PJSC Polyus

Management Report

31 December 2021

1 March 2022

Contents

Cautionary statement

1 March 2022 – 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 2021.

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

Management 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 2021, 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, Management is 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.

Management is 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 2021 were approved by Directors on 1 March 2022.

By order of the Board of Directors,

Chief Executive Officer

Pavel Grachev

Management Discussion and Analysis

The fourth quarter and full year 2021 key metrics overview

$ million (if not mentioned otherwise)	**4Q 2021**	**3Q 2021**	**Q-o-Q**	**4Q 2020**	**Y-o-Y**	**2021**	**2020**	**Y-o-Y**
Operating highlights								
Gold production (koz)[1]	684	770	(11%)	710	(4%)	2,717	2,766	(2%)
Gold sold (koz)	712	776	(8%)	829	(14%)	2,736	2,817	(3%)
Realised prices								
Weighted-average refined gold selling price, $/oz	1,802	1,787	1%	1,872	(4%)	1,798	1,786	1%
Financial performance								
Total revenue	1,293	1,400	(8%)	1,515	(15%)	4,966	4,998	(1%)
Operating profit	751	843	(11%)	935	(20%)	2,959	3,066	(3%)
Operating profit margin	58%	60%	(2) ppts	62%	(4) ppts	60%	61%	(1) ppts
Profit for the period	521	664	(22%)	835	(38%)	2,278	1,646	38%
Earnings per share - basic (US Dollar)	3.85	4.87	(21%)	6.17	(38%)	16.82	11.89	41%
Earnings per share - diluted (US Dollar)	3.83	4.85	(21%)	6.15	(38%)	16.77	11.85	42%
Adjusted net profit[2]	573	663	(14%)	732	(22%)	2,287	2,332	(2%)
Adjusted net profit margin	44%	47%	(3) ppts	48%	(4) ppts	46%	47%	(1) ppts
Adjusted EBITDA[3]	894	986	(9%)	1,138	(21%)	3,518	3,690	(5%)
Adjusted EBITDA margin	69%	70%	(1) ppts	75%	(6) ppts	71%	74%	(3) ppts
Net cash flow from operations	731	826	(12%)	895	(18%)	2,936	3,046	(4%)
Capital expenditure[4]	389	233	67%	272	43%	928	653	42%
Cash costs								
Total cash cost (TCC) per ounce sold ($/oz)[5]	412	427	(4%)	354	16%	405	362	12%
All-in sustaining cash cost (AISC) per ounce sold ($/oz)[6]	837	697	20%	613	37%	715	604	18%
Financial position								
Cash and cash equivalents	1,343	1,675	(20%)	1,445	(7%)	1,343	1,445	(7%)
Net debt (incl. derivatives)[7]	2,197	1,950	13%	2,464	(11%)	2,197	2,464	(11%)
Net debt (incl. derivatives)/adjusted EBITDA (x)[8]	0.6	0.5	20%	0.7	(14%)	0.6	0.7	(14%)

[1] Gold production is comprised of 684 thousand ounces of refined gold in the fourth quarter of 2021 and 2,687 thousand ounces of refined gold and 30 thousand ounces of gold in flotation concentrate in 2021 respectively.
[2] Adjusted net profit is defined by the group as net profit / (loss) for the period adjusted for impairment loss / (reversal of impairment), unrealised (gain) / loss on derivative financial instruments, foreign exchange (gain) / loss and associated deferred and current income tax related to such items.
[3] Adjusted EBITDA is defined by the group as profit for the period before income tax, depreciation and amortisation, (gain) / loss on derivative financial instruments (including the effect of the disposal of a subsidiary and subsequent accounting at equity method), finance costs, interest income, foreign exchange loss / (gain), 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 expenditure figures are presented on an accrual basis (here presented net of the Sukhoi Log deposit license acquisition cost and net of Omchak power grid construction cost). For details see reconciliation on page 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 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 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 (incl. derivatives) to Adjusted EBITDA as net debt (including derivatives) divided by Adjusted EBITDA for the last twelve months

Key highlights for the fourth quarter and full year 2021

1. Total gold sales volumes in the fourth quarter of 2021 amounted to 712 thousand ounces, down 8% compared to the third quarter due to seasonally lower production volumes at Alluvials and Kuranakh and lower production volumes at Verninskoye as a result of scheduled maintenance works. The Company sold a total of 2,736 thousand ounces of gold in the full year of 2021, down 3% compared to the prior year. This was primarily driven by lower production volumes at both Olimpiada and Blagodatnoye.
2. Revenue for the fourth quarter of 2021 totalled $1,293 million, down 8% compared to the previous quarter, while revenue for the full year amounted to $4,966 million, a 1% decrease year-on-year. This was driven by the aforementioned decline in production volumes.
3. In the fourth quarter, the group's TCC decreased by 4% to $412 per ounce compared to $427 per ounce in the previous quarter. This improvement was attributable to a seasonal decrease in output at the structurally higher-cost alluvial operations and higher sales volumes of antimony-rich flotation concentrate. The latter resulted in higher by-product credit ($13 per ounce in the fourth quarter of 2021 compared to $5 per ounce in the third quarter of 2021). In 2021, the group's TCC increased by 12% to $405 per ounce compared to 2020. This reflects lower average grades in ore processed at Olimpiada and Blagodatnoye, ongoing inflation in consumables and an increase in the MET rate applied to Verninskoye and Natalka in line with the regional investment project ("RInvP") regime for the deposits. These factors were partially offset by improved hourly-throughput performance at Olimpiada, Verninskoye and Natalka.
4. Adjusted for FX and gold price fluctuations, the group's TCC for the full year 2021 came below the lower bound of the guidance range of $425-450 per ounce, which was based on the assumptions of FX rate of 65 roubles per dollar and a gold price of $1,300 per ounce. This was driven by improved operational performance at Olimpiada and Verninskoye, proactive purchasing and procurement management initiatives and partial services and maintenances rollover from the fourth quarter of 2021 to the first quarter of 2022.
5. In the fourth quarter of 2021, the group's adjusted EBITDA amounted to $894 million, a 9% decrease compared to $986 million in the previous quarter, reflecting lower gold sales volumes during the quarter. In 2021, the group's adjusted EBITDA stood at $3,518 million, a 5% decrease compared to the previous year, as a result of lower gold sales volumes and higher TCC on a per ounce basis.
6. Net profit for the fourth quarter amounted to $521 million, compared to $664 million in the third quarter. Net profit for the full year of 2021 increased to $2,278 million, compared to $1,646 million in 2020. This increase reflected the negative impact of non-cash items on profit before tax in 2020. Polyus recognised a gain on derivative financial instruments of $33 million and a foreign exchange loss of $39 million in 2021.
7. Adjusted net profit amounted to $573 million in the fourth quarter, down 14% compared to the third quarter of 2021. For the full year of 2021, adjusted net profit amounted to $2,287 million, down 2% year-on-year, reflecting lower operating profit.
8. Net cash generated from operations was $731 million in the fourth quarter, compared to $826 million in the previous quarter. In 2021, net cash generated from operations decreased to $2,936 million, compared to $3,046 million in 2020.
9. Capital expenditures ("capex") for the fourth quarter increased to $389 million, from $233 million in the previous quarter, as the Company accelerated its capex spending programme as planned. Capex

for the full year of 2021 increased to $928 million from $653 million in the previous year. This increase reflects higher capital expenditures across all deposits, except Natalka.

10. Adjusted for FX fluctuations, capital expenditures for the full year 2021 came closer to the lower bound of the guidance range of $1,000-1,100 million, which was based on a FX rate assumptions of 65 roubles per dollar.
11. Cash and cash equivalents as at 31 December 2021 decreased to $1,343 million (30 September 2021: $1,675 million), while the net debt position, including liabilities under cross-currency and interest rate swaps increased to $2,197 million (30 September 2021: $1,950 million). The group's net liabilities under cross-currency and interest rate swaps related to bank credit facilities and rouble bonds totalled approximately $268 million as of the end of the fourth quarter (30 September 2021: net liabilities of $249 million).
12. The net debt (incl. derivatives)/adjusted EBITDA ratio decreased to 0.6x compared to 0.7x at the end of 2020, reflecting a lower net debt position.
13. The Board of Directors of the Company (the «Board») has preliminarily considered dividends for the second half of 2021 that it intends to recommend for approval by the Company's annual general shareholders' meeting. In accordance with the Company's Dividend Policy which suggests the total dividend payout as 30% of the Company's EBITDA for the full year, dividends for the second half of 2021 will amount to the ruble equivalent of $548 million. Based on the current number of outstanding shares recommended dividend per share for the second half of 2021 is expected to be $4.03 per ordinary share. The total dividend payout for the full year of 2021 will correspond to $1,055 million. This amount includes $507 million paid out in form of dividend for the first half of 2021.
14. In 2021, the Company allocated $94 million to measures aimed at preventing the spread of COVID-19. Out of this total amount, $78 million is included in Cost of gold sales (additional staff expenses related to extended working shifts) and Other expenses (COVID-19 test kits, medical services and support provided to regional hospitals) in amounts of $36 million and $42 million, respectively. The remaining $16 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, in the amount of $78 million, were excluded from the adjusted EBITDA calculation.

OUTLOOK

Production guidance

- Based on the mining plan and processing capabilities, we reiterate total gold output of ca. 2.8 million ounces of gold in 2022. Production guidance reflects an improvement in head grades at Olimpiada as the Company gets access to the high-grade ore material. The Company is continuing to implement brownfield development initiatives to strengthen its operational profile.

TCC guidance

- The Company reiterates its 2022 TCC guidance and expects it to reside within the range of $425-$450 per ounce. This estimate is based on the assumption of a 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 2021 levels, mainly driven by inflationary factors in key consumables and labour.

Capex guidance

- The Company reiterates its 2022 capex guidance range of $1,100-1,200[9] million. The capex guidance reflects:
    - ongoing construction of Mill 5 at the Blagodatnoye complex;
    - the completion of the Bankable Feasibility Study and commencement of internal infrastructure construction at Sukhoi Log;
    - Kuranakh mill expansion to 7.5 million tonne per annum and reconstruction of the tailings storage facility;
    - mining fleet procurement for the Natalka mine;
    - an increase in the exploration budget and mining fleet replacement at Alluvials as well as a rollover of IT capex spending from 2021.

COVID-19 expenses

- Based on preliminary assessments, Polyus expects approximately $100 million of COVID-19 related expenses in 2022. These include salary increases for 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.

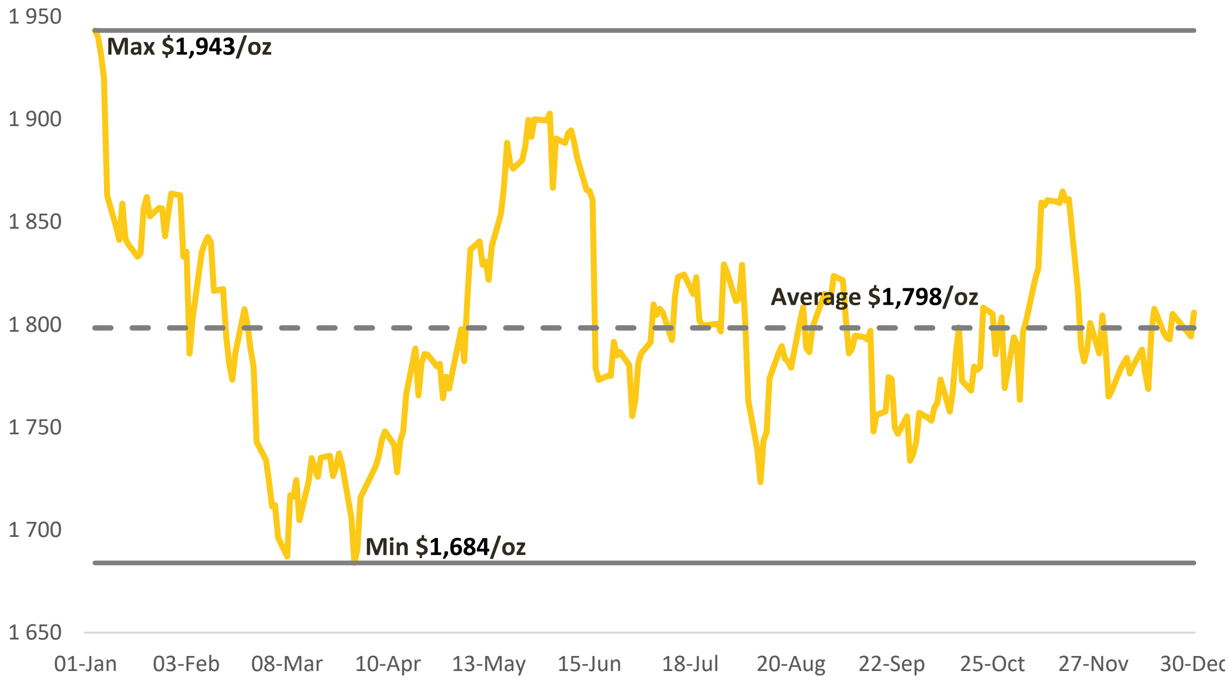
Review of external factors

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 2021, the average London Bullion Market Association (LBMA) gold price was $1,795 per ounce, compared to $1,790 per ounce in the previous quarter and $1,874 per ounce in the fourth quarter of 2020. In 2021, the average LBMA gold price was $1,798 per ounce, 2% above the 2020 average of $1,770 per ounce.

LBMA gold price dynamics in 2021 $/oz

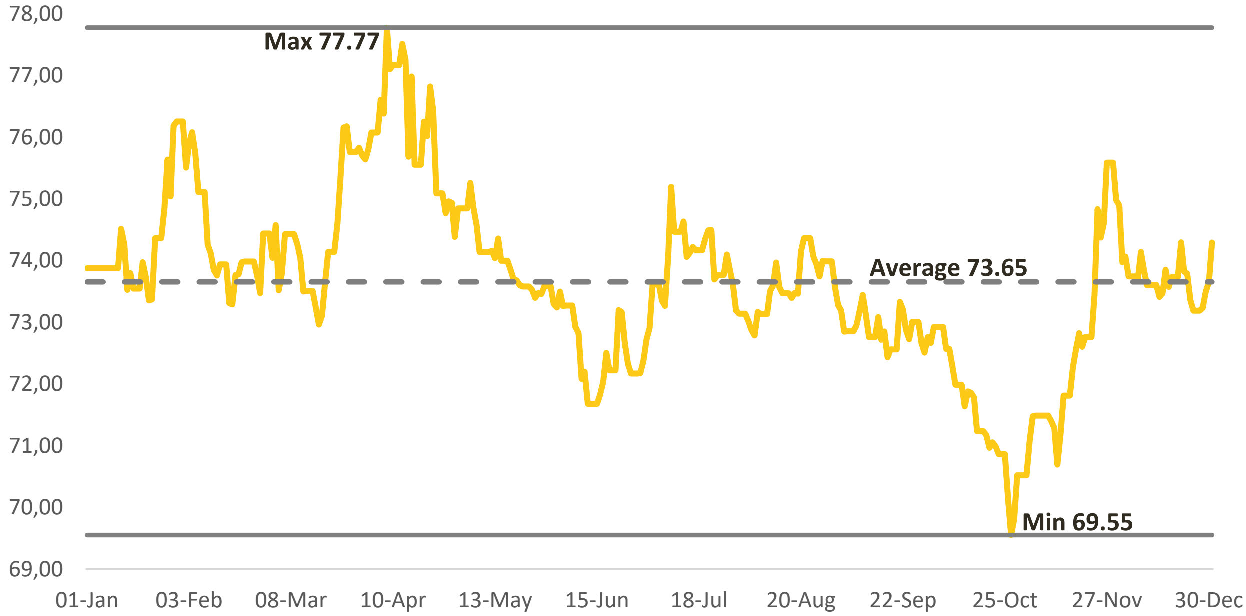


Source: London Bullion Market Association

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 2021, the average RUB/USD exchange rate amounted to 72.61, compared to 73.47 in the previous quarter and 76.21 in the fourth quarter of 2020. In 2021, the average USD/RUB exchange rate was 73.65, compared to 72.14 in 2020.

RUB/USD dynamics, 2021



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 8.4% as of the end of the fourth quarter of 2021, compared to 7.4% as of the end of the previous quarter and 4.9% as of the end of the fourth quarter of 2020.

Financial review of the fourth quarter and full year 2021

Statement of profit or loss review

REVENUE ANALYSIS

	4Q 2021	3Q 2021	Q-o-Q	2021	2020	Y-o-Y
Gold sales (koz)	712	776	(8%)	2,736	2,817	(3%)
Weighted-average refined gold selling price, $/oz	1,802	1,787	1%	1,798	1,786	1%
Average afternoon gold LBMA price fixing ($/oz)	1795	1,790	0%	1,798	1,770	2%
Premium of \ (Discount to) average selling price over average LBMA price fixing ($/oz)	7	(3)	N.A.	-	16	(100%)
Gold sales ($ million)	1,274	1,383	(8%)	4,904	4,956	(1%)
Other sales ($ million)	19	17	12%	62	42	48%
Total revenue ($ million)	**1,293**	**1,400**	**(8%)**	**4,966**	**4,998**	**(1%)**

In the fourth quarter, the group's revenue from gold sales amounted to $1,274 million, an 8% decrease compared to the previous quarter. Gold sales totalled 712 thousand ounces, down 8% compared to the previous quarter, driven by seasonally lower production volumes at Alluvials and Kuranakh and lower production volumes at Verninskoye due to scheduled maintenance.

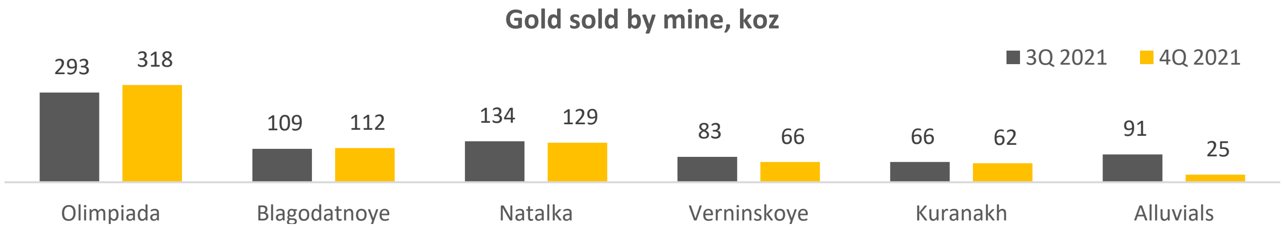
For the full year of 2021, the group's revenue from gold sales amounted to $4,904 million, a 1% decrease year-on-year. Gold sales totalled 2,736 thousand ounce, a 3% decrease from the previous year. This was driven by a lower production volumes at Olimpiada and Blagodatnoye, while the average realised refined gold price was 1% higher compared to 2020.

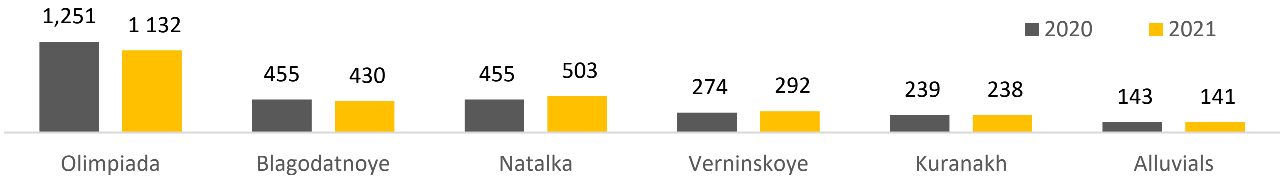
Revenue breakdown by business unit, 4Q 2021 vs. 3Q 2021

Assets	4Q 2021 ($ million)			3Q 2021 ($ million)		
	Gold sales	Other sales	Total sales	Gold sales	Other sales	Total sales
Olimpiada	562	1	563	520	1	521
Blagodatnoye	201	-	201	194	-	194
Natalka	233	-	233	240	1	241
Verninskoye	120	-	120	149	-	149
Kuranakh	113	1	114	117	-	117
Alluvials	45	2	47	163	2	165
Other	-	15	15	-	13	13
Total	**1,274**	**19**	**1,293**	**1,383**	**17**	**1,400**

Revenue breakdown by business unit, 2021 vs. 2020

Assets	2021 ($ million)			2020 ($ million)		
	Gold sales	Other sales	Total sales	Gold sales	Other sales	Total sales
Olimpiada	2,018	4	2,022	2,155	11	2,166
Blagodatnoye	772	-	772	810	-	810
Natalka	905	2	907	814	6	820
Verninskoye	527	-	527	484	3	487
Kuranakh	428	3	431	426	4	430
Alluvials	254	6	260	267	6	273
Other	-	47	47	-	12	12
Total	**4,904**	**62**	**4,966**	**4,956**	**42**	**4,998**





CASH COSTS ANALYSIS

In the fourth quarter, the group's cost of gold sales decreased by 10% compared to the previous quarter, to $384 million, while cash operating costs decreased by 2%, to $335 million.

In 2021, the group's cost of gold sales increased 6% compared to the prior year, to $1,468 million. Cash operating costs amounted to $1,239 million, remaining broadly flat on the previous year.

Cost of gold sales breakdown

$ million	4Q 2021	3Q 2021	Q-o-Q	2021	2020	Y-o-Y
Cash operating costs[10]	**335**	**343**	**(2%)**	**1,239**	**1,230**	**1%**
Depreciation and amortisation (D&A) of operating assets	103	95	8%	385	406	(5%)
Total cost of production	**438**	**438**	**0%**	**1,624**	**1,636**	**(1%)**
Increase in stockpiles, gold-in-process and refined gold inventories	(54)	(10)	N.A.	(156)	(247)	(37%)
Cost of gold sales	**384**	**428**	**(10%)**	**1,468**	**1,389**	**6%**

Cash operating costs - breakdown by item

$ million	4Q 2021	3Q 2021	Q-o-Q	2021	2020	Y-o-Y
Consumables and spares	86	84	2%	304	304	0%
Employee compensation	85	86	(1%)	330	331	0%
Mineral Extraction Tax ("MET")	64	70	(9%)	245	238	3%
Fuel	33	32	3%	116	120	(3%)
Power	18	15	20%	63	61	3%
Other[10]	49	56	(13%)	181	176	3%
Total	**335**	**343**	**(2%)**	**1,239**	**1,230**	**1%**

In the fourth quarter of 2021, consumables and spares expenses rose by 2% compared to the previous quarter. The positive impact of the seasonal downscale of activities at Alluvials was offset by the increase in maintenance expenses. For the full year of 2021, consumables and spares expenses remained flat compared

[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 $9 million and $36 million of COVID-19 expenses related to employee compensation in the fourth quarter of 2021 and for the full year of 2021, respectively. The expenses associated with COVID-19 and recognised as part of Cost of gold sales were excluded from both TCC and AISC calculations.

to the previous reporting period. The ongoing inflation across all inputs, including milling balls, ammonium nitrate, xanthogenate and copper sulfate was fully offset by set of operational improvements at Olimpiada and Verninskoye, as well as purchasing and procurement management initiatives. The latter include long-term contracts with fixed or linked to benchmarks prices, ahead-of-schedule procurement of key consumables and spares and pro-active negotiations with key suppliers to improve the pricing-terms.

Employee compensation expenses (excluding additional expenses related to Covid-19) decreased by 1% compared to the previous quarter. This reflects the seasonal downscale of activities at the Alluvials operations. In 2021, employee compensation expenses remained flat compared to the prior year. Total employee compensation in rouble terms increased, following annual salary indexation.

Power costs increased by 20% quarter-on-quarter due to the increase in power tariffs. For the full year of 2021, the group's power costs increased by 3% compared to the prior year, due to the higher energy consumption and increase in power tariffs across almost all deposits.

The group's MET expenses decreased by 9% compared to the previous quarter. This reflects lower production volumes of gold dore during the period. In 2021, MET expenses increased by 3%, which mainly reflects an increase in the MET rate applied to Verninskoye and Natalka, in line with the regional investment project ("RInvP") regime for the deposits.

In the fourth quarter, fuel costs increased by 3% compared to the previous quarter. In 2021, fuel costs decreased by 3%, primarily due to intensification of stripping activities across almost all deposits, resulting in a higher portion of capitalized diesel expenses.

Cash operating costs - breakdown by key business units[11], 4Q 2021 vs. 3Q 2021

$ million	Olimpiada		Blagodatnoye		Natalka		Verninskoye		Kuranakh		Alluvials	
	4Q 2021	3Q 2021	4Q 2021	3Q 2021	4Q 2021	3Q 2021	4Q 2021	3Q 2021	4Q 2021	3Q 2021	4Q 2021	3Q 2021
Consumables and spares	37	30	13	14	16	13	9	8	9	7	3	11
Employee compensation	14	17	13	7	13	11	6	5	10	10	7	24
MET	33	32	12	12	3	3	8	7	7	7	2	9
Fuel	10	4	6	5	9	8	2	1	5	4	2	9
Power	7	6	2	2	7	6	1	2	3	2	1	3
Other	31	14	8	11	15	10	9	8	7	4	25	12
Total	**132**	**103**	**54**	**51**	**63**	**51**	**35**	**31**	**41**	**34**	**40**	**68**

Cash operating costs - breakdown by key business units, 2021 vs. 2020

$ million	Olimpiada		Blagodatnoye		Natalka		Verninskoye		Kuranakh		Alluvials	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Consumables and spares	127	125	45	46	54	58	28	27	29	28	19	17
Employee compensation	72	71	32	41	49	54	25	35	41	39	42	37
MET	123	137	48	53	12	-	21	6	26	26	15	16
Fuel	25	22	19	21	31	33	6	8	16	15	14	14
Power	25	22	7	7	24	22	5	4	9	9	5	6
Other	80	66	41	39	57	60	34	36	18	13	42	37
Total	**452**	**443**	**192**	**207**	**227**	**227**	**119**	**116**	**139**	**130**	**137**	**127**

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

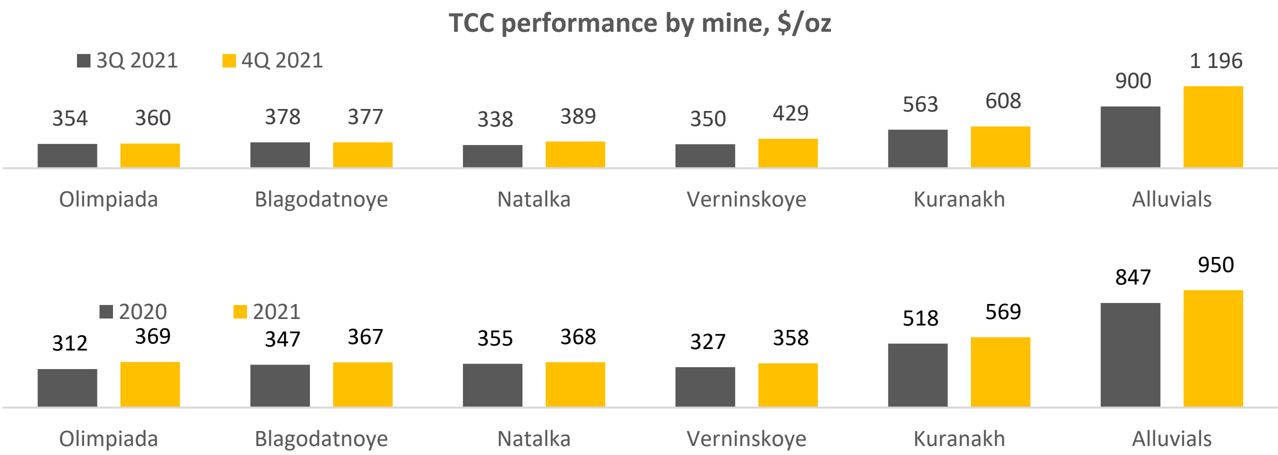
TOTAL CASH COSTS

TCC calculation

$ million	4Q 2021	3Q 2021	Q-o-Q	2021	2020	Y-o-Y
Cost of gold sales before by-product	**393**	**432**	**(9%)**	**1,488**	**1,413**	**5%**
Antimony by-product credit	(9)	(4)	N.A.	(20)	(24)	(17%)
Cost of gold sales	**384**	**428**	**(10%)**	**1,468**	**1,389**	**6%**
depreciation and amortisation	(103)	(95)	8%	(385)	(406)	(5%)
expenses related to COVID-19 in cost of gold sales	(9)	(7)	29%	(36)	(50)	(28%)
effect of depreciation, amortisation, accrual and provisions in inventory change	22	6	N.A.	63	87	(28%)
TCC	**294**	**332**	**(11%)**	**1,110**	**1,020**	**9%**
Gold sold (koz)	712	776	(8%)	2,736	2,817	(3%)
TCC per ounce sold ($/oz)	**412**	**427**	**(4%)**	**405**	**362**	**12%**

In the fourth quarter, the group's TCC decreased by 4% to $412 per ounce compared to $427 per ounce in the previous quarter. This improvement was attributable to a seasonal decrease in output at the structurally higher-cost alluvial operations and higher sales volumes of antimony-rich flotation concentrate. The latter resulted in higher by-product credit ($13 per ounce in the fourth quarter of 2021 compared to $5 per ounce in the third quarter of 2021). This was partially offset by scheduled maintenance works at Olimpiada, Natalka and Verninskoye.

In 2021, the group's TCC increased by 12% to $405 per ounce compared to 2020. This reflects lower average grades in ore processed at Olimpiada and Blagodatnoye, ongoing inflation in consumables and increase in the MET rate applied to Verninskoye and Natalka in line with the regional investment project ("RInvP") regime for the deposits. These factors were partially offset by an improved hourly-throughput performance at Olimpiada, Verninskoye and Natalka.



In the fourth quarter, TCC at Olimpiada rose to $360 per ounce, a 2% increase compared to the third quarter of 2021. This increase reflects scheduled maintenance works, as well as a decline in average grades in ore processed (2.93 grams per tonne in the fourth quarter compared to 3.03 grams per tonne in the third quarter). This was partially offset by higher sales volumes of antimony-rich flotation concentrate, resulting in by-product credit of $28 per ounce in the fourth quarter compared to $14 per ounce in the third quarter. In 2021, TCC at Olimpiada amounted to $369 per ounce, up 18% compared to 2020. This was attributable to a decline in average grades in ore processed (3.00 grams per tonne in 2021 compared to 3.40 grams per tonne in 2020), a decrease in the share of lower-cost flotation concentrate in total gold sold and inflation across key consumables.

At Blagodatnoye, TCC amounted to $377 per ounce, remaining flat on the previous quarter. In 2021, TCC at Blagodatnoye were $367 per ounce, up 6% compared to the previous year, due to inflation across key consumables and higher maintenance expenses, in addition to lower average grades in ore processed (1.75 grams per tonne in 2021 compared to 1.82 grams per tonne in 2020).

In the fourth quarter, TCC at Natalka increased to $389 per ounce, up 15% compared to the previous quarter, driven by higher maintenance expenses. In 2021, TCC at Natalka increased to $368 per ounce, up 4% compared to $355 per ounce in 2020, driven by an increase in the MET rate (from 0% to 1.2%) applied to Natalka. This was partially offset by the higher average grades in ore processed (1.77 grams per tonne in 2021 compared to 1.72 grams per tonne in 2020).

In the fourth quarter, TCC at Verninskoye amounted to $429 per ounce, up 23% compared to the third quarter due to higher maintenance expenses. In 2021, TCC at Verniskoye increased to $358 per ounce, up 9% compared to the previous year, driven by increase in the MET rate (from 2.4% to 6%) applied to Verninskoye due to the conclusion of the regional investment project ("RInvP") regime for the deposit. In addition, lower average grades in ore processed (2.82 grams per tonne in 2021 compared to 2.91 grams per tonne in 2020) negatively impacted the cost performance.

At Kuranakh, TCC rose to $608 per ounce, up 8% compared to the third quarter, due to scheduled maintenance works and a seasonal downscaling of heap leaching operations. In 2021, TCC at Kuranakh rose to $569 per ounce, up 10% compared to 2020, which reflects the inflation across key consumables and lower average grades in ore processed.

At Alluvials, TCC increased 33% to $1,196 per ounce, reflecting end of the washing season. In 2021, TCC at Alluvials amounted to $950 per ounce, up 12% compared to $847 per ounce in the previous year due to ongoing inflation in consumables and diesel prices.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

In the fourth quarter, the group's selling, general, and administrative (SG&A) expenses amounted to $107 million. In 2021, the group's SG&A expenses amounted to $334 million, remaining broadly flat on the previous year, as an increase in headcount was fully offset by lower long-term incentive plan ("LTIP") related expenses.

SG&A breakdown by item

$ million	4Q 2021	3Q 2021	Q-o-Q	2021	2020	Y-o-Y
Salaries	72	48	50%	232	236	(2%)
Distribution expenses related to gold-bearing products	3	1	N.A.	5	18	(72%)
Taxes other than mining and income taxes	4	5	(20%)	18	19	(5%)
Professional services	9	5	80%	19	15	27%
Depreciation and amortisation	6	6	0%	25	23	9%
Other	13	9	44%	35	25	40%
Total	**107**	**74**	**45%**	**334**	**336**	**(1%)**

ALL-IN SUSTAINING COSTS (AISC)

In the fourth quarter, the group's AISC increased to $837 per ounce, up 20% reflecting higher sustaining capital expenditures. In 2021, the group's AISC per ounce stood at $715 per ounce, driven by higher stripping expenses and higher sustaining capital expenditures.

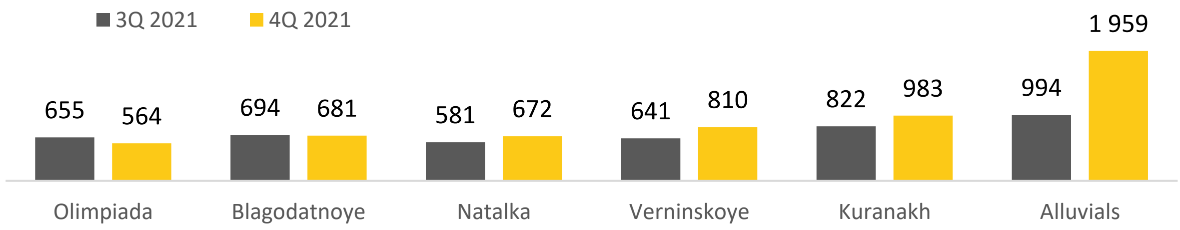
All-in sustaining costs calculation

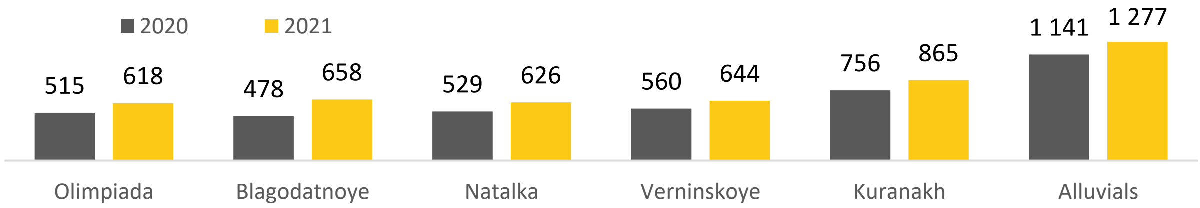
$ million	4Q 2021	3Q 2021	Q-o-Q	2021	2020	Y-o-Y
Total TCC	**294**	**332**	**(11%)**	**1,110**	**1,020**	**9%**
selling, general and administrative expenses	107	74	45%	334	336	(1%)
amortisation and depreciation related to SG&A	(6)	(6)	0%	(25)	(23)	9%
stripping activity asset additions[12]	64	67	(4%)	232	143	62%
sustaining capital expenditure[13]	138	73	89%	303	218	39%
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	(1)	-	N.A.	(2)	4	N.A.
Total all-in sustaining costs	**597**	**541**	**10%**	**1,956**	**1,702**	**15%**
Gold sold (koz)	712	776	(8%)	2,736	2,817	(3%)
All-in-sustaining cost ($/oz)	**837**	**697**	**20%**	**715**	**604**	**18%**

In the fourth quarter of 2021, AISC at Olimpiada decreased to $564 per ounce driven by lower stripping activity during the period. AISC at Blagodatnoye amounted to $681 per ounce. AISC at Natalka increased to $672 per ounce due to higher sustaining capital expenditures and higher TCC per ounce in the reporting period. AISC at Verninskoye increased to $810 per ounce, while AISC at Kuranakh increased to $983/oz, both driven by higher sustaining capital expenditures, higher stripping activity and higher TCC per ounce in the reporting period.

In 2021, AISC at Olimpiada increased to $618 per ounce, driven by higher TCC per ounce and higher stripping expenses compared to the previous year. AISC at Blagodatnoye increased to $658 per ounce due to higher stripping expenses and higher sustaining capital expenditures during the period. AISC at Natalka increased to $626 per ounce, while AISC at Verninskoye increased to $644 per ounce, both in line with the TCC performance and driven by higher stripping expenses and higher sustaining capital expenditures in the reporting year. At Kuranakh, AISC increased to $865 per ounce, in line with the TCC performance and due to higher sustaining capital expenditures during the period. AISC at Alluvial increased to $1,277 per ounce.

All-in sustaining costs by mine, $/oz





[12] The amounts exclude depreciation of fixed assets involved in stripping activities: $17 million in the fourth quarter of 2021, $19 million in the third quarter of 2021 ($71 million in 2021 and $52 million in 2020); and COVID-19 related expenses of $3 million in the fourth quarter of 2021 and $1 million in the third quarter of 2021 ($10 million in 2021 and $9 million in 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.

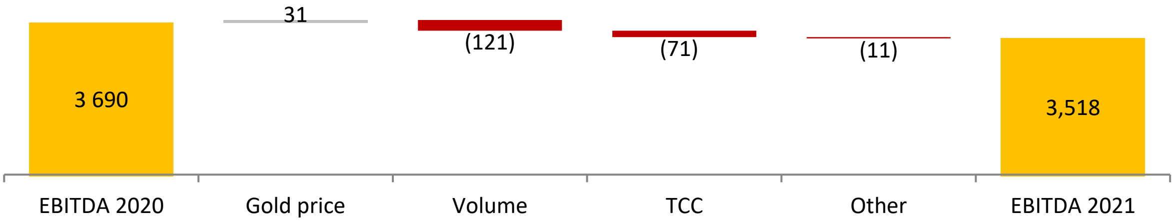
ADJUSTED EBITDA

In the fourth quarter of 2021, the group's adjusted EBITDA amounted to $894 million, a 9% decrease compared to $986 million in the previous quarter, driven by lower gold sales volumes. In 2021, the group's adjusted EBITDA stood at $3,518 million, a 5% decrease compared to the previous year. This was driven by lower production volumes in 2021 and higher TCC on a per ounce basis.

Adjusted EBITDA calculation

$ million	4Q 2021	3Q 2021	Q-o-Q	2021	2020	Y-o-Y
Profit before income tax	**642**	**803**	**(20%)**	**2,758**	**2,062**	**34%**
Expenses related to COVID-19	18	16	13%	78	106	(26%)
Loss on transfer of Omchak power grid	-	-	N.A.	-	45	(100%)
Depreciation and amortisation	90	96	(6%)	358	349	3%
Loss / (gain) on revaluation of derivative financial instruments, net	29	(5)	N.A.	(33)	544	N.A.
Finance costs, net	62	45	38%	209	232	(10%)
Equity-settled share-based payment plans	15	7	N.A.	44	77	(43%)
Foreign exchange loss, net	22	4	N.A.	39	250	(84%)
Interest income	(4)	(4)	0%	(14)	(22)	(36%)
Impairment	11	-	N.A.	16	10	60%
Special charitable contributions	5	23	(78%)	51	35	46%
Loss on property, plant and equipment disposal	4	1	N.A.	12	2	N.A.
Adjusted EBITDA	**894**	**986**	**(9%)**	**3,518**	**3,690**	**(5%)**
Total revenue	1,293	1,400	(8%)	4,966	4,998	(1%)
Adjusted EBITDA margin (%)	**69%**	**70%**	**(1)ppts**	**71%**	**74%**	**(3)ppts**

Adjusted EBITDA bridge, $ million



Adjusted EBITDA breakdown by business unit, $ million

$ million	4Q 2021	3Q 2021	Q-o-Q	2021	2020	Y-o-Y
Olimpiada	433	383	13%	1,496	1,665	(10%)
Blagodatnoye	155	141	10%	577	620	(7%)
Natalka	180	180	0%	669	594	13%
Verninskoye	90	111	(19%)	397	370	7%
Kuranakh	70	73	(4%)	264	279	(5%)
Alluvials	9	76	(88%)	99	129	(23%)
Other[14]	(43)	22	N.A.	16	33	(52%)
Total	**894**	**986**	**(9%)**	**3,518**	**3,690**	**(5%)**

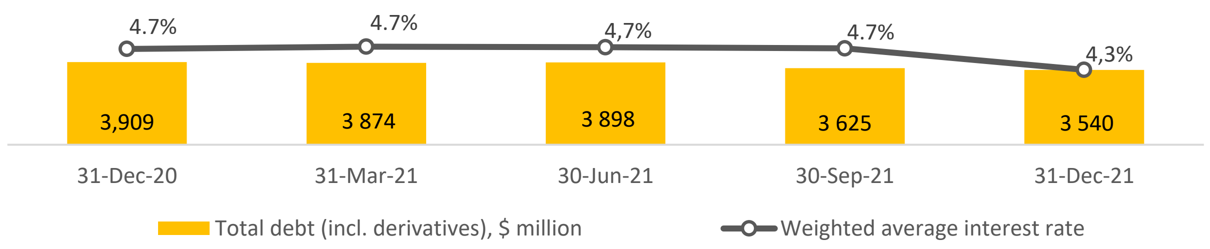
[14] Reflects consolidation adjustments and financial results of Sukhoi log and non-producing business units, including exploration business unit, capital construction business unit and unallocated segments

FINANCE COST ANALYSIS

$ million	4Q 2021	3Q 2021	Q-o-Q	2021	2020	Y-o-Y
Interest on borrowings	51	48	6%	195	229	(15%)
Interest on lease liabilities	2	1	100%	5	4	25%
Bank commission and write-off of unamortised debt cost due to early extinguishment	2	-	N.A.	2	12	(83%)
Unwinding of discounts	1	2	(50%)	6	10	(40%)
Loss on an early redemption of financial liabilities	38	-	N.A.	38	5	N.A.
Gain on debt modification	(23)	-	N.A.	(23)	-	N.A.
Gain on exchange of interest payments under cross currency swap and interest rate swap	(9)	(6)	50%	(14)	(28)	(50%)
Total finance cost expensed	**62**	**45**	**38%**	**209**	**232**	**(10%)**

The group's total finance costs amounted to $62 million, compared to $45 million in the third quarter. In 2021, the group's total finance costs were $209 million, down 10% compared to the previous year. Interest on borrowings decreased 15% to $195 million. This reflects the decline in gross debt in 2021.

Weighted average interest rate dynamics[15]



Foreign exchange loss and derivatives

The group's foreign exchange loss was $22 million in the fourth quarter, compared to a $4 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 2021 due to FX rate fluctuation. In 2021, the group's foreign exchange loss was $39 million, compared to a $250 million loss 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 2021 due to FX rate fluctuation.

Valuation of derivative financial instruments as at 31 December 2021 and for the full year then ended

$ million	Asset	Liability	Fair value recorded in the statement of financial position	Profit & loss (expenses)/ income
Cross-currency swaps	23	(291)	(268)	30
Interest rate swaps	-	-	-	3
Total	**23**	**(291)**	**(268)**	**33**

In 2021, the group's revaluation gain on cross currency and interest rate swaps amounted to $33 million, which mainly reflects the local currency depreciation in 2021.

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

Cross-currency and interest rate swaps[16]

In the fourth quarter of 2021, the overall positive effect from cross-currency and interest rate swaps on finance cost amounted to $9 million. In 2021, the overall positive effect from cross-currency and interest rate swaps on finance cost amounted to $14 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 2021, the group recognised profit before tax of $642 million. For the full year of 2021, profit before tax increased to $2,758 million primarily driven by lower impact of non-cash items. Income tax amounted to $480 million, resulting in an effective income tax rate of 17%.

NET PROFIT

In the fourth quarter of 2021, net profit totalled $521 million, compared to net profit of $664 million in the third quarter.

Net profit for the full year of 2021 increased to $2,278 million compared to $1,646 million in 2020. This was driven by the negative impact of non-cash items on profit before tax in 2020. Polyus recognised a gain of $33 million on revaluation of derivative financial instruments and a foreign exchange loss of $39 million in 2021. Adjusted for these items, the group's adjusted net profit for 2021 amounted to $2,287 million, a 2% decrease from the prior year.

Adjusted net profit calculation

$ million	4Q 2021	3Q 2021	Q-o-Q	2021	2020	Y-o-Y
Net profit for the period	521	664	(22%)	2,278	1,646	38%
impairment	11	-	N.A.	16	10	60%
loss / (gain) on derivative financial instruments, net	29	(5)	N.A.	(33)	544	N.A.
foreign exchange loss, net	22	4	N.A.	39	250	(84%)
effect of deferred and current tax on items above	(10)	-	N.A.	(13)	(118)	(89%)
Adjusted net profit	**573**	**663**	**(14%)**	**2,287**	**2,332**	**(2%)**
Total revenue	1,293	1,400	(8%)	4,966	4,998	(1%)
Adjusted net profit margin	**44%**	**47%**	**(3) ppts**	**46%**	**47%**	**(1) ppts**

Statement of financial position review

DEBT

The Company's gross debt decreased to $3,540 million, compared to $3,625 million as at the end of the third quarter of 2021. During the reporting period, the Company repaid $150 million of bank loans, while the average interest rate decreased to 4.3% compared to 4.7% in the third quarter due to proactive debt management initiatives.

As at 31 December 2021, the Company's cash position decreased to $1,343 million (30 September 2021: $1,675 million), while its net debt position increased, compared to the previous quarter and amounted to $2,197 million (30 September 2021: $1,950 million). Among other factors, the change in cash position reflects a dividend payout for the first half of 2021 in amount of $507 million.

[16] For additional information on cross-currency and interest rate swaps, see Note 19 of the consolidated financial statements

As of 31 December 2021, the group had a lease liability in the amount of $84 million, which is discussed further within note 14 of the consolidated financial statements.

Eurobonds

In October 2021, the Company completed a Eurobond offering ($700 million Eurobonds due to 2028 with a 3.25% coupon rate) and announced the results of the tender offer of its outstanding notes. As a result of the tender offer, Polyus bought back all of the tendered 2023 notes and most of 2024 notes and increased the final tender volume from initial target of c. $550 million to $650 million (including c. $605 million in principal amount).

Buyback programme

On the 31st of January 2022, Polyus launched an open-market buyback with maximum amount of $200 million, but not more than 1.4% of share capital, to be executed over the course of the next 6 months. As of 25th of February, the Company has not bought back any shares from an open-market.

Debt breakdown by type

$ million	31 December 2021	30 September 2021	31 December 2020
Eurobonds	1,829	1,736	1,734
RUB bonds	328	319	556
Finance lease	84	80	70
Bank loans	1,299	1,490	1,549
Total	**3,540**	**3,625**	**3,909**

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

Debt breakdown by currency

	31 December 2021		30 September 2021		31 December 2020	
	$ million	% of total	$ million	% of total	$ million	% of total
RUB	1,389	39%	1,438	40%	1,614	41%
USD	2,151	61%	2,187	60%	2,295	59%
Total	**3,540**	**100%**	**3,625**	**100%**	**3,909**	**100%**

Debt maturity schedule (as at 31 December 2021)[17], $ million

CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

As at 31 December 2021, the group's cash and cash equivalents and bank deposits totalled 1,343 million, down 20% compared to the end of the third quarter of 2021. The group's cash position is primarily held in USD-denominated instruments. Existing cash balances cover all principal debt repayments up to 2023.

[17] The breakdown is based on actual maturities and excludes $35 million of banking commissions and lease liabilities recognised under IFRS 16 as of 31 December 2021 in amount of $81 million (the remaining $3 million of the total amount of lease liabilities of $84 million presented in the Note 19 and included in the bridge)..

Cash, cash equivalents, and bank deposits breakdown by currency

$ million	31 December 2021	30 September 2021	31 December 2020
RUB	134	131	152
USD	1,209	1,544	1,293
Total	**1,343**	**1,675**	**1,445**

NET DEBT

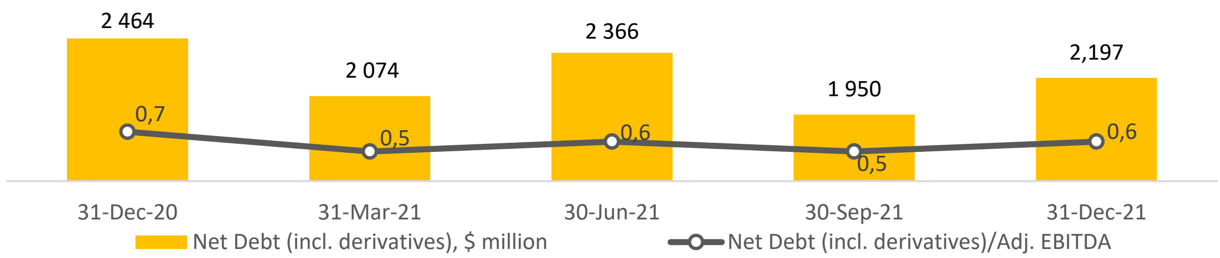
At the end of the fourth quarter of 2021, the group's net debt amounted to $2,197 million, up 13% from $1,950 million at the end of the third quarter of 2021.

Net debt calculation

$ million	31 December 2021	30 September 2021	31 December 2020
Non-current borrowings	3,032	3,119	3,642
+ Current borrowings	508	506	267
- Cash and cash equivalents	(1,343)	(1,675)	(1,445)
Net debt	**2,197**	**1,950**	**2,464**

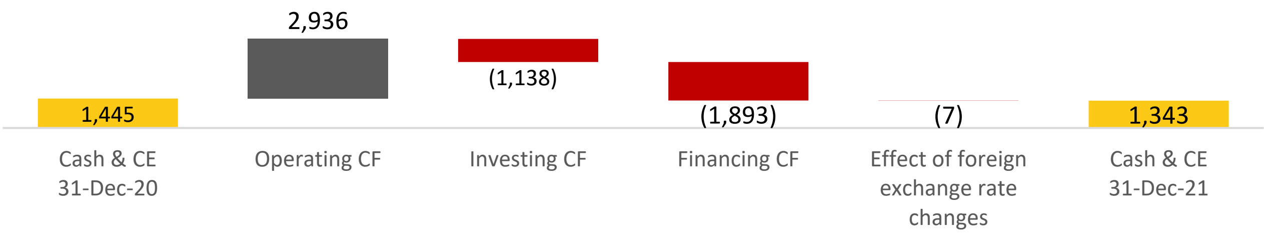
The net debt/adjusted EBITDA ratio increased to 0.6x compared to the end of the third quarter of 2021, reflecting a decrease in the net debt.

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



Statement of cash flows review

Cash flow bridge, $ million



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 2021, Adjusted EBITDA is calculated as the twelve months ended on 31 December 2021. For the purpose of the net debt to Adjusted EBITDA ratio as of 30 September 2021, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 September 2021 (being Adjusted EBITDA for 2020 less Adjusted EBITDA for the nine months ended 30 September 2020 plus Adjusted EBITDA for the nine months ended 30 September 2021). For the purpose of the net debt to Adjusted EBITDA ratio as of 30 June 2021, Adjusted EBITDA is calculated as the trailing twelve months ended on 30 June 2021 (being Adjusted EBITDA for 2020 less Adjusted EBITDA for the six months ended 30 June 2020 plus Adjusted EBITDA for the six months ended 30 June 2021). For the purpose of the net debt to Adjusted EBITDA ratio as of 31 March 2021, Adjusted EBITDA is calculated as the trailing twelve months ended on 31 March 2021 (being Adjusted EBITDA for 2020 less Adjusted EBITDA for the three months ended 31 March 2020 plus Adjusted EBITDA for the three months ended 31 March 2021). 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.

In 2021, cash flow from operations decreased to $2,936 million, down 4% compared to $3,046 million in 2020. Cash outflow on investing activities increased to $1,138 million, up 24% compared to $918 million in the previous year due to higher capex across almost all deposits. Net financing cash outflow totalled $1,893 million, reflecting the repayment of $1,011 million borrowings, $1,236 million of dividend payments for the second half of 2020 and the first half of 2021.

OPERATING CASH FLOW

In the fourth quarter, the group generated operational cash inflow of $731 million, which was negatively impacted by a working capital outflow of $24 million. This figure reflects an accumulation of ore stockpiles inventory at Natalka and Blagodatnoye and an increase in trade receivables related to sales of flotation concentrate.

For the full year of 2021, the group generated operational cash inflow of $2,936 million, which was negatively impacted by a working capital outflow of $31 million. The latter was driven by an accumulation of ore stockpiles at Natalka and Blagodatnoye.

INVESTING CASH FLOW

In the fourth quarter, capital expenditures increased to $389 million, from $233 million in the previous period, as the Company accelerated its capex spending programme in line with a plan. For the full year of 2021 capital expenditures amounted to $928 million, up 42% compared to $653 million in the previous year. Adjusted for FX fluctuations, capital expenditures for the full year 2021 came closer to the lower bound of the guidance range of $1,000-1,100 million, which was based on a FX rate assumption of 65 roubles per dollar.

At Olimpiada, capital expenditures increased to $71 million in the fourth quarter of 2021 compared to $62 million in the previous reporting period. In 2021, capital expenditures at Olimpiada increased to $197 million year-on-year. Polyus proceeded with a number of initiatives aimed at stabilising the processing parameters at 15.0 million tonnes per annum. Alongside the increase in throughput, Polyus has improved the efficiency of the BIO complex, as a result of the modernization of the BIO-2 and BIO-3 units and the ongoing calibration of the flowsheet at the BIO complex. In addition, the Company continued to upgrade its mining fleet and completed the construction of the first stage of the pit-stop for truck maintenance on site.

At Blagodatnoye, capital expenditures increased to $110 million in the fourth quarter of 2021 compared to $61 million in the previous quarter. In 2021, capital expenditures at Blagodatnoye increased to $238 million compared to $71 million in 2020 reflecting the launch of the Mill 5 project.

Esta Construction, the major contractor for the Mill 5 construction project, proceeded with the foundation works of the hydromet and comminution circuits during the period, as well as the construction of infrastructure facilities on site. In addition, the contracting procedures for key processing equipment have almost been finalised with most of the key manufacturers selected and long-lead equipment contracted. For example, the Company signed a procurement agreement with FLSmidth for technological equipment for the construction of the Mill and in-pit crushing and conveying (IPCC) system. In addition, the Company continued to upgrade its mining fleet.

In the fourth quarter, capital expenditures at Natalka increased to $38 million, compared to $27 million in the previous reporting period. Polyus installed drainage pumping stations and the pipeline infrastructure for the main tailings storage facility. In 2021, capital expenditures at Natalka decreased to $110 million, down 11% year-on-year, as the Company completed the construction of the main tailings storage facilities (the second start-up complex) as well as the flash flotation roll-out at the Natalka mill during 2020.

At Verninskoye, capital expenditures increased to $28 million in the fourth quarter compared to $22 million in the previous quarter, reflecting prepayments for mining equipment and construction activities under the 2022 investment program. For the full year of 2021, capital expenditures at Verninskoye increased by 4%, compared to 2020, amounting to $79 million, due to an increase in scheduled maintenance works. In 2021, volumes of ore processed reached 3.6 million tonnes, up 10% compared to the previous year, exceeding the target capacity of 3.5 million tonnes per annum of the Verninskoye mill expansion project, which was completed in the first half of 2021.

At Kuranakh, capital expenditures in the fourth quarter of 2021 increased to $44 million due to the scheduled replacement of the mining fleet and the start of construction and procurement as part of the project to expand Kuranakh mill's processing capacity to 7.5 million tonnes per annum.

For the full year of 2021, capital expenditures at Kuranakh increased twofold, compared to 2020, to $94 million, reflecting the active phase of construction activities for the second heap leaching pad, the reconstruction of tailings storage facilities and the scheduled replacement of the mining fleet. Polyus completed the construction of eight panels at the second heap leaching pad and commissioned the conveyor equipment. The Company is progressing with the project to expand throughput capacity at the Kuranakh mill to 7.5 million tonnes per annum. Construction began, with contracts signed for most of long-lead key technological equipment and progress made on the detailed design documentation.

At Alluvials, capital expenditures amounted to $13 million and $27 million in the fourth quarter of 2021 and full year 2021, respectively. This reflected the ongoing replacement of worn-out equipment, as well as exploration activities.

In the fourth quarter, IT-related capital expenditures increased to $31 million. This includes preparation for the anticipated introduction of an ERP system at Natalka, Kuranakh, Polyus Stroi, Polyus Project and HQ, as well as IT equipment deliveries for server hardware upgrade. In 2021, IT capex amounted to $51 million, up 46% compared to 2020, due to the implementation of the ERP system and the procurement of IT equipment and software.

At Sukhoi Log, Polyus is proceeding with the Bankable Feasibility Study (BFS). The Company finalised open pit geotechnical parameters, defined the parameters of the main technological equipment of the processing plant, and is currently in the final stages of mine planning as well as the general layout, infrastructure, processing plant and tailings storage facility design as part of the BFS. During the reporting period, the Company also progressed with comprehensive engineering studies required for the BFS and the project design documentation.

Polyus has completed its deep-level and flank exploration drilling campaign at Sukhoi Log and is currently proceeding with studies. In the reporting period, the Company completed engineering studies and started detailed design and construction of the Vitim substation and 220 kV gridline. The infrastructure is within Polyus' project scope according to the agreement with the Federal Grid Company for the technical connection of Sukhoi Log to the existing power grid.

In addition, Polyus has launched the project design documentation stage for warehousing storage capacity expansion at Taksimo Yard. Project design documentation is expected to be completed in 2022.

Capex breakdown[19]

$ million	4Q 2021	3Q 2021	Q-o-Q	2021	2020	Y-o-Y
Olimpiada	71	62	15%	197	183	8%
Blagodatnoe	110	61	80%	238	71	N.A.
Natalka	38	27	41%	110	123	(11%)
Verninskoye	28	22	27%	79	76	4%
Alluvials	13	4	N.A.	27	23	17%
Kuranakh	44	25	76%	94	47	100%
Sukhoi Log	31	16	94%	69	29	N.A.
IT capex	31	4	N.A.	51	35	46%
Other[20]	23	12	92%	63	66	(5%)
CAPEX	**389**	**233**	**67%**	**928**	**653**	**42%**
Omchak electricity transmitting line	-	-	N.A.	-	24	(100%)
Items capitalised[21], net	62	70	(11%)	227	129	76%
Change in working capital for purchase of property, plant and equipment	(36)	(5)	N.A.	(25)	(6)	N.A.
Purchase of PP&E[22]	**415**	**298**	**39%**	**1,130**	**800**	**41%**

In the fourth quarter, the total cash amount spent on the purchase of PP&E increased to $415 million, compared to $298 million in the previous quarter. This mainly reflects the respective increase in total capital expenditures outlined above.

In 2021, the total cash spent on the purchase of PP&E increased to $1,130 million, compared to $800 million in the previous year.

FINANCING CASH FLOW

In the fourth quarter, net financing cash outflow amounted to $649 million compared to $381 million of cash outflow in the prior period, primarily due to a dividend payout of $507 million for the first half of 2021.

For the full year of 2021, net financing cash outflow totalled $1,893 million compared to $2,436 million in the previous year. Polyus completed the repayment of approximately $1,011 million of credit facilities and paid out a total of $1,236 million in dividends for the second half of 2020 and the first half of 2021 combined.

[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 expenses related to exploration business unit and other unallocated CAPEX.
[21] Including capitalised stripping costs. For more details see Note 13 of the consolidated financial statements
[22] Presented net of the Sukhoi Log deposit license acquisition cost and payments to Rostec

Going concern

The financial position of the group, its cash flows, liquidity position, and borrowing facilities are set out in this MD&A on pages 19 to 23. As of 31 December 2021 the group held $1,343 million in cash and cash equivalents and bank deposits and had a net debt of $2,197 million, with $1,276 million of undrawn but committed credit facilities, subject to covenant compliance. Details on borrowings and credit facilities are disclosed in note 19 to the consolidated financial statements. In assessing its going-concern status, the Directors have considered the uncertainties affecting future cash flows and have taken into account its financial position, anticipated future trading performance, borrowings, and other available credit facilities, as well as its forecast compliance with the covenants on those borrowings and its capital expenditure commitments and plans. In the event of certain reasonably possible adverse pricing and forex scenarios and the risks and uncertainties below, management has within its control the option of deferring uncommitted capital expenditure, or managing the dividend payment profile to maintain the group's funding position.

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

Risks and uncertainties

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

The group's financial results depend largely on gold prices. The gold market follows cyclical patterns and is sensitive to general macroeconomic trends. The group constantly monitors 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 2020. Detailed explanation of the risks summarized below, together with the group's risk mitigation plans, can be found on pages 17 to 20 of the 2020 Annual Report, which is available at https://polyus.com/en/media/press-releases/pjsc-polyus-2020-annual-review/

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 23 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 9, 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 2021, 90% of the cash and cash equivalents and bank deposits of the group were in USD – see page 21 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 18).

Interest rate risk

The group is not materially exposed to interest rate risk, as only 1% of the group's debt portfolio is made up of USD floating rate borrowings.

Inflation risk

As stated on page 10, 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 2021 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 2021 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 Auditor's Independence Rules and the Auditor's Professional Ethics Code, that are relevant to our audit of the financial statements in the Russian Federation together with the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), 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, 4.2.3 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 2021 the long-term ore stockpile balance was USD 617 million (2020: USD 505 million). In accordance with the group's accounting policy, 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, gold content, 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 professional judgement involved in assessing the reasonableness of management assumptions used to determine 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 and the assessment of net realisable value. We have performed substantive analytical procedures on production cost of ore stockpiles and observed stock counts of ore stockpiles. Assessed the overall methodology applied to determine the cost of inventory and compared the method used to industry practice. We have tested the model prepared by management to determine the net realisable value of ore stockpiles 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 management's assumptions about forecast prices, exchange rates, and macroeconomic parameters included in the calculation of the discount rate, comparing them with long-term analyst estimates; • Challenged the reasonableness of management's forecasts of future processing costs and technical recovery assumptions by comparing them to current and historical operational results. Tested completeness and assessed the presentation of information in the financial statements 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 847 million as at 31 December 2021 (2020: USD 625 million). As described in Note 4.2.1, capitalised stripping costs and their depreciation are	We have performed the following procedures with respect to valuation of stripping activity asset: • Confirmed that management's choice of the method of mining cost 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
determined based on proportion of expected waste to ore extracted in line with the group's 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 high level of professional judgement involved in assessing the reasonableness of management's determination of the relevant accounting policies.	• Verified the accuracy of management's calculations of stripping activity costs capitalised on the group's balance sheet as of 31 December 2021 and the related depreciation charge for the year by re-performing them for selected mines. We have also traced the key inputs used in production reports, that reflect actual production for the reporting period; • Challenged key assumptions used in calculation of stripping activity asset as of 31 December 2021 by comparing them to life of mine plans, actual results as well as reserve estimates reflected in Joint Ore Reserves Committee reports; • 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 in accordance with the key principles of IFRIC 20; • Tested completeness and assessed the presentation of information in financial statements 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 report, 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 with 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.

Igor Tokarev
(ORNZ № 21906100732),
Engagement partner,
Acting based on the power of attorney issued by the General Director on 16.02.2022 authorizing to sign off the audit report on behalf of AO “Deloitte & Touche CIS”
(ORNZ № 12006020384)

1 March 2022

PJSC “Polyus”

Consolidated financial statements
for the year ended 31 December 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

(in millions of US Dollars)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Gold sales	5	4,904	4,956
Other sales		62	42
Total revenue		**4,966**	**4,998**
Cost of gold sales	6	(1,468)	(1,389)
Cost of other sales		(53)	(34)
Gross profit		**3,445**	**3,575**
Selling, general and administrative expenses	7	(334)	(336)
Other expenses	8	(152)	(173)
Operating profit		**2,959**	**3,066**
Finance costs	9	(209)	(232)
Interest income		14	22
Gain / (loss) on revaluation of derivative financial instruments	10	33	(544)
Foreign exchange loss		(39)	(250)
Profit before income tax		**2,758**	**2,062**
Income tax expense	11	(480)	(416)
Profit for the year		**2,278**	**1,646**
Profit for the year attributable to:			
Shareholders of the Company		2,270	1,598
Non-controlling interests		8	48
		2,278	**1,646**
Weighted average number of ordinary shares '000			
- for basic earnings per share	18	134,927	134,360
- for diluted earnings per share	18	135,373	134,894
Earnings per share (US Dollar per share)			
- basic		16.82	11.89
- diluted		16.77	11.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(in millions of US Dollars)

	Year ended 31 December 2021	Year ended 31 December 2020
Profit for the year	**2,278**	**1,646**
Other comprehensive loss for the year		
Items that may be subsequently reclassified to profit or loss:		
Effect of translation to presentation currency	(19)	(321)
Items that will not be subsequently reclassified to profit or loss		
Increase in other reserves	2	-
Other comprehensive loss for the year	**(17)**	**(321)**
Total comprehensive income for the year	**2,261**	**1,325**
Total comprehensive income for the year attributable to:		
Shareholders of the Company	2,252	1,296
Non-controlling interests	9	29
	2,261	**1,325**

PJSC “POLYUS”

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021
(in millions of US Dollars)

	Notes	31 Dec. 2021	31 Dec. 2020
Assets			
Non-current assets			
Intangible assets	12	161	132
Property, plant and equipment	13, 14	4,789	4,121
Inventories	15	633	519
Deferred tax assets	11	106	109
Derivative financial instruments and investments	19	47	17
Other receivables and non-current assets		25	28
		5,761	**4,926**
Current assets			
Inventories	15	633	595
Deferred expenditure		18	17
Advances paid to suppliers and prepaid expenses		51	29
Trade and other receivables	16	42	133
Taxes receivable	16	147	120
Income tax prepaid		16	30
Cash and cash equivalents	17	1,343	1,445
		2,250	**2,369**
Total assets		**8,011**	**7,295**
Equity and liabilities			
Capital and reserves			
Share capital	18	5	5
Additional paid-in capital	18	2,411	2,410
Treasury shares	18	(226)	(288)
Translation reserve		(3,064)	(3,044)
Other revaluation reserve		2	-
Retained earnings		4,346	3,272
Equity attributable to shareholders of the Company		**3,474**	**2,355**
Non-controlling interests		25	91
		3,499	**2,446**
Non-current liabilities			
Borrowings	19, 14	2,765	3,329
Derivative financial instruments	19	290	330
Deferred tax liabilities	11	333	259
Site restoration, decommissioning and environmental obligations		62	63
Other non-current liabilities		47	57
		3,497	**4,038**
Current liabilities			
Borrowings	19, 14	507	225
Derivative financial instruments	19	1	42
Trade and other payables	20	391	399
Taxes other than income tax payable	20	94	101
Income tax payable		22	44
		1,015	**811**
Total liabilities		**4,512**	**4,849**
Total equity and liabilities		**8,011**	**7,295**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of US Dollars)

	Notes	*Number of outstanding shares '000*	Equity attributable to shareholders of the Company: Share capital	Additional paid-in capital	Treasury shares	Other reserves	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
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		-	-	45	-	-	-	-	**45**	-	**45**
Shares awarded under LTIP		*370*	-	(13)	36	-	(5)	(24)	**(6)**	-	**(6)**
Execution of conversion option by bondholders		*449*	-	317	43	-	(3)	-	**357**	-	**357**
Issue of treasury shares to a subsidiary		-	-	436	(436)	-	-	-	**-**	-	**-**
Settlement of share loan		*1,808*	-	(429)	436	-	(7)	-	**-**	-	**-**
Purchase of additional ownership in SL Gold		*246*	-	5	24	-	-	6	**35**	(6)	**29**
Increase of ownership in subsidiaries		*5*	-	-	1	-	-	(13)	**(12)**	(24)	**(36)**
Share buyback		*(1,361)*	-	-	(287)	-	-	(14)	**(301)**	-	**(301)**
Dividends declared to shareholders of the Company		-	-	-	-	-	-	(860)	**(860)**	-	**(860)**
Dividends declared to shareholders of non-controlling interests		-	-	-	-	-	-	-	**-**	(11)	**(11)**
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**
Balance at 1 January 2021		***134,705***	**5**	**2,410**	**(288)**	**-**	**(3,044)**	**3,272**	**2,355**	**91**	**2,446**
Profit for the year		-	-	-	-	-	-	2,270	**2,270**	8	**2,278**
Other comprehensive income / (loss)		-	-	-	-	2	(20)	-	**(18)**	1	**(17)**
Total comprehensive income / (loss)		**-**	**-**	**-**	**-**	**2**	**(20)**	**2,270**	**2,252**	**9**	**2,261**
Equity-settled share-based compensation (LTIP), net of tax	18	-	-	35	-	-	-	-	**35**	-	**35**
Shares awarded under LTIP	18	*351*	-	(34)	74	-	-	(39)	**1**	-	**1**
Share buyback	18	*(62)*	-	-	(14)	-	-	14	**-**	-	**-**
Dividends declared to shareholders of the Company	18	-	-	-	-	-	-	(1,209)	**(1,209)**	-	**(1,209)**
Dividends declared to shareholders of non-controlling interests		-	-	-	-	-	-	-	**-**	(37)	**(37)**
Decrease of non-controlling interests due to change in the net assets of the subsidiary	18	-	-	-	-	-	-	38	**38**	(38)	**-**
Other		*11*	-	-	2	-	-	-	**2**	-	**2**
Balance at 31 December 2021		***135,005***	**5**	**2,411**	**(226)**	**2**	**(3,064)**	**4,346**	**3,474**	**25**	**3,499**

PJSC "POLYUS"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of US Dollars)

	Notes	Year ended 31 December 2021	2020
Operating activities			
Profit before income tax		**2,758**	**2,062**
Adjustments for:			
Finance costs	9	209	232
Interest income		(14)	(22)
(Gain) / loss on revaluation of derivative financial instruments	10	(33)	544
Depreciation and amortisation		358	349
Foreign exchange loss		39	250
Other		51	93
		3,368	**3,508**
Movements in working capital			
Inventories		(96)	(122)
Deferred expenditure		-	(4)
Trade and other receivables		82	7
Advances paid to suppliers and prepaid expenses		(23)	(11)
Taxes receivable		(21)	(29)
Trade and other payables and accrued expenses		43	43
Taxes payable		(16)	69
Cash flows from operations		**3,337**	**3,461**
Income tax paid		(401)	(415)
Net cash generated by operating activities		**2,936**	**3,046**
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) and intangible assets		(1,130)	(776)
Purchase of additional ownership in LLC SL Gold		-	(156)
Payments for the Omchak high voltage power grid	5	-	(24)
Refund of unutilised part of government grant		-	(14)
Interest received		15	23
Loans issued		(24)	(1)
Proceeds from disposal of electricity transmission grids		1	30
Net cash utilised in investing activities		**(1,138)**	**(918)**
Financing activities[1]			
Proceeds from borrowings	19	700	112
Repayment of borrowings	19	(1,011)	(1,144)
Interest paid		(198)	(237)
Commissions paid on borrowings		(5)	(4)
Payments of lease liability		(16)	(15)
Net proceeds on exchange of interest payments under cross currency swaps	9	17	30
Net payment on exchange of interest payments under interest rate swaps	9	(3)	(2)
Payments on expiration of cross-currency swaps	19	(47)	-
Payments on termination of interest rate swaps	19	(6)	-
Payments for close out of revenue stabilizer programme		-	(32)
Increase of ownership in subsidiaries		(24)	(12)
Payment for share buyback	18	(32)	(268)
Dividends paid to shareholders of the Company	18	(1,236)	(844)
Dividends paid to shareholders of non-controlling interests		(32)	(11)
Other		-	(9)
Net cash utilised in financing activities		**(1,893)**	**(2,436)**
Net decrease in cash and cash equivalents		**(95)**	**(308)**
Cash and cash equivalents at the beginning of the year	17	**1,445**	**1,801**
Effect of foreign exchange rate changes on cash and cash equivalents		(7)	(48)
Cash and cash equivalents at the end of the year	17	**1,343**	**1,445**

[1] Significant non-cash transactions relating to investing (right-of-use assets recognition and LTIP payments in treasury shares) and financing activities (lease liabilities recognition) are disclosed in the notes 14 and 18 to these consolidated financial statements.

1. GENERAL

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

The principal activities of the Company and its controlled entities (the "group") are the extraction, refining and sale of gold. The mining and processing facilities of the group are located in the Krasnoyarsk, 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 26.

The shares of the Company are "level one" listed on the Moscow Exchange. Global depository shares ("GDSs") each representing interest in ½ of an 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 2021 and 2020, 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 and amendments first time applied in 2021

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
Interest Rate Benchmark Reform phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Replacement of LIBOR with alternative Risk-free Rates	1 January 2021	No effect, see below
Amendment to IFRS 16	Extension of the availability of the practical expedient for COVID-19-related rent concessions	1 April 2021	No effect

Interest Rate Benchmark Reform phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments issued in 2019 (phase 1) require disclosure of the effect of the replacement of an old interest rate benchmark with an alternative benchmark rate as a result of the Interest Rate Benchmark Reform. In 2021, the group closed out all financial instruments linked to LIBOR, thus the amendments do not have any material effect on the consolidated financial statements.

2.5. IFRS standards and amendments to be applied after 2021

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

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
Amendment IFRS 3	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
Amendment IAS 8	New definition of the accounting estimates	1 January 2023	No effect
Amendment IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	No effect
Amendment IAS 1	Disclosure of accounting policy	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 2021, year-end RUB/ US Dollar exchange rate used in the preparation of the consolidated financial statements was 74.29 (31 December 2020: 73.88).

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 sale proceeds 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*.

Final cash payments are received within several months after the shipment.

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 *Other expenses*.

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	13 years
Blagodatnoye	16 years
Verninskoye	16 years
Kuranakh	16 years
Natalka	21 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 property, plant and equipment

Property, plant and equipment items 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 property, plant and equipment items is carried out when there is an indication that those assets have suffered an impairment loss. There were no such indicators during 2021 and 2020.

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, any lease payments made at or before the commencement date less any incentives received, any initial direct costs incurred and an estimate of decommissioning costs. The right-of-use assets 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 *Impairment of Assets* 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 other receivables (except for those at FVTPL), loans receivable, 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 *Gain / (loss) on revaluation of derivative financial instruments* 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 costs*.

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*.

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 that result from all possible default events are recognised in respect of other financial assets measured at amortised cost.

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.

Antimony in gold-antimony flotation concentrate and silver

Antimony in gold-antimony flotation concentrate and silver 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. 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

No critical judgements have been applied when selecting the appropriate accounting policies.

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; and
- Interpretation of tax legislation.

4.2.1. Mine operating plans

The group estimates ore, stripping volumes and grades for MOPs based on the data consistent with 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.

The group assesses net realisable value of low-grade ore at the end of each reporting period. As at 31 December 2021, of all low-grade ore balances owned the group, the net realisable value of low-grade ore at Natalka was the most sensitive to changes in the key assumptions used in the assessment, including processing schedule and macroeconomic assumptions, such as the long-term gold price and a RUB/USD exchange rate.

4.2.5. Interpretation of tax legislation

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.

5. SEGMENT INFORMATION

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

The following is a description of operations of the group's identified reportable segments:

Business unit	Russian Federation region	Mine / deposit	Description of operations at the specified mine / deposit
Olimpiada	Krasnoyarsk region	Olimpiada	mining (including initial processing) and sale of gold, as well as research, exploration and development work
Blagodatnoye	Krasnoyarsk region	Blagodatnoye	mining (including initial processing) and sale of gold, as well as research, exploration and development work
Natalka	Magadan region	Natalka	mining (including initial processing) and sale of gold, as well as research, exploration and development work
Verninskoye	Irkutsk region	Verninskoye	mining (including initial processing) and sale of gold, as well as research, exploration and development work
Kuranakh	Sakha Republic	Kuranakh	mining (including initial processing) and sale of gold, as well as research, exploration and development work
Alluvials	Irkutsk region	Alluvials	mining (including initial processing) and sale of gold
Sukhoi Log	Irkutsk region	Sukhoi Log	exploration and evaluation works
Exploration	Krasnoyarsk, Irkutsk, Amur and other regions	Not applicable	exploration and evaluation work in several regions of the Russian Federation other than those performed by other business units

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. Aggregated results of these companies are presented as *Unallocated*.

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.

The reporting segment's results for the year ended 31 December were as follows:

Business units	Gold sales		Ounces of gold sold in thousands[2]		Adjusted EBITDA		TCC[2]		TCC per ounce (US dollar)[2]		Capital expenditures	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Olimpiada	2,018	2,155	1,132	1,250	1,496	1,665	417	389	369	312	197	183
Blagodatnoye	772	810	430	456	577	620	160	158	367	347	238	71
Natalka	905	814	503	455	669	594	185	162	368	355	110	123
Verninskoye	527	484	292	274	397	370	105	89	358	327	79	76
Kuranakh	428	426	238	239	264	279	136	124	569	518	94	47
Alluvials	254	267	141	143	99	129	134	121	950	847	27	23
Exploration	-	-	-	-	-	-	-	-	-	-	12	12
Sukhoi Log	-	-	-	-	1	-	-	-	-	-	69	29
Unallocated	-	-	-	-	15	33	(27)	(23)	-	-	102	89
Total	**4,904**	**4,956**	**2,736**	**2,817**	**3,518**	**3,690**	**1,110**	**1,020**	**405**	**362**	**928**	**653**

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

	Year ended 31 December	
	2021	2020
Profit for the year	**2,278**	**1,646**
Income tax expense	480	416
Finance costs (note 9)	209	232
Interest income	(14)	(22)
Depreciation and amortisation	358	349
Foreign exchange loss	39	250
(Gain) / loss on revaluation of derivative financial instruments (note 10)	(33)	544
Equity-settled share-based plans (LTIP) (note 18)	44	77
Expenses related to COVID-19 (note 23)	78	106
Special charitable contributions	51	35
Impairment of property, plant and equipment	16	10
Loss on disposal of property, plant and equipment and intangible assets	12	2
Loss on transfer of Omchak high voltage power grid (note 8)	-	45
Adjusted EBITDA	**3,518**	**3,690**

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	
	2021	2020
Cost of gold sales before by-product sales	1,488	1,413
Antimony by-product sales	(20)	(24)
Cost of gold sales (note 6)	**1,468**	**1,389**
Adjusted for:		
Depreciation and amortisation (note 6)	(385)	(406)
Effect of depreciation, amortisation, accrual and provisions in inventory change	63	87
Expenses related to COVID-19 in cost of gold sales	(36)	(50)
TCC[2]	**1,110**	**1,020**
Ounces of gold sold, in thousands[2]	2,736	2,817
TCC per ounce of gold sold, USD per ounce[2]	**405**	**362**

[2] Unaudited

(in millions of US Dollars)

Gold sales

	Year ended 31 December 2021	Year ended 31 December 2020
Refined gold	4,832	4,586
Gold in flotation concentrate	72	370
Total gold sales	**4,904**	**4,956**
Geographical segments of gold sales:		
Russian Federation	4,832	4,618
Outside of Russian Federation	72	338
Total gold sales	**4,904**	**4,956**

Gold sales reported above represent revenue generated from external customers. There were no inter-segment gold sales during the years ended 31 December 2021 and 2020.

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

	Year ended 31 December 2021	Year ended 31 December 2020
Capital expenditures	**928**	**653**
Stripping activity assets additions (note 13)	313	203
Construction of the Omchak high-voltage power grid	-	24
Less: intangible and other non-current assets additions	(44)	(43)
Property plant and equipment additions (note 13)	**1,197**	**837**

6. COST OF GOLD SALES

	Year ended 31 December 2021	Year ended 31 December 2020
Depreciation and amortisation	385	406
Employee compensation	366	381
Consumables and spares	304	304
Mineral extraction tax	245	238
Fuel	116	120
Power	63	61
Other	145	126
Total cost of production	**1,624**	**1,636**
Increase in stockpiles, gold-in-process and refined gold inventories	(156)	(247)
Total	**1,468**	**1,389**

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Employee compensation	232	236
Depreciation and amortisation	25	23
Professional services	19	15
Taxes other than mineral extraction tax and income taxes	18	19
Distribution expenses related to gold flotation concentrate	5	18
Other	35	25
Total	**334**	**336**

(in millions of US Dollars)

8. OTHER EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Special charitable contributions	51	35
Expenses related to COVID-19 (note 23)	42	56
Impairment of property, plant and equipment	16	10
Loss on disposal of property, plant and equipment and intangible assets	12	2
Loss on transfer of Omchak high voltage power grid	-	45
Other	31	25
Total	**152**	**173**

9. FINANCE COSTS

	Year ended 31 December 2021	Year ended 31 December 2020
Interest on borrowings	195	229
Interest on lease liabilities	5	4
Gain on exchange of interest payments under cross currency swaps	(17)	(30)
Loss on exchange of interest payments under interest rate swaps	3	2
Unwinding of discounts	6	10
Bank commission and write-off of unamortised debt cost due to early extinguishment	2	12
Loss on early redemption of debt and deferred consideration	38	5
Gain on debt modification	(23)	-
Total	**209**	**232**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Revaluation gain / (loss) on cross currency swaps	30	(403)
Revaluation gain / (loss) on interest rate swaps	3	(7)
Revaluation loss on revenue stabiliser	-	(29)
Revaluation loss on conversion option	-	(105)
Total	**33**	**(544)**

11. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS AND LIABILITIES

Income tax expense was as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Current tax expense	402	417
Deferred tax expense / (income)	78	(1)
Total income tax expense	**480**	**416**

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 mineral extraction tax (MET) and income tax if they implement a regional investment projects in certain regions and meet certain criteria (thereafter "RInvP").

The Tax Code provides for a right of each specified region of the Russian Federation to reduce the regional component of the income tax rate to as low as zero percent.

(in millions of US Dollars)

JSC Polyus Krasnoyarsk RInvP (Blagodatnoye business unit)

JSC Polyus Krasnoyarsk is undertaking an investment project to increase mining and processing facilities of the Blagodatnoye mine (Mill-5 project). According to the Directive of the Government of the Krasnoyarsk region JSC Polyus Krasnoyarsk was included in the register of the participants of RInvP starting from 2021. As a result, the subsidiary has been granted a right to apply reduced corporate income tax rates in relation to the Mill-5 project income and reducing MET coefficients in relation to minerals extracted under the Mill-5 project.

Considering the expected start of production under the Mill-5 project, JSC Polyus Krasnoyarsk expects to apply the following reduced tax rates:

- MET: 0% for 2025-2026 increasing by 1.2% every two years thereafter to 6%;
- Corporate income tax: 5% for 2025-2028.

The amount of tax savings should not exceed the amount of investments in Mill-5 project.

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, had a right to apply the following RInvP rates:

- MET: 1.2% for 2020, 2.4% until July 2021 (including);
- Corporate income tax: 17% for 2020.

In July 2021, the amount of MET savings exceeded the amount of investments in RInvP, therefore, starting from August 2021, JSC Polyus Verninskoye does not benefit from the reduced MET, and a reduced income tax rate is not applied as well from January 2021.

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:

- MET: 0% for 2020 increasing by 1.2% every two years thereafter to 6% by 2029;
- Corporate income tax: 0% for 2020-2023; 10% for 2024-2028; and the standard 20% rate thereafter.

The amount of tax savings should not exceed the amount of investments in regional investment project.

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	
	2021	**2020**
Profit before income tax	2,758	2,062
Income tax at statutory rate applicable to principal entities (20%)	**552**	**414**
Effect of the RinvP due to different tax rates (JSC Polyus Magadan and JSC Polyus Verninskoye)	(86)	(80)
Unrecognised temporary differences on revaluation of derivative financial instruments	(9)	38
Tax effect of non-deductible expenses and other permanent differences	23	44
Income tax expense	**480**	**416**

(in millions of US Dollars)

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	
	2021	**2020**
Net deferred tax liability at the beginning of the year	**150**	**174**
Recognised in the consolidated statement of profit or loss	78	(1)
Effect of translation to presentation currency	(1)	(23)
Net deferred tax liability at the end of the year	**227**	**150**

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 2020	**Recognised in profit or loss**	**Effect of translation to presentation currency**	**31 December 2021**
Property, plant and equipment	365	69	(2)	432
Inventory	110	29	-	139
Borrowings	(9)	-	-	(9)
Deferred expenditure	3	-	1	4
Tax losses carried-forward	(248)	(10)	-	(258)
Trade and other payables	(23)	(5)	-	(28)
Intangible assets	2	(1)	-	1
Derivatives	(50)	(2)	1	(51)
Other	-	(2)	(1)	(3)
Net deferred tax liability	**150**	**78**	**(1)**	**227**

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	
	2021	**2020**
Deferred tax assets	(106)	(109)
Deferred tax liabilities	333	259
Net deferred tax liability	**227**	**150**

Unrecognised deferred tax asset

	31 December	
	2021	**2020**
Unrecognised deferred tax assets resulting from losses on derivative financial instruments	186	195
Unrecognised deferred tax assets resulted from impairments	5	5
Unrecognised deferred tax assets in respect of tax losses carried forward available for offset against future taxable profit	6	6
Total	**197**	**206**

Unrecognised deferred tax liability

	31 December	
	2021	**2020**
Taxable temporary difference associated with investments in subsidiaries	80	85

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)

12. INTANGIBLE ASSETS

	Internally-generated software	Purchased software	Internally-generated other	Total
Cost	85	28	28	**141**
Accumulated amortisation and impairment	(9)	(8)	(1)	**(18)**
Net book value at 1 January 2020	**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**
Additions	25	13	4	**42**
Reclassification	2	(2)	-	**-**
Amortisation charge	(3)	(6)	(2)	**(11)**
Disposals	1	(2)	1	**-**
Effect of translation to presentation currency	(1)	-	(1)	**(2)**
Cost	122	34	39	**195**
Accumulated amortisation and impairment	(15)	(11)	(8)	**(34)**
Net book value at 31 December 2021	**107**	**23**	**31**	**161**

13. PROPERTY, PLANT AND EQUIPMENT

	Fixed assets	Stripping activity assets	Capital construction in progress	Exploration and evaluation assets	Total
Cost	4,484	918	717	641	**6,760**
Accumulated depreciation and impairment	(1,686)	(301)	(63)	(30)	**(2,080)**
Net book value at 1 January 2020	**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	(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**
Additions	-	313	758	126	**1,197**
Transfers	626	-	(614)	(12)	**-**
Disposals	(3)	-	(10)	(1)	**(14)**
Depreciation charge	(409)	(85)	-	-	**(494)**
Impairment	(4)	-	(10)	(2)	**(16)**
Effect of translation to presentation currency	(16)	(6)	(5)	(5)	**(32)**
Other	33	-	-	(6)	**27**
Cost	4,727	1,064	718	692	**7,201**
Accumulated depreciation and impairment	(2,137)	(217)	(31)	(27)	**(2,412)**
Net book value at 31 December 2021	**2,590**	**847**	**687**	**665**	**4,789**

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

(in millions of US Dollars)

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

	31 Dec. 2021	31 Dec. 2020
Mineral rights presented within fixed assets	54	57
Mineral rights presented within exploration and evaluation assets	347	346
Total	**401**	**403**

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

	31 Dec. 2021	31 Dec. 2020
Sukhoi Log	469	409
Olimpiada	43	27
Chertovo Koryto	32	31
Razdolinskoye	30	29
Burgakhchan area	23	17
Panimba	16	17
Bamsky	15	15
Kuranakh	11	4
Blagodatnoye	9	6
Natalka	8	7
Other	9	3
Total	**665**	**565**

Depreciation and amortisation charges are allocated as follows:

	Year ended 31 December	
	2021	2020
Depreciation in change in inventory	60	91
Capitalised within property, plant and equipment	88	72
Less: amortisation of intangible and other non-current assets	(12)	(15)
Total depreciation capitalised as part of other assets	**136**	**148**
Depreciation and amortisation within cost of production (note 6)	385	406
Less: depreciation in change in inventory	(60)	(91)
Selling, general and administrative expenses (note 7)	25	23
Cost of other sales	8	11
Total depreciation in profit or loss	**358**	**349**
Total depreciation of property, plant and equipment	**494**	**497**

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) for the year ended 31 December were as follows:

	Related party transactions		Non-related party transactions		Total	
	2021	2020	2021	2020	2021	2020
Carrying value as of the beginning of the year	**46**	**58**	**19**	**22**	**65**	**80**
Changes in right-of-use assets due to lease indexation, modification and recognition of new contracts	2	2	21	6	23	8
Depreciation charge	(4)	(4)	(6)	(6)	(10)	(10)
Effect of translation to presentation currency	-	(10)	1	(3)	1	(13)
Carrying value as of the end of the year	**44**	**46**	**35**	**19**	**79**	**65**

(in millions of US Dollars)

Movements of the lease liabilities presented within *Borrowings* (note 19) for the year ended 31 December were as follows:

	Related party transactions		Non-related party transactions		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Carrying value as of the beginning of the year	**51**	**53**	**19**	**27**	**70**	**80**
Changes in lease liabilities due to lease indexation, modification and recognition of new contracts	2	2	22	(2)	24	-
Foreign exchange loss	1	10	(1)	5	-	15
Interest on lease liabilities	4	3	1	1	5	4
Payments of lease liability	(6)	(7)	(10)	(8)	(16)	(15)
Effect of translation to presentation currency	(1)	(10)	2	(4)	1	(14)
Carrying value as of the end of the year	**51**	**51**	**33**	**19**	**84**	**70**

15. INVENTORIES

	31 Dec. 2021	31 Dec. 2020
Stockpiles	617	505
Gold-in-process	16	14
Inventories expected to be used after 12 months	**633**	**519**
Stockpiles	182	150
Gold-in-process	113	101
Antimony in gold-antimony flotation concentrate and silver	1	4
Refined gold and gold in flotation concentrate	-	4
Materials and supplies	362	365
Less: obsolescence provision for materials and supplies	(25)	(29)
Inventories expected to be used in the next 12 months	**633**	**595**
Total	**1,266**	**1,114**

The carrying value of long-term stockpiles was as follows:

	31 Dec. 2021	31 Dec. 2020
Natalka	230	179
Blagodatnoye	145	93
Verninskoye	105	98
Olimpiada	48	51
Titimukhta	41	42
Kuranakh	32	29
Other long-term ore	16	13
Total long-term stockpiles	**617**	**505**

As of 31 December 2021 and 2020, there were no stockpiles measured at net realisable value.

16. RECEIVABLES

	31 Dec. 2021	31 Dec. 2020
Trade receivables for gold-bearing products	18	115
Other receivables	42	32
Less: allowance for other receivables	(18)	(14)
Total trade and other receivables	**42**	**133**
Reimbursable value added tax	146	118
Other prepaid taxes	1	2
Total taxes receivable	**147**	**120**

(in millions of US Dollars)

17. CASH AND CASH EQUIVALENTS

	31 Dec. 2021	31 Dec. 2020
Current USD bank accounts	799	1,115
Current RUB bank accounts	20	69
Bank deposits denominated in USD	410	178
Bank deposits denominated in RUB	114	83
Total	**1,343**	**1,445**

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	0.7-1.0%	0.5-0.9%
- Bank deposits denominated in RUB	7.3-9.0%	4.0-4.7%

18. SHARE CAPITAL AND RESERVES

Authorised share capital of the Company as of 31 December 2021 comprised issued and fully paid 136,069 thousand ordinary shares at par value of RUB 1 each, of which 1,064 thousand was included within treasury shares.

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

PJSC Polyus grants long-term incentive awards according to which the members of 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 *Selling, general and administrative expenses.*

Share buyback

During the first quarter of 2021, the group completed a share buyback started in December 2020 by acquiring 62 thousand of the Company's ordinary shares from its shareholders. As of 31 December 2020, a liability in the amount of USD 14 million was recognised in respect of shares to be delivered.

Dividends

The declared dividends for the year ended 31 December 2021 were as follows:

	Declaration by Shareholders of the Company date	Per share, RUB	Total[3]	Total on treasury shares
In respect of the second half of financial year 2020	27 May 2021	387.15	717	6
in respect of the first half of financial year 2021	29 September 2021	267.48	502	4
Total dividends declared			**1,219**	**10**

During the year ended 31 December 2021, total amount of dividends paid in cash to the shareholders was USD 1,236 million (at the CBR currency exchange rate at the date of payment).

During the year ended 31 December 2021, dividends to non-controlling interests in the amount of USD 37 million were declared. This resulted in a decrease of the share of the subsidiary's net assets that remained attributable to the non-controlling interests in the amount of USD 38 million.

[3] Total amount is an USD equivalent at the CBR currency exchange rate as of the declaration by Shareholders of the Company date and includes dividends on treasury shares owned by the subsidiary of the Company.

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	
	2021	**2020**
Weighted average number of ordinary shares in issue – basic EPS	**134,927**	**134,360**
Dilutive effect of potentially issuable shares under LTIP	446	534
Weighted average number of ordinary shares in issue – diluted EPS	**135,373**	**134,894**
Profit after tax attributable to the shareholders of the Company for basic and diluted EPS calculation (million USD)	2,270	1,600
Basic EPS (US Dollar per share)	16.82	11.89
Diluted EPS (US Dollar per share)	16.77	11.85

19. BORROWINGS, DERIVATIVE FINANCIAL INSTRUMENTS AND INVESTMENTS

As of 31 December 2021, borrowings and derivatives were as follows:

	Borrowings terms at 31 December 2021			Effective terms on economically hedged borrowings at 31 December 2021			Borrowings balances	
	Currency	**Interest rate**	**Nominal rate %**	**Currency**	**Interest rate**	**Nominal rate %**	**31 Dec. 2021**	**31 Dec. 2020**
Eurobonds due in 2022	USD	Fixed	4.699%	-	-	-	482	481
Eurobonds due in 2023	USD	Fixed	5.250%	-	-	-	329	785
Eurobonds due in 2024	USD	Fixed	4.7%	-	-	-	322	468
Eurobonds due in 2028	USD	Fixed	3.25%	-	-	-	696	-
Notes due in 2029 with noteholders' early repayment option in 2024	RUB	Fixed	7.4%	USD	Fixed	3.23%	269	270
Credit facilities with financial institutions	RUB	Fixed	8.0%	USD	Fixed	4.96%	847	-
Credit facilities with financial institutions	RUB	Fixed	8.75%	USD	Fixed	5.04%	108	-
Credit facilities with financial institutions	RUB	Variable	MosPrime + 0.27%	USD	Fixed	2.8%	110	110
Credit facilities with financial institutions	RUB	Variable	Central bank rate + 2.3%	-	-	-	25	40
Lease liabilities	USD / RUB	Fixed	6.0%	-	-	-	84	70
Credit facilities with financial institutions	RUB	Variable	MosPrime +0.2% / - 0.45%	-	-	-	-	978
Credit facilities with financial institutions	USD	Variable	USD LIBOR + 1.65%	-	-	-	-	149
Notes due in 2025 with noteholders' early repayment option in 2021	RUB	Fixed	12.1%	-	-	-	-	203
Sub-total							**3,272**	**3,554**
Less: current portion of long-term borrowings due within 12 months							(507)	(225)
Long-term borrowings							**2,765**	**3,329**

Effective terms on economically hedged borrowings are presented encompassing the effect of cross currency swaps, detailed description and nominal amounts of which are presented in this note below.

(in millions of US Dollars)

Notes due in 2025 (Rusbonds) with noteholders’ early repayment option in 2021

In July 2021, the group exercised its call-option and repaid in advance of maturity USD 203 million of Rusbonds (RUB 15,000 million translated at exchange rate at the date of transaction). In connection with this on expiration of cross currency swaps the group exchanged principal amounts paying USD 255 million and receiving RUB 15,300 million. Net cash outflow related to payments on expiration of cross-currency swaps amounted to USD 47 million.

Eurobonds with fixed interest rate due in 2028

In October 2021, the group issued USD 700 million notes with coupon rate 3.25% and maturity date in October 2028. Proceeds from this issuance were partly used to perform partial buy-back of 2023 and 2024 notes in amount of USD 458 million and USD 148 million respectively.

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

In October 2021, the group repaid in advance of maturity credit facilities nominated in USD with a variable interest rate in the amount of USD 150 million.

Credit facilities with financial institutions nominated in RUB

In October 2021, the group switched variable rates in several credit facilities with financial institutions nominated in RUB to fixed rates which was treated as non-substantial debt modification and resulted in USD 23 million gain reflected in line *Gain on debt modification* within *Finance costs* (note 9).

Derivative financial instruments and investments

As of 31 December 2021, derivative financial instruments and investments were as follows:

	31 December 2021			31 December 2020		
	Non-Current	Current	Total	Non-Current	Current	Total
Cross currency swaps	23	-	23	17	-	17
Loans receivable	24	-	24	-	-	-
Total derivative financial assets and investments	**47**	**-**	**47**	**17**	**-**	**17**
Cross currency swaps	290	1	291	321	42	363
Interest rate swaps	-	-	-	9	-	9
Total derivative financial liabilities	**290**	**1**	**291**	**330**	**42**	**372**

Cross currency swaps

During the year ended 31 December 2021, following the switch from variable to fixed rates of several credit facilities with financial institutions nominated in RUB, the group amended previous cross currency contracts to economically hedge interest payments and principal amounts nominated in RUB and changed the rates in respective cross-currency swaps. The following terms were in place as of 31 December 2021:

	Nominal		Interest payments		
Expiration date	Group pays (USD million)	Group receives (RUB million)	Frequency	Group pays (in USD)	Group receives (in RUB)
March 2024	125	8,225	quarterly	5.04%	8.75%
April 2024	965	64,801	quarterly	4.96%	8,1%
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

During the year ended 31 December 2021, following the repayment of the credit facilities nominated in USD with a variable interest rate the group terminated in advance of maturity the respective interest rate swaps. Net cash outflow related to payments on termination of interest rate swaps amounted to USD 6 million. As of 31 December 2021, the group had no interest rate swaps in place.

(in millions of US Dollars)

Unused credit facilities

As of 31 December 2021, the group has unused credit facilities in the total amount of USD 1,276 million (31 December 2020: USD 1,243 million).

Pledge

As of 31 December 2021 and 2020, all shares of JSC TaigaEnergoStroy belonging to the group were pledged to secure a credit line.

Other matters

There were a number of financial covenants under several loan agreements in effect as of 31 December 2021 according to which the respective subsidiaries of the Company and the Company itself are limited in their 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 2021.

Reconciliation of liabilities arising from financing activities

	Borrowings		Lease		Dividends payable		Derivatives	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Carrying value as of the beginning of the year	**3,484**	**5,006**	**70**	**80**	**2**	**2**	**355**	**38**
Net cash flows	(316)	(1,032)	(16)	(15)	(1,268)	(855)	(39)	(4)
Non-cash changes, including:								
Dividends accrued	-	-	-	-	1,246	869	-	-
Loss on early redemption of debt	38	-	-	-	-	-	-	-
Redemption of convertible bonds	-	(200)	-	-	-	-	-	(163)
Foreign exchange (gain) / loss	8	492	-	15	-	-	-	-
Debt modification	(23)	-	24	-	-	-	-	-
Commissions on borrowings and amortisation at effective interest rate	9	21	5	4	-	-	-	-
Gain on exchange of interest payments under cross currency and interest rate swaps	-	-	-	-	-	-	(14)	(28)
(Gain) / loss on revaluation of derivative financial instruments	-	-	-	-	-	-	(33)	544
Effect of currency translation	(12)	(803)	1	(14)	27	(14)	(1)	(32)
Carrying value as of the end of the year	**3,188**	**3,484**	**84**	**70**	**7**	**2**	**268**	**355**

20. PAYABLES

	31 Dec. 2021	**31 Dec. 2020**
Capital expenditures payables	109	89
Employee compensation payable	106	94
Trade payables	65	49
Interest payable	46	57
Accrued annual leave	31	33
Other accounts payable and accrued expenses	34	77
Total trade and other payables	**391**	**399**
Social taxes	29	24
Value added tax	24	33
Mineral extraction tax	17	24
Property tax	4	5
Other taxes	20	15
Total taxes other than income tax payable	**94**	**101**

(in millions of US Dollars)

21. RELATED PARTIES

There were no transactions with related parties throughout the year ended 31 December 2021, except for those presented within note 14 and compensation of the key management personnel as detailed below.

Key management personnel[4]

	Year ended 31 December 2021	Year ended 31 December 2020
Short-term compensation to key management personnel accrued	20	18
Equity-settled share-based compensation (LTIP)	35	63
Total	**55**	**81**

22. COMMITMENTS

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 lease agreements, which expire in various years through to 2065. Future lease payments due under lease agreements excluded from IFRS 16 scope (note 14) were as follows:

	31 Dec. 2021	31 Dec. 2020
Due within one year	10	8
From one to five years	33	24
Thereafter	56	49
Total	**99**	**81**

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

	31 Dec. 2021	31 Dec. 2020
Projects in Krasnoyarsk	337	97
Project Natalka	145	73
Project Sukhoi Log	49	-
Other capital commitments	50	26
Total	**581**	**196**

23. OPERATING ENVIRONMENT - IMPACT OF COVID-19 PANDEMIC

Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. 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 significant impact on global financial markets. Therefore, the group may face the increasingly broad effects of COVID-19 as a result 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.

[4] During the year ended 31 December 2021, following the analysis of involvement of each individual member of the key management personnel in the decision making process within the group, it was concluded that certain members were to be excluded from the list. Amounts for the year ended 31 December 2020 were updated, respectively.

(in millions of US Dollars)

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:

	Year ended 31 December	
	2021	**2020**
Cost of gold sales (Employee compensation)	36	50
Other expenses	42	56
Total expenses related to COVID-19 recognised in profit or loss	**78**	**106**
Increase in stockpiles, gold-in-process and refined gold inventories	-	23
Property plant and equipment additions (infrastructure facilities and stripping activity asset)	16	26
Total costs related to COVID-19	**94**	**155**

24. 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).

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

The fair value of 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 2021		31 December 2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Eurobonds (Level 1)	1,829	1,847	1,734	1,852
Borrowings (Level 2)	1,090	1,111	1,277	1,278
Rusbonds (Level 1)	269	262	473	497
Total	**3,188**	**3,220**	**3,484**	**3,627**

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 and RUB interest rates, the company's own credit risk and quoted price of the convertible bonds.

(in millions of US Dollars)

25. FINANCIAL INSTRUMENTS RISK MANAGEMENT ACTIVITIES

Capital risk management

The primary objective of managing the group's capital is to ensure that there is sufficient capital available to support the funding requirements of the group, including capital expenditure, in a way that optimises the cost of capital, maximises shareholders' returns and ensures that the group remains in a sound financial position.

The group manages and adjusts 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 recognizes that group Leverage Ratio should not exceed 3.5 times as per the Terms and Conditions of the Notes (Eurobonds). As of 31 December 2021 the group Leverage ratio was 0.6 times (31 December 2020: 0.7 times).

"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 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 Dec. 2021	31 Dec. 2020
Financial assets measured at fair value through profit or loss (FVPL)		
Derivative financial instruments (Level 2)	23	17
Trade receivables (Level 2)	18	115
Financial assets measured at amortised cost		
Trade and other receivables	45	43
Loans receivable	24	-
Cash and cash equivalents	1,343	1,445
Total financial assets	**1,453**	**1,620**
Financial liabilities measured at fair value through profit or loss (FVPL)		
Derivative financial instruments (Level 2)	291	372
Financial liabilities measured at amortised cost		
Borrowings	3,272	3,554
Accounts payable	370	378
Total financial liabilities	**3,933**	**4,304**

The fair value of the group's financial instruments and levels of fair value hierarchy are disclosed in note 24. The main risks arising from the group's financial instruments are gold price, interest rate, foreign currency exchange rates, credit and liquidity risks.

(in millions of US Dollars)

Gold price risk

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

If the gold price was 10% higher / lower during the year ended 31 December 2021 profit for the year would have increased / decreased by USD 406 million / USD 406 million, respectively (2020: USD 385 million / USD 385 million).

Interest rate risk

Interest expenses on borrowings issued at variable interest rates are for the most part effectively converted into fixed-rate interest payments using cross-currency swaps (note 19); 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 Dec. 2021	31 Dec. 2020
Assets		
USD	1,261	1,421
EURO (presented in USD at closing exchange rate)	-	3
Total	**1,261**	**1,424**
Liabilities		
USD	2,255	2,402
EURO (presented in USD at closing exchange rate)	9	4
Total	**2,264**	**2,406**

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.

RUB denominated borrowings are for the most part effectively converted into USD borrowings using cross-currency swaps (note 19). The following 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 their respective currencies.
If the USD to RUB exchange rate had increased by 25% for the year ended 31 December 2021, as of the end of respective year the group would have incurred a loss of USD 627 million (2020: USD 604 million).

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.

(in millions of US Dollars)

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.

Published credit ratings of banks (or their parent companies) in which the group held cash and cash equivalents are presented as follows:

	31 Dec. 2021	31 Dec. 2020
Investment grade rating	1,227	1,206
Non-investment grade rating	116	239
Total cash and cash equivalents	**1,343**	**1,445**

Investment grade rating is classified as Aaa to Baa3 for Moody's Investors Service, and as AAA to BBB- for Fitch Ratings and Standard & Poor's. As of 31 December 2021, 44% and 36% of cash and cash equivalents were held in two banks with investment grade ratings (31 December 2020: 69% in one bank with investment grade rating).

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 2021, trade receivables for gold bearing products sales were USD 18 million (31 December 2020: USD 115 million).

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

	Year ended 31 December	
	2021	**2020**
Otkritie Bank	2,369	2,889
Sovkombank	1,941	1,262
VTB Bank	297	283
Other	297	522
Total	**4,904**	**4,956**

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).

(in millions of US Dollars)

Presented below is the maturity profile of the group's financial liabilities as of 31 December 2021 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	498	131	370	15	1,014
Due in the second year	341	116	-	12	469
Due in the third year	1,816	71	-	11	1,898
Due in the fourth year	31	23	-	11	65
Due in the fifth year	-	23	-	11	34
Due in the period between sixth to eleventh years	700	44	-	51	795
Total	**3,386**	**408**	**370**	**111**	**4,275**

Presented below is the maturity profile of the group's financial liabilities as of 31 December 2020 based on undiscounted contractual 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**

The maturity of the derivative financial instruments is presented within note 19.

26. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

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

Information about significant subsidiaries of the group

		Effective % held at[5]	
Subsidiaries	**Nature of business**	**31 Dec. 2021**	**31 Dec. 2020**
Incorporated in Russian Federation			
JSC Polyus Krasnoyarsk	Mining (including initial processing) and sale of gold	100	100
JSC Polyus Aldan	Mining (including initial processing) and sale of gold	100	100
JSC Polyus Verninskoye	Mining (including initial processing) and sale of gold	100	100
JSC GMC Lenzoloto	Mining (including initial processing) and sale of gold	100	100
JSC Polyus Magadan	Mining (including initial processing) and sale of gold	100	100
LLC Polyus Stroy	Construction	100	100
LLC Polyus Sukhoi Log (renamed, previously LLC SL Gold)	Exploration and evaluation of the Sukhoi Log deposit	100	100

[5] Effective % held by the Company, including holdings by other subsidiaries of the group.

27. EVENTS AFTER THE REPORTING DATE

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

- On 21 February 2022, the President of Russia signed the executive orders on the recognition of the Donetsk People’s Republic and the Lugansk People’s Republic. On 24 February 2022, a decision to carry out a special military operation in Ukraine was announced. Subsequent to these events, the US, UK, EU and other countries announced an extension of sanctions on certain Russian officials, businessmen, companies and governmental bodies, including the Central Bank of Russia. In response, the Russian Government has announced a series of measures including an increase in the Central Bank key refinancing rate (up to 20%) and certain foreign currency exchange and transfer restrictions. These developments may result in reduced access of the Russian businesses to international capital and export markets, weakening of the Russian Rouble, decline in financial markets and other negative economic consequences.

  At the date these financial statements are authorized for issuance the above sanctions have not directly negatively affected the group's operations. However, there is a high level of uncertainty regarding the impact of these events and possible subsequent changes in the economic situation on future operations and financial position of the group. The group is monitoring the geopolitical situation and we will keep the market appraised of any developments that may impact operations.