including exploration business unit, capital construction business unit and unallocated segments

FINANCE COST ANALYSIS

$ million	4Q 2020	3Q 2020	Q-o-Q	2020	2019	Y-o-Y
Interest on borrowings	47	50	(6%)	229	294	(22%)
Interest on lease liabilities	1	1	0%	4	5	(20%)
Bank commission and write-off of unamortised debt cost due to early extinguishment	2	6	(67%)	12	3	N.A.
Unwinding of discounts	1	4	(75%)	10	13	(23%)
Loss on an early redemption of financial liabilities	-	5	(100%)	5	-	100%
Gain on debt modification	-	-	N.A.	-	(17)	(100%)
Gain on exchange of interest payments under cross currency swap and interest rate swap	(5)	(7)	(25%)	(28)	(44)	(29%)
Total finance cost expensed	**46**	**59**	**(22%)**	**232**	**254**	**(9%)**

The group's total finance costs amounted to $46 million, compared to $59 million in the third quarter. In 2020, the group's total finance costs were $232 million, down 9% compared to the previous year. Interest on borrowings decreased 22% to $229 million. This reflects the decline in gross debt in 2020.

Weighted average interest rate dynamics[15]



Foreign exchange loss and derivatives

The group's foreign exchange gain was $40 million in the fourth quarter, compared to a $77 million loss in the third quarter, which reflects the revaluation of USD-denominated bank deposits, USD-denominated accounts receivables and USD-denominated liabilities as at 31 December 2020 due to FX rate fluctuation.

In 2020, the group's foreign exchange loss was $250 million, compared to a $273 million gain in the previous year, which reflects the revaluation of USD-denominated bank deposits, USD-denominated accounts receivables and USD-denominated liabilities as at 31 December 2020 due to FX rate fluctuation.

Valuation of derivative financial instruments as at 31 December 2020 and for the full year then ended

$ million	Asset	Liability	Fair value recorded in the statement of financial position	Profit & loss expenses
Cross-currency swaps	17	(363)	(346)	(403)
Interest rate swaps	-	(9)	(9)	(7)
Conversion option	-	-	-	(105)
Revenue stabiliser	-	-	-	(29)
Total	**17**	**(372)**	**(355)**	**(544)**

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

Cross-currency and interest rate swaps[16]

In 2020, the group's revaluation loss on cross currency and interest rate swaps amounted to $410 million, which mainly reflects the local currency depreciation in 2020 and is recognised as a non-cash item within the profit and loss statement.

In the fourth quarter of 2020, the overall positive effect from cross-currency and interest rate swaps on finance cost amounted to $5 million.

In 2020, the overall positive effect from cross-currency and interest rate swaps on finance cost amounted to $28 million. This was presented within note 9 of the consolidated financial statement as a gain on the exchange of interest payments under interest rate and cross currency swaps.

PROFIT BEFORE TAX & INCOME TAXES

In the fourth quarter of 2020, the group recognised profit before tax of $1,027 million. For the full year of 2020, profit before tax decreased to $2,062 million primarily driven by the negative impact of non-cash items, while this was partially offset by higher operating profit in the reporting period. Income tax amounted to $416 million, resulting in an effective income tax rate of 20%.

NET PROFIT

In the fourth quarter of 2020, net profit totaled $835 million, compared to net profit of $516 million in the third quarter.

Net profit for the full year of 2020 decreased to $1,646 million compared to $1,944 million in 2019. This was driven by the negative impact of non-cash items on profit before tax. Polyus recognised a loss of $544 million on revaluation of derivative financial instruments and a foreign exchange loss of $250 million in 2020. Adjusted for these items, the group's adjusted net profit for 2020 amounted to $2,332 million, a 41% increase from the prior year.

Adjusted net profit calculation

$ million	4Q 2020	3Q 2020	Q-o-Q	2020	2019	Y-o-Y
Net profit for the period	835	516	62%	1,646	1,944	(15%)
impairment	8	-	N.A.	10	9	11%
loss / (gain) on derivative financial instruments, net	(95)	178	N.A.	544	(93)	N.A.
foreign exchange loss / (gain), net	(40)	77	N.A.	250	(273)	N.A.
effect of deferred and current income taxes on items above	24	(47)	N.A.	(118)	70	N.A.
Adjusted net profit	**732**	**724**	**1%**	**2,332**	**1,657**	**41%**
Total revenue	1,515	1,454	4%	4,998	4,005	25%
Adjusted net profit margin	**48%**	**50%**	**(2) ppts**	**47%**	**41%**	**6 ppts**

Statement of financial position review

DEBT

The Company's gross debt decreased to $3,909 million, compared to $3,932 million as at the end of the third quarter of 2020. In the reporting period, the Company repaid $75 million of bank loans.

[16] For additional information on cross-currency and interest rate swaps, see Note 14 of the consolidated financial statements

As at 31 December 2020, the Company's estimated cash position decreased to $1,445 million (30 September 2020: $1,633 million), while its estimated net debt position increased, compared to the previous quarter and amounted to $2,464 million (30 September 2020: $2,299 million). Among other factors, the change in cash position reflects a dividend payout for the first half of 2020 in amount of $414 million and a buyback programme consideration in amount of $268 million spent in December 2020.

In November 2020, Polyus announced the decision by the Board of Directors to approve a programme to purchase up to an aggregate of 1,428,571 ordinary shares of the Company. The Tender Offer was implemented through a modified "Dutch auction" procedure and expired on December 24, 2020. As a result of the procedure, the buyback price was set at $210 per share or $105 per GDR. The total number of 1,422,482 Ordinary Shares, including Ordinary Shares represented by depositary shares, was purchased, which constitutes approximately 1.05% of the Company's issued share capital. Total buyback programme consideration amounted to approximately $301 million, out of which $268 million was spent before year end and the reminder of the securities was purchased during execution period in January, 2021.

Shares purchased are expected to be used for the consolidation of Lenzoloto assets, tranches under the Company's long-term incentive plan, as well as consideration for potential M&A transactions, and for other corporate purposes.

In 2020, the Company repaid the principal amount of $677 million of notes outstanding from its own cash and fully redeemed its 2021 convertible bonds, with the principal amount and accrued interest of $186 million on the notes outstanding. In addition, Polyus repaid approximately $452 million of bank loans in 2020.

The share of fixed-rate liabilities within the Company's debt portfolio stood at 96% as at the end of the fourth quarter of 2020.

As of 31 December 2020, the group had a lease liability in the amount of $70 million, which is discussed further within note 14 of the consolidated financial statements.

Debt breakdown by type

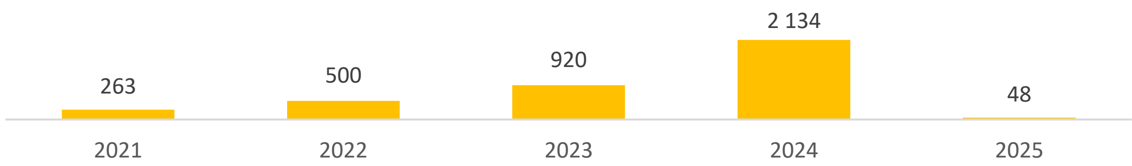
$ million	31 December 2020	30 September 2020	31 December 2019
Eurobonds	1,734	1,733	2,408
Convertible bonds	-	-	194
RUB bonds	556	540	536
Finance lease	70	70	80
Bank loans	1,549	1,589	1,836
Total	**3,909**	**3,932**	**5,054**

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

Debt breakdown by currency

	$ million	% of total	$ million	% of total	$ million	% of total
RUB	1,614	41%	1,499	38%	1,945	38%
USD	2,295	59%	2,433	62%	3,109	62%
Total	**3,909**	**100%**	**3,932**	**100%**	**5,054**	**100%**

Debt maturity schedule (as at 31 December 2020)[17], $ million



CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

As at 31 December 2020, the group's cash and cash equivalents and bank deposits totaled 1,445 million, down 12% compared to the end of the third quarter of 2020. The group's cash position is primarily held in USD-denominated instruments. Existing cash balances cover all principal debt repayments up to 2022.

Cash, cash equivalents, and bank deposits breakdown by currency

$ million	31 December 2020	30 September 2020	31 December 2019
RUB	152	118	142
USD	1,293	1,515	1,659
Total	**1,445**	**1,633**	**1,801**

NET DEBT

At the end of the fourth quarter of 2020, the group's net debt amounted to $2,464 million, up 7% from $2,299 million at the end of the third quarter of 2020.

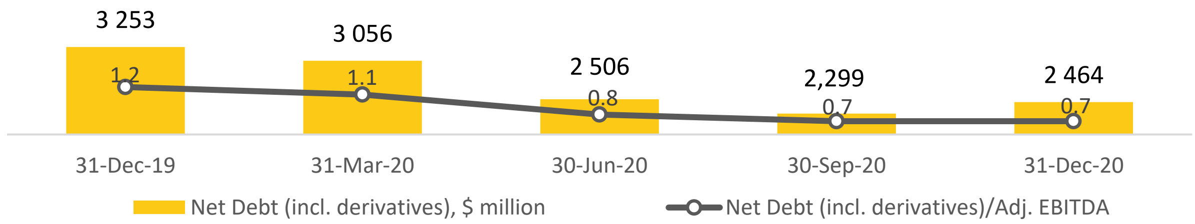
Net debt calculation

$ million	31 December 2020	30 September 2020	31 December 2019
Non-current borrowings	3,642	3,670	4,354
+ Current borrowings	267	262	700
- Cash and cash equivalents	(1,445)	(1,633)	(1,801)
Net debt	**2,464**	**2,299**	**3,253**

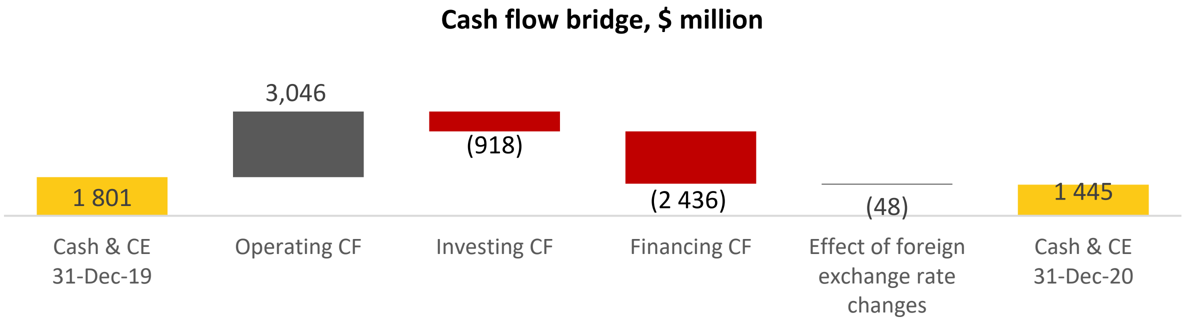
The net debt /adjusted EBITDA ratio decreased to 0.7x compared to the end of 2019, reflecting a decrease in the net debt and growth in adjusted EBITDA for the last 12 months.

[17] The breakdown is based on actual maturities and excludes $21 million of banking commissions and lease liabilities recognised under IFRS 16 as of 31 December 2020 in amount of $65 million (the remaining $6 million of the total amount of lease liabilities of $70 million presented in the Note 19 and included in the bridge). There is a maturity profile of the group's financial liabilities, which is based on undiscounted contractual cash payments within Note 31 of the consolidated financial statements.

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



Statement of cash flows review



In 2020, cash flow from operations increased to $3,046 million, up 40% compared to $2,174 million in 2019. Cash outflow on investing activities increased to $918 million, up 24% compared to $748 million in the previous year due to the buy-out of the LLC "RT Business Development" participation interest in SL Gold for the total amount of $156 million in 2020. Net financing cash outflow totaled $2,436 million, reflecting the repayment of $1,144 million in borrowings, $844 million of dividend payments for the second half of 2019 and the first half of 2020 and the payment for the share buyback in the amount of $268 million.

OPERATING CASH FLOW

In the fourth quarter, the group generated operational cash inflow of $895 million, which was negatively impacted by a working capital outflow of $42 million. This figure reflects an increase in trade receivables related to sales of flotation concentrate in a total amount of $103 million. This was partially offset by the decrease in the amount of consumables, spares and fuel stocks at Olimpiada, Blagodatnoye and Natalka.

For the full year of 2020, the group generated operational cash inflow of $3,046 million, which was negatively impacted by a working capital outflow of $47 million. The latter was driven by an accumulation of ore stockpiles across hard rock deposits.

[18] Net debt to Adjusted EBITDA ratio is calculated as net debt as of the end of the relevant period divided by Adjusted EBITDA for the relevant period. For the purpose of the net debt to Adjusted EBITDA ratio as of 31 December 2020, Adjusted EBITDA is calculated as the twelve months ended on 31 December 2020. For the purpose of the net debt to Adjusted EBITDA ratio as of 30 September 2020, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 September 2020 (being Adjusted EBITDA for 2019 less Adjusted EBITDA for the nine months ended 30 September 2019 plus Adjusted EBITDA for the nine months ended 30 September 2020). For the purpose of the net debt to Adjusted EBITDA ratio as of 30 June 2020, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 June 2020 (being Adjusted EBITDA for 2019 less Adjusted EBITDA for the six months ended 30 June 2019 plus Adjusted EBITDA for the six months ended 30 June 2020). For the purpose of the net debt to Adjusted EBITDA ratio as of 31 March 2020, Adjusted EBITDA is calculated as the trailing twelve months ended on 31 March 2020 (being Adjusted EBITDA for 2019 less Adjusted EBITDA for the three months ended 31 March 2019 plus Adjusted EBITDA for the three months ended 31 March 2020). For the purpose of the net debt to Adjusted EBITDA ratio as of 31 December 2019, Adjusted EBITDA is calculated as the twelve months ended on 31 December 2019.

INVESTING CASH FLOW

In the fourth quarter, capital expenditures increased to $272 million, from $130 million in the previous period, as the Company accelerated its capex spending programme in line with its investment plans. For the full year of 2020 capital expenditures amounted to $653 million, up 4% compared to $630 million in the previous year. Adjusted for FX fluctuations, capital expenditures for the full year 2020 came closer to the upper bound of the guidance range of $700-750 million, provided at 60 roubles per dollar FX rate assumption.

At Olimpiada, capital expenditures increased to $93 million in the fourth quarter of 2020 compared to $32 million in the previous reporting period. This was driven mainly by the installation of the new SAG-mill at Mill-3 (which has already reached project capacity), and putting nine 220-tonne CAT 793D trucks into operation. In addition, Polyus has procured two Jameson Cell flotation units, which are in the process of installation at Mill No. 2. Polyus also completed the refurbishment of BIO tanks at BIO-3.

In 2020, capital expenditures at Olimpiada increased to $183 million year-on-year. In addition to the refurbishment of BIO-3 unit and commissioning of two additional reactors at BIO-4 the Company also introduced a magnetic separation of concentrate and retrofitted two BIO tanks at BIO-2 into agitation tanks. These initiatives led to an increase in flotation concentrate processing capacity.

At Blagodatnoye, capital expenditures increased to $43 million in the fourth quarter compared to $14 million in the previous reporting period. The Company upgraded its mining fleet, with the delivery of four 220-tonne CAT 793D trucks and one WK-20 excavator.

In 2020, capital expenditures at Blagodatnoye increased twofold, reaching $71 million compared to $37 million in 2019, following the acceleration of the mining fleet procurement for further pit expansion.

In the fourth quarter, capital expenditures at Natalka increased to $34 million, compared to $23 million in the previous reporting period. Polyus completed the active phase of construction of the first start-up complex of new tailings storage facility. In addition, the Company replaced four SAG and ball mill motors with upgraded sleeve bearings to improve the reliability of the equipment. Polyus replaced the screens at the SAG mill discharge to reduce the amount of idle time and improve utilisation rates. By the year end, Polyus completed the flash flotation roll-out along with a new CIL line commissioning at the Natalka Mill.

In 2020, capital expenditures at Natalka decreased to $123 million, down 21% compared to the previous year, as the Company had completed additional in-mine exploration and the active phase of mining fleet procurement in 2019.

At Verninskoye, capital expenditures increased to $25 million in the fourth quarter compared to $21 million in the previous quarter, due to the procurement of three Komatsu-HD1500 dump trucks. For the full year of 2020, capital expenditures at Verninskoye increased by 33%, compared to 2019, to $76 million, due to the start of the active phase of expanding the Mill to 3.5 mtpa.

At Kuranakh, capital expenditures in the fourth quarter of 2020 amounted $24 million, due to the scheduled replacement of the mining fleet. For the full year of 2020, capital expenditures at Kuranakh increased by 21%, compared to 2019, to $47 million, reflecting the active phase of construction activities for the second heap leaching pad and the reconstruction of the tailings storage facility. Polyus completed the construction of two out of eight total panels at the second heap leaching pad. Following the completion of the third stage of the Kuranakh mill expansion, the throughput capacity reached 6.1 mtpa on an annualised basis.

At Alluvials, capital expenditures amounted to $10 million and 23 million in the fourth quarter and full year 2020, respectively. It consisted of the ongoing replacement of worn-out equipment, as well as exploration activities.

In the fourth quarter, IT-related capital expenditures increased to $15 million. This includes preparation activities related to the anticipated introduction of an ERP system at Krasnoyarsk, as well as IT equipment deliveries for server hardware upgrade and IT infrastructure projects. In 2020, IT capex amounted to $35 million, down 31% compared to 2019, due to rescheduling of the implementation of ERP at Krasnoyarsk from 2020 to 2021 and adjusted procurement of IT equipment and software.

Polyus completed a comprehensive internal review of the Sukhoi Log Pre-Feasibility Study ("PFS") and provided an overview of the key highlights. The PFS has identified the preferred development approach, confirming the economic viability of Sukhoi Log, in addition to selecting key areas of the project for further in-depth analysis.

The Company completed its geotechnical drilling programme for 2020 with 3,400 meters drilled compared to 3,100 meters initially planned (1,700 meters drilled in the fourth quarter). The results of this drilling programme will be used in future studies. Polyus has also progressed with its deep-level and flank exploration drilling campaign. During the reporting period, Polyus drilled 9,300 meters ending up with 17,200 meters drilled in 2020. The Company expects to conduct additional drilling at Sukhoi Log's flanks and deep levels in 2021.

In 2020, Polyus has also drilled 35,200 meters of in-fill drilling, compared to the 30,000 meters initially planned. This will allow the Company to better define the gold mineralisation within the future pit area, where Polyus expects to carry out mining activities during the first years of Sukhoi Log's operations, and enable more accurate planning and sequencing of the mining works.

The Company entered into the Feasibility stage to proceed with a more accurate technical and financial analysis of the selected development option for Sukhoi Log. The results of the Bankable Feasibility Study (BFS) will serve as the basis for the Final Investment Decision on the project, which is expected by the end of 2022.

Capex breakdown[19]

$ million	4Q 2020	3Q 2020	Q-o-Q	2020	2019	Y-o-Y
Olimpiada	93	32	N.A.	183	165	11%
Blagodatnoe	43	14	N.A.	71	37	92%
Natalka	34	23	48%	123	155	(21%)
Verninskoye	25	21	19%	76	57	33%
Alluvials	10	4	N.A.	23	21	10%
Kuranakh	24	8	N.A.	47	39	21%
Sukhoi Log	8	11	(27%)	29	28	4%
IT capex[20]	15	7	N.A.	35	51	(31%)
Other[21]	20	10	100%	66	77	(14%)
CAPEX	**272**	**130**	**N.A.**	**653**	**630**	**4%**
Omchak electricity transmitting line	(3)	9	N.A.	24	26	(8%)
Items capitalised[22], net	40	35	14%	129	161	(20%)
Change in working capital for purchase of property, plant and equipment	(29)	(5)	N.A.	(6)	(22)	(73%)
Purchase of PP&E[23]	**280**	**169**	**66%**	**800**	**795**	**1%**

In the fourth quarter, the total cash amount spent on the purchase of PP&E increased to $280 million, compared to $169 million in the previous quarter. This mainly reflects the respective increase in total capital expenditures outlined above.

19 The capex above presents the capital construction-in-progress unit as allocated to other business units, whilst in the consolidated financial statements capital construction-in-progress is presented as a separate business unit
20 Reflects IT capex related to headquarter. Polyus is going to include all IT related capex across the group into the line, starting from 2021.
21 Reflects expenses related to exploration business unit and construction projects.
22 Including capitalised stripping costs net of capitalised interest on loans and capitalised within capital construction-in-progress. For more details see Note 11 of the consolidated financial statements
23 Presented net of the Sukhoi Log deposit license acquisition cost and payments to Rostec

In 2020, the total cash spent on the purchase of PP&E amounted to $800 million and remained broadly flat compared to $795 million in the previous year.

FINANCING CASH FLOW

In the fourth quarter, net financing cash outflow amounted to $816 million compared to $658 million of cash outflow in the prior period, primarily due to the share repurchase in amount of $268 million.

For the full year of 2020, net financing cash outflow totaled $2,436 million compared to $531 million in the previous year. Polyus completed the repayment of approximately $1,144 million of credit facilities and paid out a total of $844 million in dividends for the second half of 2019 and the first half of 2020 combined.

Going concern

The financial position of the group, its cash flows, liquidity position, and borrowing facilities are set out in this MD&A on pages 21 to 25. As of 31 December 2020 the group held $1,445 million in cash and cash equivalents and bank deposits and had a net debt of $2,464 million, with $1,283 million of undrawn but committed credit facilities, subject to covenant compliance. Details on borrowings and credit facilities are disclosed in note 21 to the consolidated financial statements. In assessing its going-concern status, the Directors have considered the uncertainties affecting future cash flows and have taken into account its financial position, anticipated future trading performance, borrowings, and other available credit facilities, as well as its forecast compliance with the covenants on those borrowings and its capital expenditure commitments and plans. In the event of certain reasonably possible adverse pricing and forex scenarios and the risks and uncertainties below, management has within its control the option of deferring uncommitted capital expenditure, or managing the dividend payment profile to maintain the group's funding position.

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

Risks and uncertainties

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

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

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

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

The health and safety of our employees remains the group's utmost focus. The group continues to monitor the COVID-19 threat level and assess the potential health risks for its employees, with all monitoring systems in place. For additional comments on operating environment, see note 29 of the consolidated financial statements.

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 foreign exchange and interest rate movements. The Board of Directors is responsible for overseeing the group's risk management framework.

Foreign exchange risk

As stated on page 8, the group's revenue is linked to the USD, as the gold price is quoted in this currency. Thus the group's strategy is to have mostly USD-denominated debt and to keep its cash and deposits in USD. As of 31 December 2020, 89% of the cash and cash equivalents and bank deposits of the group were in USD – see page 22 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 20).

Gold price risk

The group is exposed to changes in the gold price due to its significant volatility.

Interest rate risk

The group is not materially exposed to interest rate risk, as only 4% of the group's debt portfolio is made up of USD floating rate borrowings.

Inflation risk

As stated on page 9, the group's earnings are exposed to inflationary trends in Russia, and inflation negatively impacts the group's earnings, increasing future operating costs. To mitigate rouble inflation risk, the group estimates possible inflation levels and incorporates them into its cost planning; it has implemented cost reduction initiatives at its operations, and its treasury team is responsible for ensuring that the majority of cash and cash equivalents are held in USD.

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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 2020 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 2020 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.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Recoverability of long-term ore stockpiles (Notes 3.12, 4.2.4 and 15) Long-term ore stockpiles are material to the group's consolidated financial statements and represent a significant portion of the group's inventories and total assets. As stated in the Note 15 to the consolidated financial statements, as at 31 December 2020 the long-term ore stockpile balance was USD 505 million (2019: USD 416 million). In accordance with the group's accounting policy (Note 3.12), ore stockpiles are valued at the lower of average production costs per unit of ore mined and net realisable value. Determination of net realisable value of long-term ore stockpiles depends on management estimates of expected timing of processing, counting gold in ore stockpiles, future gold prices, exchange rates and processing costs as well as selection of appropriate discount rate. We consider this area to be a key audit matter due to its materiality and high level of judgement involved in determining the carrying value of this balance.	We obtained understanding of the group's internal processes and relevant controls relating to the measurement of ore stockpiles. We have performed substantive analytical procedures on management's inventory costing calculations. We have tested the net realisable value to assess whether costs exceed the net realisable value and a write-down should be recorded. To assess management's assumptions we have: • Reviewed approved life of mine plans and held discussions with operational and finance management to understand future plans to process ore stockpiles; • Challenged the price and exchange rate assumptions used by management by comparing these to the long term analysts's consensus; • Challenged the reasonableness of management's forecasts of future processing costs and technical recovery assumptions by comparing them to current and historical operational results; • Reviewed technical reports from which physical quantities of ore and metal content are derived and compared the method used to industry practice; • Tested completeness and adequacy of disclosure in respect of accounting policy and estimation uncertainty related to valuation of inventory.
Valuation of Stripping activity asset (Notes 3.8, 4.2.1 and 13) As stated in the Note 13 of the consolidated financial statements, stripping activity asset was USD 625 million as at 31 December 2020 (2019: USD 617 million). As described in Note 4.2.1, capitalised stripping costs and their depreciation are determined based on proportion of expected waste to ore extracted in line with the group's	We have performed the following procedures with respect to valuation of stripping activity asset: • Confirmed that management's choice of the method of mining cots allocation to stripping activity asset defined in the group's accounting policy is in line with requirements of IFRIC 20 and industry practice;

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
life of mine plans. The life of mine plans preparation process requires complex geological judgements and analysis to interpret the data. Life of mine plans are prepared with reference to production stages, which form the basis for management's judgement relating to identification of separate components of the ore body for the purpose of subsequent depreciation of capitalised stripping costs under IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*. IFRIC 20 also allows alternative cost allocation methods, which may result in differing proportion of capitalised vs expensed stripping costs. We consider this area to be a key audit matter due to significance of the stripping activity asset balance and the impact of management judgments on application of the related accounting policy.	• Verified the accuracy of management's calculations of stripping activity costs capitalised on the group's balance sheet as of 31 December 2020 and the related depreciation charge for the year by re-performing them for selected mines. We have also traced the key inputs used in these calculations to the production reports; • Challenged key assumptions used in calculation of stripping activity asset as of 31 December 2020 by comparing them to life of mine plans, actual results as well as reserve estimates reflected in JORC reports. Through discussions with management we obtained an understanding of the changes and confirmed that the changes reflect up-to-date knowledge; • Confirmed that components of the ore bodies to which stripping activity was attributable were appropriately identified based on life of mine plans for each mine and the key principles of IFRIC 20; • Tested completeness and adequacy of disclosure with respect to stripping activity assets in the consolidated financial statements.

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 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 skepticism 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.

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

25 February 2021

PJSC "Polyus"

Consolidated financial statements
for the year ended 31 December 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of US Dollars)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Gold sales	5	4,956	3,965
Other sales		42	40
Total revenue		**4,998**	**4,005**
Cost of gold sales	6	(1,389)	(1,405)
Cost of other sales		(34)	(33)
Gross profit		**3,575**	**2,567**
Selling, general and administrative expenses	7	(336)	(295)
Other expenses, net	8	(173)	(55)
Operating profit		**3,066**	**2,217**
Finance costs, net	9	(232)	(254)
Interest income		22	48
(Loss) / gain on revaluation of derivative financial instruments, net	10	(544)	93
Foreign exchange (loss) / gain, net		(250)	273
Profit before income tax		**2,062**	**2,377**
Income tax expense	11	(416)	(433)
Profit for the year		**1,646**	**1,944**
Profit for the year attributable to:			
Shareholders of the Company		1,598	1,931
Non-controlling interests		48	13
		1,646	**1,944**
Weighted average number of ordinary shares '000			
- for basic earnings per share	20	134,360	133,017
- for dilutive earnings per share	20	134,894	133,317
Earnings per share (US Dollar per share)			
- basic		11.89	14.52
- dilutive		11.85	14.48

PJSC “POLYUS”

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of US Dollars)

	Year ended 31 December	
	2020	**2019**
Profit for the year	**1,646**	**1,944**
Other comprehensive (loss) / income for the year		
Items that may be subsequently reclassified to profit or loss:		
Effect of translation to presentation currency	(321)	105
Other comprehensive (loss) / income for the year	**(321)**	**105**
Total comprehensive income for the year	**1,325**	**2,049**
Total comprehensive income for the year attributable to:		
Shareholders of the Company	1,296	2,025
Non-controlling interests	29	24
	1,325	**2,049**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020
(in millions of US Dollars)

	Notes	31 December 2020	31 December 2019
Assets			
Non-current assets			
Intangible assets	12	132	123
Property, plant and equipment	13	4,121	4,680
Inventories	15	519	431
Deferred tax assets	25	109	134
Derivative financial instruments	16	17	98
Other receivables		25	30
Other non-current assets		3	6
		4,926	**5,502**
Current assets			
Inventories	15	595	659
Deferred expenditure		17	17
Derivative financial instruments	16	-	1
Advances paid to suppliers and prepaid expenses		29	26
Trade and other receivables	17	133	197
Taxes receivable	18	120	111
Income tax prepaid		30	13
Cash and cash equivalents	19	1,445	1,801
		2,369	**2,825**
Total assets		**7,295**	**8,327**
Equity and liabilities			
Capital and reserves			
Share capital	20	5	5
Additional paid-in capital	20	2,410	2,049
Treasury shares	20	(288)	(103)
Translation reserve		(3,044)	(2,727)
Retained earnings		3,272	2,586
Equity attributable to shareholders of the Company		**2,355**	**1,810**
Non-controlling interests		91	103
		2,446	**1,913**
Non-current liabilities			
Borrowings	21	3,329	4,382
Derivative financial instruments	16	330	130
Deferred tax liabilities	25	259	308
Site restoration, decommissioning and environmental obligations		63	64
Other non-current liabilities		57	32
Deferred revenue	22	-	126
Deferred consideration	23	-	119
		4,038	**5,161**
Current liabilities			
Borrowings	21	225	704
Derivative financial instruments	16	42	7
Trade and other payables	24	399	355
Taxes payable	26	101	81
Income tax payable		44	49
Deferred consideration	23	-	57
		811	**1,253**
Total liabilities		**4,849**	**6,414**
Total equity and liabilities		**7,295**	**8,327**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(in millions of US Dollars)

	Notes	*Number of outstanding shares '000*	Share capital (Equity attributable to shareholders of the Company)	Additional paid-in capital	Treasury shares	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
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		-	-	29	-	-	-	**29**	-	**29**
Shares awarded under LTIP		*487*	-	(18)	27	-	(12)	**(3)**	-	**(3)**
Issue and buy-back of treasury shares		-	-	83	(83)	-	-	**-**	-	**-**
Purchase of additional ownership in SL Gold (payable in treasury shares)		*370*	-	6	20	3	-	**29**	-	**29**
Dividends declared to shareholders of non-controlling interests		-	-	-	-	-	-	**-**	(8)	**(8)**
Dividends declared to shareholders of the Company		-	-	-	-	-	(633)	**(633)**	-	**(633)**
Balance at 31 December 2019		***133,196***	**5**	**2,049**	**(103)**	**(2,727)**	**2,586**	**1,810**	**103**	**1,913**
Profit for the year		-	-	-	-	-	1,598	**1,598**	48	**1,646**
Other comprehensive loss		-	-	-	-	(302)	-	**(302)**	(19)	**(321)**
Total comprehensive income / (loss)		**-**	**-**	**-**	**-**	**(302)**	**1,598**	**1,296**	**29**	**1,325**
Equity-settled share-based compensation (LTIP), net of tax	20	-	-	45	-	-	-	**45**	-	**45**
Shares awarded under LTIP	20	*370*	-	(13)	36	(5)	(24)	**(6)**	-	**(6)**
Execution of conversion option by bondholders	21	*449*	-	317	43	(3)	-	**357**	-	**357**
Issue of treasury shares to a subsidiary	20	-	-	436	(436)	-	-	**-**	-	**-**
Settlement of share loan	20	*1,808*	-	(429)	436	(7)	-	**-**	-	**-**
Purchase of additional ownership in SL Gold	23	*246*	-	5	24	-	6	**35**	(6)	**29**
Increase of ownership in subsidiaries	32	*5*	-	-	1	-	(13)	**(12)**	(24)	**(36)**
Share buyback	20	*(1,361)*	-	-	(287)	-	(14)	**(301)**	-	**(301)**
Dividends declared to shareholders of non-controlling interests		-	-	-	-	-	-	**-**	(11)	**(11)**
Dividends declared to shareholders of the Company	20	-	-	-	-	-	(860)	**(860)**	-	**(860)**
Other		*(8)*	-	-	(2)	-	(7)	**(9)**	-	**(9)**
Balance at 31 December 2020		***134,705***	**5**	**2,410**	**(288)**	**(3,044)**	**3,272**	**2,355**	**91**	**2,446**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of US Dollars)

	Notes	Year ended 31 December 2020	2019
Operating activities			
Profit before income tax		**2,062**	**2,377**
Adjustments for:			
Finance costs, net	9	232	254
Interest income		(22)	(48)
Loss / (gain) on revaluation of derivative financial instruments, net	10	544	(93)
Depreciation and amortisation		349	367
Foreign exchange loss / (gain), net		250	(273)
Other		93	76
		3,508	**2,660**
Movements in working capital			
Inventories		(122)	(151)
Deferred expenditure		(4)	(1)
Trade and other receivables		7	(82)
Advances paid to suppliers and prepaid expenses		(11)	4
Taxes receivable		(29)	(9)
Trade and other payables and accrued expenses		43	1
Taxes payable		69	2
Cash flows from operations		**3,461**	**2,424**
Income tax paid		(415)	(250)
Net cash generated from operating activities		**3,046**	**2,174**
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)		(776)	(769)
Purchase of additional ownership in LLC SL Gold	23	(156)	(28)
Payments for the Omchak high voltage power grid	5	(24)	(26)
Refund of unutilised part of government grant	22	(14)	-
Interest received		23	48
Other		29	27
Net cash utilised in investing activities		**(918)**	**(748)**
Financing activities[1]			
Proceeds from borrowings		112	1,300
Repayment of borrowings		(1,144)	(405)
Interest paid		(237)	(272)
Commissions on borrowings paid		(4)	(6)
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)	(15)
Net proceeds on exchange of interest payments under cross currency swaps	9	30	42
Net proceeds on exchange of interest payments under interest rate swaps	9	(2)	2
Payments for close out of revenue stabilizer programme	16	(32)	(30)
Increase of ownership in subsidiaries	32	(12)	-
Payment for share buyback	20	(268)	-
Dividends paid to shareholders of the Company	20	(844)	(638)
Dividends paid to shareholders of non-controlling interests		(11)	(9)
Other		(9)	-
Net cash utilised in financing activities		**(2,436)**	**(531)**
Net (decrease) / increase in cash and cash equivalents		**(308)**	**895**
Cash and cash equivalents at the beginning of the year	19	**1,801**	**896**
Effect of foreign exchange rate changes on cash and cash equivalents		(48)	10
Cash and cash equivalents at the end of the year	19	**1,445**	**1,801**

[1] Significant non-cash transactions relating to investing (right-of-use assets recognition, LTIP and deferred consideration payments in treasury shares) and financing activities (lease liabilities recognition) are disclosed in the notes 14, 20 and 23 to these consolidated financial statements, respectively.

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 32.

The shares of the Company are "level one" listed on the Moscow Exchange. Global depository shares ("GDSs") each representing interest in ½ of ordinary share in the Company 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 company registered in Jersey. The most senior parent of the Company is Wandle Holdings Limited, a company registered in Cyprus. As of 31 December 2020 and 2019, the ultimate controlling party of the Company was Mr. Said Kerimov.

2. BASIS OF PREPARATION AND PRESENTATION

2.1. Going concern

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

(in millions of US Dollars)

2.4. IFRS standards first time applied in 2020

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

Title	Subject	Effective for annual periods beginning on or after	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 phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)	Identification of interest rate in hedge accounting	1 January 2020	No effect
Amendment to IFRS 16	Covid-19-related rent concessions	1 June 2020	No effect

2.5. IFRS standards to be applied after 2020

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
Interest Rate Benchmark Reform phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7)	Replacement of LIBOR with alternative Risk-free Rates	1 January 2021	No effect
Amendment IFRS 3	Updates of references to or from the Conceptual Frameworks to the IFRS standards	1 January 2022	No effect
Amendment IAS 16	Proceeds before Intended Use	1 January 2022	Under review
Amendment IFRS 1	Subsidiary as a first-time adopter	1 January 2022	No effect
Amendment IAS 41	Taxation in fair value measurements	1 January 2022	No effect
Amendment IAS 37	Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022	No effect
Amendment IFRS 9	Fees in the ‘10 per cent’ test for derecognition of financial liabilities	1 January 2022	No effect
IFRS 17	Insurance contracts	1 January 2023	No effect
Amendments to IFRS 17	Insurance contracts	1 January 2023	No effect
Amendment IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023	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”).

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 revenue and 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 2020, year-end RUB/ US Dollar exchange rate used in the preparation of the consolidated financial statements was 73.88 (31 December 2019: 61.91).

3.3. Foreign currencies

Transactions not denominated in RUB (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 RUB are translated at the exchange rates prevailing at the reporting date. Non-monetary 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 the refinery plant to customers, which are major Russian banks. 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*.

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 *(Loss) / gain on revaluation of derivative financial instruments, net*.

Other revenue

Other revenue comprises mainly sales of electricity and materials and supplies. Revenue from sales is recognised when a contract exists, delivery has taken place, a quantifiable price has been established or can be determined and the receivables are likely to be recovered. Delivery takes place when the risks and benefits associated with ownership are transferred to the buyer.

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 1 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.

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	10 years
Blagodatnoye	15 years
Verninskoye	17 years
Kuranakh	17 years
Natalka	22 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 identifies 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 based on ore extracted 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 2020 and 2019.

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 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.

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 10;
- 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 3.4 *Revenue*.

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 *(Loss) / gain on revaluation of derivative financial instruments, net* of the consolidated statement of profit or loss. Gain or loss on the exchange of interest payments under cross-currency and interest rate swaps are recognised within *Finance cost, net*.

Convertible bonds contained both a derivative (*conversion option on convertible bonds*) and a non-derivative (*convertible bond*) component. As the economic characteristics and risks of the embedded derivative were not closely related to those of the host contract, the hybrid contract itself was not carried at FVTPL. The *Convertible bonds* were accounted at amortised cost using the effective interest method, while the *Conversion option on convertible bonds* was 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 ECL's 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 the 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 the 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.

Net realisable value of long-term stockpiles is estimated in real terms by calculating the selling price less all costs still to be incurred in converting the relevant inventory to saleable product, and delivering it to the customer, subject to an applicable discount factor. The selling price is estimated using long-term consensus gold price forecasts, multiplied by long-term consensus exchange-rate forecasts, gold content determined under group's production reports and recovery coefficients expected for a given ore type. Costs still to be incurred in converting the stockpile to refined gold are determined based on historical processing costs. Timing for discounting is determined based on management plans to process each type of ore or the life of the mine.

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.

Silver and antimony in gold-antimony flotation concentrate

Silver and a gold-antimony flotation concentrate are by-products of the group's gold production, which are valued at their 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 production overhead costs and releases in the statement of profit or loss when the gold is extracted during the mining season.

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 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 exploration and evaluation assets;
- Impairment of long-lived assets;
- Net realisable value of long-term stockpiles;
- 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 analysis to interpret the data. The MOPs are usually updated annually to account for the newly obtained information including, but not limited to, resource 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 the ability of the group to realise the related tax benefits and is impacted by the expected results of mine operation and their timing.

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 profiles.

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. Net realisable value of long-term stockpiles

The measurement of long-term stockpiles includes the determination of its net realisable value, which involves significant estimates of future gold prices, Russian Rouble exchange rates, gold recoveries, future energy, material and other processing costs, timing of refined gold sales and processing and determination of discount rates.

Judgment also exists in estimating the number of contained ounces in ore stockpiles. These amounts are measured by estimating the number of gold ounces added (based on assay data) and removed (based on processing data) from the stockpile. Although the quantities of recoverable gold placed on the stockpiles are reconciled to the quantities of gold actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels.

4.2.5. 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.

4.2.6. 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 11 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 identified reportable segments and those that do not meet the quantitative reporting threshold:

- ***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 was funded by a government grant (note 22).
- ***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.
- ***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 expenditures.

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[2]	Adjusted EBITDA	TCC[2]	TCC per ounce (US dollar)[2]	Capital expenditures
For the year ended 31 December 2020						
Olimpiada	2,155	1,250	1,665	389	312	183
Blagodatnoye	810	456	620	158	347	71
Natalka	814	455	594	162	355	123
Verninskoye	484	274	370	89	327	76
Kuranakh	426	239	279	124	518	47
Alluvials	267	143	129	121	847	23
Exploration	-	-	-	-	-	12
Sukhoi Log	-	-	-	-	-	29
Unallocated	-	-	33	(23)	-	89
Total	**4,956**	**2,817**	**3,690**	**1,020**	**362**	**653**
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
Sukhoi Log	-	-	-	-	-	28
Unallocated	-	-	38	(24)	-	116
Total	**3,965**	**2,878**	**2,680**	**1,050**	**365**	**630**

[2] Unaudited and not reviewed

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

	Year ended 31 December	
	2020	**2019**
Profit before income tax	**2,062**	**2,377**
Finance costs, net (note 9)	232	254
Interest income	(22)	(48)
Depreciation and amortisation	349	367
Foreign exchange loss / (gain), net	250	(273)
Loss / (gain) on revaluation of derivative financial instruments, net (note 10)	544	(93)
Equity-settled share-based plans (LTIP) (note 20)	77	40
Expenses related to COVID-19 (note 29)	106	-
Special charitable contributions	35	43
Impairment of property, plant and equipment	10	9
Loss on transfer of Omchak high voltage power grid (note 8, 22)	45	-
Loss on disposal of other property, plant and equipment and intangible assets	2	4
Adjusted EBITDA	**3,690**	**2,680**

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	
	2020	**2019**
Cost of gold sales before by-product	1,413	1,435
Antimony by-product sales	(24)	(30)
Cost of gold sales (note 6)	**1,389**	**1,405**
Adjusted for:		
Depreciation and amortisation (note 6)	(406)	(349)
Effect of depreciation, amortisation, accrual and provisions in inventory change	87	(6)
Expenses related to COVID-19 in cost of gold sales	(50)	-
TCC[3]	**1,020**	**1,050**
Ounces of gold sold, in thousands[3]	2,817	2,878
TCC per ounce of gold sold, USD per ounce[3]	**362**	**365**

Gold sales

	Year ended 31 December	
	2020	**2019**
Refined gold	4,586	3,575
Gold in flotation concentrate	370	390
Total	**4,956**	**3,965**

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

Geographical segments of gold sales

	Year ended 31 December	
	2020	**2019**
Russian Federation	4,618	3,706
Outside of Russian Federation	338	259
Total	**4,956**	**3,965**

[3] Unaudited and not reviewed

(in millions of US Dollars)

Reconciliation of capital expenditures to the property plant and equipment additions (note 13) is presented below:

	Year ended 31 December	
	2020	**2019**
Capital expenditures	**653**	**630**
Construction of the Omchak high-voltage power grid	24	26
Stripping activity assets additions (note 13)	203	243
Less: intangible and other non-current assets additions	(43)	(51)
Property plant and equipment additions (note 13)	**837**	**848**

6. COST OF GOLD SALES

	Year ended 31 December	
	2020	**2019**
Depreciation and amortisation	406	349
Employee compensation	381	337
Consumables and spares	304	325
Tax on mining	238	192
Fuel	120	129
Power	61	59
Other	126	93
Total cost of production	**1,636**	**1,484**
Increase in stockpiles, gold-in-process and refined gold inventories	(247)	(79)
Total	**1,389**	**1,405**

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2020	**2019**
Employee compensation	236	188
Depreciation and amortisation	23	21
Taxes other than mining and income taxes	19	20
Professional services	15	12
Distribution expenses related to gold flotation concentrate	18	25
Other	25	29
Total	**336**	**295**

8. OTHER EXPENSES, NET

	Year ended 31 December	
	2020	**2019**
Expenses related to COVID-19 (note 29)	56	-
Loss on transfer of Omchak high voltage power grid (note 22)	45	-
Special charitable contributions	35	43
Property, plant and equipment impairment	10	9
Other	27	3
Total	**173**	**55**

(in millions of US Dollars)

9. FINANCE COSTS, NET

	Year ended 31 December 2020	Year ended 31 December 2019
Interest on borrowings	229	294
Interest on lease liabilities	4	5
Gain on exchange of interest payments under cross currency swaps	(30)	(42)
Loss / (gain) on exchange of interest payments under interest rate swaps	2	(2)
Unwinding of discounts	10	13
Bank commission and write-off of unamortised debt cost due to early extinguishment	12	3
Loss on early redemption of deferred consideration (note 23)	5	-
Gain on debt modification	-	(17)
Total	**232**	**254**

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

	Year ended 31 December 2020	Year ended 31 December 2019
Revaluation (loss) / gain on cross currency swaps	(403)	169
Revaluation loss on revenue stabiliser (note 16)	(29)	(10)
Revaluation loss on interest rate swaps	(7)	(8)
Revaluation loss on conversion option (note 21)	(105)	(58)
Total	**(544)**	**93**

11. INCOME TAX EXPENSE

	Year ended 31 December 2020	Year ended 31 December 2019
Current tax expense	417	360
Deferred tax (income) / expense	(1)	73
Total income tax expense	**416**	**433**

The corporate income tax rate in the Russian Federation is 20% (17% regional and 3% federal).

The taxpayers in Russia have a right to apply reduced rates of tax on mining and income tax if they implement a regional investment program in certain regions and meet certain criteria (thereafter "RInvP"). Amount of tax savings on tax on mining should not exceed the amount of investments in 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 zero percent.

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, currently has a right to apply the following RInvP rates:

- Tax on mining: 0% for 2017-2018, 1.2% for 2019-2020, 2.4% for 2021[4];
- Corporate income tax: 17% for 2017-2021[4].

[4] The group expects that during 2021 the amount of mining tax savings is likely to exceed the amount of investments in RInvP, in which case JSC Polyus Verninskoye would no longer be able to benefit from the reduced mining tax and income tax rates.

(in millions of US Dollars)

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;
- 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	
	2020	**2019**
Profit before income tax	2,062	2,377
Income tax at statutory rate applicable to principal entities (20%)	**414**	**475**
Effect of the RinvP due to different tax rates (JSC Polyus Magadan and JSC Polyus Verninskoye)	(80)	(48)
Unrecognised deductible temporary differences on revaluation of derivative financial instruments	38	(10)
Tax effect of non-deductible expenses and other permanent differences	44	16
Income tax expense	**416**	**433**

12. INTANGIBLE ASSETS

	Internally-generated software	**Purchased software**	**Internally-generated other**	**Total**
Cost	47	16	19	**82**
Accumulated amortisation and impairment	(4)	(4)	(1)	**(9)**
Net book value at 31 December 2018	**43**	**12**	**18**	**73**
Additions	31	11	9	**51**
Disposals	-	-	(1)	**(1)**
Amortisation charge	(4)	(5)	(2)	**(11)**
Effect of translation to presentation currency	6	2	3	**11**
Cost	85	28	28	**141**
Accumulated amortisation and impairment	(9)	(8)	(1)	**(18)**
Net book value at 31 December 2019	**76**	**20**	**27**	**123**
Additions	25	8	8	**41**
Reclassification	-	1	-	**1**
Amortisation charge	(4)	(6)	(2)	**(12)**
Effect of translation to presentation currency	(14)	(3)	(4)	**(21)**
Cost	95	28	34	**157**
Accumulated amortisation and impairment	(12)	(8)	(5)	**(25)**
Net book value at 31 December 2020	**83**	**20**	**29**	**132**

(in millions of US Dollars)

13. PROPERTY, PLANT AND EQUIPMENT

	Fixed assets	Stripping activity assets	Capital construction in progress	Exploration and evaluation assets	Total
Cost	3,531	611	600	532	**5,274**
Accumulated depreciation and impairment	(1,192)	(222)	(49)	(27)	**(1,490)**
Net book value at 1 January 2019	**2,339**	**389**	**551**	**505**	**3,784**
Additions	-	243	541	64	**848**
Transfers	507	-	(494)	(13)	**-**
Disposals	(5)	-	(5)	-	**(10)**
Depreciation charge	(371)	(71)	-	-	**(442)**
Impairment	-	-	(9)	-	**(9)**
Effect of translation to presentation currency	290	56	70	64	**480**
Other	38	-	-	(9)	**29**
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**
Additions	-	203	571	63	**837**
Transfers	539	-	(530)	(9)	**-**
Disposals	(5)	-	(4)	-	**(9)**
Omchak high-voltage power grid disposal (note 22)	(132)	-	(1)	-	**(133)**
Depreciation charge	(403)	(94)	-	-	**(497)**
Impairment	-	-	(8)	(2)	**(10)**
Effect of translation to presentation currency	(442)	(101)	(116)	(99)	**(758)**
Other	8	-	2	1	**11**
Cost	4,130	971	629	590	**6,320**
Accumulated depreciation and impairment	(1,767)	(346)	(61)	(25)	**(2,199)**
Net book value at 31 December 2020	**2,363**	**625**	**568**	**565**	**4,121**

Carrying value of rights-of-use assets included in fixed assets is disclosed in note 14.

Mineral rights

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

	31 December 2020	31 December 2019
Mineral rights presented within:		
- fixed assets	57	72
- exploration and evaluation assets	346	413
Total	**403**	**485**

(in millions of US Dollars)

Exploration and evaluation assets

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

	31 December 2020	31 December 2019
Sukhoi Log	409	452
Chertovo Koryto	31	34
Razdolinskoye	29	30
Olimpiada	27	23
Burgakhchan area	17	14
Panimba	17	19
Bamsky	15	18
Natalka	7	8
Blagodatnoye	6	9
Other	7	4
Total	**565**	**611**

Depreciation and amortisation charges are allocated as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Depreciation in change in inventory	91	9
Capitalised within property, plant and equipment	72	79
Less: amortisation of intangible and other non-current assets	(15)	(13)
Total depreciation capitalised as part of other assets	**148**	**75**
Depreciation and amortisation within cost of production (note 6)	406	349
Less: depreciation in change in inventory	(91)	(9)
Selling, general and administrative expenses (note 7)	23	21
Cost of other sales	11	6
Total depreciation in profit or loss	**349**	**367**
Total depreciation of property, plant and equipment	**497**	**442**

14. LEASES

The most significant leases of the group are office leases. Movements of the right-of-use assets presented within *Property, Plant and Equipment* (note 13) were as follows:

	Year ended 31 December 2020			Year ended 31 December 2019		
	Related party transactions	Non-related party transactions	Total	Related party transactions	Non-related party transactions	Total
Carrying value as of the beginning of the year	**58**	**22**	**80**	**59**	**9**	**68**
Changes in right-of-use assets due to lease indexation and modification	2	(2)	-	-	13	13
Depreciation charge	(4)	(6)	(10)	(4)	(6)	(10)
Effect of translation to presentation currency	(10)	(3)	(13)	3	6	9
Carrying value as of the end of the year	**46**	**11**	**57**	**58**	**22**	**80**

(in millions of US Dollars)

Movements of the lease liabilities presented within *Borrowings* (note 21) were as follows:

	Year ended 31 December 2020			Year ended 31 December 2019		
	Related party transactions	**Non-related party transactions**	**Total**	**Related party transactions**	**Non-related party transactions**	**Total**
Carrying value as of the beginning of the year	**53**	**27**	**80**	**58**	**15**	**73**
Changes in lease liabilities due to lease indexation and modification	2	(2)	-	-	13	13
Foreign exchange loss / (gain), net	10	5	15	(6)	-	(6)
Interest on lease liabilities	3	1	4	3	2	5
Repayments of lease liability	(7)	(8)	(15)	(7)	(8)	(15)
Effect of translation to presentation currency	(10)	(4)	(14)	5	5	10
Carrying value as of the end of the year	**51**	**19**	**70**	**53**	**27**	**80**

15. INVENTORIES

	31 December 2020	31 December 2019
Stockpiles	505	416
Gold-in-process	14	15
Inventories expected to be used after 12 months	**519**	**431**
Stockpiles	150	119
Gold-in-process	101	82
Antimony in gold-antimony flotation concentrate and silver	4	11
Refined gold and gold in flotation concentrate	4	4
Materials and supplies	365	474
Less: obsolescence provision for materials and supplies	(29)	(31)
Inventories expected to be used in the next 12 months	**595**	**659**
Total	**1,114**	**1,090**

16. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2020			31 December 2019		
	Non-Current	**Current**	**Total**	**Non-Current**	**Current**	**Total**
Cross currency swaps	17	-	17	98	-	98
Interest rate swaps	-	-	-	-	1	1
Total derivative financial assets	**17**	**-**	**17**	**98**	**1**	**99**
Cross currency swaps	321	42	363	62	-	62
Revenue stabiliser	-	-	-	-	7	7
Conversion option on convertible bonds (note 21)	-	-	-	63	-	63
Interest rate swaps	9	-	9	5	-	5
Total derivative financial liabilities	**330**	**42**	**372**	**130**	**7**	**137**

Revenue stabiliser

During the year ended 31 December 2020, the group effectively closed out the revenue stabiliser programme, with a total premium of USD 32 million paid.

(in millions of US Dollars)

Cross currency swaps

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

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

Interest rate swaps

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

	Nominal	Interest payments		
Expiration date	(USD million)	Frequency	Group pays	Group receives
February 2024	150	monthly	2.425%-2.44%	LIBOR

17. TRADE AND OTHER RECEIVABLES

	31 December 2020	2019
Trade receivables for gold-bearing products	115	140
Other receivables	32	67
Less: allowance for other receivables	(14)	(10)
Total	**133**	**197**

18. TAXES RECEIVABLE

	31 December 2020	2019
Reimbursable value added tax	118	107
Other prepaid taxes	2	4
Total	**120**	**111**

19. CASH AND CASH EQUIVALENTS

	31 December 2020	2019
Current USD bank accounts	1,115	192
Current RUB bank accounts	69	18
Bank deposits denominated in USD	178	1,467
Bank deposits denominated in RUB	83	97
Cash in the Federal Treasury	-	27
Total	**1,445**	**1,801**

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

Interest rates:

- Bank deposits denominated in USD	0.5-0.9%	0.7-4.3%
- Bank deposits denominated in RUB	4.0-4.7%	3.4-6.1%

20. SHARE CAPITAL

Authorised share capital of the Company as of 31 December 2020 comprised issued and fully paid 136,069 thousand ordinary shares at par value of RUB 1 each, of which 1,364 thousand was included within treasury shares.

Treasury shares

On 30 September 2020, the Company issued 1,808 thousand shares at RUR 18,353 (USD 241) per share, all of which were acquired by JSC Polyus Krasnoyarsk, a wholly owned subsidiary, and were recorded as treasury shares.

In October 2020, these new shares were transferred to PGIL in settlement of a share loan taken earlier in 2020 for the redemption of convertible bonds (note 21).

In connection with the share loan, a payment of USD 8 million was accrued (included within *Other* in the consolidated statement of changes in equity).

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

PJSC Polyus grants long-term incentive awards according to which the members of management of the group are entitled to a conditional award in the form of PJSC Polyus’ ordinary shares, which vest upon achievement of financial and non-financial performance targets on expiry of performance periods. Expenses arising from the LTIP are recognised in the consolidated statement of profit or loss within *Employee compensation* included within *Selling, general and administrative expenses.*

Dividends

On 18 August 2020, Shareholders of the Company declared dividends of 244.75 RUR per share, equivalent to USD 450 million (at the CBR currency exchange rate as of 18 August 2020) in respect of the second half of financial year 2019.

On 30 September 2020, Shareholders of the Company declared dividends of 240.18 RUR per share, equivalent to USD 405 million (at the CBR currency exchange rate as of 30 September 2020) in respect of the first half of financial year 2020 (excluding dividends on treasury shares).

Following the transfer of the new 1,808 thousand treasury shares to PGIL in October 2020, dividends for the first half of 2020 were accrued on those shares (being treasury shares as of September 2020) at 240.18 RUR per share in the total amount of USD 5 million.

Thus, during the year ended 31 December 2020 the total amount of dividends declared to the shareholders was USD 860 million (USD 844 million paid in cash at the CBR currency exchange rate ruling at the dates of payments).

Share buyback

In December 2020, the group made an offer to purchase up to an aggregate of 1,429 thousand of ordinary shares of the Company from its shareholders. As of 31 December 2020, 1,361 thousand shares were acquired and orders for the buyback of additional 68 thousand shares were submitted to the group.

Buyback transactions as of 31 December 2020

	USD million	Quantity of shares ('000)
Shares acquired from PGIL	233	1,111
Shares acquired from shareholders other than PGIL	31	144
Advances paid for shares to be delivered from shareholders other than PGIL	4	22
Total paid	**268**	**1,277**
Payables to shareholders other than PGIL for delivered shares	22	106
Accrued payables to shareholders other than PGIL for shares to be delivered	10	46
Expenses directly attributable to buyback	1	-
Total payables (note 24)	**33**	**152**
Total buyback transactions	**301**	**1,429**

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	
	2020	2019
Ordinary shares in issue at the beginning of the year	**133,196**	**132,339**
Conversion of convertible bond	449	-
Shares awarded under LTIP	370	487
Purchase of additional ownership in SL Gold (payable in treasury shares)	246	370
Settlement of share loan	1,808	-
Increase of ownership in subsidiaries	5	-
Share buyback	(1,361)	-
Other	(8)	-
Ordinary shares in issue at the end of the year	**134,705**	**133,196**
Weighted average number of ordinary shares – basic EPS	**134,360**	**133,017**
Dilutive effect of potentially issuable shares under LTIP	534	300
Weighted average number of ordinary shares – dilutive EPS	**134,894**	**133,317**
Profit after tax attributable to the shareholders of the Company (million USD)	1,600	1,931
Profit after tax attributable to the shareholders of the Company for diluted EPS calculation (million USD)	**1,600**	**1,931**

(in millions of US Dollars)

21. BORROWINGS

	Nominal rate %	31 December 2020	31 December 2019
Eurobonds with fixed interest rate due in 2022	4.699%	481	480
Eurobonds with fixed interest rate due in 2023	5.250%	785	784
Eurobonds with fixed interest rate due in 2024	4.7%	468	467
Notes due in 2029 (Rusbonds) with noteholders' early repayment option in 2024	7.4%	270	322
Notes due in 2025 (Rusbonds) with noteholders' early repayment option in 2021	12.1%	203	244
Credit facilities with financial institutions nominated in RUR with variable interest rates	Central bank rate + 2.3% MosPrime + 0.2% / - 0.45%	1,128	1,228
Credit facilities with financial institutions nominated in USD with variable interest rates	USD LIBOR + 1.65%	149	148
Lease liabilities nominated in USD and RUR	5.15%	70	80
Credit facilities with financial institutions nominated in USD with fixed interest rates	3.5%-5.0%	-	331
Eurobonds with fixed interest rate due in 2020	5.625%	-	677
Convertible bonds with fixed interest rate due in 2021	1%	-	194
Credit facilities with financial institutions nominated in RUR with fixed interest rates	9.35%	-	131
Sub-total		**3,554**	**5,086**
Less: current portion of long-term borrowings due within 12 months		(225)	(704)
Long-term borrowings		**3,329**	**4,382**

Convertible bonds with fixed interest rate due in 2021

In May 2020, the group completed early redemption of all convertible bonds due 2021 together with accrued interest exercising an option, which became available to the group earlier in the year as the value of the GDSs deliverable on conversion exceeded 130% of the principal amount of the bonds. During the year ended 31 December 2020, 4,514 thousand GDSs were transferred to the converting bondholders, of which 3,616 thousand GDSs (in the form of shares) were borrowed from PGIL (note 20) and remaining balance was redeemed with *Treasury shares*, resulted in an increase of *Additional paid-in capital* in the amount of USD 289 million and USD 28 million respectively.

Eurobonds with fixed interest rate due in 2020

In April 2020, the group redeemed Eurobonds in the amount of USD 677 million due to their maturity.

Credit facilities with financial institutions nominated in RUR with variable interest rate

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

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

During the year ended 31 December 2020, the group repaid in advance of maturity credit facilities nominated in USD with a fixed interest rate in the amount of USD 340 million.

Unused credit facilities

As of 31 December 2020, the group has unused credit facilities in the total amount of USD 1,243 million (31 December 2019: USD 1,433 million) and a facility to borrow any amount of unpledged Company's shares from PGIL.

(in millions of US Dollars)

Pledge

As of 31 December 2020 and 2019, all shares of JSC TaigaEnergoStroy belonging to the group were pledged to secure a credit line. Additionally, the group pledged proceeds from certain gold sale agreements as a security for another credit facility.

Other matters

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

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

Reconciliation of liabilities arising from financing activities

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Borrowings	Lease	Derivatives	Borrowings	Lease	Derivatives
Carrying value as of the beginning of the year	**5,006**	**80**	**38**	**3,972**	**10**	**621**
Net cash flows	(1,032)	(15)	(4)	895	(15)	(486)
Non-cash changes, including:						
Redemption of convertible bonds	(200)	-	(163)	-	-	-
Recognition of lease liabilities	-	-	-	-	76	-
Foreign exchange (gain) / loss, net	492	15	-	(388)	(6)	-
Debt modification	-	-	-	(17)	-	-
Commissions on borrowings and amortisation at effective interest rate	21	4	-	9	5	-
Gain on exchange of interest payments under cross currency and interest rate swaps	-	-	(28)	-	-	(44)
Loss / (gain) on revaluation of derivative financial instruments, net	-	-	544	-	-	(93)
Effect of currency translation	(803)	(14)	(32)	535	10	40
Carrying value as of the end of the year	**3,484**	**70**	**355**	**5,006**	**80**	**38**

22. DEFERRED REVENUE

JSC Polyus Magadan, was a party to an agreement with the Ministry for the Development of the Russian Far East ("Minvostokrazvitiya") under which Minvostokrazvitiya provided to JSC Polyus Magadan a government grant in the total amount RUB 8,797 million (USD 137 million, including VAT).

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

In the fourth quarter of 2020, the group completed construction of the Omchak high-voltage power grid and transferred it for zero consideration to a power-distribution grid company, resulting in a loss of USD 45 million (note 8).

(in millions of US Dollars)

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

	Year ended 31 December	
	2020	**2019**
Carrying value as of the beginning of the year	**126**	**117**
Received cash	-	3
VAT attributable to construction of power grid	(3)	(8)
Unused grant refunded to Minvostokrazvitiya	(14)	-
Effect of translation to presentation currency	(21)	14
Offset of the subsidy against the carrying value of Omchak high-voltage power grid on disposal	(88)	-
Carrying value as of the end of the year	**-**	**126**

23. DEFERRED CONSIDERATION

In March 2020, the group exercised the scheduled tranche of options in LLC SL Gold and increased its participation interest from 68.2% to 78.0%. The group paid approximately USD 28 million and transferred 246 thousand PJSC Polyus treasury shares (note 20) totalling USD 29 million.

In September 2020, the group and LLC "RT Business Development" ("RT") amended the terms of a number of options relating to RT's participation interest in LLC SL Gold that were entered into in July 2017, to allow the group to purchase an 11.3% interest in LLC SL Gold from RT at the initially agreed valuation of USD 65.7 million for cash consideration instead of Polyus' shares and agreed to accelerate the exercise of all outstanding call options relating to RT's interest in LLC SL Gold. Following the amendment of the agreement the group completed the acquisition of RT's entire remaining stake of 22% in LLC SL Gold for USD 128 million, all paid in cash.

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

	Year ended 31 December	
	2020	**2019**
Carrying value as of the beginning of the year	**176**	**225**
Settled in shares	(29)	(29)
Settled in cash	(156)	(28)
Unwinding of interest on deferred consideration	4	8
Loss on early redemption of deferred consideration (note 9)	5	-
Foreign exchange loss / (gain), net	31	(24)
Effect of translation to presentation currency	(31)	24
Total carrying value as of the end of the year	**-**	**176**
Less: short-term part of the option liabilities	-	(57)
Long-term part of the option liabilities as of the end of the year	**-**	**119**

24. TRADE AND OTHER PAYABLES

	31 December	
	2020	**2019**
Employee compensation payable	94	95
Interest payable	57	77
Trade payables	49	49
Accrued annual leave	33	27
Share buyback (note 20)	33	-
Payables for shares of PJSC Lenzoloto (note 32)	24	-
Dividends payable	2	2
Other accounts payable and accrued expenses	107	105
Total	**399**	**355**

(in millions of US Dollars)

25. 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	
	2020	2019
Net deferred tax liability at the beginning of the year	**174**	**87**
Recognised in the consolidated statement of profit or loss	(1)	73
Effect of translation to presentation currency	(23)	14
Net deferred tax liability at the end of the year	**150**	**174**

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 2020
Property, plant and equipment	395	34	(64)	365
Inventory	90	34	(14)	110
Borrowings	(5)	(6)	2	(9)
Deferred expenditure	3	1	(1)	3
Tax losses carried-forward	(294)	(2)	48	(248)
Trade and other payables	(36)	6	7	(23)
Intangible assets	3	(1)	-	2
Derivatives	18	(66)	(2)	(50)
Other	-	(1)	1	-
Net deferred tax liability	**174**	**(1)**	**(23)**	**150**

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	
	2020	2019
Deferred tax assets	(109)	(134)
Deferred tax liabilities	259	308
Net deferred tax liability	**150**	**174**

Unrecognised deferred tax asset

	31 December	
	2020	2019
Unrecognised deferred tax assets resulting from losses on derivative financial instruments	195	141
Unrecognised deferred tax assets resulted from impairments	5	6
Unrecognised deferred tax assets in respect of tax losses carried forward available for offset against future taxable profit	6	8
Total	**206**	**155**

Unrecognised deferred tax liability

	31 December	
	2020	2019
Taxable temporary difference associated with investments in subsidiaries	173	178

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.

(in millions of US Dollars)

26. TAXES PAYABLE

	31 December	
	2020	2019
Value added tax	33	21
Tax on mining	24	18
Social taxes	24	20
Property tax	5	5
Other taxes	15	17
Total	**101**	**81**

27. RELATED PARTIES

There were no transactions with related parties throughout year ended 31 December 2020, except for those presented within notes 14 and 20 and compensation of the key management personnel as detailed below.

Key management personnel

	Year ended 31 December	
	2020	2019
Short-term compensation to key management personnel accrued	23	23
Equity-settled share-based compensation (LTIP)	71	37
Total	**94**	**60**

28. 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 14) were as follows:

	31 December	
	2020	2019
Due within one year	8	7
From one to five years	24	24
Thereafter	49	54
Total	**81**	**85**

Capital commitments

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

	31 December	
	2020	2019
Projects in Krasnoyarsk	97	49
Project Natalka	73	65
Other capital commitments	26	3
Project Omchak high-voltage power grid	-	12
Total	**196**	**129**

(in millions of US Dollars)

29. OPERATING ENVIRONMENT - IMPACT OF COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Since March 30, in Russia, as in many countries where an outbreak of the virus was detected, a lockdown started; most businesses closed, but have been gradually reopening.

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

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

In order to provide adequate quarantine and medical treatment conditions for the group employees affected by the COVID-19 outbreak at Olimpiada, temporary accommodation facilities and field hospital were organised by the company with the help of the Ministry of Defence and Krasnoyarsk regional administration. During the year ended 31 December 2020, operations at the group's assets have not been interrupted.

Costs directly attributable to dealing with the COVID-19 pandemic comprise additional compensation paid to employees, donations to regional administrations, hospitals and other institutions as well as additional health and safety expenses. The group's direct and incremental costs related to COVID-19 were included in the following captions of the consolidated financial statements as follows:

	Year ended 31 December	
	2020	**2019**
Cost of gold sales (Employee compensation)	50	-
Other expenses, net	56	-
Total expenses related to COVID-19 recognised in profit or loss	**106**	**-**
Increase in stockpiles, gold-in-process and refined gold inventories	23	-
Property plant and equipment additions (infrastructure facilities and stripping activity asset)	26	-
Total costs related to COVID-19	**155**	**-**

(in millions of US Dollars)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, current trade and other receivables 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. Trade receivables for gold-bearing products are carried at fair value through profit or loss (Level 2 of the fair value hierarchy in accordance with IFRS 13).

Determination of fair value of derivative financial instruments

		Fair value inputs	
Derivative financial instrument	**Valuation technique**	**Inputs to valuation techniques used to measure fair value**	**Fair value hierarchy of inputs in accordance with IFRS 13**
Revenue stabiliser	Monte Carlo simulation model	Spot gold prices and gold price volatility	Level 2
Cross-currency swaps	Discounted cash flow valuation technique	Spot currency exchange rates, USD LIBOR and RUB interest rates	Level 2
Interest rate swaps	Discounted cash flow valuation technique	Forward USD LIBOR rates	Level 2
Conversion option on convertible bonds	Discounted cash flow valuation technique	Risk-free interest rate and share price volatility	Level 2

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

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

	31 December 2020		31 December 2019	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Eurobonds (Level 1)	1,734	1,852	2,408	2,535
Borrowings (Level 2)	1,277	1,278	1,838	1,894
Rusbonds (Level 1)	473	497	566	592
Convertible bonds (Level 2)	-	-	194	258
Total	**3,484**	**3,627**	**5,006**	**5,279**

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

The fair value of deferred consideration on the date of initial recognition is based on inputs (spot currency exchange rates and discount rates), which are observable in the market and are classified as Level 2 of the fair value hierarchy in accordance with IFRS 13. As of 31 December 2020, the fair value of the deferred consideration equals nil due to its redemption (note 21) (31 December 2019:180 million).

31. 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.

(in millions of US Dollars)

The group manages and makes adjustments to the capital structure as opportunities arise in the market place, 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 of the group in accordance with the Dividend policy of the group.

In the capital management process the group utilizes 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 moneys 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	
	2020	**2019**
Financial assets measured at fair value through profit or loss (FVPL)		
Derivative financial instruments (Level 2)	17	99
Trade receivables (Level 2)	115	140
Financial assets measured at measured at amortised cost		
Trade and other receivables	43	87
Cash and cash equivalents	1,445	1,801
Total financial assets	**1,620**	**2,127**
Financial liabilities measured at fair value through profit or loss (FVPL)		
Derivative financial instruments (Level 2)	372	137
Financial liabilities measured at measured at amortised cost		
Borrowings	3,554	5,086
Accounts payable	378	345
Deferred consideration	-	176
Total financial liabilities	**4,304**	**5,744**

The fair value of the group's financial instruments and levels of fair value hierarchy are disclosed in note 30. The main risks arising from the group's financial instruments are gold price, interest rate, foreign currency exchange rates, credit and liquidity risks.

Gold price risk

The group is exposed to changes in the gold price due to its significant volatility. During 2014 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 gold price (as detailed further in note 16). Under the terms of the revenue stabiliser the group ensured a minimum selling gold price in the case of declines in the gold price and at the same time might benefit from increases in the gold price until certain barrier prices are reached on the call options, at which point the sale price was capped. In March 2020 the group effectively closed out the revenue stabiliser programme (note 16).

If the gold price was 10% higher / lower during the year ended 31 December 2020 gold sales for the year would have increased / decreased by USD 460 million / USD 460 million, respectively (2019: USD 357 million / USD 355 million).

(in millions of US Dollars)

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 16); the group is not materially exposed to interest rate risk.

Foreign currency exchange rate risk

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

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	
	2020	2019
Assets		
USD	1,421	1,821
EURO (presented in USD at closing exchange rate)	3	1
Total	**1,424**	**1,822**
Liabilities		
USD	2,402	3,532
EURO (presented in USD at closing exchange rate)	4	8
Total	**2,406**	**3,540**

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 USD or EURO exchange rate had increased by 25% for the year ended 31 December 2020 and 2019 compared to RUB as of the end of respective year, the group would have incurred the following losses:

	Year ended 31 December	
	2020	2019
Loss (USD exchange rate increased by 25% compared to RUB)	604	793
Loss (EURO exchange rate increased by 25% compared to RUB)	-	2

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.

(in millions of US Dollars)

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 2020, trade receivables for gold bearing products sales were USD 115 million (31 December 2019: USD 140 million).

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

	Year ended 31 December	
	2020	**2019**
Otkritie Bank	2,889	1,994
Sovkombank	1,262	511
VTB Bank	283	721
Other	522	739
Total	**4,956**	**3,965**

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 2020 based on undiscounted contractual cash payments, including interest payments and derivatives:

	Borrowings and derivatives		**Accounts**		
	Principal	**Interest**	**payable**	**Leasing**	**Total**
Due in the first year	265	176	378	12	831
Due in the second year	497	151	-	12	660
Due in the third year	911	116	-	9	1,036
Due in the fourth year	2,001	51	-	9	2,061
Due in the fifth year	31	-	-	8	39
Due in the period between sixth to eight years	-	-	-	35	35
Total	**3,705**	**494**	**378**	**85**	**4,662**

Presented below is the maturity profile of the group's financial liabilities as of 31 December 2019 based on undiscounted contractual payments, including interest payments and derivatives:

	Borrowings and derivatives		**Accounts payable and deferred**		
	Principal	**Interest**	**consideration**	**Leasing**	**Total**
Due in the first year	677	217	373	14	1,281
Due in the second year	467	196	28	14	705
Due in the third year	500	167	34	13	714
Due in the fourth year	1,241	128	-	10	1,379
Due in the fifth year	2,045	51	-	10	2,106
Due in the period between sixth to eight years	-	-	-	45	45
Total	**4,930**	**759**	**435**	**106**	**6,230**

Maturity of the derivative financial instruments and deferred consideration is presented within notes 16 and 23.

(in millions of US Dollars)

32. 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

Subsidiaries	Nature of business	Effective % held at 31 December[5] 2020	2019
Incorporated in Russian Federation			
JSC Polyus Krasnoyarsk	Mining (open pit)	100	100
JSC Polyus Aldan	Mining (open pit)	100	100
JSC Polyus Verninskoye	Mining (open pit)	100	100
PJSC Lenzoloto	Holding company of Alluvials business unit until 22 September 2020	74	64
JSC GMC Lenzoloto	Holding company of Alluvials business unit from 22 September 2020	100	66
JSC Polyus Magadan	Mining	100	100
LLC Polyus Stroy	Construction	100	100
LLC SL Gold (note 23)	Exploration and evaluation of the Sukhoi Log deposit	100	68

Change of ownership in subsidiaries

In September 2020, following the approval by the extraordinary general shareholders' meeting of PJSC Lenzoloto, JSC Polyus Krasnoyarsk acquired 94.4% of shares in JSC GMC Lenzoloto and paid cash consideration of approximately RUR 19,900 million to PJSC Lenzoloto (equivalent of USD 262 million at the CBR currency exchange rate as of 22 September 2020). JSC GMC Lenzoloto holds all production assets and mining licenses of the Alluvial business unit of the group.

During 2020, the group acquired 126,345 of ordinary and 15,498 of preferred shares of PJSC Lenzoloto from its shareholders for a total cash consideration of USD 33 million and 5 thousand ordinary shares of PJSC Polyus.

Summarised financial information of each of the group's subsidiaries that have a material non-controlling interest

	PJSC Lenzoloto[6] 31 December		LLC SL Gold[7] 31 December	
Summarised statements of financial position	**2020**	**2019**	**2020**	**2019**
Current assets	315	258	67	101
Non-current assets	2	104	221	229
Current liabilities	-	25	270	258
Non-current liabilities	-	41	3	75
Equity attributable to the shareholders of the subsidiary	233	231	15	(2)
Non-controlling interests	84	65	-	(1)
Summarised statements of profit or loss				
Revenue	187	216	-	-
Profit / (loss) for the year	334	23	20	(5)
Profit attributable to non-controlling interests	105	10	7	(2)
Summarised statements of cash flows				
Net cash inflow from operating activities	70	46	-	-
Net cash outflow from investing activities	50	(15)	(34)	(26)
Net cash (outflow) / inflow from financing activities	(7)	(2)	(4)	87
Dividends paid to non-controlling interests	1	8	-	-

[5] Effective % held by the Company, including holdings by other subsidiaries of the group.
[6] Includes results of PJSC Lenzoloto and its subsidiaries until 22 September 2020 and only standalone PJSC Lenzoloto result and balances after.
[7] During 2020 the group increased effective ownership in LLC SL Gold to 100%.

33. 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.