

PJSC Polyus
Financial results for the fourth quarter and full year 2019

PJSC Polyus (LSE, MOEX - PLZL) ("Polyus", the "Company", and together with the Company subsidiaries, the "group") has today released its consolidated financial results for the fourth quarter and full year 2019.

Key highlights

1. **In the fourth quarter, total gold sales** volumes amounted to 894 thousand ounces, up 23% compared to the third quarter of 2019. This includes 172 thousand ounces of gold contained in concentrate from Olimpiada. In 2019, the Company sold a total of 2,878 thousand ounces of gold, up 23% compared to the prior-year. This was primarily driven by higher volumes of refined gold output from Nataalka following the completion of its ramp-up in December 2018 and higher output of gold contained in concentrate from Olimpiada.
2. **Revenue** for the fourth quarter totalled \$1,287 million, up 20% compared to the previous quarter, driven by higher volumes of refined gold output from Olimpiada, Blagodatnoye and Nataalka, reflecting changes in the amount of gold in inventory at the refinery. In addition, an increase in flotation concentrate sales to 172 thousand ounces, compared to 79 thousand ounces in the third quarter of 2019 also resulted in higher gold sales volumes during the period. In 2019, revenue totalled \$4,005 million, a 37% increase from the prior year, mainly driven by higher volumes of refined gold output from Nataalka and higher output of gold contained in concentrate from Olimpiada. In addition, the average realised refined gold price was 11% higher compared to the previous year, at \$1,403 per ounce.
3. **The group's TCC** for the fourth quarter amounted to \$341 per ounce, down 17% compared to \$412 per ounce in the third quarter. In 2019, the group's TCC increased 5% to \$365 per ounce compared to 2018. This reflects a decline in average grades in ore processed at Olimpiada (3.92 grams per tonne in 2019 compared to 4.10 grams per tonne in 2018) and lower by-product credit from sales of antimony-rich flotation concentrate (\$10 per ounce in 2019 compared to \$21 per ounce in 2018). Inflation in consumables and diesel prices also negatively impacted the cost performance during the reporting period. These factors were partially offset by a higher share of lower cost flotation concentrate in total gold sold and modest local currency depreciation compared to the previous year.
4. **Polyus further refines its initial TCC guidance** for 2020 of below \$450 per ounce. The Company now expects TCC for 2020 to stay within the range of \$400 - \$450 per ounce. The Company anticipates a gradual increase in TCC from the 2019 level, driven mainly by inflationary factors in 2020. The estimate continues to be based on the assumptions of foreign exchange rate of 60 roubles per dollar and gold price of \$1,200 per ounce.
5. **Adjusted EBITDA** for the fourth quarter amounted to \$883 million, a 25% increase compared to \$705 million in the previous quarter, driven by higher gold sales volumes over the period. In 2019, the group's adjusted EBITDA stood at \$2,680 million, a 44% increase compared to the previous year. This was driven by production growth, following the ramp-up of operations at Nataalka and higher production volumes of flotation concentrate at Olimpiada. Increased TCC on a per ounce basis were offset by the higher gold price in

2019.

6. **Adjusted net profit** amounted to \$520 million in the fourth quarter, up 13% compared to the third quarter of 2019. For the full year of 2019, adjusted net profit increased to \$1,587 million, which mainly reflects the growth in operating profit during the year.
7. **Net cash generated from operations** was \$682 million in the fourth quarter, compared to \$603 million in the previous quarter. In 2019, net cash generated from operations increased to \$2,174 million, compared to \$1,464 million in 2018.
8. **Capital expenditures ("capex")** increased to \$220 million, from \$157 million in the third quarter. For the full year of 2019 capital expenditures decreased to \$630 million from \$736 million in the previous year. This decrease mainly reflects the lower capital expenditures at Nataka, which was fully ramped-up in 2018, and lower capital expenditures at Olimpiada and Blagodatnoye.
9. **In 2020, the Company expects capex** to stay within the range of \$700-750^[1] million, compared to the previous estimate of \$550 million, initially provided in March 2018. The updated capex guidance reflects the list of new approved projects including the Verninskoye Mill expansion to 3.5 million tonnes per annum and further debottlenecking of the Nataka Mill. The feasibility study on the upgrade of BIO facilities at Olimpiada and engineering design works on Mill-5 at Blagodatnoye are also included in the estimate. Polyus plans to announce the final investment decision on these projects and provide a detailed overview in 2020. In addition, the updated capex guidance includes an increased exploration budget at the core assets and spending on IT as well as capex rollover from 2019.
10. **The net debt/adjusted EBITDA ratio** decreased to 1.2x compared to 1.7x as at the end of 2018, reflecting growth in adjusted EBITDA in 2019.

Dividend update

The Board of Directors of the Company (the «Board») has considered and preliminarily approved the dividends for the second half of 2019 that it intends to recommend for approval by the Company's annual general shareholders' meeting. In aggregate these dividends are the ruble equivalent of \$462 million. Based on the current number of outstanding shares dividend per share for the second half of 2019 is expected to be \$3.5 per ordinary share. Polyus's current dividend policy suggests the total dividend payout in respect of 2019 as 30% of the Company's EBITDA for the year. The total dividend payout for the full year of 2019 will thus correspond to \$804 million. This amount includes \$342 million paid out in form of dividend for the first half of 2019.

Pavel Grachev, Chief Executive Officer of PJSC Polyus, commented:

"In 2019, Polyus once again achieved growth across all metrics. With 2,841 thousand ounces of gold produced, we surpassed our production guidance for the sixth consecutive year. Nataka delivered solid results in its first year of operations, which is particularly pleasing.

In terms of our financials, both our revenue and EBITDA reached record highs, achieving double-digit increases on a year on year basis. At \$365 per ounce, our TCC for 2019 stood below our revised guidance range of \$375 - \$425 per ounce.

Polyus expects to produce approximately 2.8 million ounces of gold in 2020. We have a solid development pipeline for the next 5-10 years and delivering long-term growth at high rates of return remains a strategic propriety for the group.

Comparative financial results

\$ million (if not mentioned)	4Q	3Q	Q-o-Q	4Q	Y-o-	201	2018	Y-o-Y
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otherwise)	2019	2019		2018	Y	9		
Operating highlights								
Gold production (koz) ^[2]	804	753	7%	640	26%	2,841	2,440	16%
Gold sold (koz)	894	729	23%	644	39%	2,878	2,333	23%
Realised prices								
Average realised refined gold price (excluding effect of SPPP) (\$/oz) ^[3]	1,482	1,482	0%	1,229	21%	1,403	1,263	11%
Average realised refined gold price (including effect of SPPP) (\$/oz)	1,482	1,482	0%	1,232	20%	1,403	1,265	11%
Financial performance								
Total revenue	1,287	1,070	20%	774	66%	4,005	2,915	37%
Operating profit	725	590	23%	365	N.A.	2,217	1,524	45%
Operating profit margin	56%	55%	1 ppts	47%	9 ppts	55%	52%	3 ppts
Profit for the period	697	300	N.A.	(28)	N.A.	1,944	474	N.A.
Earnings per share - basic (US Dollar)	5.25	2.13	N.A.	(0.27)	N.A.	14.52	3.45	N.A.
Earnings per share - diluted (US Dollar)	5.22	2.13	N.A.	(0.26)	N.A.	14.48	3.30	N.A.
Adjusted net profit ^[4]	520	459	13%	291	79%	1,587	1,326	20%
Adjusted net profit margin	40%	43%	(3) ppts	38%	2 ppts	40%	45%	(5) ppts
Adjusted EBITDA ^[5]	883	705	25%	484	82%	2,680	1,865	44%
Adjusted EBITDA margin	69%	66%	3 ppts	63%	6 ppts	67%	64%	3 ppts
Net cash flow from operations	682	603	13%	404	69%	2,174	1,464	48%
Capital expenditure ^[6]	220	157	40%	189	16%	630	736	(14%)
Cash costs								
Total cash cost (TCC) per ounce sold (\$/oz) ^[7]	341	412	(17%)	331	3%	365	348	5%
All-in sustaining cash cost (AISC) per ounce sold (\$/oz) ^[8]	576	628	(8%)	634	(9%)	594	605	(2%)
Financial position								
Cash and cash equivalents	1,801	1,538	17%	896	N.A.	1,801	896	N.A.
Net debt ^[9]	3,285	3,317	(1%)	3,086	6%	3,285	3,086	6%
Net debt/adjusted EBITDA (x) ^[10]	1.2	1.5	(20%)	1.7	(29%)	1.2	1.7	(29%)

Total Cash Costs

In the fourth quarter, the group's TCC decreased to \$341 per ounce compared to \$412 per ounce in the previous quarter. This improvement was attributable to lower maintenance works across almost all the hard rock deposits, a seasonal decrease in output at the structurally higher-cost alluvial operations and an increase in share of lower-cost merchant gold containing flotation concentrate in total gold sold and higher sales volumes of antimony-rich flotation concentrate. The latter also resulted in higher by-product credit (\$15 per ounce in the fourth quarter of 2019 compared to \$7 per ounce in the third quarter of 2019). In 2019, the group's TCC increased 5% to \$365 per ounce compared to 2018. This reflects a decline in average grades in ore processed at Olimpiada (3.92 grams per tonne in 2019 compared to 4.10 grams per tonne in 2018) and lower by-product credit from sales of antimony-rich flotation concentrate (\$10 per ounce in 2019

compared to \$21 per ounce in 2018). Inflation in consumables and diesel prices also negatively impacted the cost performance during the reporting period. These factors were partially offset by a higher share of lower cost flotation concentrate in total gold sold and modest local currency depreciation compared to the previous year.

TCC performance by mine, \$/oz

	4Q 2019	3Q 2019
Olimpiada	269	317
Blagodatnoye	373	438
Verninskoye	372	377
Alluvials	977	768
Kuranakh	535	505
Natalka	376	420

	2019	2018
Olimpiada	293	267
Blagodatnoye	398	360
Verninskoye	363	369
Alluvials	821	746
Kuranakh	523	511
Natalka	396	747

In the fourth quarter, TCC at Olimpiada declined to \$269 per ounce, a 15% decrease compared to the third quarter. This mainly reflects higher recovery rate compared to the previous quarter (84.0% in the fourth quarter and 82.5% in the third quarter) as well as an increase in share of lower-cost merchant gold containing flotation concentrate in total gold sold and higher sales volumes of antimony-rich flotation concentrate. The latter also resulted in higher by-product credit (\$27 per ounce in the fourth quarter compared to \$16 per ounce in the third quarter) in the fourth quarter. In 2019, TCC at Olimpiada amounted to \$293 per ounce, a 10% increase compared to 2018. This was mainly attributable to a decline in average grades in ore processed (3.92 grams per tonne in 2019 compared to 4.10 grams per tonne in 2018) and inflation in consumables and diesel prices in the reporting period. In addition, lower by-product credit from sales of antimony-rich flotation concentrate (\$21 per ounce in 2019 compared to \$37 per ounce in 2018) negatively impacted the cost performance. These factors were partially offset by improved recovery rate (82.4% in 2019 compared to 79.3% in 2018), higher share of lower cost flotation concentrate in total gold sold during the reporting period and modest local currency depreciation compared to the previous year.

At Blagodatnoye, TCC amounted to \$373 per ounce, down 15% compared to the third quarter. This was primarily driven by higher average grade in ore processed (1.77 grams per tonne in the fourth quarter compared to 1.72 grams per tonne in the third quarter) as well as an increase in recovery rate from 87.7% to 88.5% compared to the previous quarter. In addition, lower maintenance expenses in the fourth quarter of 2019, also contributed to the improved cost performance. In 2019, TCC at Blagodatnoye were \$398 per ounce, up 11% compared to the previous year due to a decline in the average grade in ore processed (1.67 grams per tonne in 2019 compared to 1.70 grams per tonne in 2018) and inflation in consumables and diesel prices. These factors were partially offset by modest local currency depreciation compared to the previous year.

TCC at Verninskoye amounted to \$372 per ounce, largely flat quarter-on-quarter. In 2019, TCC at Verninskoye decreased to \$363 per ounce, down 2%, mainly due to the higher average grade in ore processed (2.90 grams per tonne in 2019 compared to 2.63 grams per tonne in 2018) and modest rouble depreciation compared to the previous year. These factors were partially offset by an increase in MET rate under the schedule of the regional investment project ("RInvP") as well as

inflation in consumables and diesel prices.

At Kuranakh, TCC increased 6% compared to the previous quarter, to \$535 per ounce, primarily due to a seasonal downscaling of heap leaching operations and completion of scheduled maintenance works. In 2019, TCC at Kuranakh increased to \$523 per ounce, up 2% compared to 2018, which reflects the increase in MET on the back of higher gold price and due to inflation in consumables and diesel prices. These factors were partially offset by modest local currency depreciation compared to the previous year.

TCC at Alluvials increased to \$977 per ounce, compared to \$768 per ounce in the third quarter, reflecting the conclusion of the washing season. In 2019, TCC at Alluvials amounted to \$821 per ounce, up 10% compared to \$746 per ounce in the previous year due to a decrease in alluvial gold grade (0.53 grams per cubic metre in 2019 compared to 0.60 grams per cubic metre in 2018). This factor was partially offset by modest local currency depreciation compared to the previous year.

At Nataalka, TCC amounted to \$376 per ounce, down 10% compared the third quarter primarily due to lower repair and maintenance expenses and higher average grade in ore processed (1.61 grams per tonne in the fourth quarter compared to 1.51 grams per tonne in the third quarter) in the reporting period. In 2019, TCC at Nataalka declined to \$396 per ounce, compared to \$747 per ounce in 2018, post the ramp-up completion in December 2018. Over the course of 2019, Polyus' technical team completed a set of operational initiatives, which resulted an increase in hourly throughput (1,462 t/h in 2019 compared to 1,005 t/h in 2018) exceeding its initial nameplate hourly throughput capacity of 1,227 t/h. This was accompanied by a higher average grade in ore processed (1.61 grams per tonne in 2019 compared to 1.10 grams per tonne in 2018). Higher recovery rates compared to the previous year, increasing from 62.9% to 71.8%, also contributed to the improved cost performance.

All-in sustaining costs (AISC)

In the fourth quarter, the group's AISC decreased to \$576 per ounce, down 8% reflecting lower TCC per ounce for the period. In 2019, the group's AISC per ounce decreased to \$594 per ounce, down 2% compared to the previous year. The improvement reflects the lower sustaining capital expenditures in 2019 compared to the previous year.

All-in sustaining costs by mine, \$/oz

	4Q 2019	3Q 2019
Olimpiada	352	519
Blagodatnoye	496	607
Verninskoye	696	592
Alluvials	1,417	914
Kuranakh	940	693
Nataalka	565	644

	2019	2018
Olimpiada	455	468
Blagodatnoye	566	547
Verninskoye	636	657
Alluvials	1,129	975
Kuranakh	777	771
Nataalka	605	1,253

In the fourth quarter, AISC at Olimpiada decreased to \$352 per ounce, driven by lower sustaining capital expenditures during the period. AISC at Blagodatnoye decreased to \$496 per ounce driven by lower stripping expenses during the period. AISC at Verninskoye increased to \$696 per ounce, driven by higher sustaining capital expenditures, while AISC at Kuranakh increased to \$940 per

ounce, driven by both higher sustaining capital expenditures and a seasonal downscaling of heap leaching operations. AISC at Natalka decreased to \$565 per ounce driven by a decline in TCC in the fourth quarter of 2019.

In 2019, AISC at Olimpiada decreased to \$455 per ounce as an increase in TCC was fully offset by the lower sustaining capital expenditures. AISC at Blagodatnoye increased to \$566 per ounce, in line with TCC performance. At Verninskoye AISC decreased to \$636 per ounce compared to the previous year due TCC performance. At Kuranakh, AISC remained almost flat at \$777 per ounce. AISC at Natalka decreased to \$605 per ounce, in line with TCC performance during the period.

Capex

In the fourth quarter, capital expenditures increased to \$220 million, from \$157 million in the third quarter. For the full year of 2019 capital expenditures decreased to \$630 million from the \$736 million in the previous year. This decrease mainly reflects the lower capital expenditures at Natalka, Olimpiada and Blagodatnoye.

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

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

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

At Olimpiada, capital expenditures increased to \$67 million in the fourth quarter compared to \$38 million in the previous reporting period. During the fourth quarter of 2019, Polyus delivered seven 220-tonne CAT 793D trucks, two 140-tonne Komatsu HD1500 trucks, two 90-tonne CAT 777E trucks and one Komatsu PC1250-8 excavator. In addition, Polyus has completed the installation of the Jameson Cell flotation unit at Mill No. 1 and is in the process of installing of two Jameson Cell flotation units at Mill No. 3.

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

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

At Blagodatnoye, capital expenditures remained broadly flat quarter-on-quarter and amounted to \$10 million. In 2019, capital expenditures decreased to \$37 million compared to \$71 million in

2018 mainly due to completion of active phase of mining fleet procurement in 2018. The Company proceeds with initiatives targeting further recovery improvement and stabilisation of current processing parameters. Polyus completed the roll out of flash flotation in 2019. During the reporting period, the Company added Jameson Cell flotation unit at Mill-4 for further recovery improvement. Polyus is now considering a construction of a new mill (Mill-5), with capacity of 6.0 million tonnes per annum, bringing total processing capacity at Blagodatnoye to 15 million tonnes per annum. The Feasibility Study expects to be completed in the first half of 2020.

At Verninskoye, capital expenditures increased to \$20 million in the fourth quarter due construction works related to the Mill expansion project as well as spendings on tailings storage facility maintenance. In 2019, capital expenditures increased 27% to \$57 million as the Company entered an active stage of the Mill expansion project.

At Kuranakh, capital expenditures amounted \$15 million in the fourth quarter of 2019, reflecting the scheduled replacement of the mining fleet. For the full year of 2019, capital expenditures at Kuranakh decreased 32%, to \$39 million, compared to 2018, as the main construction activities for the launch of heap leaching operations and the mill capacity expansion project had been subsided in the reporting year. In 2019, Polyus completed commissioning of an additional thickener and new adsorption line. The Kuranakh Mill throughput capacity reached 5.8 million tonnes on an annualized basis in the second half of 2019. At the heap leaching operations interlift liners for the second lift were layed and mobile conveyor equipment was delivered. In the reporting period Polyus launched the construction of the second heap leaching pad.

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

IT-related capital expenditures remained flat in the fourth quarter though increasing 9% to \$51 million in 2019 compared to the previous year, mainly due to the continued implementation of the ERP program and related IT projects.

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

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

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

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

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

Capex breakdown ^[11]

\$ million	4Q	3Q	Q-o-Q	2019	2018	Y-o-Y
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	2019	2019				
Natalka, including						
Purchase of equipment	47	37	27%	155	169	(8%)
Capitalisation of borrowing costs	-	-	N.A.	-	54	(100%)
Operating costs	-	-	N.A.	-	25	(100%)
Net proceeds from selling gold produced during the ramp-up period	-	-	N.A.	-	(20)	(100%)
Natalka, total	47	37	27%	155	228	(32%)
Olimpiada	67	38	76%	165	182	(9%)
Blagodatnoe	10	9	11%	37	71	(48%)
Verninskoye	20	11	82%	57	45	27%
Alluvials	5	5	0%	21	24	(13%)
Kuranakh	15	10	50%	39	57	(32%)
Sukhoi Log	7	7	0%	28	23	22%
IT capex	20	13	54%	51	47	9%
Other ^[12]	29	27	7%	77	59	31%
CAPEX	220	157	40%	630	736	(14%)
Omchak electricity transmitting line	8	5	60%	26	36	(28%)
Items capitalised ^[13] , net	35	45	(22%)	161	95	69%
Change in payables for purchase of property, plant and equipment	(29)	6	N.A.	(22)	(17)	29%
Purchase of PP&E^[14]	234	213	10%	795	850	(6%)

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

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

Outlook

Production guidance

Based on the performance in 2019, Polyus reiterates its production guidance for the full year of 2020 at 2.8 million ounces. The Company continues to implement brownfield development projects to strengthen its operational profile.

TCC guidance

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

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

Capex guidance

In 2020, the Company expects capex to stay within the range of \$700-750^[15] million, compared to the previous estimate of \$550 million, initially provided in March 2018.

The updated capex guidance reflects:

1. The introduction of new development projects.

The list of new approved projects includes the Verninskoye Mill expansion to 3.5 million tonnes per

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

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

2. An increased exploration budget.

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

3. Capex rollover mainly related to infrastructure projects.

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

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

5. Inflation accumulated since 2018.

http://www.rns-pdf.londonstockexchange.com/rns/5978C_1-2020-2-11.pdf

http://www.rns-pdf.londonstockexchange.com/rns/5978C_2-2020-2-11.pdf

Conference call

A conference call for investors and analysts hosted by Pavel Grachev (Chief Executive Officer) and Mikhail Stiskin (Senior Vice President, Finance and Strategy) will be held on 11 February 2020 at 14.00 (London) / 17.00 (Moscow).

To join the conference call, please dial:

Conference ID: 62108086#

UK

+44 207 194 37 59 (Local access)

0800 376 61 83 (Toll free)

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844 286 06 43 (Toll free)

Russia

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To access the replay, please dial:

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Polyus

Polyus is the largest gold producer in Russia and one of the top ten gold miners globally with the lowest cost position. Based on its 2018 Ore Reserves and Mineral Resources, Polyus group ranks the third by attributable gold reserves among the world's largest gold mining companies.

The Polyus group's principal operations are located in Krasnoyarsk, Irkutsk and Magadan regions and the Republic of Sakha (Yakutia).

Enquiries

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Forward looking statement

This announcement may contain "forward-looking statements" concerning Polyus and/or Polyus group. Generally, the words "will", "may", "should", "could", "would", "can", "continue", "opportunity", "believes", "expects", "intends", "anticipates", "estimates" or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Forward-looking statements include statements relating to future capital expenditures and business and management strategies and the expansion and growth of Polyus' and/or Polyus group's operations. Many of these risks and uncertainties relate to factors that are beyond Polyus' and/or Polyus group's ability to control or estimate precisely and therefore undue reliance should not be placed on such statements which speak only as at the date of this announcement. Polyus and/or any Polyus group company assumes no obligation in respect of, and does not intend to update, these forward-looking statements, except as required pursuant to applicable law.

^[1] - On the assumption of foreign exchange rate of 60 roubles per dollar.

- [2] - Gold production is comprised of 721 thousand ounces of refined gold and 83 thousand ounces of gold in flotation concentrate in the fourth quarter of 2019 and 2,524 thousand ounces of refined gold and 317 thousand ounces of gold in flotation concentrate in 2019 respectively.
- [3] - The Strategic Price Protection Programme ("SPPP") comprises a series of zero-cost Asian gold collars ("revenue stabiliser").
- [4] - Adjusted net profit is defined by the group as net profit for the period adjusted for impairment loss, unrealised (gain) / loss on revaluation of derivative financial instruments, net, foreign exchange (gain) / loss, net, and associated deferred income tax related to such items.
- [5] - Adjusted EBITDA is defined by the group as profit for the period before income tax expense, depreciation and amortisation, (gain) / loss on revaluation of derivative financial instruments, finance costs, net, interest income, foreign exchange (gain) / loss, net, impairment, (gain) / loss on property, plant and equipment disposal, expenses associated with an equity-settled share-based payment plan and special charitable contributions as required to ensure calculation of the Adjusted EBITDA is comparable with the prior period. The group has made these adjustments in calculating Adjusted EBITDA to provide a clearer view of the performance of its underlying business operations and to generate a metric that it believes will give greater comparability over time with peers in its industry. The group believes that Adjusted EBITDA is a meaningful indicator of its profitability and performance. This measure should not be considered as an alternative to profit for the period and operating cash flows based on IFRS, and should not necessarily be construed as a comprehensive indicator of the group's measure of profitability or liquidity. The group calculates Adjusted EBITDA margin as Adjusted EBITDA divided by total revenue.
- [6] - 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 25 of MD&A.
- [7] - TCC is defined by the group as the cost of gold sales, less property, plant and equipment depreciation and intangible assets amortisation, provision for annual vacation payment, employee benefits obligation cost and change in allowance for obsolescence of inventory and adjusted by inventories. TCC per ounce sold is the cost of producing an ounce of gold, which includes mining, processing and refining costs. The group calculates TCC per ounce sold as TCC divided by total ounces of gold sold for the period. The group calculates TCC and TCC per ounce sold for certain mines on the same basis, using corresponding mine-level financial information.
- [8] - AISC is defined by the group as TCC plus selling, general and administrative expenses, stripping activity asset additions, sustaining capital expenditures, unwinding of discounts on decommissioning liabilities, employee benefit obligations cost, and change in allowance for obsolescence of inventory less amortisation and depreciation related to selling, general and administrative expenses. AISC is an extension of TCC and incorporates costs related to sustaining production and additional costs which reflect the varying costs of producing gold over the life-cycle of a mine. The group believes AISC is helpful in understanding the economics of gold mining. AISC per ounce sold is the cost of producing and selling an ounce of gold, including mining, processing, transportation and refining costs, general costs from both mine and alluvial operations, and the additional expenditures noted in the definition of AISC. The group calculates AISC per ounce sold as AISC divided by total ounces of gold sold for the period.
- [9] - Net debt is defined as non-current borrowings plus current borrowings less cash and cash equivalents and bank deposits. Net debt should not be considered as an alternative to current and non-current borrowings, and should not necessarily be construed as a comprehensive indicator of the group's overall liquidity.
- [10] - The group calculates net debt to Adjusted EBITDA as net debt divided by Adjusted EBITDA.
- [11] - 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.
- [12] - Reflects expenses related to exploration business unit, IT projects and construction of Razdolinskaya-Taiga, Peleduy-Mamakan grid lines.
- [13] - Including capitalised stripping costs net of capitalised interest on loans and capitalised within capital construction-in-progress. For more details see Note 11 of the consolidated financial statements.
- [14] - Presented net of the Sukhoi Log deposit license acquisition cost and payments to Rostec.
- [15] - On the assumption of foreign exchange rate of 60 roubles per dollar.

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