POLYMETAL
INTERNATIONAL PLC

Polymetal International plc
Annual Report 2019

Performance Technology Growth

Polymetal International plc is a leading precious metals mining group, operating in Russia and Kazakhstan. A major employer in its regions of operation, Polymetal is one of the most sustainability- and responsibility-driven companies in the sector.

2019 was an excellent year for our Company. We delivered on our promises, and strengthened our options for future growth.

2nd largest
gold producer in Russia

9 operations
in Russia and Kazakhstan

The only gold mining company in
FTSE 100

2 major
development projects

1st
pressure oxidation plant in FSU

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Achieving excellence in all we do

“This was an exciting year for Polymetal with remarkable achievements at Kyzyl and further advancement of our growth pipeline.”

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Board Chair's statement

Enhancing market opportunities

> Our operational achievements are underpinned by the value that we place on environmental, social and governance issues.

This year marks the start of my tenure as Chair of Polymetal. I am both delighted and privileged to take over the helm of such a great company, while acknowledging the sterling efforts of my predecessor, Bobby Godsell, who stood down at the last Annual General Meeting.

My first impressions since joining the Company are extremely favourable. Run by a solid, experienced, commercially and operationally astute management team, Polymetal already has a great suite of assets in its portfolio and an impressive project pipeline that will ensure the future growth of the business. I am also impressed by the emphasis on capital discipline and the long-term view of investing in high-grade projects that offer both returns on capital and sustainable dividends for our investors.

Great achievements in 2019

This is further borne out by the confidence that capital market participants have in Polymetal: buying into the vision, commitment, hard work, exceptional track record and consistent delivery on guidance and promises that the Company demonstrates; thereby, making it one of the best performing gold stocks in 2019. This also led to our re-admittance to the FTSE 100 Index on the London Stock Exchange in September.

The Kyzyl project is a remarkable story of Polymetal succeeding where others have failed. In 2019, the updated ore reserves estimate added eight years to the life of mine and, with 343 Koz of annual gold production and $355 million of Adjusted EBITDA, Kyzyl is now the largest contributor to the Company's robust performance. Our key development projects Nezhda and POX-2 remain on track and on budget.

Polymetal shows a consistent approach towards achieving its key strategic goals with the focus on mine life extensions across mature assets and further greenfield development, as well as continuing to maintain a track record of substantial dividend flow to our shareholders. By generating a healthy free cash flow of $299 million during the year, we were able to pay out dividends totalling $240 million in 2019 while our dividend yield over the last five years has averaged 5%[1]. The Board proposes a final dividend for 2019 of $0.42 per share. The Company will also pay out $94 million in special dividends in March 2020.

Building a sustainable future

We continue to emphasise the importance of corporate governance, recognising the role it has to play in reinforcing the excellent credentials that Polymetal has as a safe investment. Our operational achievements are also underpinned by the value that we place on the environmental, social and governance (ESG) issues that have increasingly become the focus of society in general and our industry in particular. Our progress is largely driven by a strong corporate culture and has contributed to Polymetal's international recognition as a leading ESG exponent within Russia and the CIS. In 2019, the Company was reaffirmed as a member of the Dow Jones Sustainability and FTSE4Good indices.

Our biggest failure of the year is having to report two Polymetal employee fatalities and one contractor fatality in the workplace. Attaining zero fatalities remains a core goal and this is underpinned by the KPI structure, which maintains a penalty factor for fatal accidents of up to 50% of annual bonus earned for non-safety related KPIs.

Looking ahead

Finally, I would like to thank management and employees for their commitment and for delivering a solid set of results, and also to say thank you to my Board colleagues for their support throughout the year.

The outlook for the gold market in 2020 remains positive due to the continued uncertainty in the geopolitical and global macroeconomic situation, low interest rates and the momentum created by significant purchases of gold reserves by central banks. At Polymetal, we are well positioned to take advantage of these favourable conditions.

Ian Cockerill
Board Chair

1 Including special dividend for FY2019 paid in March 2020 and proposed final dividend for FY2019.

Investment case

Six reasons to invest in Polymetal

Within its sector, Polymetal has acquired the reputation of achieving operational excellence and developing a growth pipeline that is the envy of its peers, resulting in consistent delivery of significant dividends to its shareholders. With its focus on high-grade assets and leading competence in the treatment of refractory ores allied with strong capital discipline and exemplary governance, the Company continues to create sustainable value.

1 Focus on high-grade assets

Return on investment in the precious metals industry is reliant on grades and mining conditions. We achieve better returns and lower risks from our project portfolio by setting appropriate thresholds on head grades and largely focusing on open-pit mines.

2 Leading competence in treatment of refractory ores

Polymetal has been developing refractory ore deposits since 2007. Our pressure oxidation (POX) processing hub in Amursk, which is now undergoing a major expansion, was key to extracting value from Albazino, Mayskoye, and, more recently, Kyzyl, as well as Nezhda in the near future. Moreover, as more and more gold resources globally tend to be refractory, our technological expertise in environmentally friendly refractory ore processing will be a key strategic advantage, including being in the market buying third party feedstock.

3 Strong capital discipline

We engender a strong focus on capital discipline throughout the business; maximising risk-adjusted return on capital is our priority in all investment decisions. We do not retain excess cash and return free cash flow to shareholders through substantial dividend payments while maintaining a safe leverage level.

4 Exemplary governance

We believe that good corporate governance is key to the ongoing success of the business and value creation for our stakeholders. We are compliant with all regulatory requirements and are recognised as sustainability leaders in Russia and Kazakhstan, adopting best practice in nurturing relationships with all of our stakeholders in government, industry, and the communities where we operate.

5 Investing in exploration

Investment in both greenfield and near-mine exploration provides us with a cost-effective increase in our reserve base and, along with successful acquisitions, is the key source of our long-term growth.

6 Operational excellence

We pride ourselves on our operational excellence and delivering on our promises to shareholders. Despite difficult trading conditions, we beat our production guidance for the eighth consecutive year.

Group CEO statement

Kyzyl – a key driver for the business

> This was an exciting year for Polymetal with remarkable achievements at Kyzyl and further advancement of our growth pipeline. Once again, we delivered on our targets, resulting in strong free cash flow and record EBITDA and net profit for the year.

Kyzyl has performed very strongly since its start-up in 2018, surpassing both our own guidance and feasibility study projections. In 2019, it was the key driver behind our excellent operating results, contributing 343 Koz towards the total Group production of 1,614 GE Koz, which represents 3% growth and exceeds our original production guidance of 1.55 Moz.

This also helped underpin our strong financial results for the year, which were additionally supported by favourable gold prices: a record net profit of $483 million and Adjusted EBITDA of $1,075 million. Polymetal generated a healthy level of free cash flow, totalling $299 million, and declared a substantial dividend of $385 million for 2019 ($0.82 per share).

$1,075m

Adjusted EBITDA[1]
2018: $780m
+38%

Our decision to invest in Kyzyl was re-affirmed yet again with the latest ore reserves update: an increase of 1.3 Moz, up by 18%, with the bulk coming from open-pit. Total cash costs were tracking at $399/GE oz, 11% below budget, driven by lower mining costs, as well as reduced processing costs with plant throughput increasing to 2.0 million tonnes.

Long-term value creation

The success at Kyzyl, together with a robust performance at other mines, has enabled us to progress our longer-term development pipeline and ensure a steady stream of dividends. With permitting completed and government approval for Nezhda, mining and construction are both on schedule.

Our large-scale downstream project, POX-2 in Amursk, was approved for construction in February 2019 and will process concentrates from Kyzyl, Nezhda, Mayskoye and Voro. From the second half of 2023, POX-2 is expected to generate significant economic benefits as all refractory concentrates will be processed in-house. The project incorporates several important design features that will minimise its environmental impact.

In 2019, following an extensive exploration campaign, Polymetal more than doubled ore reserves to 2.8 Moz of gold at the Veduga gold deposit. Given the type of mineralisation, high grade and location, we have decided that the project has the potential to become our next growth project rather than a candidate for outright sale.

Prognoz, located relatively close to Nezhda, is one of the top three undeveloped silver deposits in the world. We completed the preliminary design stage and geotechnical drilling to establish the optimum site for the construction of a concentrator, and we are aiming for an initial ore reserves estimate in 2020.

Successful exploration results with the subsequent re-evaluation of ore reserves at Kyzyl, Veduga and Kutyn, helped grow our reserve base by 5%, without diluting the average grade.

Exemplary record on sustainability

Sustainability remains a key pillar of our strategy. Our major initiatives include transitioning our mines to dry tailings, reducing our fresh water usage and carbon footprint, electrification of our fleet at certain mines and our first investments in renewable energy at remote operations.

In 2019, we achieved a 26% decrease in fresh water consumption, and remain committed to gradually increasing the share of water reused in our processing cycle.

The other important milestone is a shift towards safer methods of waste storage, particularly dry-stack tailings. This technology significantly reduces the probability of dam failure and minimises potential damages in the event of an accident. It is already in operation at Amursk and Voro, and will be extended to Nezhda, Prognoz, POX-2 and Omolon.

However, sadly, I have to report two Polymetal employee fatalities and one contractor fatality and send my condolences to the families and friends of these colleagues. The safety of our employees remains paramount and we continue to evolve our safeguarding procedures in order to prevent further incidents. We will not be satisfied until we achieve our target of zero fatalities. From 2020 and onwards, significant safety-related changes have been made to the remuneration structure for all levels of Company management.

Looking to the future

In 2020–2021, we anticipate that production will remain roughly flat at 1.6 Moz. Following the launch of Nezhda in the second half of 2021, we expect a resumption of growth that will enable us to deliver 1.85 Moz by 2023.

At Kyzyl, we expect continued high grades with sustained and stable production, making it our most significant contributor to free cash flow. Construction will continue at Nezhda and POX-2 as will development activities at Prognoz and Viksha. At Veduga, the focus will be on the ore reserves estimate with a target of achieving at least 5.0 Moz by 2021.

Meanwhile, we will continue to invest in greenfield exploration to find virgin deposits in the Former Soviet Union, mostly through partnerships with junior explorers. We will also divest additional non-core assets in 2020. This supports Polymetal's ambitions for management to focus on long-life, low-cost production within its core operations and projects.

None of this could have been achieved without the commitment of our employees. I thank them for their efforts and look forward to their support in helping Polymetal realise its future goals.

Vitaly Nesis
Group CEO

A successful year:
Outstanding performance supported by sustainable development across the business

Operating responsibly:
Integrating sustainability throughout

Read more on page 08

Kyzyl:
Outstanding performance

Read more on page 10

Amursk POX-2:
Leveraging core expertise for value creation

Read more on page 12

Nezhda:
Building growth

Read more on page 14

1 Defined in the Alternative performance measures section on pages 206–207.

Sustained success: Delivered by a purpose-driven culture

Once again, we have delivered on our promises with an excellent set of results based on our strongly purpose-driven culture. In particular, Kyzyl, our flagship project, fulfilled its potential and our investments in the Company's future pipeline were also on track.

A very successful year

Delivering on our promises and commitment to sustainable cash returns to our shareholders is a distinguishing feature of Polymetal in the sector. Our production guidance has been exceeded for the eighth year in a row. Strong earnings during the period reflect solid operational delivery and, most notably, excellent results from Kyzyl. We are also fully on track with the construction of our Nezhda and POX-2 development projects. Strong operating performance and a favourable commodity price environment enabled us to both finance these projects and generate significant free cash flow during 2019. This in turn allowed us to sustain a sector-leading dividend yield and provide cash returns to our shareholders through regular and special dividends, while ensuring that the leverage ratio remains at our target level.

⊕ Culture, purpose and values – pages 02, 20, 99
⊕ Operating review – pages 32–49
⊕ Financial review – pages 64–77

ROBUST PERFORMANCE
PRODUCTION (KOZ GE)

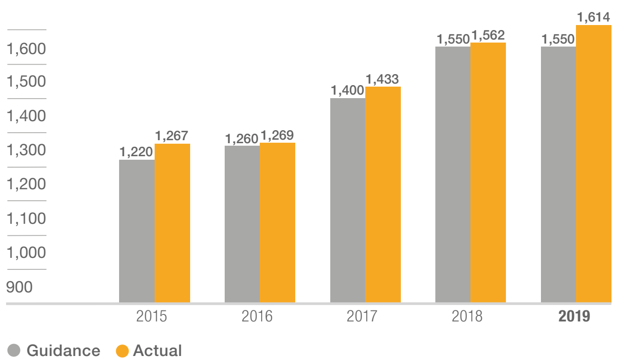


Image: Smelting at Voro

$483m

Net profit
2018: $355m

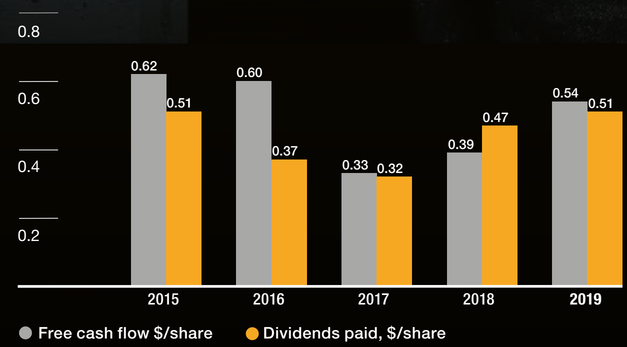
$385m

Dividends proposed
2018: $223m

> We are pleased to report record earnings and solid free cash flow for the year underpinned by a robust operating performance and strong commodity prices. We have also advanced our key strategic projects, reduced net debt and paid substantial dividends.

Vitaly Nesis
Group CEO

TRANSLATING PRODUCTION INTO DIVIDENDS
($)



Operating responsibly:
Integrating sustainability throughout

Read more on sustainability on pages 50–63

Polymetal's strategy and culture places great emphasis on integrating sustainability and maintaining good governance practices to create long-term value for all of its stakeholders.

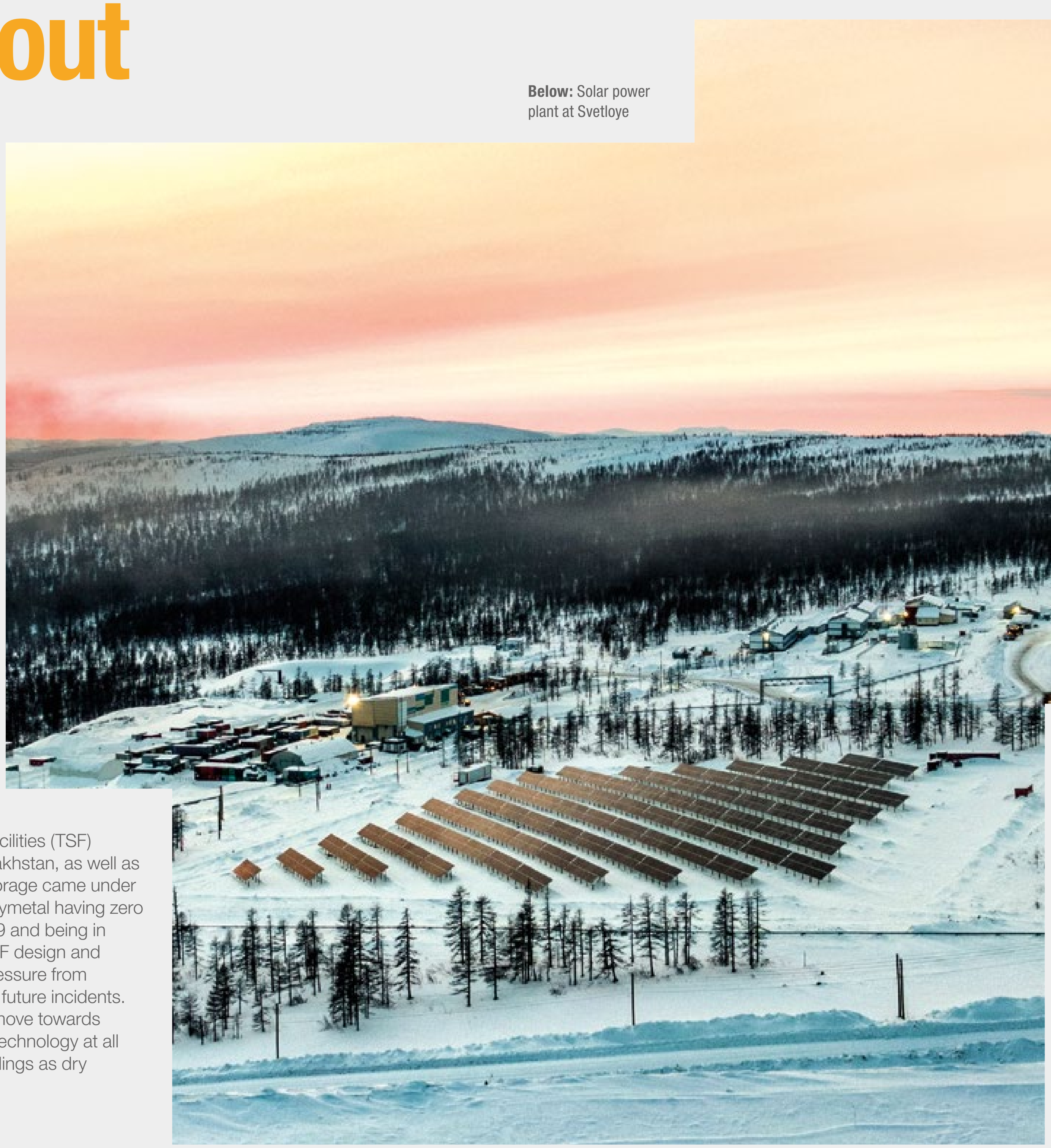
26%
decrease in fresh water consumption

39%
female qualified personnel

0.19
LTIFR
2018: 0.09

$15m
invested in local communities
2018: $10m

Below: Solar power plant at Svetloye



Tailings storage facilities
Polymetal operates nine tailings storage facilities (TSF) at operating mine sites in Russia and Kazakhstan, as well as two dry-stack facilities. In 2019, tailings storage came under the spotlight within our sector. Despite Polymetal having zero environmental incidents in this area in 2019 and being in compliance with local and international TSF design and maintenance standards, we welcomed pressure from investors to add extra safeguards to avoid future incidents. We have announced our commitment to move towards dry-stack storage facilities, to deploy this technology at all new sites and dispose of 15% of all our tailings as dry stacks by 2024.

Global climate change
We fully recognise that climate change requires us to be more resilient and carbon neutral. This means innovating in extraction methods that minimise greenhouse gas (GHG) emissions, while adapting to a changing climate. Market volatility related to climate risks is likely to increase and be on the agenda of investors. Our newly adopted Climate Management System is at the heart of our approach to mitigation of the potential impacts of climate change at our sites.

Diversity
We believe that workforce diversity is a strength and we are deeply committed to equal opportunities and terms of employment. We actively recruit people on merit, eliminating any discrimination on the grounds of race, gender, religion, political opinions, nationality or social origin. In particular, we aim to create the right conditions for the greater inclusion of women within both our workforce and leadership team.

> By focusing on responsible mining and production, we are able to contribute both to our stakeholders and the natural world.

Vitaly Savchenko
Chief Operating Officer

Left: A quality inspector at Voro

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
APPENDICES

Kyzyl:
Outstanding performance

Read more on Kyzyl on page 36

Key performance figures

	Forecast in feasibility study 2015	Delivered
TCC, $/GE oz	562[1]	399
AISC, $/GE oz	581[1]	514
Gold production, Koz	325	344
Grade, g/t	6.9	7.1
Throughput, Mtpa	1.8	2.0

1 Open-pit mining.

8.2 Moz
Reserves of GE at 6.3 g/t

27 years
Life of mine

343 GE Koz
Production
2018: 96 GE Koz
+257%

$514/GE oz
AISC
-38%

Exceptional delivery

In 2019, Kyzyl was the key driver behind our excellent operating results, with the largest contribution of 343 Koz towards Group total production of 1,614 GE Koz, and delivering Adjusted EBITDA of $355 million, one-third of the Group's total.

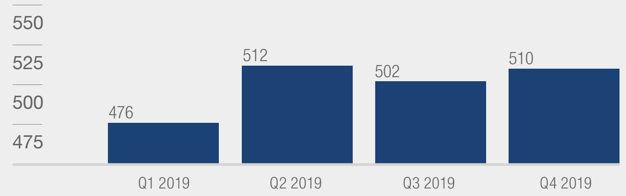
These robust operating results had a positive impact on the Group's cost level: Kyzyl total cash costs were tracking at $399/GE oz and AISC at $514/GE oz, significantly below the Company's average and feasibility study levels, and down 28% year-on-year as the mine delivered in excess of its design capacity and planned grade.

Polymetal's important development project Kyzyl made a substantial contribution to our robust operating performance in 2019, its first full year of operation.

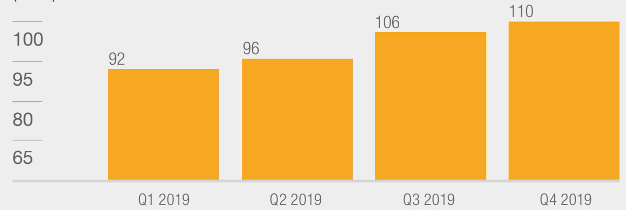
Exceeding all expectations

Kyzyl has performed very strongly since its start-up and in 2019, it outperformed budget on throughput, grade and production. The processing plant is now running at a rate of 2.0 Mt per annum – above its nameplate capacity of 1.8 Mt per annum. We have also incorporated the recent drilling results into an updated reserve, extending open-pit life-of-mine at this flagship operation. The updated ore reserves estimate comprised an 18% increase in gold contained compared with reserves as at the end of 2018. Total life-of-mine is extended by eight years to 2047 with open-pit mining now ending in 2031.

ORE PROCESSED
(Kt)



GOLD IN CONCENTRATE
(KOZ)



Kyzyl is our undisputed success story. It delivered a robust performance in 2019, exceeding the initial plan on grade, throughput and production.

Vitaly Savchenko
Chief Operating Officer

Amursk POX-2:
Leveraging core expertise for value creation

Read more on Amursk POX on pages 41, 102–103

Key project milestones

2019	2020	2021	2022	2023
Start of detailed engineering and construction	Receipt of all permits, delivery of the autoclave on site	Completion of civil construction works	Start of commissioning activities	**Full ramp-up**

18%
IRR*
*risked upside case

250–300 Ktpa
Concentrate capacity

9.0 Moz
Life-of-mine gold production

$100–150/oz
Averaged impact on costs reduction

Leveraging our core technical capabilities, de-risking our business model and creating substantial value with POX-2.

Core technical capabilities

Emerging trends in the global gold mining industry, with more and more resources being refractory, make POX-2 crucial to Polymetal's long-term strategy. The project will ensure the strategic security of downstream processing as environmental regulations tighten in China, as well as creating capacity for the treatment of third-party refractory concentrates. POX-2 will process double refractory concentrates from Kyzyl, Nezhda, Mayskoye and Voro. After its start-up in 2H 2023, POX-2 is expected to generate significant long-term economic benefits due to lower in-house processing costs and higher recoveries vs third-party offtakers.

In 2019, the Amursk POX plant became the second gold production operation in Russia and the FSU to be certified as fully compliant with the International Cyanide Management Code. POX-2 also fits well with our sustainable development strategy, incorporating important design features to minimise its environmental impact such as dry tailings storage and closed water circuit.

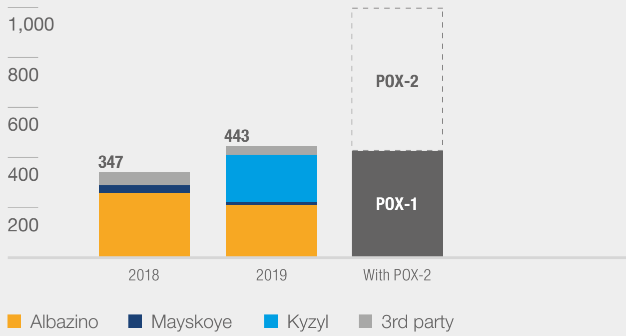
Stakeholder engagement

Engaging with local stakeholders to ensure that their interests are taken into account has been an integral part of the Board's decision-making and approval of POX-2 construction.

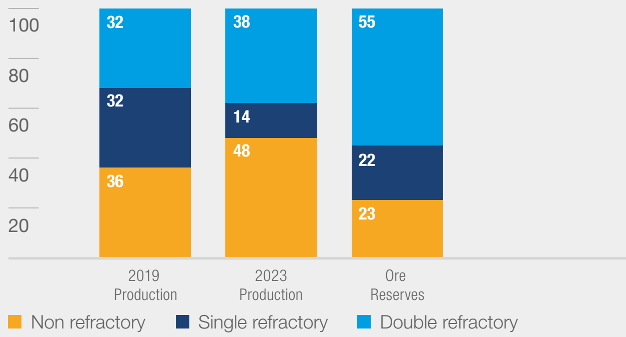
POX-2 will unlock the value of Polymetal's substantial refractory reserve base while also having positive environmental, social and economic impacts.

Valery Tsyplakov
Managing Director, Polymetal Engineering

GOLD PRODUCTION THROUGH AMURSK POX
(KOZ)



OUR ORE TYPES
(%)



Nezhda:
Building growth

Read more on Nezhda on page 47

Key project milestones

2019	2020	2021	2022
Start of construction, first ore mined	Construction and commissioning of power plant completed	Mechanical completion, commissioning activities and first production	**Full ramp-up**

29%
IRR*
*At $1,200 gold price

4.4 Moz
Reserves of GE at 3.6 g/t

25 years
Life of mine

155–180 GE Koz
Expected annual production

A world-class long-life gold deposit with robust economics. First production is planned for Q4 2021 with full ramp-up by Q2 2022.

Above: Site of the Nezhda mine.

Below: The Nezhda plant.

“Construction at Nezhda is progressing on schedule and, as of the year-end, about 45% had been completed.

Roman Shestakov
Deputy CEO, Project development and construction

A world-class gold deposit

Nezhda is a long-life, high-grade asset with robust economics. The project is capital light and will contribute to shareholder dividends in 2022.

The proved and probable ore reserves are 38 Mt, at an average grade of 3.6 g/t GE per 4.4 Moz of GE contained. Mineral resources comprise 8.1 Moz of GE with an average GE grade of 5.1 g/t.

The feasibility study envisions 25 years of production from 2021 to 2045. This is based on a conventional 1.8 Mtpa flotation concentrator with a gravity concentration circuit. Annual production during the first full three years of operation will be 180 Koz, with 155 Koz average annual gold production during the first 15 years of open-pit operation.

Construction activities

Construction started in March 2019. During the year, we completed permitting and received final government approval for Nezhda, and we completed the processing plant building metalworks and winterisation. All equipment is now contracted, and mining and construction are both on schedule. As of the year-end, 45% of the work at Nezhda had been completed, and we are positive about completing this project on time and within budget.

NEZHDA PROJECT COMPLETION SCORECARD

	Engineering	Contracting	Equipment delivery	Construction
Main building / Processing plant	90%	80%	70%	55%
Ore preparation complex	100%	100%	70%	10%
Storage facility	100%	100%	100%	80%
Power complex	100%	100%	80%	5%
Infrastructure and camp	100%	100%	100%	90%
Tailings storage facility №1	70%	50%	50%	30%

Start up Q4 2021

At a glance

A sustainable, thriving future

With its portfolio of nine gold and silver mines and a pipeline of growth projects, Polymetal International plc is a leading precious metals group with operations in Russia and Kazakhstan. Investing in sustainable development is core to Polymetal's future plans and benefits all its stakeholders.

Polymetal today

2nd largest
gold producer in Russia and 16th in the world[1]

2 major
development projects

FTSE 100
constituent

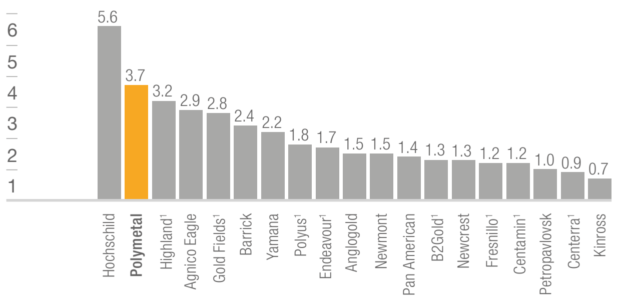
9 operations
across 2 countries

First POX facility
in Former Soviet Union

MSCI Russia
constituent

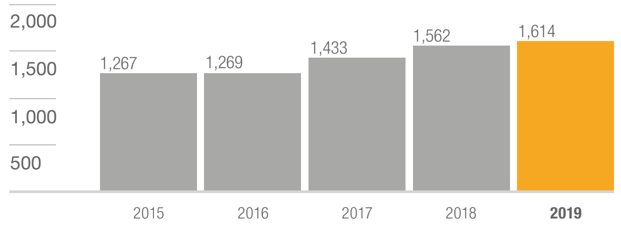
1 Metals Focus 2018.

PROFILE AMONG PEERS
AVERAGE RESERVE GRADE (g/t GE)



1 2018 data.

PROVEN TRACK RECORD
ANNUAL PRODUCTION BASED ON 80:1 AG/AU RATIO (KOZ OF GE)



Key financial figures

Revenue
$2,246m
(2018: $1,882 million)

Total cash cost
$655/GE oz
(2018: $654/GE oz)

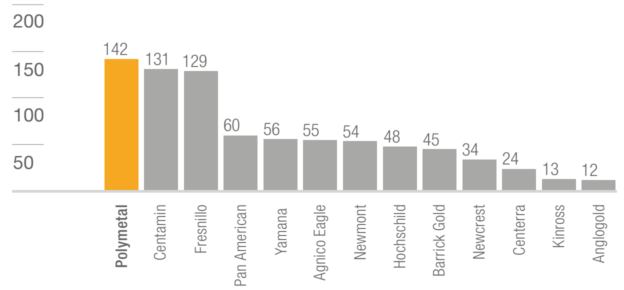
Adjusted EBITDA
$1,075m
(2018: $780 million)

All-in sustaining cash cost
$866/GE oz
(2018: $864/GE oz)

Free cash flow
$299m
(2018: $134 million)

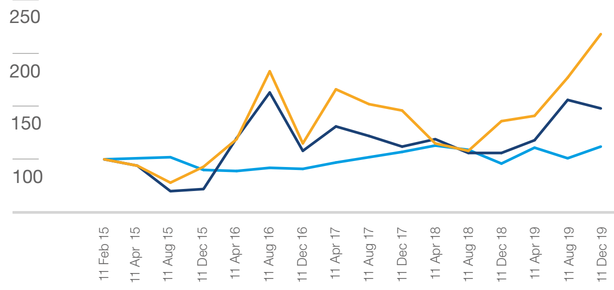
Net profit
$483m
(2018: $355 million)

DIVIDEND PAID SINCE POLYMETAL IPO
($/GE OZ PRODUCED)

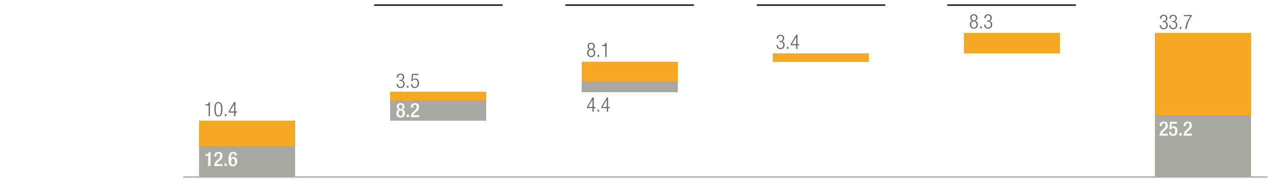


Source: Companies' data, Bloomberg.

TOTAL SHAREHOLDER RETURN
(%)



Focus on high grade and lower cost assets



	Legacy assets	Kyzyl	Nezhda	Prognoz	Viksha	Total
Production start		2018	2021	2025	2027	
Reserve grade, GE g/t	3.0	6.3	3.6	N/A	N/A	**3.7**
Resource grade, GE g/t	4.4	5.4	5.1	10.5	N/A	**5.2**

■ Reserves ■ Resources

Value distribution

$397m
wages, salaries and other payments and benefits for employees

$233m
taxes paid

$35m
environmental investments

$1.2m
invested in training

$15m
community investment

$155m
sustainability-linked loans in the portfolio

Where we operate

Creating growth opportunities

We now have three major development projects underway and are exploring further growth opportunities. These are in addition to our portfolio of operations in Russia and Kazakhstan: nine gold and silver mines, some of which are located in remote regions.

We operate in

2

countries and 11 regions

We cover

11

time zones

2,285 km

of roads and winter roads in operation

100+

licensed properties

The first solar power plant in mining in Russia

Asset	GE production	Reserves (GE)	Adjusted EBITDA	AISC ($/GE oz)	Processing
1 Kyzyl	343 Koz	8.2 Moz	$355m	$514	2.0 Mtpa flotation + POX/ concentrate off-take
2 Varvara	149 Koz	1.7 Moz	$93m	$1,064	3.0 Mtpa leaching for gold ore, 1.0 Mtpa flotation for copper ore
3 Voro	107 Koz	1.5 Moz	$104m	$460	950 Ktpa CIP circuit, 1.0 Mtpa heap leach circuit
4 Mayskoye	129 Koz	2.0 Moz	$43m	$1,264	861 Ktpa flotation + POX/ concentrate offtake
5 Omolon	205 Koz	0.7 Moz	$123m	$880	850 Ktpa CIP/Merrill-Crowe (Kubaka), 1.0 Mtpa heap leach (Birkachan)
6 Dukat	302 Koz	1.4 Moz	$141m	$12.2 (SE)	2.0 Mtpa flotation (Omsukchan) + 450 Ktpa Merrill-Crowe (Lunnoye)/concentrate offtake
7 Svetloye	134 Koz	0.5 Moz	$142m	$449	1.4 Mtpa heap leach

Asset	GE production	Reserves (GE)	Adjusted EBITDA	AISC ($/GE oz)	Processing
8 Albazino	241 Koz	1.9 Moz	$167m	$872	1.6 Mtpa flotation + POX
9 Amursk POX-1	430 Koz	94.1% recovery	–	–	POX + cyanidation downstream processing facility
9 Amursk POX-2	550 Koz[1]	96% recovery[2]			High-temperature POX, intensive cyanidation
10 Nezhda	155–180 Koz[1]	4.4 Moz	–	–	1.8 Mtpa flotation/gravity concentration + offtake/ Amursk POX
11 Prognoz	20 Moz[1] (SE)	256 Moz (SE)	–	–	1.0 Mtpa flotation + leaching + Merrill-Crowe
12 Viksha		5.7 Moz (PdE)	–	–	Flotation + offtake
13 Veduga	200 Koz[1]	2.0 Moz	–	–	1.5 Mtpa conventional flotation + Amursk POX

1 Expected annual production.
2 Expected.

Business model

Building a sustainable future for all our stakeholders

The fundamentals of investing in the skills and expertise that are aligned to our key competencies, allied with our strong financial discipline, enable us to both deliver throughout the cycle and create a sustainable future for all our stakeholders.

Factors determining our long-term growth

Market trends and opportunities
Our investments in attractively priced high-quality assets enable us to generate a consistently sustainable free cash flow and deliver returns for our shareholders.

Read more on pages 22–23

Risk management
We have a robust risk management system in place, which is designed to mitigate potential risks to the sustainability and success of the business.

Read more on pages 78–87

Governance
We are committed to maintaining world-class ethical standards that drive behaviours across every aspect of our business.

Read more on pages 88–115

Material issues
- Socio-economic value creation
- Health and safety
- Communities
- People
- Water
- Environmental management
- Climate change
- Waste
- Suppliers and partners
- Compliance

Read more on pages 56–57

Our capitals

Financial
Strong balance sheet and a large portfolio of available undrawn credit facilities; access to international equity markets and use of shares as acquisition currency.

Read more on pages 64–77

Human
11,611 employees; attracting and retaining high-potential employees across Russia and Kazakhstan; nurturing young leaders to manage further growth.

Read more on pages 59, 113

Natural
Portfolio of high-grade reserves; water, energy and fuel to run our operations.

Read more on pages 16, 18, 35, 60–61, 208–217

Business
Key competencies in refractory gold concentrate trading; sustainable relationships with contractors and suppliers.

Read more on pages 03, 04, 12–13, 30–46

Intellectual
Investment in skills and expertise; use of leading technologies in refractory gold processing (POX); selective mining; development of know-how.

Read more on pages 02, 03, 12, 27, 30–46, 59, 94, 98, 113

Social and relationship
Constructive relationships with local government and communities; transparent and productive dialogue with stakeholders.

Read more on pages 50, 52, 54, 59, 62, 100–103

Our purpose

We believe responsible and efficient mining can be a force for good for society. We aspire to be equal to the challenge and deliver benefits to all impacted by our corporate existence.

What makes us different

Focus on high-grade assets

Strong capital discipline

Investing in exploration

Leading competence in treatment of refractory ores

Exemplary governance

Operational excellence

Read more on page 03

Creating value for...

Shareholders
We deliver a sustainable dividend stream.

$385m
proposed for 2019

Employees
We provide competitive remuneration, which is above the regional average, and comfortable working conditions, as well as motivating career development opportunities.

$1.2m
invested in professional training

Local communities
We invest in our local communities, providing employment opportunities and improving infrastructure, and engage with them to gain their support for the projects that we undertake.

$15m
invested in social projects

Other capital providers
We have an excellent credit history and strong partnerships within financial markets.

4.26%
average cost of debt in 2019

Suppliers
We provide fair terms and have established long-term and mutually beneficial partnerships, while ensuring suppliers' integrity and ESG compliance.

7,698
potential contractors audited for ethical principles and anti-corruption policies

State authorities
We contribute to the national wealth and are a significant tax payer in our regions of operation, supporting local governments' social projects.

$233m
taxes paid

Market review

During 2019, uncertainty around global economic prospects, declining interest rates and rising geopolitical tensions sparked an investment demand for precious metals. These factors largely determined the performance of gold, silver and PGMs, all of which demonstrated significant growth.

Gold

In 2019, gold broke its own 2018 record and had the best performance since 2010, rising by 19% year-on-year to $1,523/oz. The average price for the year amounted to $1,393/oz, a 10% year-on-year increase, reaching its highest level since 2013. Until May, gold was relatively flat, hovering around $1,300/oz. But a rally started from early June and by September the price hit a multi-year high of $1,546/oz as the Federal Reserve shifted to cutting rates for the first time since the financial crisis, while US/China trade tensions and Brexit concerns increased. In the beginning of Q4, gold lost some of its previous gains, dropping to $1,450/oz as Brexit and US/China resolutions continued into 2020, and investor interest shifted towards riskier assets. However, in December, gold rebounded by 4%, finishing the month at $1,523/oz as investors repositioned ahead of 2020.

Subsequently, annual gold demand was boosted by a significant rise in investment flows into ETFs and similar products used as 'safe haven' assets. Gold-backed ETFs saw an inflow of 401 tonnes (comprising 9% of the total gold demand) compared to 76 tonnes in 2018. ETF holdings totaled 2,886 tonnes[1] by the year-end. On the contrary, investment in gold bars and coins dropped 20% year-on-year to 871 tonnes[1] – the lowest level since 2009. Most of the decline came from a sharp downturn in the two largest markets: China and India. Central banks were net buyers for the tenth consecutive year. The three largest purchases were Turkey (+159 tonnes), Russia (+158 tonnes) and Poland (+100 tonnes).

Overall, total central bank demand comprised 650 tonnes[1], the second highest level of annual purchases for 50 years after 2018. Full-year gold demand in the technology sector fell by 2% year-on-year to 327 tonnes[1] as 2019 was a weaker year for the whole electronics industry. Jewellery demand declined by 6% to 2,107 tonnes[1] affected by the steep rise in the gold price in the second half of the year, which decreased affordability. As the remarkable growth of investments into gold backed ETFs was offset by a decline in the two largest demand categories, jewellery and bars and coins, the total annual gold demand increased by 1% year-on-year to 4,356 tonnes[1].

Global gold supply in 2019 was up 2% year-on-year to 4,776 tonnes[1]. A 1% decline in mine production was offset by an 11% growth in recycled gold supply which totalled 1,304 tonnes[1] spurred by price dynamics.

Silver

During 2019, silver mostly tracked gold price dynamics driven by similar factors including global economic and political concerns, as investors perceived silver as another 'safe haven' investment. As a result, the silver price jumped by 17% year-on-year to $18.0/oz with the peak level of $19.3/oz also reached in September.

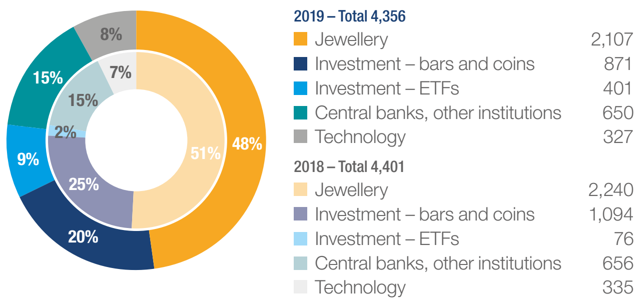
On the demand side, silver industrial fabrication was at a record high. However, several areas of silver electrical and electronic end-uses struggled against a backdrop of the escalating US-China trade war, although the negative impact was mitigated by higher silver usage in other categories, especially in the automotive sector. Global silver jewellery and silverware demand also recorded increases, led by India. Lastly, ETFs and physical investment both increased year-on-year, with the latter helping to drive the silver price.

1 Gold Demand Trends Full Year 2019 published by World Gold Council.

GOLD AND SILVER PRICE
($/OZ)

Source: LBMA.

GOLD DEMAND BY CATEGORY IN 2018 AND 2019
(TONNES)



Source: Metals Focus; World Gold Council.

Platinum group metals

Platinum surged by 22% year-on-year in 2019 to $971/oz, spurred by a considerable increase in investment demand pushing the market into a deficit, though physical consumption continued to face challenges. Industrial demand was weak due to a reduction in the sale of diesel cars and an overall decline in automotive sales. Jewellery continued its downward trend on the back of higher prices.

Palladium posted another spectacular year with performance soaring by 52% year-on-year to $1,920/oz, the premium over platinum nearly reaching 100%. The jump was due to a large deficit in the palladium market throughout the year, strengthened by expectations of this situation persisting on the back of exhausted available inventories and despite slowing global petrol auto sales.

Mine production around the world

In 2019, global gold mine production totalled 3,464 tonnes, 1% lower than in 2018. Output from China, the world's largest gold producer, declined for the third consecutive year, falling 6% year-on-year as a result of tougher environmental regulations. However, the biggest negative contribution came from Indonesia where the largest gold mine, Grasberg, experienced a depletion of higher-grade ore. Laggards also included South American and South African countries where social conflicts at several mines resulted in limited production. This decline was almost fully compensated by the growth of gold production in Russia (+8% year-on-year), Australia (+3%), Turkey (+66%) and several West African nations. Silver production was also marginally down impacted by disruptions and strikes across South America.

Our operating environment

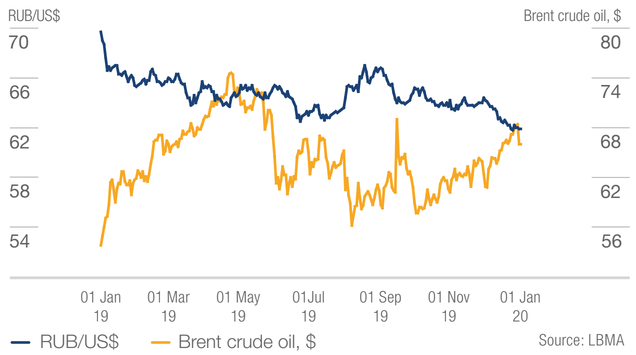
Hard rock mining is the second largest industry in Russia after oil and gas. Despite the country's vast resource potential in precious metals, it remains largely underexplored with a lack of investment in the sector, due mainly to tight and complex exploration regulations as well as the limited availability of foreign investment.

In 2019, the oil market rebounded after its sharp decline in Q4 2018. The Brent crude oil price ended the year at $66 per barrel, an increase of 23% year-on-year, with the average price amounting to $65 per barrel. Throughout the year, oil was pushed higher by expectations and announcements of OPEC+ supply cuts, concerns about US sanctions against Iran and drone and missile attacks on Saudi facilities. However, this positive outlook was impeded by US/China trade tensions.

Higher oil prices, the improving Russian economy, increased inflow of foreign investments into Rouble assets and lower inflation expectations provided support for the national currency. In 2019, the Russian Rouble/US Dollar average exchange rate weakened by 3% year-on-year from a 62.7 RUB/US$ average rate in 2018 to 64.7 RUB/US$ in 2019. This had a moderate positive impact on the mining sector, resulting in a lower Dollar value for Rouble-denominated operating costs and higher margins. Russia remains among the lowest-cost major gold producing countries. The country's gold production was up 8% to approximately 320 tonnes.

Although Kazakhstan has a significantly smaller share in global gold mine production, it has a strong growth profile, attributable to a good climate for foreign investment in the sector and supportive government incentives. In 2019, Kazakhstan increased its refined gold production by 5% year-on-year to approximately 58 tonnes. The Tenge was relatively stable during the year, staying close to the levels it had reached after significant depreciation in the second half of 2018. The average rate weakened by 11% to 383 KZT/US$ making a positive impact on the Kazakh gold mining economy.

CURRENCY AND OIL PRICE



Source: LBMA.

How we respond to these trends

We are utilising our experience in mine performance optimisation and the pursuit of high-grade and high-optionality assets in order to ensure sustainable economics against the backdrop of volatility in commodity prices and foreign exchange rates.
Our strong performance in 2019, due in part to the successful ramp-up of our Kyzyl flagship operation, with cash costs of $399/oz, record production of 1,614 Koz of GE and solid financials, re-affirms the success of our approach and our ability to deliver on our long-term strategy. In order to limit our exposure to risk, in the process of project approval, we continue to stress test all projects with a 20% discount to spot prices and a 10% increase in operating costs, ensuring that our operations can be sustained even under volatile market conditions. Similarly, we continue to review the prices used for our reserve-and-resource statement on a regular basis to reflect market fluctuations. To learn more about our market risk management process, please see page 86.

Our strategy
Attaining growth and dividends

Key goals

Pay significant and sustainable dividends through the cycle

Read more on pages 26, 64, 143

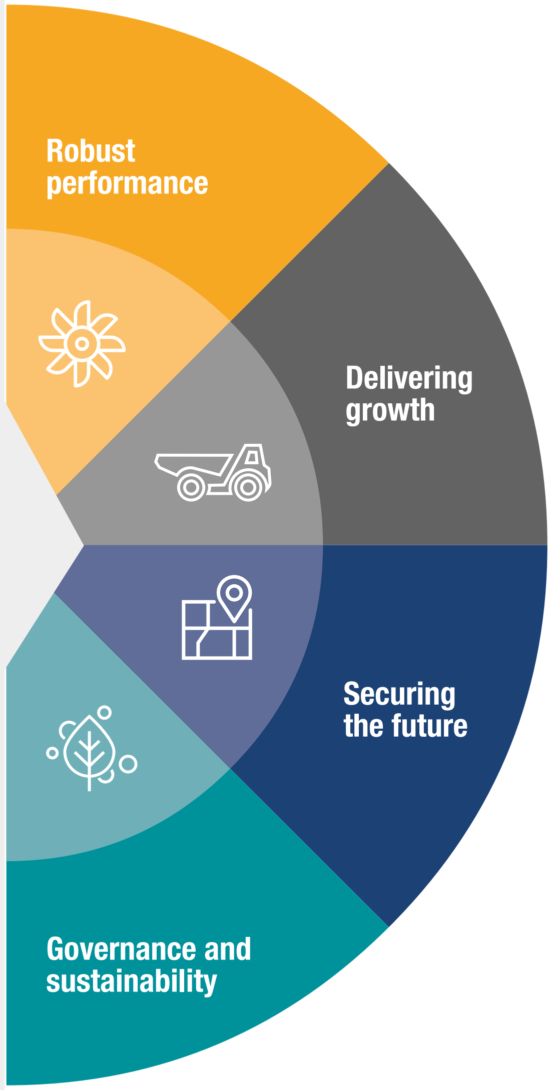
Continue to grow our business without diluting its quality

Read more on pages 05, 14, 27, 32–34, 47–49

Exemplary ESG performance

Read more on pages 02, 04, 50, 114–115

Our strategic objectives



Objective	Risks	Performance in 2019	Targets for 2020
Ensure robust operating and financial performance at existing mines Focus on full-capacity utilisation and robust cost performance of our operating mines by driving continued operating improvement. Continuously extend life-of-mine by investing in near-mine exploration. This will allow us to generate free cash flow and translate it into significant dividends	• Production risk • Tax risk • Market risk • Currency risk • Liquidity risk • Interest-rate risk	**1.6 Moz** GE produced in 2019, up 3% year-on-year and above original guidance **$1,075 million** Adjusted EBITDA up 38% compared with 2018 **$385 million** Dividend declared ($0.82 per share) **5% increase in reserves** Excellent exploration results at existing mines, notably Kyzyl, Veduga and Kutyn	• 1.6 Moz GE production • Development projects at existing operations, aimed at either extending the life-of-mine or reducing costs, namely at Mayskoye, Voro and Dukat • $650–700/GE oz Total cash costs guidance • Commitment to a zero-fatalities target and further improvements across health and safety
Deliver medium-term growth through advancing Nezhda and POX-2 Nezhda is Russia's fourth largest gold property. Low capital intensity makes it an excellent fit for Polymetal's core capabilities. POX-2 will unlock the value of refractory reserves. The aim is for 100% of the Company's refractory ore to be processed in-house.	• Market risk • Exploration risk • Construction and development risks	**Nezhda** • Start of construction • First ore mined • Plant framework construction and winterisation completed **POX-2** • Start of detailed engineering and contracting • Autoclave foundation completed	**Nezhda** • Start of equipment installation • Construction and commissioning of power plant to be completed **POX-2** • Receipt of all permits • Delivery of the autoclave on-site
Build and advance long-term growth pipeline At the same time as delivering free cash flow, we want to secure high-quality sources of long-term growth through our own greenfield exploration programme. We are actively looking at targets within the Former Soviet Union where we can create value with our core competencies.	• Exploration risk • Construction and development risks • Market risk	**2.8 Moz** More than doubling ore reserves at Veduga **5.7 Moz of PdE** Updated mineral resources estimate for Viksha **110%** Increase in gold contained to 812 Koz – updated open-pit ore reserves estimate at Kutyn First strategic **partnerships** with **junior exploration** companies	• Additional drilling and initial ore reserves estimate for Prognoz • Complete ore reserves estimate update at Veduga • Further advancing and exploration activities at Viksha • Continuing investment in greenfield exploration through partnerships with junior exploration companies
Maintain high standards of corporate governance and sustainable development Maintaining high standards of corporate governance and sustainable development gives us a licence to operate and the much-needed trust of all stakeholders. Health and safety at our operations is a key priority.	• Health and safety risk • Environmental risk • Legal risk • Political risk	• Full compliance with the provisions of the UK Corporate Governance Code • Industry Mover distinction from RobecoSAM for excellent sustainability performance • MSCI Environmental, Social and Governance Leaders index • Amursk POX and Voro plants certified as being in full compliance with the International Cyanide Management Code • Full disclosure on tailings storage facilities • Sustainability-linked loan with Societe Generale • Average Board tenure reduced to 4.5 years • 33% female directors	• Ultimate goal of zero fatalities and LTIFR ≤ 0.2 at all operations • New sustainability/ESG KPI for the Group CEO and relevant senior management • 30% female representation in the diversity target group • Financial assessment of climate-related risks within our climate management system • Continuous reduction of fresh water use • Further implementation of dry-stack storage method across the Group • Continued compliance with global and local best practices

Capital allocation
Adherence to strong capital discipline is the foundation of our strategy

Read more on pages 24–25

Remuneration
See how we link our remuneration to performance

Read more on pages 116–140

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
APPENDICES

Capital allocation
Building long-term value per share

Our business model is our key strength, providing a platform for both growth and significant shareholder returns by generating a sustainable free cash flow throughout the cycle.

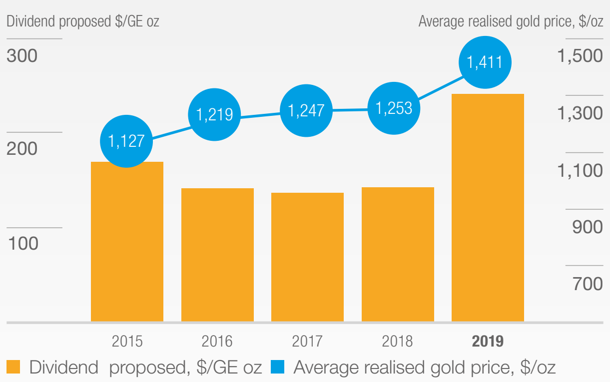
Regular dividends are a shareholder's right

We prioritise the payment of regular dividends over investment in growth. We are committed to delivering superior returns with a dividend policy of paying 50% of underlying earnings, subject to a hard ceiling of a Net debt/Adjusted EBITDA ratio below 2.5x.

In line with this policy, the Board proposed a final dividend equal to $0.42 per share, and announced a $0.20 per share special dividend for 2019. The discretionary payment is awarded based on available free cash flow (post regular dividends), the Company's leverage, market outlook, forward-looking financial projections and growth opportunities. This brings the total dividends proposed for the 2019 full year to $0.82 per share.

From free cash flow for 2012–2019 totalling $1.7 billion, Polymetal paid out $1.5 billion to shareholders through regular dividends in each year since the IPO and significant special dividends in five[1] years out of eight. This represents an average of $160 per ounce of gold produced and provides a sector-leading dividend yield of 5% over the five-year period and 6.5% in 2019, including the proposed dividend for the full year 2019 (based on average share price for the period).

DIVIDEND PER OUNCE PRODUCED



1 Including the special dividend for 2019 announced in January 2020.
2 Post M&A for 2019 and 2018.

Target Net debt/Adjusted EBITDA of 1.5x

Our near-term objective is to ensure that the Group's Net debt/Adjusted EBITDA ratio is no more than 1.5x

As at 31 December 2019, Polymetal achieved a Net debt/Adjusted EBITDA ratio of 1.38x (2018: 1.95x), well below the Group's target leverage ratio of 1.5x. The Group's net debt decreased 3% to $1.48 billion while the Adjusted EBITDA grew 38% to $1.08 billion, supported by strong commodity prices and further production growth driven by Kyzyl's first year of operation at full design capacity.

The Company continued to generate significant free cash flow that amounted to $299 million[2] (2018: $134 million). During 2019, we continued to successfully manage our balance sheet and significantly extended the maturity of $675 million of loans to 2024–2029 while maintaining the stable average cost of debt at 4.26%.

1.38

Net debt/Adjusted EBITDA
2018: 1.95

4.26%

Average cost of debt
2018: 4.19%

$299m

Free cash flow[1,2]
2018: $134m

Disciplined portfolio management

We impose strong capital discipline on all investment decisions across the business

- We apply high IRR hurdle rates (starting from 12% real unlevered at a $1,200/oz gold price for a base case project).
- Our strong preference is for high-grade, low-cost and low capital intensity projects with development optionality.
- We minimise our capital costs by employing a centralised hub-based system that handles ores from different high-grade sources.
- We preserve our focus by streamlining high-cost and short-lived assets.

We have made significant progress reshaping our portfolio, creating a more focused business. In 2018–2019, we divested several operations, including the Kapan mine in Armenia and Okhotsk in Russia, resulting in $111 million net cash inflows and a $20/oz positive impact on our cash costs and profitability. The excess cash was used to pay down debt in line with our strategy.

After the successful completion of Kyzyl on time and below budget in 2018, we started the construction of Nezhda (29% base case IRR) and POX-2 (14% base case IRR) in Q1 2019. Nezhda is one of the largest undeveloped high-grade deposits in Russia with 12.4 Moz of gold resources (inclusive of ore reserves) at 4.5 g/t. It will start contributing to free cash flow and dividends by 2022. POX-2 will fully de-risk our business model by bringing all concentrate processing in-house and eliminating our dependence on concentrate offtake from 2H 2023.

Investing for a sustainable future

Capital prioritised for safe and efficient technologies

We are finding new ways to work more sustainably as a business. In environmental stewardship, we continue to focus on zero-harm principles when designing and operating our mines. We have also taken our first steps with introducing renewable energy, especially in regions that have no access to the electricity grid. We are committed to improving the efficiency of our water and energy usage, recognising the impacts of climate change, and shifting towards safer methods of waste storage.

POX-2 will incorporate several important design features that will minimise the environmental impact and mitigate against related risks. It will also expand the scope of our existing social partnership agreements and create more than 400 new permanent jobs

Read more on pages 12, 41

The success of our business is dependent on our relationships with key external stakeholders which determine our social licence to operate. We will continue to engage with stakeholders and be responsive to their needs.

Read more about stakeholder engagement on pages 54–55, 100–103

Key performance indicators

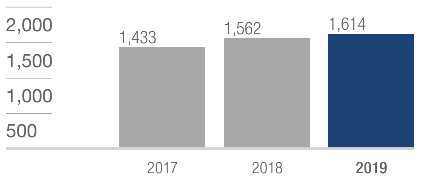
Link to strategy:

- Robust performance
- Delivering growth
- Securing the future
- Governance and sustainability
- KPI linked to executive remuneration

Operating

GOLD EQUIVALENT PRODUCTION +3%

(Koz)



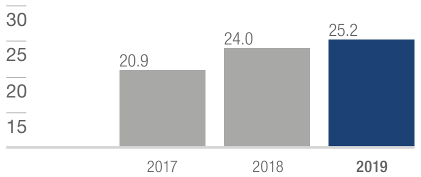
Annual target for gold equivalent (GE) production is an indicator to the market of our confidence in delivering stable and reliable growth.

In 2019, annual GE production of 1,614 Koz, an increase of 3% over 2018, exceeded the original guidance for the eighth year in a row.

Relevance to strategy

ORE RESERVES +5%

(Moz)



Extending mine life through near-mine exploration and new discoveries from greenfield exploration both contribute to the Company's long-term growth prospects.

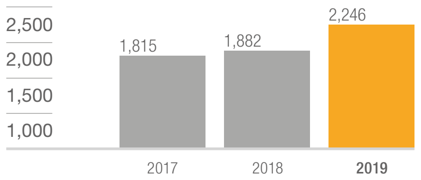
In 2019, the Company increased its ore reserves by 5% to 25.2 Moz of GE driven by successful exploration results with the subsequent re-evaluation at Kyzyl, Veduga, Kutyn and initial evaluation at Primorskoye.

Relevance to strategy

Financial

REVENUE +19%

($m)



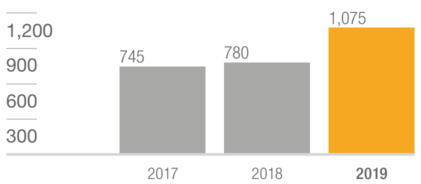
Top-line indicator, heavily dependent on commodity prices but also driven by the delivery of production volumes.

In 2019, revenue increased by 19% year-on-year to $2,246 million on the back of higher volumes and metal prices. Gold and silver sales were broadly in line with production volume trends and further supported by the release of working capital.

Relevance to strategy

ADJUSTED EBITDA[1] +38%

($m)



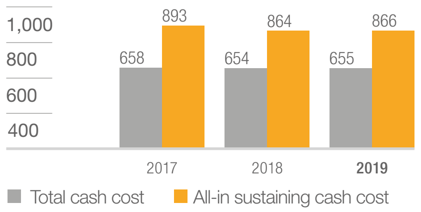
Adjusted EBITDA provides an indicator of our ability to generate operating cash flows from the current business.

Adjusted EBITDA was $1,075 million, up 38% compared with 2018, on the back of higher production volumes, higher commodity prices and stable costs. The Adjusted EBITDA margin was at 48% (2018: 41.4%).

Relevance to strategy

TOTAL CASH COST[1] +0%
ALL-IN SUSTAINING CASH COST[1] +0%

($/GE oz)



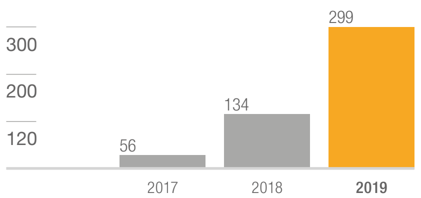
High-grade, full capacity utilisation and continued operational improvement, as well as foreign exchange rates and oil price are the key drivers behind total cash cost (TCC) per ounce.

TCC was flat at $655/GE oz. AISC amounted to $866/GE oz and remained broadly unchanged. The robust results at Kyzyl had a positive impact on costs, offsetting the impact of domestic inflation and planned GE grade decline at mature operations.

Relevance to strategy

FREE CASH FLOW POST-M&A[1] +122%

($m)



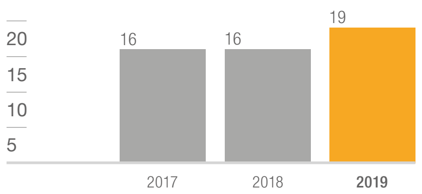
A key indicator in any business; generating a healthy free cash flow enables us to provide significant cash returns for shareholders.

The Company continued to generate significant free cash flow that amounted to $299 million after asset disposal and acquisition, supported by a net cash operating inflow of $696 million.

Relevance to strategy

UNDERLYING RETURN ON EQUITY[1] +3%

(ROE) (%)



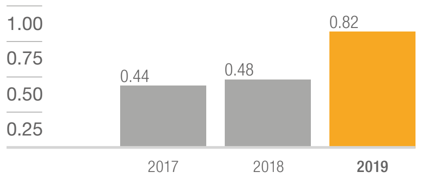
Return on equity (ROE) is one of the most important metrics for evaluating a company's profitability and measures the efficiency with which a company generates income using the funds that shareholders have invested.

In 2019, ROE (based on underlying net earnings and average equity adjusted for translation reserve) was 19% (2018:16%), and remains one of the highest in the sector.

Relevance to strategy

DIVIDENDS DECLARED FOR THE YEAR +71%

($/SHARE)



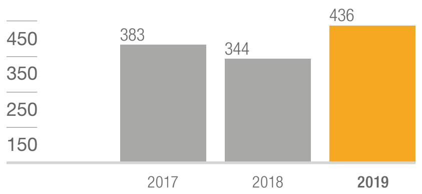
Our aim is to deliver meaningful dividends to our shareholders at all stages of both the commodity cycle and our investment cycle.

In 2019, dividends of $385 million ($0.82 per share) were declared, including a special dividend of $94 million ($0.20 per ordinary share announced in January 2020).

Relevance to strategy

CAPITAL EXPENDITURE +27%

($m)



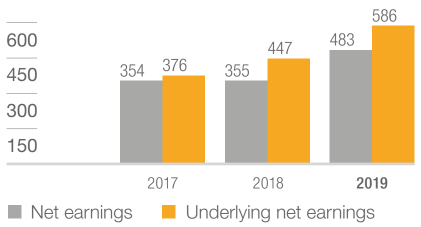
Our rigorous approach to all investment decisions ensures tight controls on capital expenditure, boosting the return on capital invested for shareholders and the sustainable development of the business.

Capital expenditure was $436 million, up 27% compared with 2018 and above the initial guidance of $380 million, due to accelerated pre-stripping and construction at Nezhda.

Relevance to strategy

NET EARNINGS[2] +36%
UNDERLYING NET EARNINGS[1] +31%

($m)



Underlying net income is a comprehensive benchmark of our core profitability, excluding foreign exchange gains/losses, impairments and one-off non-recurring items.

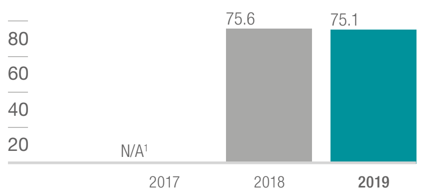
Underlying net earnings increased by 31% to $586 million on the back of higher operating profit.

Relevance to strategy

Sustainability

GHG INTENSITY[3] -1%

(TONNES PER KT OF ORE PROCESSED)



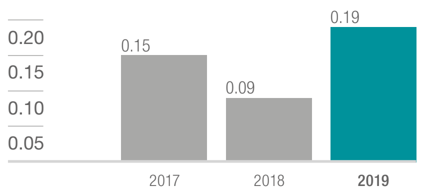
Reducing GHG emissions: we are taking steps to build a truly sustainable economy by measuring and disclosing our environmental impact.

We fully recognise that climate change will require us to be more carbon neutral. Polymetal aims to continuously improve energy efficiency at our mines and engage with business partners to enhance GHG transparency. In 2019, GHG intensity (scope 1 and scope 2) decreased by 1%.

Relevance to strategy

LOST TIME INJURY FREQUENCY RATE +111%

(LTIFR)



An improvement in the health and safety of employees at our operations is a key priority with a goal of zero fatalities.

Sadly, the Company did not reach its zero-fatalities target in 2019: safety performance deteriorated both in terms of frequency of lost-time injuries and the number of fatalities. LTIFR in 2019 amounted to 0.19 (2018: 0.09).

Relevance to strategy

1 Defined in the Alternative performance measures section on page 206–207.
2 Profit for the financial period.
3 Excluding Kapan and Okhotsk operations. As the new methodology has been applied since 2019 for more precise disclosure of emissions, data for 2018 has been restated accordingly for comparative purposes and includes continuing operations only.

Operating review

Kyzyl enhances successful operations

“In 2019, Polymetal continued to deliver a solid set of operating results. Production from continuing operations grew by 14% year-on-year to 1,609 Koz GE.

1,316 Koz

Gold production
2018: 1,216 Koz

21.6 Moz

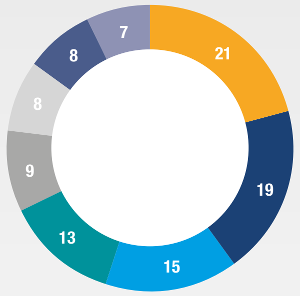
Silver production
(2018: 25.3 Moz)

Key operating highlights

	2019	2018	Change
Stripping, Mt	**158.6**	126.7	+25%
Underground development, km	**105.8**	130.0	-19%
Ore mined, Mt	**17.2**	14.0	+23%
Open-pit	**13.0**	9.3	+40%
Underground	**4.2**	4.7	-10%
Ore processed, Mt	**15.0**	15.2	-1%
Average grade in ore processed (gold equivalent, g/t)	**4.0**	3.9	+1%
Production			
Gold, Koz	**1,316**	1,216	+8%
Silver, Moz	**21.6**	25.3	-15%
Copper, Kt	**2.5**	3.9	-37%
Gold equivalent, Koz[1]	**1,614**	1,562	+3%
Sales			
Gold, Koz	**1,366**	1,198	+14%
Silver, Moz	**22.1**	25.7	-14%
Copper, Kt	**2.8**	3.3	-15%
Gold equivalent, Koz[2]	**1,631**	1,535	+6%
Average headcount	**11,611**	12,140	-4%
Health and safety			
Fatalities[3]	**2**	1	+100%
LTIFR	**0.19**	0.09	+111%

1 Based on 1:80 Ag/Au, 5:1 Cu/Au and 2:1 Zn/Au conversion ratios.
2 Based on actual realised prices.
3 Polymetal employees.

GOLD EQUIVALENT PRODUCTION BY MINE IN 2019
(%)



	12 months ended 31 December		
	2019	2018	Change
Kyzyl	**343**	96	257%
Dukat	**302**	306	-1%
Albazino/Amursk	**241**	308	-22%
Omolon	**205**	195	+5%
Varvara	**149**	142	+5%
Svetloye	**134**	136	-1%
Mayskoye	**129**	117	+10%
Voro	**107**	107	-1%
TOTAL (continuing operations)	**1,609**	1,407	+14%
Kapan	**5**	51	-90%
Okhotsk	**–**	104	NA
TOTAL (including discontinued operations)	**1,614**	1,562	+3%

Delivering on targets

In 2019, Polymetal exceeded both original and updated production guidance for the eighth year in a row. Robust production combined with positive gold price dynamics were the key drivers for strong free cash flow generation. The Company’s GE production for 2019 amounted to 1,614 Koz, an increase of 3% over 2018 and 4% above the original production guidance of 1.55 Moz. A strong contribution from Kyzyl more than compensated for operating asset disposals (Okhotsk and Kapan), while the rest of the portfolio generated stable results.

Gold production for the full year was up 8%, while silver output decreased by 15% on the back of asset disposals and planned grade decline at Dukat. Gold sales of 1,366 Koz were up 14% year-on-year, while silver sales were down 14% year-on-year at 22.1 Moz, broadly in line with production dynamics and further supported by working capital release.

Analysis of production results

Mining

Stripping volumes in 2019 grew by 25% to 158.6 Mt of rock moved, driven mostly by stripping at Komar (Varvara), Kyzyl and Veduga. Following a successful in-fill drilling campaign, open-pit mining recommenced at the Birkachan mine (Omolon) with a view to extending the operation of the heap leach facility. Open-pit mining started at the Yolochka mine (Omolon).

Underground development decreased by 19% to 106 km (2018: 130 km), mainly due to the disposal of Kapan. However, this was partially offset by the increase in underground development at the Khrustalny and Smely ore zones (Dukat).

Total ore mined increased by 23% year-on-year to 17.2 Mt (2018: 14 Mt), mainly driven by open-pit mining restarting at Birkachan (Omolon), as well as increased volumes of open-pit mining at Kyzyl, which operated above its nameplate throughput capacity, and at the Komar mine (Varvara).

17.2 Kt

Ore mined
+23%

4.0 GE g/t

Average grade in ore processed
+1%

Processing

The volume of ore processed remained largely unchanged over the previous year at 15.0 Mt (2018: 15.2 Mt): increased throughput at Kyzyl fully compensated for the disposal of assets, while other mines operated at a stable pace.

The average gold equivalent grade in ore processed increased by 1% year-on-year to 4.0 g/t, slightly above the average reserve grade of 3.7 g/t. Scheduled moderate grade declines at Albazino (processing of lower grade ore from the Ekaterina-1 open pit) and Dukat (the Omsukchan concentrator processing larger volumes of lower-grade ore), as well as minor declines at Mayskoye and Voro, were offset by high-grade Kyzyl outperforming expectations on gold grade and Omolon (Kubaka mill processing larger volumes of higher grade ore from Birkachan and Olcha underground mines).

Production and sales

In 2019, Polymetal continued to deliver a solid set of operating results. Production from continuing operations grew by 14% year-on-year to 1,609 Koz GE.

The key driver behind this performance was Kyzyl: full-year gold production came in at 343 Koz, while the operation exceeded design specifications on throughput, grade and production. GE production at Dukat totalled 302 Koz, almost flat year-on-year. At Albazino/Amursk, the total gold output amounted to 241 Koz, a 22% decline year-on-year on the back of the decrease in production from Albazino concentrate (affected by processing of lower grade ore from the Ekaterina-1 open pit) and lower volumes of third-party feed processed at the POX plant. At Omolon, GE production was up 5% year-on-year to 205 Koz on the back of larger volumes of higher grade ore being processed. Varvara GE output increased to 149 Koz driven by higher mining and railing volumes at Komar. Gold production at Mayskoye totalled 129 Koz, a 10% increase over 2018, positively impacted by higher recoveries. Voro and Svetloye also delivered a solid set of results: GE production was 107 Koz and 134 Koz, respectively, and remained stable year-on-year.

Metal sales in 2019 were 1,631 Koz of gold equivalent, up 6% compared with 2018, broadly following production dynamics. While most of the sales comprised refined metals, we continue to sell concentrates from Dukat (gold/silver), Varvara (gold/copper), Mayskoye (refractory gold) and Kyzyl (double refractory gold) to offtakers. Offtake allows us to maximise our margins and achieve an optimal combination of transportation costs and treatment charges/recoveries; this being one of our core competencies.

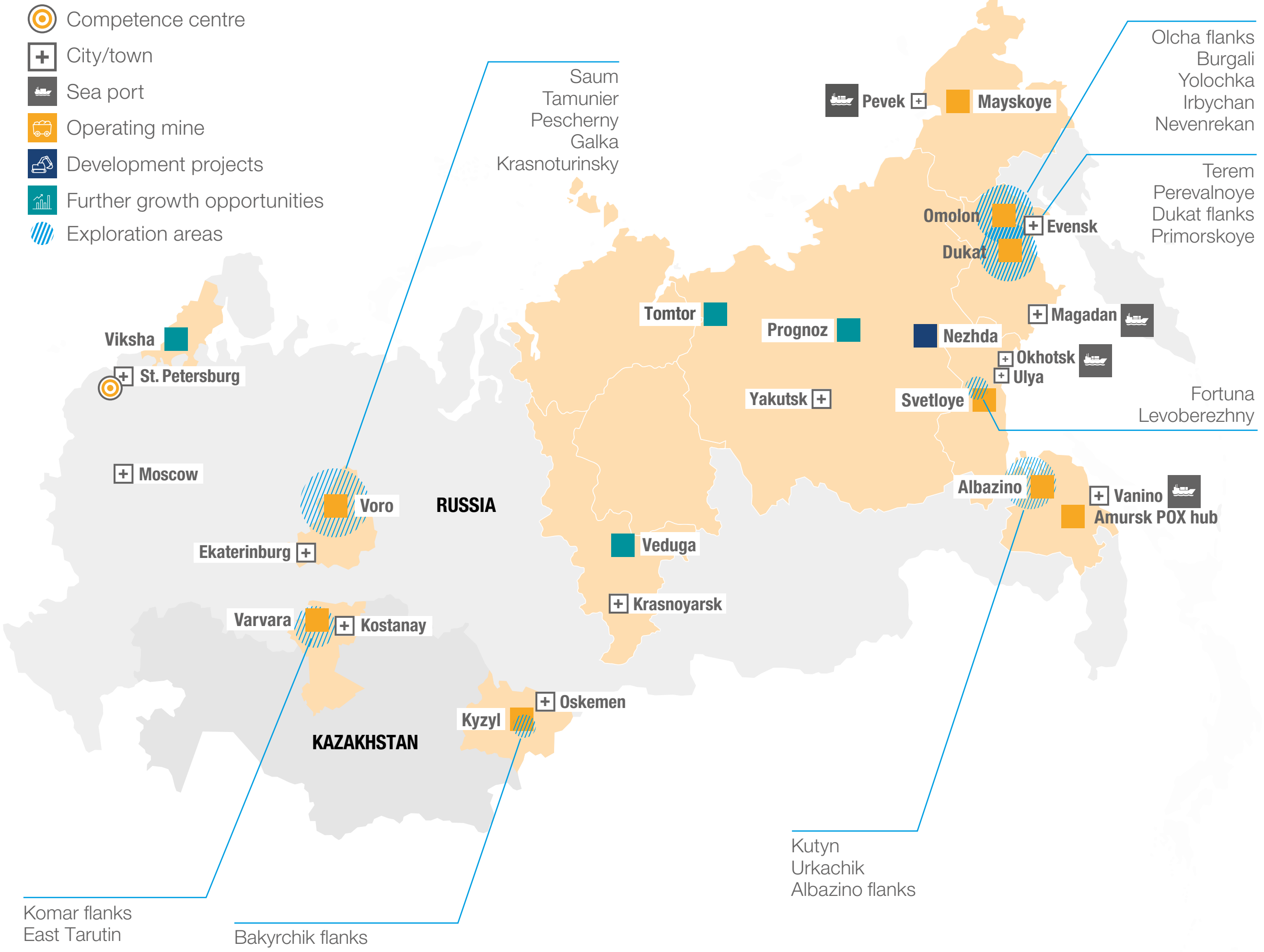
Exploration

Greenfield and brownfield exploration is a core element in our strategy for driving long-term growth and has proved to be one of the most efficient growth sources for Polymetal historically. Extending mine life through near-mine exploration at existing operations and new discoveries from greenfield exploration both contribute to the Company's long-term development prospects. Our exploration activities are focused on six regions in Russia (Khabarovsk, Magadan, Karelia, Yakutia, Chukotka and Ural) as well as on Kazakhstan.

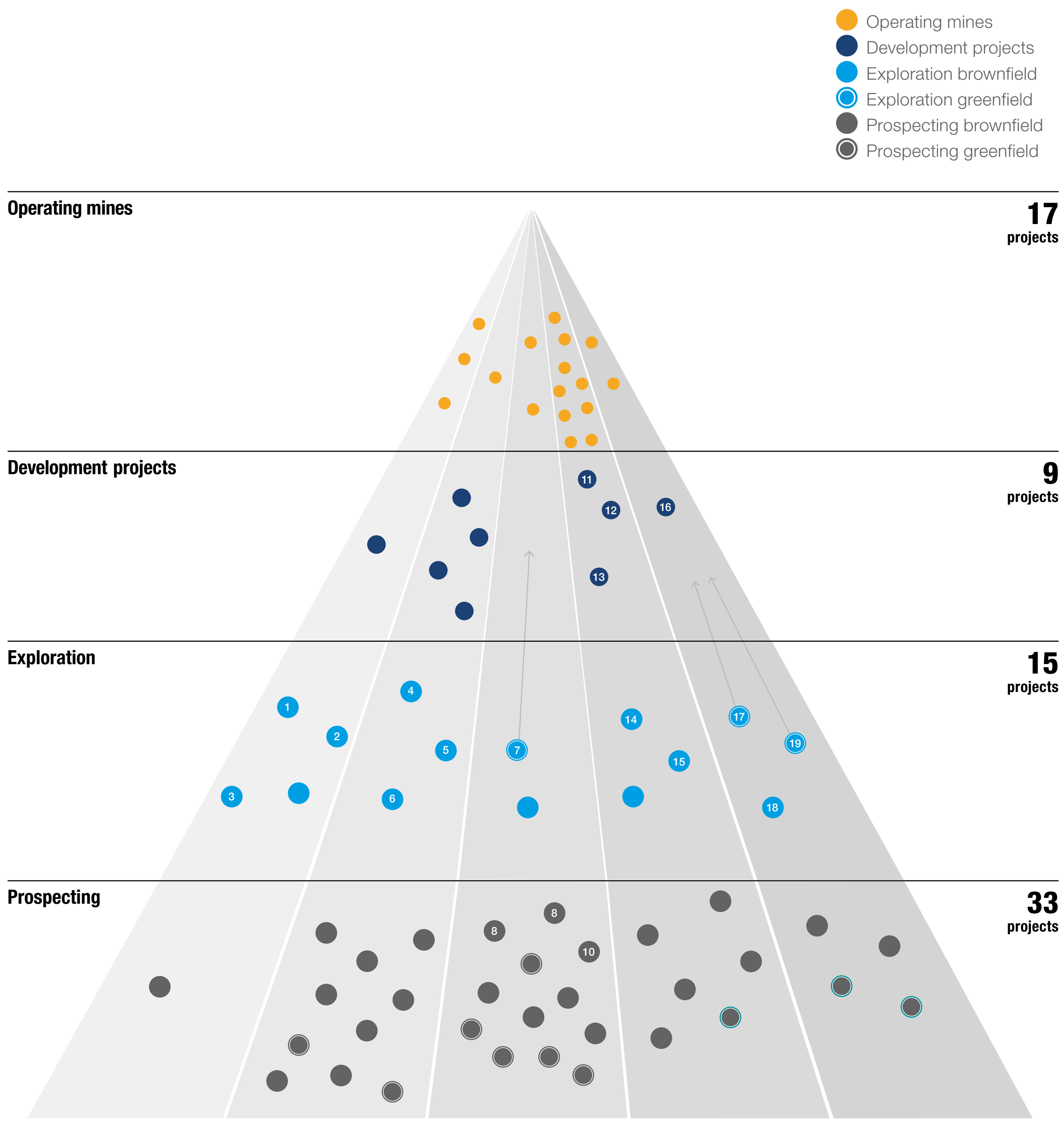
Our key exploration objectives in 2019 were:

- Brownfield exploration projects in close proximity to the Company's operating assets, notably: exploration drilling at Kyzyl's second ore zone, East Bakyrchik (5.3 km); Varvara (exploration drilling at the East Tarutin gold-copper deposit and Elevator totalling 28.3 km and 4.8 km, respectively); Omolon (5.6 km of exploration drilling at Nevenrekan): Voro (23 km of drilling at Pescherny and the Voro northern and western flanks).
- Full revaluation of ore reserves and mineral resources at Kyzyl, based on data from the drilling campaign (additional 239 diamond drill holes, 41.5 km of drilling).
- Updated ore reserves and mineral resources estimate at Veduga based on exploration activities conducted in 2017–2018.
- Updated mineral resources estimates at Viksha.
- Updated ore reserves and mineral resources estimate at the Kutyn gold project based on the results of drilling conducted in 2017–2019.
- Continued exploration activities at the southern flanks of the Nezhda deposit with the goal of identifying new mineralised zones and updating the mineralisation estimates of the known ore bodies.

OUR EXPLORATION SITES



Exploration and development projects



Key projects

KAZAKHSTAN	URAL	KHABAROVSK	MAGADAN	OTHER SEGMENTS
1 Bakyrchik flanks	4 Krasnoturinsky	7 Kutyn	11 Yolochka	16 Nezhda (Yakutia)
2 Komar flanks	5 Galka	8 Albazino flanks	12 Burgali	17 Viksha (Karelia)
3 Bakyrchik flanks	6 Voro	9 Svetloye	13 Perevalnoye	18 Veduga (Krasnoyarsk region)
		10 Urkachik	14 Nevenrekan	19 Prognoz (Yakutia)
			15 Olcha flanks	

Key 2019 achievements

In 2019, Polymetal succeeded in extending life-of-mine at producing assets and continued to invest in the next generation of assets. Exploration activities were carried out at 52 licensed properties. Thirteen new licences were obtained for geological studies, exploration and production of gold, silver, PGMs and copper. In total, 198 km of drilling was completed. The total capital expenditure on exploration was $46 million; this is 10% lower than in 2018 because of the completion of major drilling campaigns at Nezhda and Dukat in 2018.

As a result of our exploration efforts, meaningful reserve and resource estimates were completed during the year, including:

- An updated JORC-compliant ore reserves and mineral resources estimate at Kyzyl: 41.7 Mt of ore with an average grade of 6.3 g/t containing 8.5 Moz of gold. Open-pit reserves increased by 37% to 4.2 Moz of gold contained at an average grade of 5.7 g/t, while underground reserves were up 4% to 4.3 Moz of gold contained at an average grade of 7.1 g/t. Total life-of-mine extended by eight years (to 2047), while life-of-mine for the open pit increased by five years (to 2031) compared with the previous estimate conducted in 2015.
- An increase of more than double in ore reserves at Veduga. The updated ore reserves estimate comprises 18.9 Mt of ore with an average grade of 4.6 g/t containing 2.8 Moz of gold. Open-pit reserves increased by 31% to 0.8 Moz of gold contained (28% of total reserves) at an average grade of 3.8 g/t.
- An updated JORC-compliant open-pit ore reserves estimate at Kutyn: 8.4 Mt of ore with an average grade of 3.0 g/t containing 812 Koz of gold. This represents a 110% increase in gold contained in comparison with the previous reserve estimate prepared in 2015.
- An updated JORC-compliant mineral resource estimate at Viksha. The new estimate incorporates data from 359 additional diamond drill holes (44 km) completed by Polymetal in 2017–2018. The total amount of four metals contained is 5.7 Moz of PdE at an average grade of 1.1 g/t of PdE.
- Initial JORC-compliant mineral resource estimate at Elevator (Varvara). Resources amounted to 402 Koz of gold with an average grade of 1.8 g/t. This offset the decrease in resources at Varvara and Komar attributable to changes to the boundaries of the mineral resources.
- Initial ore reserves estimate at the Primorskoye deposit (Dukat) amounted to 12.2 Moz silver equivalent with an average grade of 3,113 g/t at a cut-off grade of 1,115 g/t of silver equivalent (for processing at the Lunnoye plant).
- An increase of additional mineral resources at Albazino by 159 Koz to 1.8 Moz GE with an average grade of 4.6 g/t; Nevenrekan (Omolon hub) by 78 Koz to 242 Koz of GE with an average grade of 19.3 g/t; and Emmy and Lyudmila ore zones (Svetloye) by 109 Koz

In 2019, we formed our first strategic partnerships with junior exploration companies for early-stage exploration in the Taimyr Peninsula and the Chaunsk region of Chukotka, Russia, with the goal of combining Polymetal's financial and permitting clout with the fresh thinking and fast decision-making of junior partners.

2020 targets

In 2020, Polymetal will continue to invest in both near-mine and greenfield exploration projects in order to increase ore reserves.

The key objectives are as follows:

- Prepare initial ore reserves estimate for East Bakyrchik (Kyzyl)
- Prepare initial ore reserves estimate for Prognoz
- Complete ore reserves estimate update at Veduga
- Prepare initial ore reserves estimate for Voro refractory ore
- Prepare initial mineral resources estimate at Talgiy (Urkachik site, Albazino)
- Upgrade mineral resources categories at Elevator.

The Company also plans to further develop its co-operation with junior exploration companies and enter into several new strategic partnerships. In 2020, the results of the first field season of working with existing junior partners are expected.

Exploration areas and volumes (mine site exploration excluded)

	2019	Drilling, km 2018
Brownfield		
Kyzyl	5.3	7.3
Albazino	13.2	26.8
Mayskoye	–	29.5
Varvara hub	45.3	53.2
Voro hub	23.3	32.9
Omolon hub	11.8	21.3
Svetloye hub	2.8	5.9
Dukat hub	0.6	27.6
Okhotsk (sold in December 2018)	–	15.9
Subtotal	**102.4**	**220.6**
Greenfield		
Yakutia	43.1	85.7
Nezhda	1.8	25.9
Prognoz	41.4	59.8
Veduga	19.2	–
Kutyn	16.1	19.8
Viksha	11.9	14.7
Urals	3.9	9.3
Other	1.9	–
Subtotal	**96.1**	**129.6**
Total	**198.5**	**350.2**

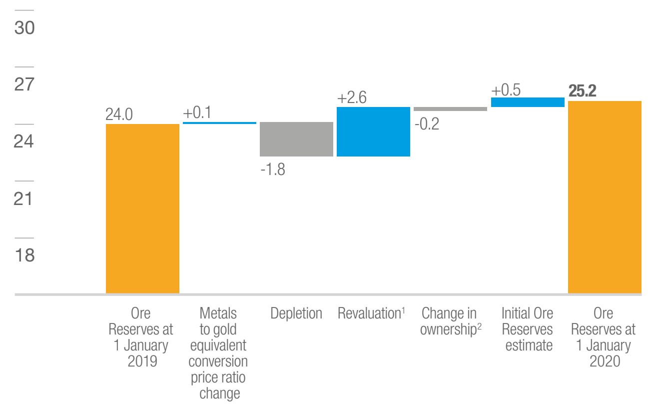
Reserves and Resources

In 2019, Group Ore Reserves increased by 5% year-on-year to 25.2 Moz of gold equivalent due to successful exploration results with the subsequent re-evaluation of ore reserves at Kyzyl, Veduga, Kutyn and an initial estimate at Primorskoye (Dukat hub). GE Ore Reserves per share also grew by 5%.

Ore Reserves and Mineral Resources summary [1,2]

	1 January 2020	1 January 2019	Change
Ore Reserves (Proved + Probable), gold equivalent Moz	**25.2**	**24.0**	**+5%**
Gold, Moz	23.7	22.3	+6%
Silver, Moz	116.0	135.0	-14%
Average reserve grade, GE g/t	**3.7**	**3.8**	**-2%**
Ore Reserves per share, GE oz/per share	**0.054**	**0.051**	**+5%**
Mineral Resources (Measured + Indicated + Inferred), gold equivalent Moz	**25.4**	**26.3**	**-4%**
Gold, Moz	20.3	21.0	-3%
Silver, Moz	337.7	354.9	-5%
Average resource grade, GE g/t	**5.2**	**5.1**	**+1%**

ORE RESERVES RECONCILIATION
(GE OZ)



1 Including the effect of the expected sale and stockpiles write-off of Sopka Kvartsevaya (-199 Koz) and Dalneye (-58 Koz) deposits.
2 Lichkvaz sale.

Gold reserves were up 6% at 23.7 Moz, while silver reserves decreased 14% to 116 Moz. The share of gold in Ore Reserves increased to 94%.

Mineral Resources (additional to Ore Reserves) declined by 4% year-on-year to 25.4 Moz of GE. The Lichkvaz disposal and conversion of Mineral Resources to Ore Reserves at Kyzyl, Primorskoye and Veduga were largely compensated by an initial Mineral Resources estimate of Elevator (Varvara hub) and an increase in resources at Albazino and Svetloye. The share of gold in Mineral Resources stands at 80%, with silver at 17%.

The average grade in Ore Reserves remained largely unchanged over the previous year at 3.7 g/t of GE. It continues to be one of the highest within the global sector. The average Mineral Resources grade also remained stable at 5.2 g/t of GE.

Outlook for 2020

Safety remains a top priority for Polymetal. We continue to focus on further improvements across health and safety metrics and reiterate our commitment to a zero-fatalities target in relation to all employees and contractors on our sites.

In 2020, we expect stable operating performance to ensure steady financial results, while continued progress with the Nezhda and POX-2 projects will enable us to resume production growth in 2022. The Company reiterates its current production guidance of 1.6 Moz of GE in both 2020 and 2021. Production in both years will be weighted towards the second half of the year due to seasonality.

At Kyzyl, the Company intends to push the throughput further to the 2.1 Mtpa level by the second half of 2020. We expect grade-driven production increases at Omolon and Albazino, as well as a sustained contribution from Varvara, Svetloye and Mayskoye. Production at Dukat and Voro will continue to decline gradually on the back of the planned depletion of higher-grade ore sources.

At the same time, we will focus on advancing our long-term project pipeline. At Nezhda, we plan to start equipment installation and complete the construction and commissioning of the power plant by the year-end. At POX-2, the goal is to receive all necessary permits and deliver the autoclave on-site. We will continue to advance Prognoz and Veduga, concentrating on additional drilling as well as initial and upgraded ore reserves estimates, which will inform our future investment decisions.

We will also continue running a number of development projects at existing operations, aimed at either extending the life-of-mine or reducing costs. This includes Mayskoye, where a new mining method and a conveyor ore transportation system will enable cost-effective and lower carbon footprint operations at deep underground levels. We are in the process of reducing our reliance on diesel power, and with it our environmental impact, through renewable energy projects at remote sites. Another large project, the flotation circuit at Voro, will extend the life-of-mine there by 10+ years.

1 Ore Reserves and Mineral Resources from continuing operations. Kapan mine was classified as a discontinued operation as at 1 January 2019 and is not included in this estimate; Lichkvaz, Oroch, Sopka Kvartsevaya, Dalneye and Irbychan mines were classified as discontinued operations as at 1 January 2020 and are not included in this estimate.
2 Mineral Reserves are additional to Ore Reserves. Total Ore Reserves and Mineral Resources numbers include base metals (copper, zinc and lead). PGM Mineral Resources are presented separately and are not included in the calculation of the gold equivalent. Any discrepancies in calculations are due to rounding.

Operating assets

Kyzyl

343 Koz
Payable production

8.2 Moz
Gold reserves

$399/GE oz
Total cash cost

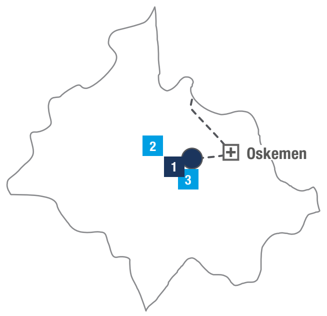
27 years
Estimated life-of-mine

Location: East Kazakhstan Region, Kazakhstan
Managing director: Kenbeyil Isaev
Employees: 1,245
Mining: Open-pit (~14 years) followed by underground
Processing: 2.0 Mtpa flotation + POX/concentrate offtake
Production start date: 2018
Life of mine: 2047

Mines
1 Bakyrchik
Processing
Kyzyl (flotation)
Concentrate to downstream
POX
Third parties

Exploration
2 Bolshevik
3 Bakyrchik flanks

Town
Railway



First year at full capacity with excellent results

In 2019, Kyzyl continued to exceed budget on throughput and grade, contributing one-third of the Group's EBITDA. In addition, in 2019 we concluded the first stage of extending the open-pit life-of-mine at this flagship operation.

Mining

At Kyzyl, stripping volumes increased to 67.5 Mt, up 11% compared with 60.9 Mt in 2018. The annual amount of ore mined was 2,000 Kt, average gold grade in ore mined was 7.4 g/t, up 33% year-on-year, driven by mining activity at the near-surface area with significant high-grade lenses.

Processing and production

Full-year gold production was at 343 Koz of gold, while gold in concentrate produced amounted to 404 Koz.

Concentrator throughput reached the nameplate capacity of 2.0 Mtpa, 11% above the original design of 1.8 Mtpa. The Company intends to push the throughput further to 2.1 Mtpa by the second half of 2020. Average gold grade in ore processed was 7.1 g/t, compared with 5.7 g/t in 2018.

The Company moved to increase the share of gold contained in low-carbon concentrate processed at Amursk POX to 70% (versus the planned 50%). This will ensure higher production and lower costs at Kyzyl.

Exploration and reserves update

The updated estimate for Bakyrchik conducted in 2019 incorporates data from an additional 239 diamond drill holes, 41.5 km of drilling. Open-pit reserves are now equal to 3.9 Moz of gold with an average grade of 5.6 g/t. Underground reserves increased to 4.3 Moz with an average grade of 7.1 g/t. The life of the open-pit mine increased from 10 years to 14 years.

In 2019, Polymetal continued exploration drilling at Kyzyl's second ore zone, East Bakyrchik (Promezhutochny and Gluboky Log sections), to study the possibility of an open-pit expansion. Twenty-four drill holes totalling 5.3 km of drilling were completed, which resulted in the identification of the contours of ore bodies and mineralisation boundaries.

In 2020, the Company plans to update the ore reserves and mineral resources estimates to include the results of the East Bakyrchik evaluation.

Priorities for 2020

- Sustained production and increased throughput
- Construction of the third stage of the tailings dam
- Initial ore reserves estimate at East Bakyrchik in Q4 2020
- Implementing automated fleet dispatch system.

Dukat

2nd
largest primary silver mine globally[1]

302 GE Koz
2019 production
(-1%)

2.52 Mt
Ore processed
(+2%)

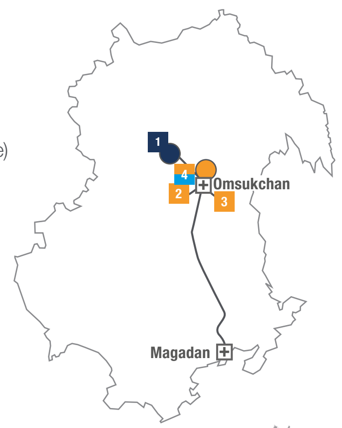
$10.0/SE oz
Total cash cost
(2018: $9.3/SE oz)

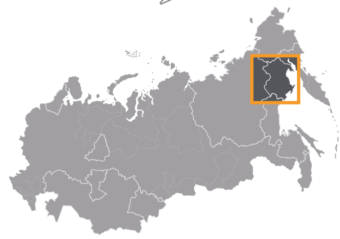
Location: Magadan Region, Russia
Managing director: Dmitry Galtchuk
Employees: 1,757
Mining: Underground
Processing: 2.0 Mtpa flotation (Omsukchan) + 450 Ktpa Merrill-Crowe (Lunnoye)/ concentrate offtake
Production start date: 2000
Life of mine: 2024 (Lunnoye), 2026 (Dukat)

Mines
1 Lunnoye
Processing
Lunnoye (cyanide leaching and Merrill-Crowe)
Precipitate to downstream
Omsukchan (flotation/ gravity)
2 Dukat
3 Goltsovoye
4 Perevalnoye
Processing
Omsukchan (flotation/gravity)

Exploration
4 Perevalnoye

Town
Roads





Consistent contribution from Russia's largest primary silver mine

In 2019, the Dukat hub produced 19.3 Moz of silver, delivering according to plan. Despite planned grade declines at the underground mine, Dukat continues to be a steady contributor to the Group's EBITDA and free cash flow.

Mining

During 2019, underground mines at Dukat, Lunnoye and Goltsovoye operated at full capacity, and the total amount of ore mined at the Dukat hub increased by 4% year-on-year to 2.5 Mt. Underground development was flat year-on-year at 60 km.

At Dukat, the volume of ore mined remained virtually unchanged, recording another high level at 1,658 Kt. Underground development increased by 14% to 39 km. Average silver grade decreased by 8% to 253 g/t in accordance with the mine plan.

At Lunnoye, the amount of ore mined was down 5% to 512 Kt, while average silver grade decreased by 13% year-on-year to 248 g/t in line with budget on the back of the depletion of high-grade areas in zone 9. Underground development remained flat at 11 km.

At Goltsovoye, the volume of ore mined increased by 31% year-on-year to 253 Kt, and the average silver grade was 343 g/t, up 7% compared with the previous year. Mining at Goltsovoye has now been completed with the operation transferred to care and maintenance.

At Perevalnoye, positive exploration results led to a significant increase in the average widths of ore body and in reserve tonnage, leading to a possible life-of-mine extension. Underground development was 4.4 km, up 23% year-on-year.

Processing and production

Full-year silver production at the Dukat hub was 7% lower year-on-year at 19.3 Moz, on the back of planned moderate grade declines at the underground mine. The decline was primarily driven by the Omsukchan concentrator processing larger volumes of lower-grade ore as well as a fall in recoveries due to the processing of material from Goltsovoye crown pillars.

In 2019, the Omsukchan concentrator processed a record volume of more than 2 Mt of ore while maintaining stable recoveries for both gold and silver of 85.6% and 86.3% respectively. This was due to the successful operation of the ore quality control system, based on geological and process mapping. Average gold grade processed remained largely unchanged over the previous year at 0.5 g/t, while average silver grade decreased by 4% to 285 g/t. Gold production decreased by 7% to 27.4 Koz, while silver production at 15.8 Moz was down 4% year-on-year.

1 Based on published results of peer group.

Operating assets

Dukat continued

At Lunnoye, processing volumes remained flat at 461 Kt. Average gold grade increased by 5% to 1.4 g/t while average silver grade was down by 22% to 256 g/t. Average gold and silver recoveries were up by 2% and 1%, respectively. Gold production grew 8% year-on-year to 18.0 Koz. Reconstruction of the sixth stage of tailings dams has been finished.

During the year, several improvement projects aimed at ensuring stable operating performance at Lunnoye were undertaken: construction and entry into service of a chemical warehouse; technical refitting of the explosive materials warehouse; and installation of auxiliary mill drives.

Reserves and Resources

According to the initial estimate, ore reserves of the Primorskoye deposit amounted to 12.2 Moz silver equivalent with an average grade of 3,113 g/t at a cut-off grade of 1,115 g/t of silver equivalent (for processing at the Lunnoye plant). Additional mineral resources decreased by 20.3 Moz in silver equivalent as a result of the conversion.

Priorities for 2020

- Further upgrade of the tailings dam at Dukat
- Optimisation programme aimed at improving the quality of concentrate
- Life-of-mine extension through advancing the Perevalnoye and Primorskoye projects, start of infrastructure construction
- A change in the processing scheme for selective flotation, driven by the start of Perevalnoye ore processing.

Omolon

205 Koz
GE production (+5%)

$749/GE oz
Total cash costs (2018: $647/GE oz)

2,973 Kt
Ore mined (2018: 1,014 Kt)

$123m
Adjusted EBITDA (+16%)

Location: Magadan Region, Russia

Managing director: Samat Kozhakaev

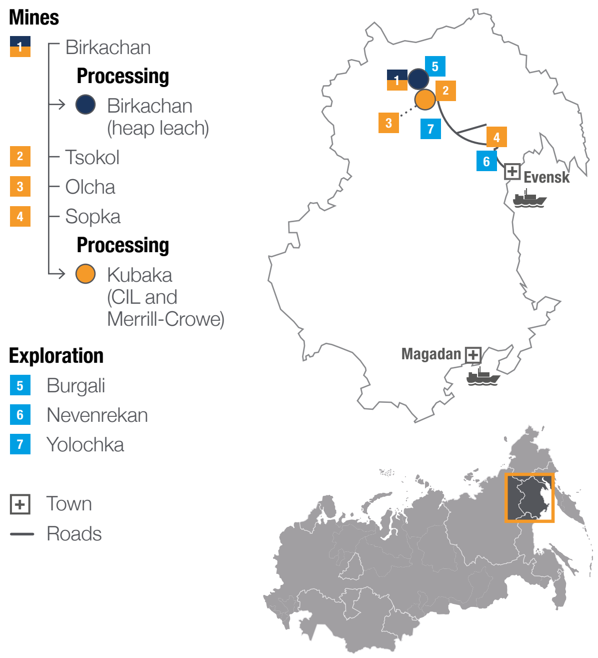
Employees: 1,107

Mining: Open-pit/underground

Processing: 850 Ktpa CIP/Merrill-Crowe (Kubaka), 1 Mtpa heap leach (Birkachan)

Production start date: 2010

Life of mine: 2024



Flexible ore feedstock mix

In 2019, Omolon delivered stable financial and operating results, with GE production of 205 Koz, a 5% increase compared with 2018 driven by larger volumes of higher grade ore processed at the Kubaka mill.

Mining

In 2019, the total ore mined was up three-fold year-on-year to 2,973 Kt due to open-pit mining recommencing at Birkachan and the start of open-pit mining at Yolochka. Underground development was 13 km and remained unchanged compared with the previous year.

Following a successful in-fill drilling campaign, open-pit mining recommenced at the Birkachan mine with a view to extending the operation of the heap leach facility and replacing the ore from the Sopka open pit, which was fully depleted in Q2 2019. Total ore mined from the open pit comprised 1,629 Kt, with average gold grade at 1.4 g/t. The underground mine delivered 169 Kt of ore mined, up 19% year-on-year, with average gold grade increased by 10% to 10.6 g/t. Underground development was flat at 5 km for the year.

Open-pit mining at Sopka was completed. Total ore mined was 418 Kt, down 33% year-on-year. The mining fleet has re-located to a new satellite deposit, Yolochka (80 km from the Kubaka mill), where mining commenced in 2019.

At Yolochka, the volume of ore mined amounted to 474 Kt, with the average gold grade at 4.5 g/t.

At Tsokol, the underground development increased by 8%, with 165 Kt of ore mined and a 29% decrease in the average gold grade to 5.2 g/t.

At Olcha, total mining volumes increased by 27% to 117 Kt, while underground development was down 9% year-on-year. The average gold grade decreased to 7.5 g/t, down 23% year-on-year.

Processing

Full-year gold production increased by 8% year-on-year to 178 Koz as the Kubaka mill processed larger volumes of higher grade ore from the Birkachan and Olcha underground mines.

The volume of ore processed at the Kubaka mill decreased by 3% to 834 Kt. Gold recovery remained stable at 95.5% and silver recovery decreased by 9% to 79%, driven by the change in feedstock mix. Average silver grade was down 3% to 95 g/t, while average gold grade increased by 13% to 6.4 g/t.

Gold production at the Birkachan heap leach increased to 14.1 Koz, 9% above the 2018 level. The total volume of ore stacked decreased to 897 Kt, down 10% year-on-year.

Exploration and resources

Exploration drilling of 5.6 km was completed at the Nevenrekan deposit to close the ore bodies along the strike at zone 1 and assess their extension. Mineral resources increased by 78 Koz to 242 Koz of GE with an average grade of 19.3 g/t.

Priorities for 2020

- Grade-driven production increase
- Completion of project documentation and start of construction of dry-stack storage at Kubaka
- Advancing the solar power station project (project design, equipment procurement)
- Expected sale of Sopka low grade ore stockpiles and related mining and exploration licences.

Operating assets

Amursk POX Hub

430 Koz
Total gold production through POX (+36%)

211 Kt
Concentrate processed (+20%)

94.1%
POX recovery

Location: Khabarovsk Territory, Russia

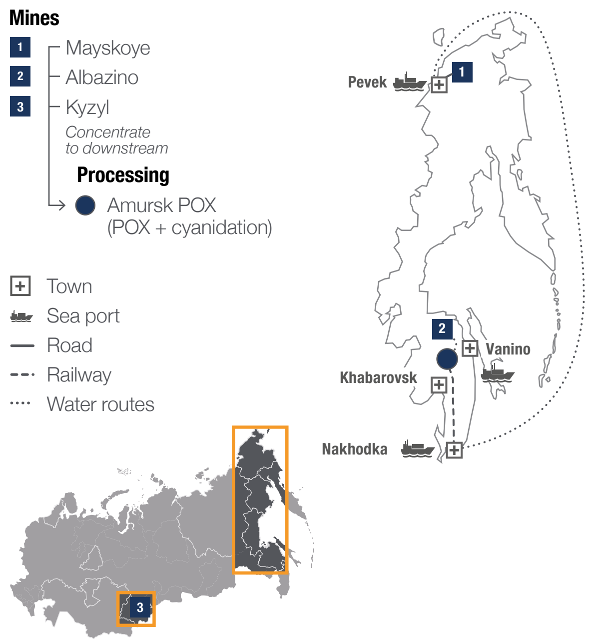
Managing director: Vadim Kipot

Employees: 485

Feed: Albazino, Mayskoye, Kyzyl, 3rd party concentrate

Processing: Concentrate POX + cyanidation

Production start date: 2012



Leveraging our core technical capabilities

Gold production at the Amursk POX increased by 36% year-on-year driven by the 2018 expansion (commissioning of the second oxygen plant) that allowed us to introduce high-grade Kyzyl concentrate into the feed. The processing of large volumes of double-refractory Kyzyl concentrate, starting from Q2 2019, has significantly changed the operating parameters and led to a 3% year-on-year decline in recoveries. The POX plant currently runs at its expanded design capacity.

The Amursk POX plant became the second gold production operation in Russia and FSU that has been certified as fully compliant with the International Cyanide Management Code (Cyanide Code) as both a gold mining company and separately as a cyanide transporter by the International Cyanide Management Institute (ICMI).

2019 highlights

In 2019, the Amursk POX plant achieved record operating results. The volume of concentrate processed increased by 20% to 211 Kt, while total gold production amounted to 430 Koz, 36% up year-on-year, due to the successful and timely launch of the POX debottlenecking project in Q4 2018. Increased POX capacity enables higher gold recoveries from concentrate and reduces downstream processing costs, thus improving the economics at Kyzyl and broadening the scope for the profitable treatment of third-party feedstock.

The volume of Albazino concentrate processed was down slightly by 3% at 142 Kt. The average grade in concentrate was 51.2 g/t, down 10% year-on-year. Recoveries from Albazino concentrate exceeded the design level at 95.4%.

52 Kt of high-grade low-carbon Kyzyl concentrate were introduced to the feed during 2019, with a recovery level of 92.4%. By implementing tight feed management procedures, the POX team managed to stabilise the average POX recovery ratio at a level above 94%.

The output from Veduga concentrate amounted to 28 Koz for the full year. There was no treatment of Mayskoye concentrate at Amursk POX in 2019 as the capacity was taken up by higher-grade and higher-margin material.

The operation meets ISO 14001 and 45001 requirements for environmental and safety management.

Priorities for 2020

- Processing concentrate from Kyzyl, Albazino and Veduga with designed recoveries
- Technical re-equipment of cake warehouse (phase 4)
- Laboratory reconstruction.

Amursk POX-2

600 Koz
Expected annual gold production

$431m
Start-up capital expenditure fully funded from operating cash flow

250–300 Kt
Annual concentrate capacity

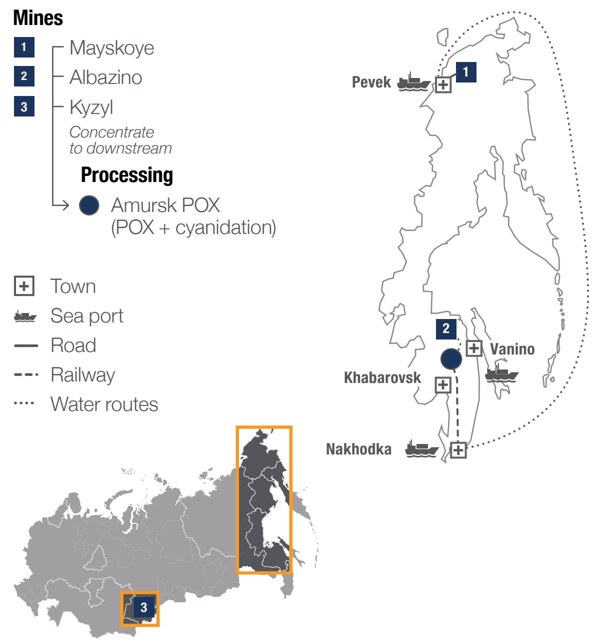
Location: Khabarovsk region, Russia

Feed: Kyzyl, Nezhda, Mayskoye, Voro, 3rd party concentrate

Processing: High-temperature POX, intensive cyanidation

Production start date: Q3 2023

Full ramp-up: End of Q4 2023



Unlocking the value of refractory reserves and ensuring strategic security

POX-2 leverages our core technical capabilities and is expected to generate significant economic benefits as all refractory concentrates will be retained for in-house processing as opposed to selling to third-party offtakers. The project will ensure the strategic security of downstream processing against the backdrop of tightening environmental regulation in China, as well as enabling Polymetal to create the capacity for treatment of third-party refractory concentrates.

POX-2 also fits well with our sustainable development strategy. The environmental footprint of the Company's value chain will decrease significantly because of the substantial reductions in air pollution, water usage, and solid toxic waste and as a consequence of the change in downstream processing technology (POX instead of roasting), zero-water discharge and dry storage of process tailings. To read more about our engagement with stakeholders in connection with the development of POX-2 see page 102. The operation is expected to be commissioned in Q3 2023 and fully ramped up by the end of that year.

2019 highlights

In early 2019, the Board approved the POX-2 project on the basis of the recently completed feasibility study and authorised the start of construction.

The 2019 feasibility study results confirmed that the second POX line will significantly increase the value of Polymetal's refractory reserve base, comprising approximately 55% of total ore reserves. The facility will process concentrates from Polymetal's mines at Kyzyl, Nezhda, Mayskoye, and the refractory part of Voro. The plant's design throughput capacity is 250–300 Ktpa of concentrate.

In 2019, contracts were signed for the main processing equipment including the autoclave vessel (Coek Engineering) and the oxygen station (Linde), as well as desorption, electrolysis, carbon reactivation and smelting units, equipment for the concentrate preparation section (roll crushers, acid-resistant mills, steep-angle conveyors) and intensive cyanidation unit, high-pressure auxiliary equipment, and the front-end section of the water treatment plant. Polymetal also signed a comprehensive contract for the detailed engineering of high-pressure sections of the facility with Hatch.

Construction of a new concentrate storage facility is under way.

The autoclave foundation was completed. The vessel to carry the autoclave from the port of Antwerp to the mouth of the Amur river was chartered and is expected to sail in late July.

Priorities for 2020

- Receipt of all permits
- Delivery of the autoclave on-site.

Operating assets

Albazino

2,133 Kt
Ore mined
(+20%)

$167m
Adjusted EBITDA
(-9%)

241 Koz
Total gold production
(-22%)

159 Kt
Concentrate processed at the Amursk POX (-6%)

Location: Khabarovsk Region, Russia
Managing director: Oleg Voronin
Employees: 1,203
Mining: Open-pit/underground
Processing: 1.6 Mtpa flotation + POX and CIL processing at Amursk
Production start date: 2009
Life of mine: 2035

High-grade profile and underground development

In 2019, Albazino performance was affected by processing of lower grade ore from the Ekaterina-1 open pit, resulting in an Adjusted EBITDA decrease by 9% year-on-year to $167 million.

Mining
At Albazino, the amount of ore mined from the open pit was up 13% to 1,555 Kt, while average gold grade was down 25% to 3.9 g/t.

Underground mine productivity continued to improve with ore mined up 43% year-on-year to 578 Kt. Ekaterina-2 should become the main source of higher grade ore from the second half of 2020.

As a result, the total amount of ore mined increased 20% year-on-year to 2,133 Kt.

Processing and production
Ore processed remained largely unchanged at 1,736 Kt, above nameplate capacity, with average grades processed of 4.6 g/t, down 13% year-on-year.

Gold recoveries at the Albazino concentrator improved to 86.6% compared with 85.7% in 2018, while concentrate yield was 8%. Concentrate of 144 Kt with an average grade of 47.7 g/t was produced, up 1% year-on-year. Gold in concentrate volume was down 12% to 221 Koz, driven by processing lower grade ore from Ekaterina-1.

The total gold output for 2019 amounted to 241 Koz, a 22% decline year-on-year. Apart from the decrease in production from Albazino concentrate, this was because of lower volumes of third-party feed being processed at the POX plant.

Exploration and resources
In 2019, exploration activities were focused on additional prospecting for mineral resources at the Ekaterina-2 mine. Additional mineral resources increased by 159 Koz to 1.8 Moz GE with an average grade of 4.6 g/t.

Exploration was carried out at the Talgiy section of the Urkachik area (47 thousand m³ of trenches, 4.7 km of drilling). In 2020, Polymetal plans to continue exploration drilling at Talgiy in order to prepare an initial mineral resources estimate. Additional resources are expected to be established on the flanks of the deposit due to the identification of new ore bodies and the evaluation of new prospective areas (Pikhtovy site).

Priorities for 2020
- Commencement of open-pit mining at Farida
- Commencement of underground mining at Ekaterina-2
- Determining optimum development parameters for Olga Zone underground
- Implementing a cable rock support system for underground mining.

Varvara

149 Koz
GE production
(+5%)

$93m
Adjusted EBITDA
(+21%)

3,663 Kt
Total ore processed
(+1%)

Location: Kostanay Region, Kazakhstan
Managing director: Igor Nikolishin
Employees: 1,273
Mining: Open-pit
Processing: 3.0 Mtpa leaching for gold ore, 1.0 Mtpa flotation for copper ore
Production start date: 2007 (operated by Polymetal since 2009)
Life of mine: 2032

Increased capacity at Komar confirms solid performance

In 2019, Varvara hub delivered a record level of GE production of 149 Koz, up 5% year-on-year, driven by increased railing capacity at Komar.

Mining
Total mining volumes were 3,943 Kt, an increase of 26% year-on-year. The average grades in float and leach ore were 1.3 g/t and 1.2 g/t, up 3% and down 5%, respectively. At Komar, the average grade was 1.4 g/t, down 2% year-on-year.

Processing and production
GE production grew by 5% to 149 Koz. This was primarily due to higher mining and railing volumes at Komar. In 2019, Varvara continued to toll-treat high-grade ore from Veduga, a total amount of 113 Kt with an average gold grade of 11.6 g/t.

The total ore processed remained stable at 3,663 Kt. At the flotation circuit the volume processed grew by 23% to 559 Kt, while at the leaching circuit it decreased by 3% to 2,991 Kt.

Gold grade in ore processed improved to 1.5 g/t, a 5% increase year-on-year.

A new Company-owned locomotive has been successfully commissioned and is expected to further drive down Komar ore transportation costs.

Exploration and resources
At Elevator, 4.8 km of drilling was completed, exploring for primary gold ore suitable for open-pit mining. Based on exploration activity in 2019 and previous years, an initial mineral resources estimate was prepared. Resources amounted to 402 Koz of gold with an average grade of 1.8 g/t. The inclusion of Elevator's resources offset the decrease in resources at Varvara and Komar attributable to changes in the mineral resources boundaries. Total additional mineral resources for the hub decreased by 150 Koz to 1.5 Moz of GE.

At the East Tarutin copper-gold deposit, 28.3 km was drilled, including 21.7 km of exploration drilling, in order to prepare an initial mineral resources estimate.

In 2020, the Company plans to continue exploration on the flanks of the Elevator deposit with the aim of upgrading the categories of mineral resources and converting them into ore reserves.

Priorities for 2020
- Starting the construction of the new tailings storage facility
- Processing ores from Komar and Yubileynoye, using the full capacity of the processing plant
- Upgrade mineral resources categories at Elevator.

Operating assets

Svetloye

1,573 Kt
Total ore mined (+19%)

134 Koz
Gold production (-1%)

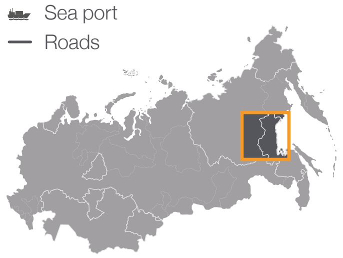
$142m
Adjusted EBITDA (+15%)

$310/GE oz
Total cash cost (+3%)

Location: Khabarovsk Territory, Russia
Managing director: Vasilina Tarabarova
Employees: 611
Mining: Open-pit
Processing: 1.4 Mtpa heap leach
Production start date: 2016
Life of mine: 2022

Mines
1 Svetloye
Processing
Svetloye (heap leach)
Precipitate to downstream
Third parties
Exploration
2 Fortuna
3 Levoberezhny

Town
Sea port
Roads



Reliable lowest cost operation

Svetloye continued to contribute significantly to Polymetal's operating performance while being the lowest cash-cost operation of the Group.

Mining

In 2019, total ore mined at Svetloye increased by 19% to 1,573 Kt, while average gold grade stabilised at 3.8 g/t. At the Emmy open-pit mine, the positioning system has been implemented.

Processing and production

Svetloye delivered a solid set of results: the amount of ore stacked was at the planned level of 1,301 Kt, a decrease of 6% compared with 2018. Gold production was stable at 134 Koz and was additionally supported by Svetloye's excellent cash-cost performance with TCC of $310/oz and AISC of $449/oz.

In 2018, we were the first mining company in Russia to install a solar power plant, with a capacity of 1 MW to supply the main production site at Svetloye, as well as a 100 kW wind turbine at Unchi seaport, the local supply hub for Svetloye. The new solar power plant and wind turbine are both now fully operational, generating renewable energy and preventing the release of 731 tonnes of CO_2 emissions.

Exploration and resources

In 2019, exploration was carried out on the remote flanks of the Svetloye deposit. An increase in additional mineral resources of 109 Koz at the Emmy and Lyudmila ore zones was obtained due to the improvement in quality of the ore and wider ore bodies.

At Levoberezhny (35 km from Svetloye), the results of in-fill drilling confirmed the continuity of mineralisation and the viability of using heap leaching to recover gold.

In 2020, the Company plans to continue exploration drilling and trenching on the flanks of the Emmy and Lyudmila ore zones with the aim of further increasing the mineral resources base.

Priorities for 2020

- Preparation of pre-feasibility study for the Levoberezhny ore zone
- Feasibility study for the Lyudmila ore zone
- Piloting X-ray radiometric sorting
- Start of mining at Emmy, construction and commissioning of infrastructure.

1 From solar power plant at Svetloye and a wind turbine at the seaport of Unchi.

Mayskoye

129 Koz
Total gold production (+10%)

6.1 g/t
Average gold grade (-14%)

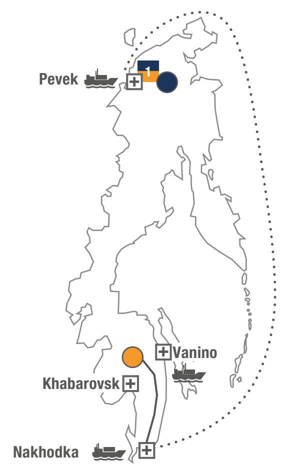
878 Kt
Ore processed (+2%)

2.8 Moz
Additional mineral resources

Location: Chukotka, Russia
Managing director: Tagir Ibragimov
Employees: 1,014
Mining: Open-pit/ underground
Processing: 861 Ktpa flotation + POX/concentrate offtake
Production start date: 2013
Life of mine: 2037

Mines
Mayskoye
Processing
Mayskoye (flotation)
Concentrate to downstream
POX
Third parties
Exploration
Mayskoye deeper levels

Town
Sea port
Roads
Water routes



Long-life high-grade refractory gold mine

In 2019, Mayskoye produced 129 Koz of gold, a 10% increase compared with 117 Koz in 2018, making a sustained contribution to the Group's strong operating performance.

Mining

In 2019, the volume of ore mined comprised 813 Kt, with volume of ore mined from underground remaining stable at 635 Kt, while open-pit mining halved to 178 Kt. The average gold grade in ore mined was down 5% year-on-year to 6.1 g/t.

Processing

In 2019, ore processed was up 2% year-on-year to 878 Kt, with an average gold grade of 6.1 g/t (2018: 7.1 g/t). Recoveries increased to 82.1% (2018: 79.1%). In the second half of the year, Mayskoye switched back to processing sulphide ore from the underground mine; consequently, grade fell and recoveries jumped.

The gold in concentrate produced increased by 10% year-on-year and comprised 132 Koz, reflecting higher recoveries and higher volume of ore processed at the circuit.

Total payable gold production at Mayskoye increased by 10% to 129 Koz. In 2019, all Mayskoye concentrate was sold to China, as the capacity at the Amursk POX was taken up by higher-margin material.

At Mayskoye, we are running development projects for a new mining method and a conveyor ore transportation system, which will enable cost-effective and lower carbon footprint operations at deep underground levels. A backfill system aimed at reducing dilution and improving grade is expected to start in 2022 with a positive effect of a $100/ GE oz reduction in AISC. A new haulage system includes conveyors plus an electric fleet to reduce ventilation, fuel consumption and carbon footprint.

Priorities for 2020

- Development of backfilling system: basic engineering and design, equipment contracting
- Start construction of conveyor ore transportation system
- Stable throughput and production.

Operating assets

Voro

106 Koz
Gold production
(0%)

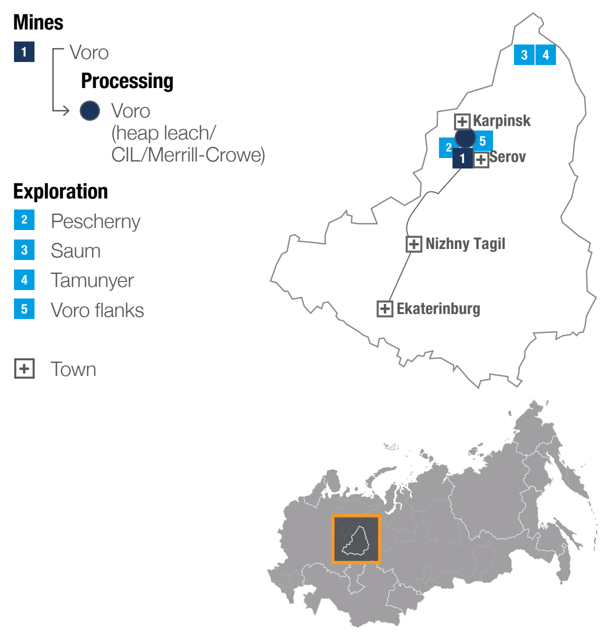
1,050 Kt
Ore processed at CIP
(+5%)

$383/GE oz
Total cash cost
(-2%)

69%
Adjusted EBITDA margin
(2018: 66%)

Location: Sverdlovsk Region, Russia
Managing director: Boris Balykov
Employees: 741
Mining: Open-pit

Processing: 950 Ktpa CIP circuit, 1 Mtpa heap leach circuit
Production start date: 2000 (HL), 2005 (CIP)
Life of mine: 2028 (CIP)



Focus on life-of-mine extension through flotation circuit

In 2019, the Voro plant became the second Polymetal gold production operation to be certified as fully compliant with the International Cyanide Management Code.

Mining

Open-pit mining at Voro has been concluded. Technical studies to determine the feasibility of underground mining are under way and are expected to be finalised in Q1 2021.

The Company is currently preparing the initial ore reserves estimate for the Pescherny satellite deposit with the results of both to be presented in Q2 2020.

In 2019, the total volume of ore mined was 18% lower year-on-year at 946 Kt. Average gold grades for primary and oxidised ore were 3.2 g/t and 1.6 g/t, respectively.

Processing and production

Total gold production at Voro remained flat year-on-year at 106 Koz, on the back of higher staking volumes, which offset the lower ore grades processed at the CIP facility.

In 2019, the CIP plant delivered a record throughput of 1,050 Kt of ore processed, up 5% year-on-year, while gold recovery edged up to 86.3% compared with 81% in 2018. The average gold grade in ore processed was 3.5 g/t, a 10% decrease from 2018.

At the heap leach plant, gold production was up two-fold year-on-year at 14.6 Koz, maintaining gold recovery at 76.6% (73.2% in 2018).

Resources and exploration

Additional mineral resources at the Voro hub remained mostly unchanged over the previous year at 1.3 Moz of GE with an average grade of 4.9 g/t.

At Voro, a total of 10.5 km of exploration drilling was completed in 2019 in order to estimate underground mineral resources on the northern flank and mineral resources of oxidised ores for open-pit mining on the western flank.

At Pescherny, 12.4 km was drilled. Technological studies and a set of field and laboratory hydrogeological and engineering geological studies were completed.

Priorities for 2020

- Advancing Voro flotation project: refractory processing to complement the treatment of ore stockpiles
- Preparation of pre-feasibility study for Voro underground mine to replace low-grade stockpiles
- Intensive near-mine exploration
- Initial ore reserves estimate for the Pescherny satellite deposit.

Nezhda

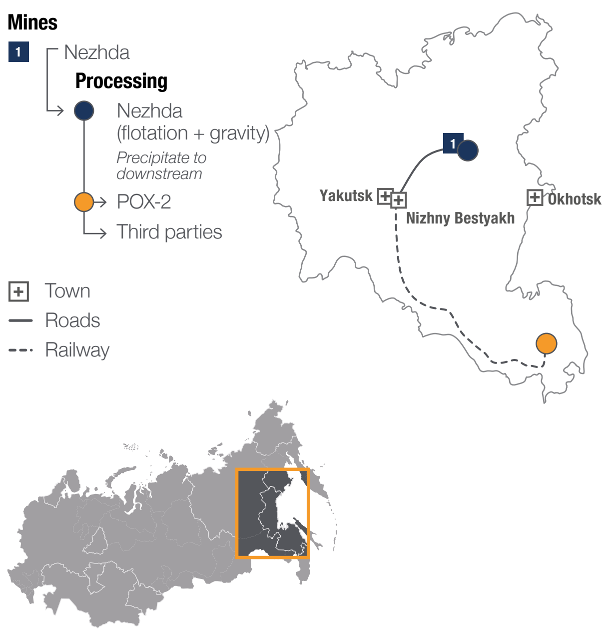
4.4 Moz
Ore Reserves

$234m
Start-up capital expenditure

25 years
Life-of-mine

1.8 Mtpa
Concentrator capacity

Location: Republic of Sakha (Yakutia), Russia
Managing director: Alexander Simon
Employees: 495
Mining: 25 years (19 years of conventional open-pit mining 2019-2037, 17 years of underground mining 2029-2045)
Processing: Flotation/Gravity concentration + off-take/ Amursk POX
Production start date: Q4 2021
Life of mine: 2045



A world-class long-life gold deposit

Nezhda is Russia's fourth largest gold property with excellent exploration potential. The project is capital light and will contribute to dividends per share in 2022.

Development

In 2019, pre-stripping and construction proceeded according to plan. Full design documentation was approved by the Chief Environmental Expertise, a government agency in charge of environmental permitting.

All of the main and auxiliary equipment has been contracted. Construction and installation works at the concentrator, crusher and cake storage are proceeding according to plan. Construction of the mine camp and storage facilities has been completed.

Repairs to the road between the Kolyma federal highway and the mine site were completed and the road made ready for the delivery of technological equipment for the plant and the power station in Q1 2020.

The concentrator building was fully winterised and the installation of equipment began in January 2020. Construction of the foundations for flotation and thickening sections is under way with the tails thickener foundation completed. The haulage road between the mine and the concentrator has been built but the construction of two bridges along this road is ongoing.

In 2019, exploration activities focused on the southern flanks of the Nezhda deposit. According to the preliminary estimates, an increase in open-pit mineral resources is possible. In 2020, Polymetal plans to continue exploration activities on the flanks of the deposit to identify new mineralised zones and update the mineralisation estimates of the known ore bodies.

Priorities for 2020

- Start of equipment installation
- Construction and commissioning of the power plant to be completed
- Update the mineralisation estimates of known ore bodies.

Key exploration projects

Veduga

2.0 Moz
Ore reserves at 4.5 g/t Au

≈ $250m
Capital expenditure

≈ 200 Koz
Production of gold per annum

Location: Krasnoyarsk Region, Russia

Managing director: Victor Demeschik

Employees: 221

Ownership: 74.3%

Mining: Open-pit (4 years) followed by underground (15 years)

Processing: 1.5 Mtpa conventional flotation + Amursk POX

Mines

1 Veduga

Processing

Veduga (conventional flotation)

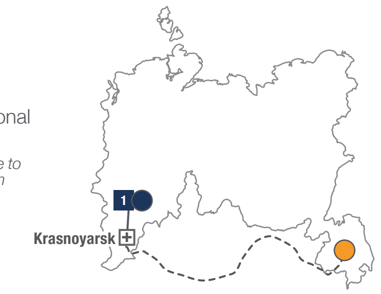
Concentrate to downstream

POX

Town

Roads

Railway



Substantial increase in reserves prompting change in asset development approach

In 2019, Polymetal more than doubled ore reserves at the Veduga gold deposit following an extensive exploration campaign.

Development

In 2019, the Company prepared an updated mineral resources and ore reserves estimate, based on exploration activities (57 additional diamond drill holes, 24 km of drilling) conducted from 2017–2018. At 31 December 2019, the deposit's ore reserves totalled 2.7 Moz of gold with an average grade of 4.5 g/t, which is 1.4 Moz more than in the previous evaluation. Additional mineral resources have halved to 200 Koz due to the conversion to ore reserves.

The bulk of new reserves is located at depths of 500 m to 790 m below the surface. Mineralisation is represented by two contiguous sub-vertical ore bodies with an average true width of 14 m and 21 m. The thickness of the ore bodies varies from 1 m to 65 m.

During 2019, the Company carried out 19.2 km of exploration drilling at the deeper levels of the known ore bodies.

In 2020, Polymetal plans to evaluate the potential Ore Body 1 to a horizon of 650 m below surface level and also continue to identify new resources at the Strelka ore zone. The Company expects to achieve an increase of at least 1 Moz of gold in mineral resources as a result of this exploration campaign.

Currently, mining at Veduga focuses on a high-grade open-pit mine, which supplies ore for processing at Polymetal's Varvara or Kyzyl mill with concentrate subsequently treated at the Amursk POX. The output from Veduga concentrate amounted to 28 Koz for the full year.

Due to the increase in reserve during 2019 and the potential of a significant extension of further underground reserves, the Company has decided to continue with the development of this asset. The conceptual project schedule assumes an investment decision in Q4 2021. The processing plant would then be launched in the second half of 2024, with the start of underground mining scheduled for 2028. Polymetal's preliminary assessment presumes capital expenditure of $250 million for the initial project.

Priorities for 2020

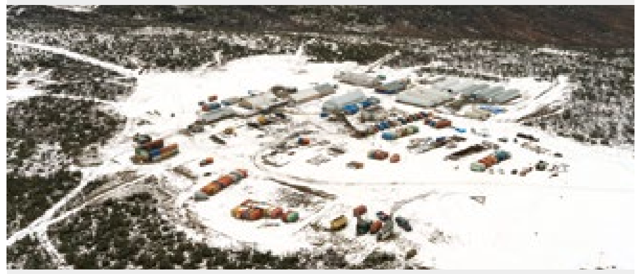
- Evaluating the potential Ore Body 1
- Continuing exploration at Strelka ore zone
- Ore reserves updated estimate in 2020 and investment decision in 2021.

Prognoz

256 Moz
Mineral resources at 789 g/t

≈ $250m
Start-up capital expenditure

20 Moz
of silver annual production



Location: Republic of Sakha (Yakutia), Russia

Managing director: Alexander Akamov

Employees: 93

Mining: Open-pit (5–8 years), followed by underground (10 years)

Processing: Flotation + Leaching + Merrill-Crowe

Resources: 256 Moz of SE at 789 g/t (JORC)

Mines

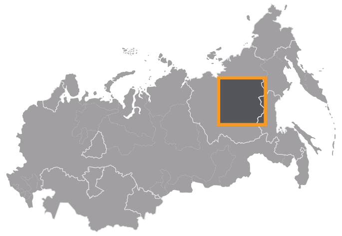
1 Prognoz

Processing

Prognoz (flotation + leaching + Merrill-Crowe)

Town

Roads



Strengthening of our long-term growth pipeline

Prognoz is the largest undeveloped primary silver deposit in Russia and currently one of the world's top silver development projects.

In 2019, the Company conducted 41.4 km of drilling comprising 31.1 km of exploration drilling, 5.3 km of geotechnical drilling for plant construction, 2.5 km of hydrogeological drilling and 2.4 km of technological drilling.

In 2020, Polymetal plans to prepare initial ore reserves and updated mineral resources estimates of the Prognoz deposit as well as carrying out additional exploration activity.

Viksha

165 Mt
Mineral resources

2H 2021
Initial ore reserves estimate

5.7 Moz
of PdE

Palladium – 67%
Platinum – 12%
Gold – 10%

Location: Republic of Karelia, Russia

Managing director: Vladimir Dunaev

Employees: 93

Mining: Open-pit

Processing: Flotation + offtake/hydrometallurgic plant

Additional resources: 5.7 Moz of PdE at 1.1 g/t (JORC)

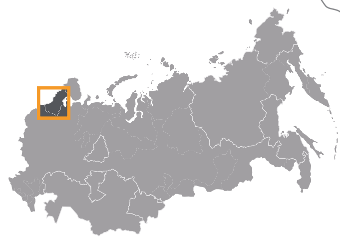
Mines

1 Viksha

Processing

Viksha

Town



Our first PGM asset and one of the world's largest open-pittable PGM resources

Viksha is Polymetal's first PGM (platinum group metals) project with high potential as a large open-pittable deposit.

In 2019, the resource model of the Viksha deposit was updated: total mineral resources decreased to 5.7 Moz of PdE, while the share of measured and indicated resources increased from 13% to 65%.

In 2020, exploration activities are set to continue with a view to upgrading the deposit's resources.

Embedding sustainability

“

It is an exciting time to lead Polymetal’s sustainability work and I am hugely grateful to colleagues around the business for continuing to raise the bar, ensuring that sustainability reaches every corner of our operations.

External validation

Dow Jones Sustainability Indexes	Polymetal recognised in Dow Jones Sustainability Emerging Markets Index for the second consecutive year
MSCI 2019 Constituent MSCI ESG Leaders Indexes	Inclusion in MSCI ESG Leaders index series with score improved to ‘A’
SUSTAINALYTICS	Sustainalytics score improved to 88 with Leader position in precious metals group among 55 peers
ISS-oekom	In July, ISS-Oekom upgraded Polymetal’s rating from C to C+. The Company showed significant progress in all social and governance rating indicators and the eco-efficiency indicator.
Best Practice Awards 2019 Award Winner	Awarded Best Communication of ESG and Best Annual Report (International) at the IR Society Best Practice Awards 2019

Companies are often talking about ‘embedding’ and ‘integrating’ sustainability. In a business as complex and globally diverse as ours, that is no mean feat. It’s why I’m truly proud of the progress we’ve made in 2019 to ensure that we have a consistent and overarching Polymetal approach.

The risk management and human resources processes that protect, engage and motivate our more than 11,000 people were further strengthened. Also, reflecting our strategic objective of sustainable and inclusive growth, we saw more women moving into management positions. It will take time to fully redress gender imbalances but approaches such as quotas for certain roles, promoting female candidates from our Talent Pool and starting monthly gender ratio monitoring are creating positive impacts for the Company.

I believe we do a very good job of listening and responding to employee ideas and concerns. We are now extending our training centre offer, improving the transparency of our reward and recognition system, and reviewing physical working and living conditions.

As an extractive industry, rigorous environmental management has always been something we take extremely seriously. Water being an obvious priority, in 2018 we set a target to decrease fresh water use, and I am pleased to report that we achieved a 26% reduction in fresh water consumption.

Innovative new technologies are critical to sustainable development globally, so as a part of the Russian UN Global Compact delegation, we were delighted to represent Russia and the mining industry with our POX technology for safer and greener gold recovery at the fourth session of the United Nations Environment Assembly in Nairobi, Kenya. Also in 2019, our Amursk POX and Voro sites achieved full certification under the International Cyanide Management Code.

Finally, reflecting our commitment to embedding sustainability into the core business, in 2019 we agreed a bilateral sustainability-linked credit facility of up to $75 million with Societe Generale. It links the pricing of the loan to five key environmental and social indicators.

While we can take away a lot of positives from 2019, we should not be complacent about the ongoing necessity to safeguard our colleagues, engage with our stakeholders and reduce our environmental footprint. I look forward to us further cementing a business that is effective, accountable and, above all, sustainable.

Daria Goncharova
Chief Sustainability Officer

10%
of tailings are dry-stacked

0.19
LTIFR

14%
decrease in product carbon footprint

$15m
invested in local communities

Sustainability continued

Aligning sustainability with consistently robust investor returns requires high levels of innovation and accountability for our actions.

Sustainability governance

Delivering on our strategic sustainability objectives requires leadership from the very top of the Company. This is overseen by Board-level Committees, with our Group CEO having ultimate accountability. The Safety and Sustainability Committee has a mandate to provide support to the Board on the Group's safety record, sustainability performance and ethical conduct. It oversees our approach and implementation of short- and long-term policies and standards. The Committee also ensures that we work ethically, transparently and responsibly, engaging with key stakeholders and local communities. The Company complies fully with the UK Corporate Governance Code.

Our approach

We believe responsible and efficient mining can be a force for good and take a long-term view of both the environmental and social impacts of our activities. Our strategy of focusing on high-grade deposits in specific geographies minimises our environmental footprint and at the same time enables us to gain a better understanding of the needs and priorities of local communities. It also reinforces our belief that sharing the economic benefits of mining fairly between stakeholders is essential if we are to retain the social licence to operate.

We are deeply committed to sustainability and continuous improvement, which translates into safer working conditions for people, responsible environmental management, support for our local communities and growing economic value for our stakeholders. Our sustainability strategy is designed to meet the principles of the UN Global Compact, to which we signed up voluntarily in 2009. We comply with the Ten Principles relating to the environment, labour, human rights and anti-corruption, and participate in the UN National Network Russia. Alongside our corporate values of dialogue, compliance, ethical conduct, fairness, stewardship and effectiveness, the Ten Principles help inform our sustainability policies.

We also support the UN's 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) as illustrated on the page opposite.

Stakeholders and materiality

As well as operating as a responsible business and mitigating risks that may impact society, we also proactively invest in meaningful dialogue with a diverse range of stakeholders. We do this through a range of channels and any feedback or concerns inform our materiality decisions, as well as our disclosure and risk management.

Stakeholder engagement is a key aspect of sustainability reporting. We report most material topics according to GRI Standards. As part of this, we identify the social, economic and environmental issues that our stakeholders care most about. We also analyse industry and societal trends, investor and ESG analyst requests, peer companies, community grievances, risks identified and issues reported to our Board. Ten high-priority issues were identified through our most recent poll, with economic efficiency and safety of most concern. The table on pages 56–57 outlines the top ten high-priority material issues of high priority, how each issue fits into our sustainability priorities and our progress in 2019.

Board approval of the POX-2 project at Amursk is a prime example of stakeholder engagement in action. Before finalising the investment decision, we consulted with all of the relevant stakeholder groups and, at their behest, initiated several long-term projects to improve the amenities and landscape in the Amursk area. These will also be crucial in helping fill newly created jobs at the plant. Read more on pages 12, 41, 100–103.

Minimising risk

We have developed our Risk Management System (RMS) to minimise risks across the business, help us achieve our strategic objectives and create sustainable value for our stakeholders. Managing sustainability risks is part of our overall RMS. Our priority is to identify and mitigate our most critical risks across our most material issues. The list of significant risks is determined based on the strategic goals of the Group, available resources, risk appetite and opportunities. Along with operational and financial risks, we include sustainability risks in the company-wide RMS and in the annual internal audit plan. There are also other sustainability risks which we assess but which do not have significant influence on the Group's operational performance or business reputation.

Managing climate risk

Potential climate change could have significant physical impacts, particularly in the permafrost regions where we operate. Market volatility related to climate risks is likely to increase and be on the agenda of investors. To this end, our Climate and Energy Management systems and Carbon Management Policy form the heart of our mitigation approach. Management systems include an Energy Efficiency Programme to improve how we plan our energy use through better energy monitoring, metering and reduction, in line with ISO 50001, the international standard for energy management.

Contributing to the Sustainable Development Goals

We support the UN's 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs):
We have mapped our sustainability strategy to the Goals, taking specific action on 73 targets that are relevant to our business and to which we can contribute. We have identified risks that relate to achieving the Goals and incorporated them into our risk management system. We have also evaluated our impact on these target areas, and are working to maximise our positive, and minimise any negative, impact. Finally, we have set targets to measure our progress.

Key principles for the responsible business

We are a business with much to contribute, not only to our investors but also to society and the natural world. We apply the following principles across our business activities and these embody our determination to operate responsibly.

- We take a very long-term view of both positive and negative impacts of our activities
- We believe stability and transparency breed predictability, certainty, and efficiency
- We are extremely averse to significant sustainability risks and are prepared to invest to mitigate them
- We believe fair sharing of the economic benefits of mining between stakeholders is necessary for maintaining the social licence to operate
- We take into account the whole value chain of our final product

Sustainability continued

Stakeholder engagement

Trust takes time to win – but it can be lost in an instant. As well as operating as a responsible business and mitigating risks that may impact society, we also proactively invest in meaningful dialogue with a diverse range of stakeholders. In doing so, we create long-term value for wider society.

We engage with our stakeholders through a range of channels and any feedback or concerns inform our materiality decisions, as well as our disclosure and risk management. Read more about Board engagement with stakeholders on pages 100–103.

Stakeholder group	Shared value	Related risks	How we manage these risks	Key focus 2019	Engagement and response 2019
Employees 	Our people are one of our core strengths and assets; the success of our business depends upon their expertise, dedication and skills. In return, we provide competitive remuneration and invest in professional and personal development. We also ensure a safe and healthy working environment.	• Human rights risks • Unfair remuneration practices • Unequal opportunities for recognition and development	• Salaries comparable to or above industry levels • Effective system of personnel development, improving professional and managerial skills • Providing favourable social and living conditions for employees	• Wages, benefits and social packages • Equal career opportunities • Human rights • Working and living conditions • Health and safety • Internal communication • Training, development and education • Compliance with relevant ESG standards and best practices	• Employee satisfaction survey • Worker councils and their representatives • Internal hotline, website, suggestion boxes and grievance mechanisms • Meetings and face-to-face communication with management • Performance reviews • Employees questions to the Group CEO and Board with internally published responses
Communities and non-governmental organisations (NGOs) 	We share the resources we depend upon with communities and positive relationships are essential. We work directly with communities and with relevant NGOs for mutual benefit. In particular, we focus on protecting the rights of indigenous communities and supporting them to flourish.	• Human rights risks • Local communities' concerns with changing living conditions • Negative impact on the culture and traditions of the local population, including indigenous people	• Identifying social risks through ongoing dialogue with local communities • Social investments in the development of territories and other cultural and environmental projects	• Infrastructure development • Financial contributions and in-kind donations • Human rights • Grievances mechanisms • Local employment • Environmental and health impacts • Local culture, lifestyle, language and traditions	• Operational and sustainability performance • Infrastructure development impact • Social investments and human rights • Grievance mechanisms and open dialogue • Local employment • Environmental and health impacts and environmental responsibility
Government/ local authorities 	Positive relationships with national and local governments are critical to our licence to operate. We comply with all laws and regulations and engage transparently, particularly on mining legislation issues.	• Negative effect on national interests of the country of operation	• Social investments in each region of operation • Ensuring best practice in labour relations, environmental management, safety, etc, and communicating them to the authorities	• Regulatory compliance • Taxes • Labour issues • Health and safety • Environmental responsibility • Infrastructure and community development • Local employment	• Working groups and meetings • Direct correspondence • Industry conferences
Suppliers, contractors and customers 	Those we trade with are vital to our value creation. We build stable, long-term relationships based on mutually beneficial terms. In collaboration with our business partners, both up and down the supply chain, we strive for 100% compliance with ethical, environmental and safety standards.	• Payment delays • Breach of contractual obligations • Actual contractual costs exceeding the planned budget	• Setting the same safety requirements for contractors we do for our employees • Focusing on long-term co-operation with contractors	• Direct correspondence • Contractual relationships • Meetings and trainings • Compliance audits with Polymetal's requirements with a focus on safety • Supply chain transparency	• Contractual relationships • Meetings and training • Compliance audits with Polymetal's requirements with focus on safety, environmental stewardship and labour practices
Shareholders 	We constantly deliver sustainable value to our shareholders. In turn, these investors provide the capital to develop and expand our operations responsibly and sustainably.	• Shareholders dissatisfaction with the dividend policy • Decrease in the value of shares as a result of poor sustainability performance and thus decrease in the confidence of shareholders and investors • Failure to achieve the planned financial effect of M&A deals	• Corporate governance system that meets stock exchange requirements and applies world-best practices • Risk management system aimed at increasing the long-term value of the Company by establishing control over principal business risks and emerging risks	• Financial, operational and sustainability performance • Capital allocation and dividends • Alignment of shareholder and management interests • Regulation, economics and politics • Mergers and acquisitions • Compliance with environmental, social and governance (ESG) standards and best practice • Health and safety	• Constructive dialogue at the General Meetings • Annual and Sustainability Reports • Investor conferences • ESG meetings • Presentations and conference calls • Site visits • Direct communication

Material issues

Maintaining high standards of corporate governance and sustainable development requires a focused approach on the issues that stakeholders tell us are the most material for Polymetal – and for society and the environment.

Material issues	Targets and indicators	Performance in 2019	UN Sustainable Development Goal
Socio-economic value creation	• Transparent tax disclosure • Ensuring local hiring • Prioritising of local procurement	• $233m taxes paid • 96% nationals among employees • 48% of local supplier purchases in Russia and 84% in Kazakhstan	8, 9, 10, 12
Health and safety	• Zero fatalities • LTIFR below 0.2	• Regrettably two employee fatalities and one contractor fatality • 0.19 LTIFR	3, 8
Communities	• No community conflicts • Maintaining good relationships • Supporting local communities • Effective engagement	• Zero conflicts • 133 letters of gratitude • $15m invested • 588 inquires received and resolved	1, 3, 4, 8, 11
People	• Keeping turnover rate <6% • Improving equality and diversity	• 5.8% employee turnover • 21% of employees are women • 86% employees under collective agreements • $1.2 million invested in staff training	3, 4, 5, 8
Water	• Reduction of fresh water use for processing per unit of production by at least 4% by 2021 (2018 base year)	• 10% reduction in fresh water use for processing per unit of production compared to 2018 (in the target scope) • 26% reduction in the volume of fresh water use compared to 2018 • 87% of water reused/recycled	6, 14, 15

Material issues	Targets and indicators	Performance in 2019	UN Sustainable Development Goal
Environmental management	• No major or catastrophic environmental incidents • Reduction of direct impacts on biodiversity	• Zero environmental incidents • 10 environmental programmes on water management, air quality, waste and biodiversity conservation	6, 13, 14, 15
Climate change	• Decrease of GHG emissions and energy consumption • Improving climate reporting	• 14% reduction of carbon footprint per Koz of GE • Climate management system and standards implemented at 100% of operating sites • 100% of relevant staff received training on climate management system • Assessed Scope 3 emissions • Estimated carbon footprint of our end product	7, 13, 17
Waste	• 15% of dry tailings storage by 2024 • Reuse of at least 20% of annual volumes of overburden/waste rock	• Tailings storage facilities report published • 10% of tailings dry stacked • 6 tailings storage facilities audited by governmental authorities • 14% of waste reused	6, 12, 13, 15
Suppliers and partners	• Intensifying engagement with stakeholders on responsible supply chain	• 7,698 suppliers audited • Increased due diligence requirements (labour rights, safety, taxes and legal compliance)	12, 16, 17
Compliance	• Ensuring full legal compliance • Zero penalties for non-compliance	• $8 thousand in fines for 2 labour cases • $1.5 thousand in fines for 12 minor cases of environmental non-compliance	12, 16, 17

Health and safety

Our approach to health and safety is about strong leadership, a zero-harm culture and stringent risk management. In 2018–2019, our Group CEO and operational executive team formally committed to personal accountability, with health and safety indicators added to their remuneration-linked KPIs. They can forfeit up to 50% of their annual bonus earned for non-safety-related KPIs if long-term disabilities or fatalities occur among our employees and, from 2020, this will also extend to include contractors.

As well as decisive leadership, a safety-positive culture fosters a sense of self-responsibility and care for colleagues. Our health and safety departments track injury-free hours onsite so employees and contract workers can monitor safety performance in real-time. We run a safety hotline for reporting any concerns or suggestions.

Our Occupational Health and Safety Management System operates at all sites and is audited annually under ISO 45001. Each year, we review and update risks.

A risk-based approach

Individual units across our production facilities, plants and mines that have been classified as 'hazardous' are fully insured and we conduct annual qualitative hazardous risk assessments, informing employees of the outcomes. We investigate and analyse the root causes of all workplace accidents and key incidents, engaging authorities and informing relevant teams about any findings and proposed improvements, including additional training if required.

A Critical Risks Management (CRM) system is deployed at all sites, supported by a Health and Safety Action Plan. In 2019, increased critical risks included falling rock, slipping and jamming by rotating mechanisms. Our Action Plan focused on critical risk management, transport and contractor safety; 136 measures were tackled during the year, including piloting a RealTrac[R] system across our open-pit mining fleet, installing additional road signs and implementing further driver safety training.

Engaging employees and contractors

We deploy a shift-by-shift risk assessment model, which is most rigorously implemented in hazardous areas such as roads, mines, plants and power supplies. Encouraging employees to provide feedback on any observed safety risks as soon as they start their shift is critical if we want to promptly react to any issues.

Operational safety is equally as important for contract workers. We now rank contractors based on safety risk exposure and those failing to improve are barred from further tendering.

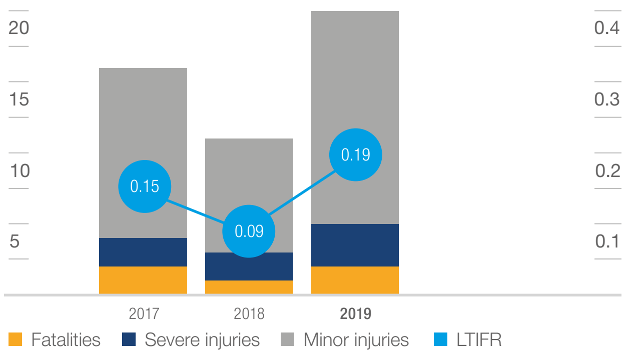
Health and safety performance in 2019

LTIFR increased in 2019 due to the aforementioned rise in tripping and falling incidents that caused 12 accidents. Far more regrettable, however, was the loss of two colleagues, a jumbo drill rig operator at the Mayskoye underground mine and a pump station operator in the Kubaka pit at our Omolon operation, where sadly a contractor also died during truck maintenance.

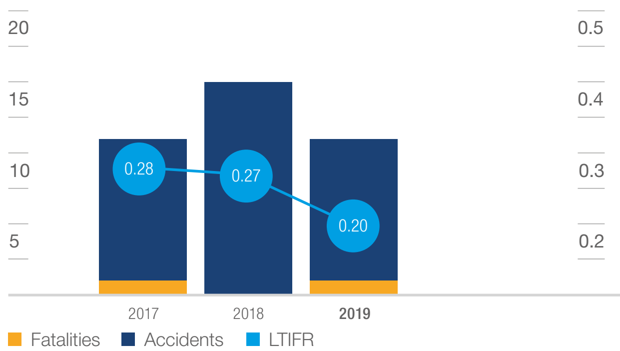
As a result of the fatality at our Mayskoye site, we have updated the risk assessment cards for jumbo drillers and created a safety manual for replacing drill bits. The performance-based pay system for these staff has been changed to ensure safety comes above productivity. All drilling machinery is now equipped with sensors that automatically halt drilling if a worker accidentally enters the hazardous area. In relation to the second fatality, we have rigorously inspected all safety fences, water collectors and reservoirs, and added further safety measures to minimise manual risk. We have incorporated more safety-related terms and obligations into our agreements with contractors.

All sites offer health and safety briefings and information boards/posters across their premises. In 2019, 5,438 employees attended health and safety training (including mandatory training for those involved in dangerous work and refresher sessions for other staff). All contractors working at any of our sites are required to undergo safety training before starting work.

POLYMETAL EMPLOYEES



CONTRACTORS



Employees

We provide our 11,611 people with fair and inclusive working environments, competitive salaries and equal terms of employment. We go beyond mandatory compliance and induction training, offering bespoke training plans for staff with tailored development and review at every appraisal.

We believe that businesses do best when they reflect the diverse nature of society. We apply a strict zero-tolerance stance on any discrimination or harassment. All employees must comply with our Corporate Code of Conduct, which includes our zero-tolerance stance on conflicts of interest, bribery, bullying and consumption of alcohol or drugs.

Talent attraction and retention

Our employees are fairly compensated with a remuneration framework that is designed to reward performance, placing equal emphasis on delivery and behaviours through short-term incentives[1]. We also award performance-based bonuses monthly and annually, and align wage growth with inflation. From 2020 we will be applying sustainability/ESG performance indicators to the Group CEO and relevant senior management bonus.

Employees can access a range of training opportunities, both on-the-job (via our in-house training centre), online distance learning (particularly in remote locations) or via external training providers. Our training experts are at the forefront of industry best practice, attending industry events and drawing on the latest research and developments. In 2019, we invested $1.2 million in staff training.

Diversity and equal opportunities

We are committed to equal opportunities and terms of employment, and recruit people based on merit. We do not discriminate on any grounds, including gender, race, skin colour, religion, disability, nationality, social origin or political opinions. We also comply fully with international and government policies on employing people with disabilities.

Mining has traditionally been a male-dominated industry, but the balance is shifting. Increasingly at Polymetal, more women are interested in careers in engineering and surveying, and progressing into senior management positions. Our goal is to gradually increase gender diversity in every function and eliminate the gender pay gap, which currently stands at 1.30 (2018: 1.29[4]). We have identified key positions where female representation needs to be improved. In 2020, we plan to provide diversity training for all hiring managers and reach a target of 40% female candidates among those applying for work or internships.

Labour rights

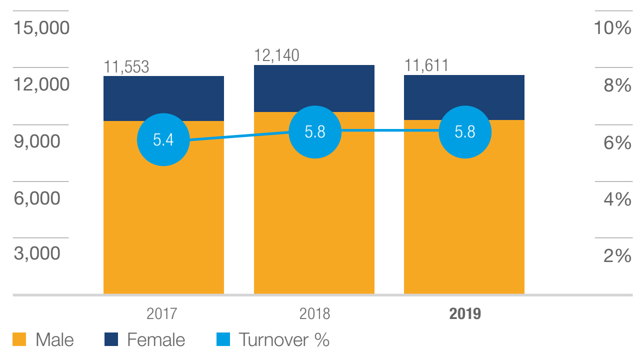
We understand the importance of collective agreements in defining contractual terms of employment. In 2019, 86% of all employees and 100% of operating site staff were covered by collective bargaining agreements and we have Workers' Councils at each of our operating sites.

Our Supplier Code of Conduct helps us to eliminate any risks of human trafficking, modern slavery or underage labour in the communities where we operate.

Listening to our people

In 2019, our Group-wide employee satisfaction survey (conducted every two years) was completed by more than 5 thousand employees. We also ran approximately 50 focus groups to capture qualitative data. Overall employee satisfaction increased to 84% (from 81% in the 2017 survey[3]). The key drivers were salary, social benefits and job security.

HEADCOUNT AND TURNOVER



1 For employees working in hazardous environments such as underground operations, performance-based remuneration is excluded due to safety risks. Here, we apply a time-paid system, based on the number of hours worked and the work completed.
2 Diversity target group includes a set of positions where female representation needs to be improved and where the female labour market exists, such as geologists, surveyors, technical specialists and managers.
3 The previously disclosed number (82%) was recalculated due to changes in methodology.
4 2018 figure adjusted from 1.32 to 1.29 to reflect Kazakh subsidiaries.

Environment

Our Environmental Management System (EMS) is the cornerstone of our approach and we are proud that all production sites are certified to the ISO 14001 global standard. To further prioritise action on our most material issues, in 2019 we rolled out issue-specific management systems for our priority risks of climate change, cyanide management, mine closure and tailings storage. Internal and external auditing are fundamental features of our environmental management.

Water: a shared resource

Although we do not operate in regions of water stress, our mining operations rely on water and they discharge treated water. Ensuring the right water balance means monitoring, metering and auditing our water use, while also carefully managing discharge water quality. As a resource we all share, working with the community is central to our approach. We also partner with local governments and community organisations to support long-term water security, including funding infrastructure projects.

We minimise our fresh water withdrawal by extracting water from runoff that has naturally seeped into our underground mines and recycling it. We are committed to gradually increasing the share of water reused in our processing cycle, so from 2020 we will more proactively plan water consumption and reuse.

All discharge is purified using mechanical, physico-chemical and biological processes. We also continually monitor the quality of surface and ground water to ensure zero contamination. In 2020, we plan to upgrade water treatment facilities at the Voro, Dukat and Albazino mines. We are pleased to report zero cases of acidic water release to date. This is testament to our meticulous laboratory testing for nitrites, nitrates, ammonium, heavy metals, salts and cyanides.

Tailings storage

We operate nine tailings dams in Russia and Kazakhstan. Each is rigorously monitored and inspected daily, with checks on pipelines, pump stations, water levels and dams.

We are confident that any emergency dam failure would have no impact on local communities. However, given the number of incidents in the wider mining industry, we published our first Tailings Storage Facilities (TSF) disclosure in 2019.

This is in addition to our established Tailings and Water Storage Facilities Policy and TSF Management System. We have tailored both to each operating site and appointed responsible employees. System performance can be accessed by Polymetal management and employees, as well as stakeholders and regulatory agencies.

Dry-stack storage methods are already in operation at our Amursk and Voro mines, and will be extended to Nezhda, Prognoz, POX-2 sites and Omolon. The technology significantly reduces the possibility of dam failure and eliminates run-off contamination. We have committed to 15% of TSFs operating dry-stack processes by 2024.

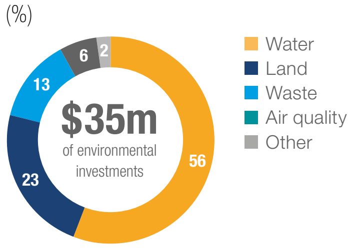
Cyanide management

Cyanide is used in our operations to recover gold from the ore. In 2019, we established a Cyanide Management System to ensure a consistent approach to cyanide handling, procurement, transportation, storage, processing, decommissioning, employee safety, emergency response, training and engaging stakeholders. Aligning with the International Cyanide Management Code, we are proud to report full certification for our Amursk POX and Voro sites.

A positive legacy

In 2019, we launched a Mine Closure Management System for a more consistent approach across all sites that incorporates a stakeholder engagement process. At the end-of-life of a mine, a system of geological and environmental surveying is activated to ensure that underground operations, drilling sites and buildings are safe for people and the environment. As well as underground mining, we apply environmental principles in closures connected to our wider infrastructure such as tailings storage, waste dumps, process plants and roads.

ENVIRONMENTAL INVESTMENTS
(%)



Climate change: balancing risk and opportunity

We fully recognise that global climate change will require us to be more resilient and carbon neutral. This means innovating in extraction methods that minimise greenhouse gas (GHG) emissions, while adapting to a changing climate.

Our key impacts lie in the gold supply chain where energy use is significant. We have formally committed to supporting the UN's Sustainable Development Goal 13: to 'take urgent action to combat climate change and its impact' by disclosing actual and potential climate-related risks and opportunities, where such information is material. We recognise that mining products are integral to any transition to a low-carbon economy, whether it is gold in electronic products or silver and copper in wind and solar energy components.

We have adopted climate-related metrics since 2013 and report our energy and GHG profile to CDP (formerly the Carbon Disclosure Project). Systematically widening the scope of our GHG emissions reporting underpins how we will manage both climate risk and opportunity. In 2019, this included reassessing baseline emissions, engaging with suppliers and transport organisations to measure and report their carbon footprints. Individual Polymetal sites have energy efficiency targets.

Alongside our energy management efforts, renewable energy will play a crucial role in reducing our climate risk exposure. It is also critical to our energy security and business continuity at remote mining sites that lack connection to grid power. In 2019, we assessed climate-related risks at all our sites. No serious risks were identified[1].

Embracing opportunities in a low-carbon economy

Renewable energy at remote mining sites will set us apart from our peers by strengthening business continuity via energy self-sufficiency. However, in order to benefit fully from a low-carbon economy, we need the full extraction supply chain on-side. We are therefore working to engage with our partners (upstream and downstream) to reduce the carbon footprint of our products and contribute to climate stability.

We have undertaken a number of innovative projects to help achieve net-zero emissions including:

- **Process improvements and energy efficiency:** the use of unmanned drones to identify inefficiencies in processes and transport; efficient technologies such as LED lighting; processes such as mechanical rock excavation, advanced fragmentation, bulk sorting, in-pit conveying; and the use of renewable or decarbonised electricity generation. At our Nezhda mine (under construction), we are evaluating a project to replace six diesel power plants with a total installed capacity of 20 MWh with a 274 km transmission line to the energy grid – an example of how we can invest today for low-carbon rewards tomorrow.
- **Cogeneration plants for heat reuse:** we operate facilities at Dukat, Omolon and Amursk and Albazino which produce additional energy using waste heat from processing plants to provide electricity and heat for other premises.
- **Decarbonising transport:** we are already operating electric vehicles at our Mayskoye mine in Russia and testing electric dump trucks developed by Sandvik. In early 2020, we hope to receive the first test sample of underground electric vehicles that will both reduce our carbon footprint and also reduce ventilation costs by up to 30%.

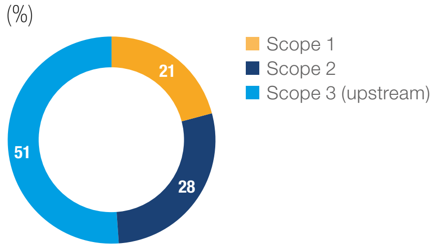
Delivering our approach

Robust governance is critical to our approach. The Polymetal Board has ultimate accountability for decision-making and for ensuring that any material climate-related risks are appropriately identified, managed, and monitored. Climate related issues are regularly on the agenda at Board meetings. All energy managers at plants or facilities that generate significant GHG emissions, as well as mechanics operating in mining and transport divisions, now have remuneration-linked KPIs relating to their performance in managing energy. There are now also ESG KPIs for senior managers Group-wide.

Read more about our climate-related risks and opportunities, strategy and metrics disclosures consistent with the approach set out by the Task Force on Climate-related Financial Disclosures (TCFD) on pages 44–45 of our Sustainability Report.

1 Detailed list of risks is disclosed in the Sustainability Report (page 38). Environmental risk are disclosed in the Sustainability Report (page 17).

GHG EMISSIONS[1]
(%)



1 Greenhouse gas scopes as set by ISO/TR 14069:2013 Greenhouse gases Quantification and reporting of greenhouse gas emissions for organisations – Guidance for the application of ISO 14064-1.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
APPENDICES

Socio-economic development

Creating jobs, supply chain opportunities and making tax contributions are just some of the ways in which we deliver tangible socio-economic value at local and regional levels. But we go beyond this, with programmes to invest directly in our communities and deliver long-term positive legacies where we operate.

Our Policy on Social Investment aims to improve living standards for local people and facilitate regional economic development. It outlines our approach to charitable, social and political donations, as well as contributions to the social stability of our workforce and our investments in social and economic development. It also lays out our monitoring procedures and stakeholder engagement.

Through our Community Engagement Policy we embrace and empower open dialogue with our neighbours – at every site and on every project. In it, we outline key principles and activities such as how we identify stakeholders and ensure effective feedback mechanisms and regular information disclosure.

Human rights

Upholding basic freedoms and human dignity is fundamental to how we create value for society. We pay particular attention to regions where we exist side-by-side with indigenous communities. In 2019, we assessed human rights risks at all our sites and are pleased to report no cases of human rights violations connected with Polymetal's employees or contractors.

Online training is delivered to employees (322 managers in 2019) with particular exposure to human rights risks, namely those working in human resources, security, procurement and health and safety. A risk assessment across all sites in Russia and Kazakhstan confirmed that risk levels were low.

Our commitment to social investment

In 2019, we invested more than $15 million in local communities, bringing our investment over five years to more than $45 million. Our strategic investments have been targeted at healthcare and active living, education, infrastructure, culture and Indigenous Minorities of the North. We have also made charitable donations worth almost $1.8 million and in-kind support such as delivering food, fuel and medicines to remote and indigenous communities and reindeer herders, as well as building and maintaining roads to isolated areas.

In dialogue with our neighbours

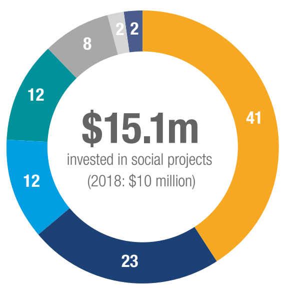
Stakeholders have the opportunity to relay their questions or concerns through a number of channels. We evaluate our impact through gathering and analysing detailed feedback from communities and those benefiting from our social investment projects. In 2019, we conducted community polls involving 1,164 people, and held 77 meetings, site visits and public gatherings (including 19 hearings for local community members and indigenous people). Our community engagement was higher than in 2018 despite of the sale of our Kapan operation in Armenia. We have expanded our community engagement procedures to our recently acquired development projects in the Yakutia region.

During the year, we focused on increasing engagement in social and environmental events and our employees took part in more than 70 volunteering events. We collaborate with non-profit organisations to ensure that our donations go to those most in need.

Responsible procurement

Our procurement guidelines stipulate fair, competitive partnerships and full compliance with all regulations. Suppliers are selected via an open-tender process, which includes assessing for compliance with our corporate governance principles and anti-corruption policies. Some also complete a prequalification questionnaire about ethical and sustainability conduct. In 2019, we assessed 7,698 potential contractors; 320 were barred from participating in procurement procedures due to non-compliance.

COMMUNITY INVESTMENT AND ENGAGEMENT
(AS % OF TOTAL SPEND)



Community issue	Activities
Sports	61 projects and events
Infrastructure	49 projects
Education	98 projects
Charitable donations	97 projects
Culture	94 projects, events and actions
Indigenous Minorities of the North	76 events and targeted assistance actions
Healthcare	13 projects and events

Non-financial information statement

The following information is provided in compliance with the Non-Financial Reporting Directive requirements. The table below sets out where relevant information can be found in this Annual Report. More detailed information is available in our Sustainability Report or on the Company's website: www.polymetalinternational.com.

Reporting requirement	Policy and standards	Relevant information
Business model		• Business model, pages 20–21 • Strategy, pages 24–25
Universal matters	• UN Global Compact • EBRD Environmental and Social Policy • Cyanide Code • Responsible Gold Mining Principles • Corporate Code of Conduct	• Employees, page 59 • Code of Conduct, Company's website • Our approach, page 52 • EBRD loan, Sustainability Report, page 03
Environmental matters	• Environmental Policy • Carbon Management Policy • Tailings and Water Storage Facilities Management Policy • Energy Policy • Mine Closure Policy • Acid rock drainage management standard • ISO 14001 • ISO 15001	• Environment, page 60; Sustainability Report, pages 36–45 • Environmental risk, page 84; Sustainability Report, page 16–17
Employees	• ILO, national labour codes • ISO 45001 • Employment and labour standards • Health and Safety Policy • Policy on Diversification of the Staff Structure • Human Resources Management Policy • Standard Regulation on Social Conditions and Service Quality Control • Collective agreements • Recruitment standards	• Employees, page 59; Sustainability Report, pages 26–35 • Health and safety, page 58; Sustainability Report, pages 26–29 • Diversity and equal opportunities, page 59; Sustainability Report, pages 32–33 • Human capital development, page 59; Sustainability Report, page 33 • Health and safety risk management, pages 58, 83; Sustainability Report, pages 28 and 16–17 • Corporate culture, pages 02 and 99; Sustainability Report, page 12
Human rights	• UNDHR • Human Rights Policy • Modern Slavery Statement • Supplier Code of Conduct	• Human rights, page 62; Sustainability Report, pages 51–52
Social matters	• Community Engagement Policy • Political and Charitable Donations Policy • Procurement Guidelines • Policy on Social Investments	• Community engagement, page 62; Sustainability Report, pages 46–53 • Our commitment to social investment, page 62; Sustainability Report, page 48
Anti-corruption and anti-bribery	• Anti-Bribery and Corruption Policy • Supplier Code of Conduct • Procurement Policy and Guidelines • Gifts and Entertainment Policy • Policy on Use of Agents, Representatives, Intermediaries and Contractors' Due Diligence • Whistleblower Policy • Policy on Disciplinary Action against Employees for Violations of Internal Anti-Bribery and Corruption Documents of the Company	• Anti-corruption, pages 52, 62; Sustainability Report, page 52 • Workforce engagement, page 101 • Code of Conduct, Company's website
Principal risks and impact from business activity	• Risks Policy	• Risks and risk management, pages 78–87; Sustainability Report, pages 16–17
Non-financial key performance indicators	• GRI • SASB • TCFD	• Our performance, pages 56–57 • Sustainability highlights, pages 50–51 • Key performance indicators, page 29

Financial review

Polymetal delivers a strong financial performance

"The Company once again reported both solid profit and cash flow for the year, reduced its net debt and paid substantial dividends to shareholders."

Maxim Nazimok
Chief Financial Officer

$2,246m
Revenue
2018: $1,882m

$299m
Free cash flow
2018: $134m

Financial highlights

- In 2019, **revenue increased by 19%**, totalling $2,246 million (2018: $1,882 million). Average realised gold and silver prices followed market dynamics and increased by 13% and 11%, respectively. Gold sales were 1,366 Koz, up 14% year-on-year, while silver sales were down 14% to 22.1 Moz, in line with production volume trends and further supported by working capital release.
- **Group Total cash costs[1] (TCC) for the full year were stable compared with 2018 at $655/GE oz**, 1% above the Group's guidance of $600–650/GE oz owing to higher domestic diesel prices and higher royalties. All-in sustaining cash costs[1] (AISC) were broadly unchanged from 2018 at $866/GE oz, 2% above the Group's guidance of $800–850/GE oz, driven by the same factors.
- Polymetal posted **record Adjusted EBITDA[1] of $1,075 million, a 38% increase over 2018**, against the backdrop of higher production volumes, higher commodity prices, and stable costs. Adjusted EBITDA margin reached 48% (2018: 41%).
- **Net earnings[2] were a record $483 million** (2018: $355 million), with basic EPS of $1.02 per share (2018: $0.78 per share). Underlying net earnings[1] increased by 31% to $586 million on the back of higher operating profit.
- **Capital expenditure was $436 million[3]**, up 27% compared to $344 million in 2018 and above the initial guidance of $380 million, mostly due to accelerated pre-stripping and construction at Nezhda. Construction at Nezhda is around 45% complete as of year end.
- **Net debt[1] decreased to $1,479 million** (31 December 2018: $1,520 million), representing a Net debt/Adjusted EBITDA ratio of 1.38x (2018: 1.95x), well below the Group's target leverage ratio of 1.5x. The Company continued to generate significant free cash flow[1] which amounted to $299 million[4] (2018: $134 million), supported by a net cash operating inflow of $696 million (2018: $513 million).
- **A final dividend of $0.42 per share (approx. $197 million)** representing 50% of the Group's underlying net earnings for 2H 2019 has been proposed by the Board in accordance with our dividend policy while remaining within the Net debt/Adjusted EBITDA target of 1.5x and comfortably below the hard ceiling ratio of 2.5x. In January 2020, the Board also announced a special dividend of $0.20 per ordinary share (approx. $94 million). This will bring the total dividend declared for FY 2019 to $385 million (2018: $223 million), or $0.82 per share versus $0.48 per share in 2018.

1 The financial performance reported by the Group contains certain Alternative Performance Measures (APMs) disclosed to complement measures that are defined or specified under International Financial Reporting Standards (IFRS). For more information on the APMs used by the Group, including justification for their use, please refer to the Alternative performance measures section on pages 206–207.
2 Profit for the financial period.
3 On a cash basis, representing cash outflow on purchases of property, plant and equipment in the consolidated statement of cash flows.
4 After asset disposal and acquisition.

Key figures[1]

	2019	2018	Change
Revenue, $m	**2,246**	1,882	+19%
Total cash cost, $/GE oz	**655**	654[2]	+0%
All-in cash cost, $/GE oz	**866**	864[2]	+0%
Adjusted EBITDA, $m	**1,075**	780	+38%
Average realised gold price[3]	**1,411**	1,253	+13%
Average realised silver price[3]	**16.5**	14.8	+11%
Net earnings, $m	**483**	355	+36%
Underlying net earnings, $m	**586**	447	+31%
Return on assets[8], %	**20%**	17%	+3%
Return on equity (underlying)[8], %	**19%**	16%	+3%
Basic EPS, $/share	**1.02**	0.78	+31%
Underlying basic EPS, $/share	**1.25**	1.00	+26%
Dividend declared during the period, $/share[4]	**0.51**	0.47	+9%
Dividend proposed for the period, $/share[5]	**0.82**	0.48	+71%
Net debt, $m	**1,479**	1,520	-3%
Net debt/Adjusted EBITDA	**1.38**	1.95	-29%
Net operating cash flow, $m	**696**	513	+36%
Capex, $m	**436**	344	+27%
Free cash flow before M&A, $m[6]	**256**	176	+45%
Free cash flow post-M&A, $m[7]	**299**	134	+122%

Market summary

Precious metals

Please see the Market overview on pages 22–23.

Foreign exchange

The Group's revenues and most of its borrowings are denominated in US Dollars, while the majority of the Group's operating costs are denominated in Russian Roubles and Kazakh Tenge. As a result, changes in exchange rates affected our financial results and performance.

In 2019, the oil market rebounded after its sharp decline in the fourth quarter of 2018. The Brent crude oil price ended the year at $66 per barrel, an increase of 23% year-on-year. Higher oil prices, improving country sentiment, increased inflow of foreign investments into Rouble assets and lower inflation expectations provided support for the national currency. In 2019, the Russian Rouble weakened by 3% year-on-year from a 62.7 RUB/$ average rate in 2018 to 64.7 RUB/$ in 2019. This had a moderately positive impact on the mining sector, resulting in a lower Dollar value for Rouble-denominated operating costs and higher margins. The spot rate as at 31 December 2019 appreciated by 11% to 61.9 RUB/$ compared with 31 December 2018.

In 2019, the Kazakh Tenge was relatively stable during the year, staying close to the levels it had reached after significant depreciation in the second half of 2018. The average rate weakened by 11% to 383 KZT/$, which is supportive for the economics of Kazakh gold miners.

1 Totals may not correspond to the sum of the separate figures due to rounding. % changes can be different from zero even when absolute amounts are unchanged because of rounding. Likewise, % changes can be equal to zero when absolute amounts differ for the same reason. This note applies to all tables in this section.
2 Restated in respect of Dukat's TCC for 2018 to include the concentrate treatment charges by the third-party offtakers.
3 Excluding effect of treatment charges deductions from revenue.
4 FY 2019: final dividend for FY 2018 declared in May 2019 and interim dividend for the first half of 2019 declared in September 2019. FY 2018: final dividend for FY 2017 declared in May 2018 and interim dividend for the first half of 2018 declared in September 2018.
5 FY 2019: interim, final and special dividend for FY2019. FY 2018: interim and final dividend for FY2018.
6 Net cash generated by operating activities less net cash used in investing activities excluding acquisitions of joint venture and associate, loans forming part of net investment in joint ventures and proceeds from disposal of subsidiaries.
7 Free cash flow including cash used in/received from acquisition/disposal of assets and joint ventures.
8 Defined in the Alternative performance measures section on pages 206–207.

Revenue analysis

Sales volumes

		2019	2018	Change
Gold	Koz	1,366	1,198	+14%
Silver	Moz	22.1	25.7	-14%
Copper	Kt	2.8	3.3	-15%
Gold equivalent sold[3]	**Koz**	**1,631**	**1,535**	**+6%**

Sales by (metal)

		2019	2018	Change, %	Volume variance, $m	Price variance, $m
Gold	**$m**	**1,882**	**1,468**	**+28%**	**207**	**207**
Average realised price[4]	$/oz	1,411	1,253	+13%		
Average LBMA gold price	$/oz	1,393	1,269	+10%		
Share of revenues		84%	78%			
Silver	**$m**	**349**	**380**	**-8%**	**-53**	**22**
Average realised price	$/oz	16.5	14.8	+11%		
Average LBMA silver price	$/oz	16.2	15.7	+3%		
Share of revenues		16%	20%			
Other metals	**$m**	**15**	**34**	**-56%**		
Share of revenues		1%	2%			
Total revenue		**2,246**	**1,882**	**+19%**	**117**	**247**

In 2019, revenues grew 19% year-on-year to $2,246 million on the back of higher volumes and metal prices.

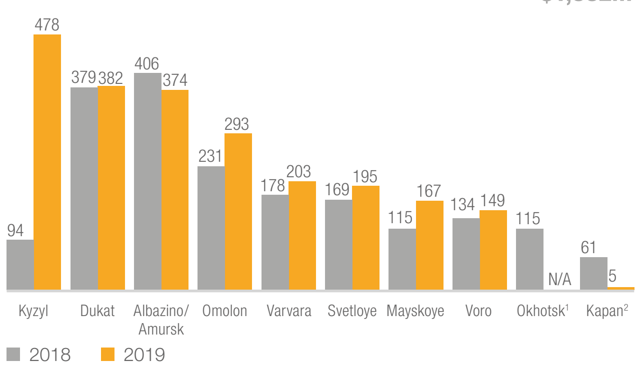
Gold sales volumes increased by 14%, while silver sales volumes decreased by 14% year-on-year, both broadly following production volumes. This resulted in total gold equivalent volume sold increasing by 6%.

The average realised price of gold was $1,411/oz in 2019, up 13% from $1,253/oz in 2018, and 1% above the average market price of $1,393/oz. The average realised silver price was $16.5/oz, up 11% year-on-year and 2% above the market price of $16.2/oz. Larger volumes of Polymetal's sales were recorded in 2H 2019 when both gold and silver market prices were meaningfully higher.

The share of gold sales as a percentage of total revenue increased from 78% in 2018 to 84% in 2019, driven by a corresponding shift in production and sales volume by metal.

REVENUE BY OPERATION
($m)

TOTAL
$2,246m
$1,882m



1 Okhotsk sold in Q4 2018.
2 Kapan sold in Q1 2019.

3 Based on actual realised prices.
4 Excluding effect of treatment charges deductions from revenue.

Analysis by segment/operation

		Revenue, $m			Gold equivalent sold, Koz (silver for Dukat, Moz)		
		2019	2018	Change	2019	2018	Change
Magadan	Dukat	382	379	+1%	24.1	25.7	-6%
	Omolon	293	231	+27%	210	182	+15%
	Mayskoye	167	115	+45%	132	112	+18%
	Total	**842**	**725**	**+16%**	**619**	**604**	**+2%**
Khabarovsk	Albazino/Amursk	374	406	-8%	266	318	-16%
	Svetloye	195	169	+15%	137	136	+1%
	Total	**569**	**575**	**-1%**	**403**	**454**	**-11%**
Kazakhstan	Kyzyl	478	94	+409%	353	85	+317%
	Varvara	203	178	+14%	147	141	+4%
	Total	**681**	**272**	**+150%**	**500**	**226**	**+121%**
Ural	Voro	149	134	+11%	107	107	-0%
Continued operations	**Total**	**2,241**	**1,706**	**+31%**	**1,628**	**1,391**	**+4%**
Discontinued operations							
Khabarovsk	Okhotsk[1]	–	115	-100%	–	93	-100%
Armenia	Kapan[2]	5	61	-92%	4	52	-92%
Continued and discontinued operations	**Total**	**2,246**	**1,882**	**+19%**	**1,631**	**1,535**	**+6%**

Sales at all operating mines were broadly in line with planned production dynamics. Kyzyl outperformed the original budget and delivered total gold production and sales of 343 Koz and 353 Koz, respectively.

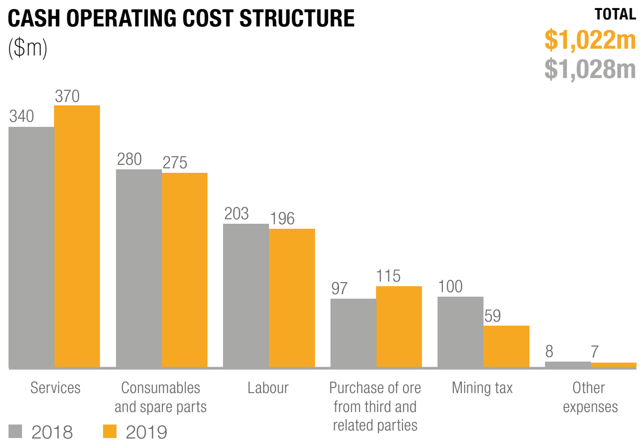
Cost of sales

	2019 $m	2018 $m	Change
On-mine costs	488	482	+1%
Consumables and spare parts	120	121	-1%
Services	230	222	+4%
Labour	133	133	–
Other expenses	5	6	-17%
Smelting costs	360	349	+3%
Consumables and spare parts	155	159	-3%
Services	140	118	+19%
Labour	63	70	-10%
Other expenses	2	2	–
Purchase of ore and concentrates from third and related parties	59	100	-41%
Mining tax	115	97	+19%
Total cash operating costs	**1,022**	**1,028**	**-1%**
Depreciation and depletion of operating assets	250	228	+10%
Rehabilitation expenses	5	1	+400%
Total costs of production	**1,277**	**1,257**	**+2%**
Increase in metal inventories	(98)	(187)	-48%
Write-down of metal inventories to net realisable value	19	21	-10%
Total change in metal inventories	**(79)**	**(166)**	**-52%**
Write-down of non-metal inventories to net realisable value	(1)	2	-150%
Idle capacities and abnormal production costs	4	3	+33%
Total cost of sales	**1,201**	**1,096**	**+10%**

1 Okhotsk sold in Q4 2018.
2 Kapan sold in Q1 2019.

Cash operating cost structure

	2019 $m	Share	2018 $m	Share
Services	370	36%	340	33%
Consumables and spare parts	275	27%	280	27%
Labour	196	19%	203	20%
Purchase of ore from third and related parties	115	11%	97	9%
Mining tax	59	6%	100	10%
Other expenses	7	1%	8	1%
	1,022	**100%**	**1,028**	**100%**



In 2019, the total cost of sales increased by 10% to $1,201 million, reflecting a volume-based increase in production and sales (3% and 6% year-on-year, respectively, in gold equivalent terms), combined with domestic inflation (3%) and growth of domestic diesel prices by approximately 20%. Another driver of cost increase was the increase in depreciation charges, namely at Kyzyl.

The cost of services was up 9% year-on-year, driven both by production growth and higher volumes of transportation services during the period, notably at Omolon (ore transportation from the Olcha underground mine) and Kyzyl (concentrate transportation).

The cost of consumables and spare parts decreased by 2% compared with 2018, mostly caused by the Russian Rouble and Kazakh Tenge depreciation combined with the effect of high-cost asset disposals, offsetting the increase of gold equivalent production volume and the impact of domestic diesel price increases.

The total cost of labour within cash operating costs in 2019 was $196 million, a 3% decrease over 2018, mainly stemming from decrease in average headcount following asset disposals, partially offset by production growth and annual salary increases (tracking domestic CPI inflation).

Mining tax increased by 19% year-on-year to $115 million, above production volume increases, mainly impacted by higher metal prices.

Depreciation and depletion was $250 million, up 10% year-on-year, of which $15 million is included within the increase in metal inventories. The increase is mostly attributable to Kyzyl with a relatively high book value of fixed assets and mineral rights.

In 2019, a net metal inventory increase of $98 million was recorded (excluding write-downs to net realisable value) mainly represented by silver concentrate produced but not yet sold at Dukat, and ore stockpiles at Omolon (heap leach ore at Birkachan) and Varvara. The Group recognised a $19 million write-down to net realisable value of its lower grade metal inventories, excluding write-off of an asset held for sale (see Note 22 of the consolidated financial statements).

Selling, general and administrative expenses

	2019 $m	2018 $m	Change
Labour	138	127	+9%
Services	12	12	–
Share based compensation	8	16	-50%
Depreciation	7	3	+133%
Other	17	17	–
Total	**182**	**175**	**+4%**
Total labour	346	342	+1%

Selling, general and administrative expenses (SGA) increased by 4% year-on-year from $175 million in 2018 to $182 million in 2019, mainly caused by the increased headcount of administrative personnel with the launch of Kyzyl and by commencement of POX-2 and Nezhda project development, as well as regular salary reviews.

Other expenses

	2019 $m	2018 $m	Change
Social payments	24	16	+50%
Exploration expenses	19	13	+46%
Provision for investment in Special Economic Zone	11	11	–
Taxes, other than income tax	11	13	-15%
Lichkvaz exploration expenses and mineral rights write-off	–	24	-100%
Other expenses	3	(2)	NA
Total	**68**	**75**	**-9%**

Other operating expenses decreased to $68 million in 2019 compared with $75 million in 2018. Increase in social payments was mostly attributable to social expenditures at Kyzyl and the Amursk POX-2 project.

In 2018, following the binding agreement for the sale of Kapan, the Group had fully written down the carrying value of the Lichkvaz development project, giving rise to a charge of $24 million.

Total cash costs per gold equivalent ounce
Year-on-year[1]

		Cash cost per GE ounce, $/oz			Gold equivalent sold, Koz (silver for Dukat, Moz)		
		2019	2018[2]	Change	2019	2018	Change
Magadan	Dukat (SE oz)[3]	10.0	9.3	+8%	24.1	25.7	-6%
	Omolon	749	647	+16%	210	182	+15%
	Mayskoye	1,072	829	+29%	132	112	+18%
	Total	**867**	**735**	**+18%**	**619**	**604**	**+2%**
Khabarovsk	Svetloye	310	301	+3%	137	136	+1%
	Albazino/Amursk	734	670	+10%	266	318	-16%
	Total	**590**	**592**	**-0%**	**403**	**454**	**-11%**
Kazakhstan	Kyzyl	399	554	-28%	353	85	+317%
	Varvara	723	688	+5%	147	141	+4%
	Total	**494**	**638**	**-23%**	**500**	**226**	**+121%**
Ural	Voro	383	391	-2%	107	107	0%
Continued operations	**Total**	**653**	**636**	**+3%**	**1,628**	**1,391**	**+17%**
Discontinued operations							
Khabarovsk	Okhotsk[4]	–	746	-100%	–	93	-100%
Armenia	Kapan[5]	1,306	987	+32%	4	52	-92%
Continued and discontinued operations	**Total**	**655**	**654**	**+0%**	**1,631**	**1,535**	**+6%**

In 2019, total cash costs per gold equivalent ounce sold (TCC) were effectively flat year-on-year at $655/GE oz. The robust operating results at Kyzyl had a positive impact on cost level, offsetting the impact of fuel price increases, general domestic inflation and asset-specific factors at some of the mature assets (most importantly Mayskoye with concentrate fully diverted to Chinese offtake).

Total cash cost by operation:

- Kyzyl's total cash costs were at $399/GE oz, significantly below the Group's average and feasibility study levels and down 28% year-on-year, as the mine delivered in excess of its design capacity and planned grade during the period.
- Dukat's total cash costs per silver equivalent ounce sold (SE oz) increased by 8% year-on-year to $10.0/SE oz. The cost increase is attributable to the planned moderate decrease in silver grade.
- At Omolon, TCC amounted to $749/GE oz, an increase of 16% year-on-year, which was driven by the switch to processing lower grade ore from Birkachan open pit and high ore transportation costs at Olcha underground.

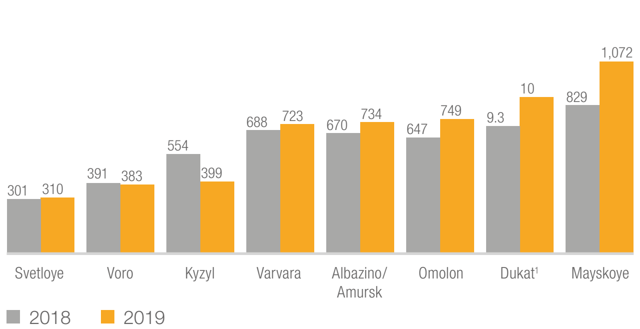
1 Total cash costs comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down of metal and non-metal inventory to net realisable value and certain other adjustments) and general, administrative and selling expenses of the operating assets. Gold equivalent sales volume is calculated based on average realised metal prices in the relevant period. Total cash cost per gold equivalent ounce sold is calculated as Total cash costs divided by total gold equivalent unit ounces sold. For more information refer to the Alternative performance measures section on pages 206–207.
2 Restated for Dukat's TCC to include the effect of treatment charges.
3 Dukat's total cash cost per gold equivalent was $859/GE oz (2018: $752/GE oz) and was included in the Group TCC calculation.
4 Okhotsk sold in Q4 2018.
5 Kapan sold in Q1 2019.

Financial review continued

- TCC at Mayskoye were $1,072/GE oz, a 29% increase year-on-year, mostly driven by a higher share of concentrate sales to offtakers, increased share of high-cost underground mining and decline in average grade processed.
- Svetloye was the lowest cost operation in 2019, with TCC of $310/GE oz, almost unchanged compared with $301/GE oz in 2018, delivering a solid and stable set of operating results.
- At Albazino/Amursk, TCC were $734/GE oz, up 10% compared with 2018. The cost performance was mostly attributable to processing of lower grade ore from the Ekaterina-1 open pit, as well as higher cost third-party concentrate processed at the Amursk POX.
- At Varvara, TCC were $723/GE oz, increasing by 5% year-on-year, mainly stemming from a higher cost of mining at Komar and processing additional feed from higher cost third-party ore.
- At Voro, TCC were $383/GE oz, almost unchanged year-on-year. The heap leach facility and CIP plant continued to deliver a stable performance in line with the mine plan despite moderate grade declines.

TOTAL CASH COSTS BY OPERATION ($/GE OZ)

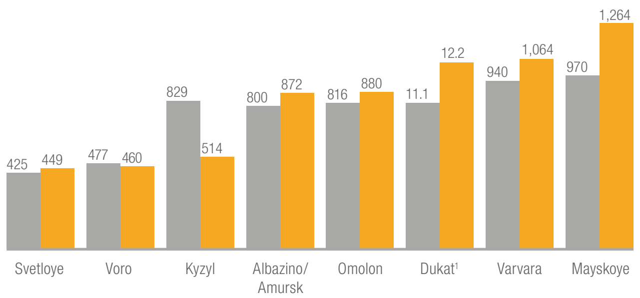
TOTAL
$655/GE OZ
$654/GE OZ



1 Silver equivalent oz for Dukat.

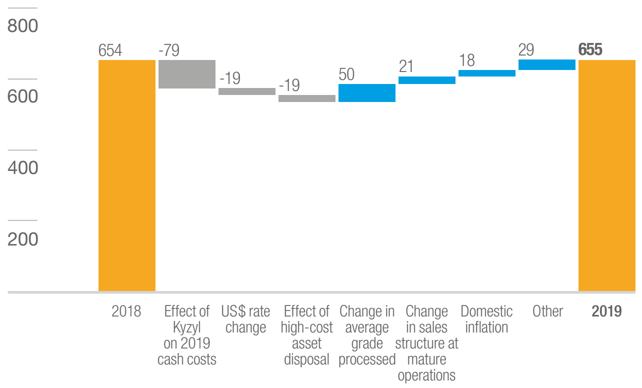
ALL-IN SUSTAINING CASH COSTS BY OPERATIONS ($/GE OZ)

TOTAL
$866/GE OZ
$864/GE OZ

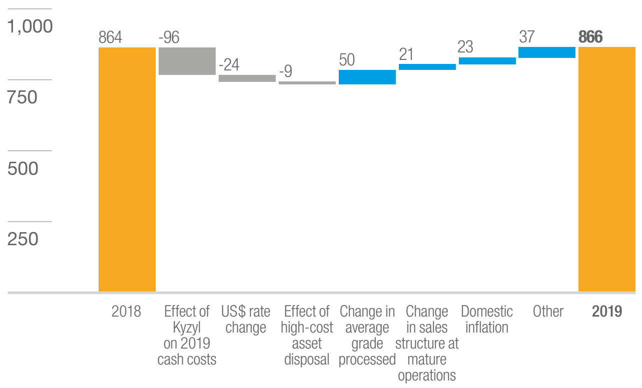


The charts below summarise major factors that have affected the Group's TCC dynamics year-on-year:

RECONCILIATION OF TCC MOVEMENTS ($/GE OZ)



RECONCILIATION OF AISC MOVEMENTS ($/GE OZ)



All-in cash costs[1]

All-in sustaining cash costs amounted to $866/GE oz and remained broadly unchanged year-on-year. AISC by mines were represented on the opposite page.

1 All-in sustaining cash costs comprise total cash costs, all selling, general and administrative expenses for operating mines and head office not included in TCC (mainly represented by head office SG&A), other expenses (excluding write-offs and non-cash items, in line with the methodology used for the calculation of Adjusted EBITDA), and current period capital expenditure for operating mines (i.e. excluding new project capital expenditure (Development capital), but including all exploration expenditure (both expensed and capitalised in the period) and minor brownfield expansions). For more information refer to the Alternative performance measures on pages 206–207.

All-in sustaining cash cost per ounce

		2019 $/GE oz	2018 $/GE oz	Change
Magadan	Dukat (SE oz)	12.2	11.1	+10%
	Omolon	880	816	+8%
	Mayskoye	1,264	970	+30%
	Total Magadan	**1,036**	**869**	**+19%**
Khabarovsk	Svetloye	449	425	+6%
	Albazino/Amursk	872	800	+9%
	Total Khabarovsk	**728**	**715**	**+2%**
Kazakhstan	Kyzyl	514	829	-38%
	Varvara	1,064	940	+13%
	Total Kazakhstan	**675**	**899**	**-25%**
Ural	Voro	460	477	-3%
Continued operations	**Total**	**864**	**855**	**+1%**
Discontinued operations				
Khabarovsk	Okhotsk[1]	–	846	-100%
Armenia	Kapan[2]	1,320	1,131	+17%
Continued and discontinued operations	**Total**	**866**	**864**	**+0%**

All-in sustaining cash costs at all operating mines generally followed total cash cost dynamics.

Reconciliation of all-in costs

	Total, $m			Per GE oz, $		
	2019	2018	Change	**2019**	2018	Change
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 6)	**953**	**925**	**+3%**	**582**	**600**	**-3%**
Adjusted for:						
Idle capacities	(4)	(3)	+29%	(3)	(2)	+50%
Inter-segment realised profit on metal inventory	(8)	(34)	-76%	(5)	(22)	-77%
Treatment charges deductions reclassification to cost of sales	63	51	+24%	38	33	+15%
General, administrative and selling expenses, excluding depreciation, amortisation and share based compensation (Note 6)	**74**	**77**	**-3%**	**45**	**50**	**-10%**
Adjusted for:						
SGA of development projects	(7)	(6)	+25%	(4)	(4)	–
Total cash costs	**1,070**	**1,010**	**+6%**	**655**	**654**	–
SGA and other operating expenses not included in TCC	154	124	+24%	94	80	+18%
Capital expenditure excluding new projects	98	128	-23%	60	83	-28%
Exploration expenditure (capital and current)	94	72	+31%	57	47	+21%
All-in cash costs	**1,416**	**1,334**	**+6%**	**866**	**864**	**+0%**
Net finance cost	74	63	+17%	45	41	+10%
Capitalised interest	9	11	-16%	6	7	-14%
Income tax expense	135	71	+90%	82	46	+78%
After-tax all-in cash costs	**1,635**	**1,479**	**+11%**	**999**	**958**	**+4%**
Development capital	236	146	+62%	144	95	+52%
Other expenses and SGA for development assets	15	18	-17%	9	12	-25%
All-in costs	**1,885**	**1,643**	**+15%**	**1,152**	**1,064**	**+8%**

1 Okhotsk disposed of in Q4 2018.
2 Kapan disposed of in Q1 2019.

Adjusted EBITDA and EBITDA margin[1]

Reconciliation of Adjusted EBITDA

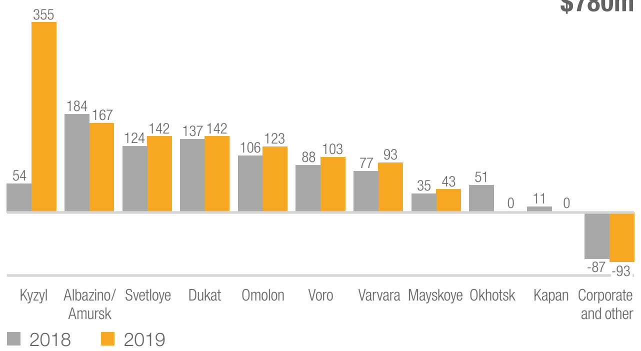
	2019 $m	2018 $m	Change
Profit for the financial period	483	355	+36%
Finance costs (net)[2]	74	63	+17%
Income tax expense	135	71	+90%
Depreciation and depletion	242	186	+30%
EBITDA	**934**	**675**	**+38%**
Foreign exchange loss, net	36	40	-10%
Loss on disposal of subsidiaries, net	16	54	-70%
Share based compensation	12	12	–
Change in fair value of contingent consideration liability	23	(7)	-429%
Write-down of assets held for sale	28	–	n/a
Other non-cash items	26	23	+13%
Revaluation of initial share in Prognoz	–	(41)	-100%
Lichkvaz exploration expenses and mineral rights write-off	–	24	-100%
Adjusted EBITDA	**1,075**	**780**	**+38%**
Adjusted EBITDA margin	**48%**	**41%**	**+6%**
Adjusted EBITDA per gold equivalent oz	**659**	**508**	**+30%**

Adjusted EBITDA by operation

		2019 $m	2018 $m	Change
Magadan	Dukat	141	137	+3%
	Omolon	123	106	+16%
	Mayskoye	43	35	+23%
	Total	**307**	**278**	**+10%**
Khabarovsk	Albazino/Amursk	167	184	-9%
	Svetloye	142	124	+15%
	Total	**309**	**308**	**+0%**
Kazakhstan	Kyzyl	355	54	+557%
	Varvara	93	77	+21%
	Total	**448**	**131**	**+242%**
Ural	Voro	104	88	+18%
Corporate and other and intersegment operations		(93)	(87)	+7%
Continued operations	**Total**	**1,075**	**718**	**+50%**
Discontinued operations				
Khabarovsk	Okhotsk[1]	–	51	-100%
Armenia	Kapan[2]	–	11	-100%
Continued and discontinued operations	**Total**	**1,075**	**780**	**+38%**

ADJUSTED EBITDA BY OPERATION
($m)

TOTAL
$1,075m
$780m



1 Adjusted EBITDA is a key measure of the Company's operating performance and cash generation capacity (excluding impact of financing, depreciation and tax) and a key industry benchmark allowing peer comparison. Adjusted EBITDA also excludes the impact of certain accounting adjustments (mainly non-cash items) that can mask underlying changes in core operating performance. The Company defines Adjusted EBITDA (a non-IFRS measure) as profit for the period adjusted for depreciation and amortisation, write-downs and reversals of inventory to net realisable value, share-based compensation expenses, gains and losses on disposal or revaluation of investments in subsidiaries, joint ventures and associates, rehabilitation expenses, bad debt allowance, foreign exchange gains or losses, changes in fair value of contingent consideration, finance income, finance costs, income tax expense and other tax exposures accrued within other operating expenses. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue.

2 Net of finance income.

In 2019, Adjusted EBITDA jumped by 38% year-on-year to $1,075 million, with an Adjusted EBITDA margin of 48%. The increase was mainly driven by a 13% growth in the average realised gold price and an 11% growth in the average realised silver price, combined with a 6% increase in sales volumes and a higher share of low-cost production at Kyzyl.

In 2019, Kyzyl contributed one-third of total Adjusted EBITDA amounting to $355 million. At all other operating mines, except for Albazino/Amursk, Adjusted EBITDA increased on the back of growing metals prices. At Albazino/Amursk, the decrease was mainly driven by decline in GE sales (down 16%) and higher total cash costs (up 10%).

Other income statement items

Polymetal recorded a net foreign exchange loss in 2019 of $36 million (2018: $40 million loss), mostly attributable to inter-company loans with different functional currencies in the lending and borrowing subsidiaries. This foreign exchange loss was partially offset by the revaluation of the Dollar-denominated borrowings of Russian operating companies, the functional currency of which is the Russian Rouble. The Group's average gross debt during 2019 was $1,816 million, mostly denominated in Dollars, while the RUB/$ exchange rate decreased from 69.5 RUB/$ as at 31 December 2018 to 61.9 RUB/$ as at 31 December 2019.

The Company does not use any hedging instruments for managing foreign exchange risk, other than a natural hedge arising from the fact that the majority of the Group's revenue is denominated or calculated in Dollars.

In 2019, the Company completed disposal of the Kapan mine to Chaarat Gold Holdings Limited. The total consideration received amounted to $55 million, of which $10 million was settled in Chaarat's convertible notes. Subsequent to the reporting date, the Group signed a settlement agreement with Chaarat, delivering the convertible bonds back to Chaarat and receiving its newly issued ordinary shares. In December 2019, the Group disposed of the remaining entities with net assets of $4 million, comprising the Armenia segment, for $1 million. This resulted in total loss on disposal of $16 million recognised in the income statement in the period. For more information refer to Note 4 of the consolidated financial statements.

In November 2019, the Company set off a group of assets within the Omolon hub with a carrying value of $41 million, including Sopka and Dalneye low grade ore stockpiles and related mining and exploration licences, in a separate legal entity, with the intention to dispose of this group of assets through sale to a third party during 2020. The expected sale price approximates to $13 million plus NSR royalty, so as of 31 December 2019 the Group recognised a loss of $28 million. For more information refer to Note 4 of the consolidated financial statements.

Net earnings, earnings per share and dividends

The Group recorded a net income of $483 million in 2019, an increase of 36% compared with $355 million in 2018. Underlying net earnings attributable to the shareholders of the Parent were $586 million, compared with $447 million in 2018.

1 Okhotsk disposed of in Q4 2018.
2 Kapan disposed of in Q1 2019.

Reconciliation of underlying net earnings[1]

	2019 $m	2018 $m	Change
Profit for the financial period attributable to the shareholders of the Parent	**480**	**354**	**+35%**
Write-down of metal inventory to net realisable value	19	21	-10%
Tax effect on write-down of metal inventory to net realisable value	(4)	(4)	-5%
Foreign exchange (gain)/loss	36	40	-10%
Tax effect on foreign exchange (gain)/loss	(7)	7	N/A
Change in fair value of contingent consideration liability	23	(7)	N/A
Tax effect on change in fair value of contingent consideration	(5)	(1)	N/A
Loss on disposal of subsidiaries	16	54	-70%
Write-down of assets held for sale	28	–	N/A
Lichkvaz exploration expenses and mineral rights write-off	–	24	N/A
Revaluation of initial share in Prognoz	–	(41)	N/A
Underlying net earnings attributable to the shareholders of the Parent	**586**	**447**	**+31%**

Basic earnings per share were $1.02 per share compared with $0.78 per share in 2018 and were affected by one-off items, including gains/losses on disposal of subsidiaries. Underlying basic EPS[2] was $1.25 per share, compared with $1.00 per share in 2018, driven by robust financial performance from continuing operations.

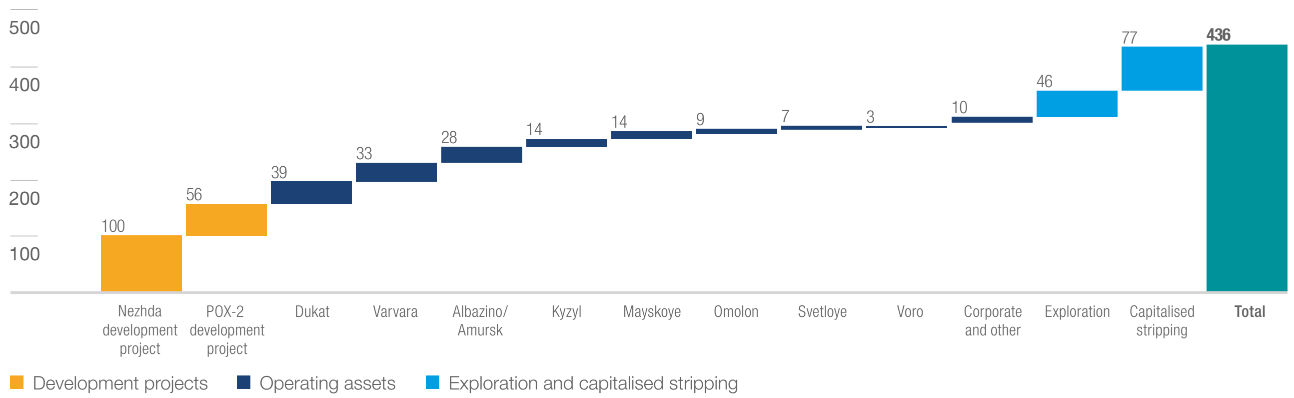
In accordance with the Company's dividend policy, the Board has proposed to pay a final dividend of $0.42 per share (giving a total expected dividend of $197 million) representing 50% of the Group's underlying net earnings for the period. During 2019, Polymetal paid a total of $240 million in dividends, representing final dividends for FY2018 and interim dividends for the first half of 2019. An additional $94 million of special dividends ($0.20 per share) was paid in March 2020.

Capital expenditure[1]

	2019 $m	2018 $m	Change
Growth projects			
Nezhda[3]	100	–	n/a
POX-2	56	44	+28%
Existing operations			
Dukat	39	16	+146%
Varvara	33	38	-13%
Albazino/Amursk	28	30	-8%
Kyzyl	14	54	-75%
Mayskoye	14	11	+23%
Omolon	9	13	-32%
Svetloye	7	7	-4%
Voro	3	1	+248%
Kapan	–	7	-100%
Okhotsk	–	3	-100%
Corporate and other	10	15	-31%
Exploration	46	51	-11%
Capitalised stripping	77	54	+43%
	436	**344**	**+27%**

1 Underlying net earnings represent net profit for the year excluding the impact of key items that can mask underlying changes in core performance.
2 Underlying basic EPS are calculated based on underlying net earnings.
3 Excluding capitalised stripping.

CAPITAL EXPENDITURE
($M)



In 2019, total capital expenditure was $436 million[2], up 27% year-on-year mainly on the back of capital expenditure at Nezhda and POX-2. Capital expenditure excluding capitalised stripping costs was $359 million in 2019 (2018: $290 million).

The major capital expenditure items in 2019 were as follows:

- Across all operating mines, except for Dukat, capital expenditure declined or remained roughly flat year-on-year and was mainly represented by regular mining fleet replacements and maintenance expenditure at processing facilities.
- At Dukat, capital expenditure in 2019 comprised $39 million, mainly representing the scheduled upgrade of the tailings storage facilities, purchases of mining fleet and the Perevalnoye satellite mine underground development.
- At Varvara, capital expenditure of $33 million is mainly related to the upgrade of the mining fleet at Komar and purchase of a railroad locomotive and freight cars.
- Capital expenditure at Albazino of $28 million was mostly represented by development of the Ekaterina-2 pit, purchases of mining fleet, construction of the drain system and construction of two accommodation camps.
- Capital expenditure at Amursk POX was $56 million, an increase of 28% year-on-year, related to the POX-2 development project. Project capex was mainly represented by the detailed engineering and contracting for equipment for the concentrate preparation section, intensive cyanidation unit, water treatment plant and construction of a new concentrate storage facility. The autoclave foundation was completed.
- $100 million was invested at Nezhda mostly related to the construction of the concentrator building, the mine camp and related facilities, and the ore haulage road.
- The Group continues to invest in standalone exploration projects. Capital expenditure for exploration in 2019 was $46 million compared with $51 million in 2018.
- Capitalised stripping costs totalled $77 million in 2019 (2018: $54 million) and are attributable to accelerated stripping at Nezhda ($25 million), as well as operations with stripping ratios exceeding their life-of-mine averages during the period, including in particular Kyzyl ($22 million), Albazino ($11 million) and Varvara ($9 million).

1 On a cash basis.
2 On accrual basis, capital expenditure was $469 million in 2019 (2018: $377 million).

Cash flow analysis

	2019 $m	2018 $m	Change
Operating cash flows before changes in working capital	904	614	+47%
Changes in working capital	(208)	(101)	+106%
Total operating cash flows	**696**	**513**	**+36%**
Capital expenditure	(436)	(344)	+27%
Acquisition costs in business combinations and investments in associates and joint ventures	–	(57)	-100%
Disposals cash proceeds	43	15	+187%
Other	(4)	7	-157%
Investing cash flows	**(397)**	**(379)**	**+5%**
Financing cash flows			
Net changes in gross debt	(169)	443	-138%
Dividends paid	(240)	(213)	+13%
Contingent consideration payment	(13)	(6)	+117%
Total financing cash flows	**(422)**	**224**	**-288%**
Net decrease/increase in cash and cash equivalents	**(123)**	**358**	**-134%**
Cash and cash equivalents at the beginning of the year	379	36	+953%
Effect of foreign exchange rate changes on cash and cash equivalents	(3)	(15)	-80%
Cash and cash equivalents at the end of the year	**253**	**379**	**-33%**

Total operating cash flows in 2019 strengthened significantly year-on-year. Operating cash flows before changes in working capital increased by 47% year-on-year to $904 million. Net operating cash flows were $696 million, compared with $513 million in 2018. This was affected by an increase in working capital in 2019 of $208 million (2018: $101 million), mainly represented by the release of prepayments for gold bullion received as of 31 December 2018 for delivery during 2019.

Total cash and cash equivalents decreased by 33% year-on-year and comprised $253 million, with the following items affecting the cash position of the Group:

- Operating cash flows of $696 million.
- Investment cash outflows totalled $397 million, up 5% year-on-year and mainly represented by capital expenditure (up 27% year-on-year to $436 million) offset by cash proceeds on disposal of Kapan ($40 million).
- Payment of regular dividends for 2018 and the first half of 2019 amounting to $240 million.
- The net decrease in borrowings of $169 million.

Liquidity and funding

	2019 $m	2018 $m	Change
Short-term debt and current portion of long-term debt	214	117	+83%
Long-term debt	1,518	1,782	-15%
Gross debt	**1,732**	**1,899**	**-9%**
Less: cash and cash equivalents	253	379	-33%
Net debt	**1,479**	**1,520**	**-3%**
Adjusted EBITDA	**1,075**	**780**	**+38%**
Net debt/Adjusted EBITDA	**1.38**	**1.95**	**-29%**

The Group's net debt decreased to $1,479 million as of 31 December 2019, representing a Net debt/Adjusted EBITDA ratio of 1.38x, well below the Group's target ratio of 1.5x.

The proportion of long-term borrowings comprised 88% as at 31 December 2019 (94% as at 31 December 2018). In addition, as at 31 December 2019, the Group had $1.9 billion (31 December 2018: $1.1 billion) of available undrawn facilities, of which $1.08 billion is committed from a wide range of lenders that maintain its operational flexibility in the current environment.

The average cost of debt remained low at 4.26% in 2019 (2018: 4.19%) supported by the ability to negotiate competitive margins given the solid financial position of the Company and its excellent credit history. The Group is confident in its ability to repay its existing borrowings as they fall due.

2020 outlook

While we recognise that our financial performance is dependent on the RUB/$ exchange rate, inflation in Russia and oil price dynamics, Polymetal expects to deliver a strong financial performance in 2020, which will be driven by the following factors:

- The Company reiterates its current production guidance of 1.6 Moz of GE for each of FY2020 and 2021.
- TCC in 2020 are expected to be in the range of $650–700/GE oz while AISC is expected at $850–900/GE oz. The expected increase over 2019 cost levels is driven by the appreciation of the Russian Rouble and increased domestic diesel fuel prices compared to 2019, as well as increased royalties on the back of continued strong gold and silver price performance. The guidance remains contingent on the Rouble/Dollar exchange rate and oil price.
- Capital expenditures in 2020 are expected to be approximately $475 million. The $50 million increase compared with the previous estimate is driven by accelerated pre-stripping at Nezhda, and several environmentally driven investments, as well as a stronger Rouble.

As a result, the Company expects to continue to deliver positive free cash flow and pay regular dividends in 2020.

Maxim Nazimok
Chief Financial Officer

Risk and risk management

A robust risk culture enables us to respond rapidly and appropriately to any risk management challenges or opportunities that might hamper or boost the achievement of our strategic, tactical and operational goals.

Our approach

Accurate and timely risk identification aligned with effective mitigation procedures are the bedrock of Polymetal's approach to minimising the risks to all our stakeholders. Inevitably, like all companies in the mining sector, we not only face a wide range of potential risks, including macroeconomic and market volatility, environmental issues, geopolitical crises and resource nationalism, but these also have the propensity to shift and change dramatically. In order to deliver our strategic objectives and create sustainable value, meticulous risk management is a vital component of our overall business model.

Specifically, during 2019, we focused strongly on bolstering a risk-aware culture throughout Polymetal:

- Elements of risk culture assessment have been embedded into periodic surveys at the Group and entity level. Read more on page 80.
- We have enhanced risk governance by reviewing risk management policies and procedures to ensure that they both reinforce a risk-averse culture and support the dissemination of risk management processes throughout the Group.
- We have increased the input from top and line managers on how best to manage our operational risks.
- Employees at all levels are tasked with clear risk responsibilities in their everyday duties, with any changes in risk profile shared through operations management.

Risk management framework

All businesses have to deal with elements of risk that are varied and unpredictable, and this is obviously more heightened within the global mining industry. Polymetal's Board is ultimately responsible for identifying the principal risks that are pertinent to the Group and assessing the potential impact on our business model, day-to-day operations, future performance, stakeholders, our values and solvency or liquidity. There is a particular focus on sustainability and the possible environmental and social impacts within the communities where we operate.

As part of their annual assessment of the future prospects and long-term viability of the Group, the Board also reviews these risks and any potential impacts, while at the same time evaluating the effectiveness of the mitigating actions put in place to deal with such eventualities. Details of the approach taken to assess long-term viability are on page 144. In addition, three times a year, the Audit and Risk Committee undertakes a review to approve the Group's overall risk profile.

The Company's attitude to risk management is based upon our shared corporate culture with great emphasis placed on risk awareness at every level, be it management, employees, contractors or our supply chain. This is reinforced by our risk management framework, designed to ensure that Polymetal achieves its strategic objectives by properly identifying risks, assessing their potential impact and having the right processes and procedures in place to deal with them. While this is overseen by the Board and executive management, the need for pro-active responsibility towards risk within day-to-day operations is essential for positive outcomes.

We continuously monitor and refine our risk management and other internal control systems to meet the changing requirements of the business. They incorporate international best practice and adjustments to the UK Corporate Governance Code 2018 as well as complying with the COSO ERM 2017 framework.

Risk governance framework

Top down ↓ / ↑ Bottom up

Governance and oversight at corporate level	**The Board** • Set the tone on risk management culture. • Maintain sound and effective risk management and internal control systems. • Define risk appetite and approve risk management policies, guidelines and processes. • Responsible for principal risk identification and ongoing monitoring of the Company's risk exposure to ensure that material matters are managed in alignment with strategic objectives.
Assistance to the Board by reviewing and monitoring of principal risks and procedures	**The Board committees** • The Audit and Risk Committee reviews the effectiveness of the risk management process, develops and oversees implementation of risk management strategies and makes recommendations to the Board. • The Safety and Sustainability Committee measures the impact of the Company's initiatives and supports the Audit and Risk Committee in monitoring sustainability risks. • Further information on the Board and its Committees is given in the Governance section on pages 92–115.
Support the Audit and Risk Committee in evaluating the Group's risk profile and internal controls implemented by management	**Internal audit function** • Define and monitor the risk management process and mitigation tools and actions. • Plan and execute assurance activities to ensure there are policies and procedures in place to support the effectiveness of the Group's internal control system. • Prepare regular risk and internal control reports for approval by the Audit and Risk Committee and maintain the Risk Assurance Map. • Perform risk analysis on growth projects, detailing the specific conditions and risks faced by the new project. Further information on the internal audit function is given on page 107.
Operating risk management across mining operations and exploration	**Operational managers** • Risk awareness embedded into day-to-day operations. • Risk identification and assessment performed across business operations on an everyday basis. • Implementation of risk mitigation programmes and operational monitoring of internal controls.

Risk culture
For several years, we have focused on creating a robust risk culture to support risk management across all business units. To increase risk-aware thinking at all management levels the risk management framework was defined as a business enabler; we involved more business unit managers in risk discussions and surveys, while also encouraging and educating them in risk and risk management.

Risk owners take responsibility for risks, including controlling or mitigating them at all levels and across individual business units.

Risk capacity
Risk appetite statement
The risk appetite of the Group is considered in relation to the principal risks and their impact on the ability to meet the Group's strategic objectives. The Board assesses the Group risk appetite, which is set to balance opportunities for business development and growth in principal areas, whilst maintaining reputation and high levels of stakeholder satisfaction. Within the context of risk management, the Board communicates the principal risk appetite and tolerance through the Group strategy planning process.

Tolerance limits
The nature of our risk profile demands a prudent approach to corporate risk, our decisions regarding risk tolerance, and risk mitigation actions. Internal controls and risk interventions are set to assist us in fulfilling our commitments to stakeholders.

The Group periodically revises the risk tolerance levels of its principal risks.

The Group has a zero-tolerance approach to the following risks:

- Fatalities
- Corruption
- Disclosure of commercial secrets
- Accidents at construction
- Severe violation of human rights and freedoms

Risk management strategy and plan
We have a built-in process for regularly updating and reviewing the risk management policies and procedures to address new developments and introduce best practice. Risk assessment forms an integral part of management and planning for the whole Group and its current projects.

Risk process

1. Risk identification and documentation
Our policy is to identify and assess risks at the earliest possible stage and to implement an appropriate risk response and internal controls in advance. Our risk management procedures are designed to delegate the responsibility for risk identification while avoiding gaps and duplications, and are embedded into accounting and documentation systems to identify information on potential risk triggers. Polymetal's risk identification system considers not only single, mutually exclusive risks, but also multiple linked and correlated risks.

2. Risk assessment
Once identified, potential risk factors are assessed to consider the quantitative and qualitative impact that they might have on the business and the likelihood of the event (see next page). Together these create a risk profile.

Risk matrices and assurance maps are used to record, prioritise and track each risk through the risk management process.

3. Development and implementation of risk mitigation strategies
When the appropriate ranking has been identified, a response to each risk is formulated and implemented. Management assesses the effects of a risk's likelihood and impact, as well as the costs and benefits of possible mitigating actions.

A response is then determined and implemented to bring the risk within acceptable tolerance levels.

4. Monitoring and reporting
Ongoing monitoring processes are embedded in Polymetal's business operations. Risk matrices and assurance maps are used to re-evaluate and adjust controls in response to changes in the Company's objectives, its business and the external environment.

Management is responsible for the implementation of effective follow-up procedures to ensure appropriate actions occur in response to changes in risk and control assessments.

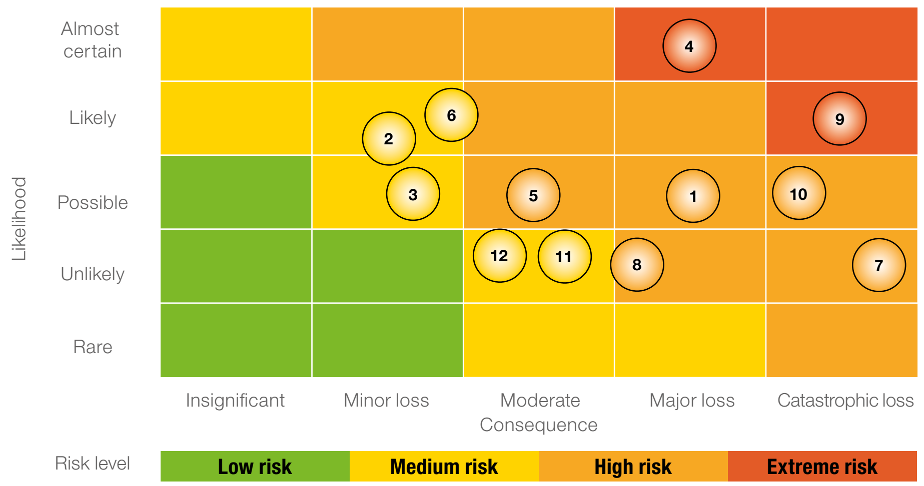
Potential risk impacts

Risk impact	Insignificant	Minor	Moderate	Major	Catastrophic
Harm to people	Slight injury or health effects – first aid/ minor medical treatment level	Minor injury or health effects – restricted work or minor lost workday case	Major injury or health effects – major lost workday case/ permanent disability	Permanent total disabilities, single fatality	Multiple fatalities
Environmental impact	Minimal harm	Material harm	Serious harm	Major harm	Extreme harm
Business disruption/ asset damage and other consequential loss	Less than 1% Adjusted EBITDA	1–5% Adjusted EBITDA	5–10% Adjusted EBITDA	10–20% Adjusted EBITDA	More than 20% Adjusted EBITDA
Legal and regulatory	Low-level legal issue	Minor legal issue; non-compliance and breaches of the law	Serious breach of the law; investigation/report to authority, prosecution and/or moderate penalty possible	Major breach of the law; prosecution and penalties applied	Very considerable penalties and jail term
Impact on reputation	Public awareness may exist but no public concern	Local public concern	Regional public concern	National public concern	International public concern

Likelihood

Rare	Unlikely	Possible	Likely	Almost certain
Never occurred or is highly unlikely to occur in the next 20 years	Occurred several times or could happen within 20 years	Occurred at some point within 10 years and may re-occur within 10 years	Occurred infrequently: less than once a year and is likely to re-occur within 5 years	Occurred frequently: one or more times per year and is likely to re-occur within one year

Rating of principal risks level



Operational risks
1 Production risks
2 Construction and development risks*
3 Exploration risk

Sustainability risks
4 Health and safety risk
5 Environment risk

Political and social risks
6 Legal risk
7 Political risk
8 Tax risk

Financial risks
9 Market risk*
10 Currency risk*
11 Liquidity risk*
12 Interest rate risk

* This risk was considered as part of the viability assessment as detailed on page 144.

Risk and risk management continued

Principal risks

The Group's principal risks and related mitigation strategies are set out below. Principal business risks are identified by the Board based on a detailed understanding of the Company, its markets and the legal, social, political, economic, technological, environmental and cultural environments in which we operate, and robust assessment of the likelihood of occurrence and potential consequences of risk events.

For the current reporting period, we validated the continued importance of our 12 principal risks and our risk profile remains stable relative to last year, except for the increase in tax risk exposure.

To read more about emerging risks see page 87.

Operational risks

Risk description and potential effect	Risk response/mitigation actions
1. Production risks The risk of failure to meet the planned production programme. Failure to meet production targets may adversely affect operating performance and the financial results of the Group. The key sources of risk may include: • Inability to achieve volume, grade or recovery assumed in life-of-mine plans. • Failure of supply chains to procure complex logistics to remote locations. • Failure to retain key employees or to recruit new staff. • Failure of contractors to meet required performance standards. **Risk level:** High risk **Risk exposure trend:** 2019 – No Change **Link to strategy:** Robust performance	• **Inability to achieve volume, grade or recovery assumed in life-of-mine plans** Annual, quarterly and monthly production budgeting and subsequent monthly control against budget is designed to mitigate the risk. The effectiveness and efficiency of the production process is ensured by the senior management of the Group's engineering and production team. An approved production programme includes substantial volume of operational prospecting works, such as in-fill drilling and grade control sampling. To mitigate the risk, the Group invests considerable amounts in ore quality assessment procedures and seeks to control ore quality by separate stockpiling of ore with the required characteristics. • **Failure of supply chains to procure complex logistics to remote locations** The Group has implemented and constantly improves the supply chain system to closely link the production demand of resources with inventory levels, optimise the number of order placements and ensure the in-time inventory and equipment delivery to production sites. • **Failure to retain key employees or to recruit new staff** Remuneration policies are designed to incentivise, motivate and retain key employees. There is an increased focus on health and safety – refer to pages 58–59, 114–115 of this Annual Report. There is an active promotion of a positive corporate culture within the Group. • **Failure of contractors to meet required performance standards** The contractors' performance control system is designed, implemented and applied.
2. Construction and development risks Inability to achieve target return on capital for large investment projects, such as building new mines and processing facilities or extension/refurbishment of existing operating mines, due to delay in commissioning or capital expenditure overruns. This may have a negative impact on the Group's financial performance and cash flows. **Risk level:** Medium risk **Risk exposure trend:** 2019 – No Change **Link to strategy:** Delivering growth Securing the future	• The Company applies global best practices in project management. The Group's technical personnel are in charge of the project's capital expenditure, including project support, supply chain management and permitting process. A significant share of projects is developed by the in-house engineering company, Polymetal Engineering, which has vast experience and a successful track record of design and ramp-up of mines and processing facilities. We are continuously improving our construction risk management systems and employ leading world-class consultants in applicable areas.

Risk description and potential effect	Risk response/mitigation actions
3. Exploration risk Exploration and development are time and capital-intensive activities and may involve high degrees of risk but are necessary for the future growth of the business. Failure to discover new reserves of sufficient magnitude could adversely affect the Company's future performance. This is an inherent risk for the mining industry that affects long-term ability to maintain production profile and sustainability. **Risk level:** Medium risk **Risk exposure trend:** 2019 – No Change **Link to strategy:** Delivering growth Securing the future	• Risk and uncertainty are inherent for exploration and development activities. • The Group invests considerable amounts in key exploration projects to obtain sufficient information about the quantity and quality of new reserves and to estimate expected cash flows. • The Group's Chief Geologist and engineering teams have a strong track record of successful greenfield and brownfield exploration, leading to the subsequent development of exploration fields into commercial production. • The advancement of the exploration project is subject to rigorous reviews through pre-established project stages that are linked to estimates of the resource potential and its economic prospects.

Sustainability risks

Risk description and potential effect	Risk response/mitigation actions
4. Health and safety risk The Group operates potentially hazardous sites such as open-pit and underground mines, exploration sites, processing facilities and explosive storage facilities. The operation of these sites exposes our employees to a variety of health and safety risks. **Risk level:** Extreme risk **Risk exposure trend:** 2019 – No Change **Link to strategy:** Governance and sustainability	• A control system covering occupational and industrial safety in the Company is in place, including risk assessment of individual work places and the use of safety equipment for the protection of employees. • Our approach to health and safety is about strong leadership, a zero-harm culture and stringent risk management. In 2018–2019, our Group CEO and COO, alongside other senior managers, formally committed to personal accountability and developed additional security measures to ensure employees' strict compliance with safety requirements. • Risk management remains the bedrock of how we manage health and safety and the Group's Health and Safety Policy, together with our Occupational Health and Safety Management System, is in place across all sites and audited annually against ISO 45001 compliance. For all production sites, a Critical Risks Management (CRM) system is deployed, supported by a Health and Safety Action Plan. • Each year, we review and update risks across the Group. Each key process and location has its own risk map and mitigation plan. We deploy a shift-by-shift risk assessment model, which is rigorously implemented in hazardous areas such as roads, mines, plants and power supplies. • Our 2019 Action Plan focused on critical risk management, transport and contractor safety. It comprised 136 measures that were tackled during the year. This included piloting a RealTrac[R] system across our open-pit mining fleet to prevent collisions, installing additional road signs and implementing further safety training for drivers.

Risk and risk management continued

Principal risks

Sustainability risks continued

Risk description and potential effect	Risk response/mitigation actions
5. Environmental risk Major pollution arising from operations and climate change include air and water pollution, incidents at the tailings storage facility and water facility, and land contamination. Potential impacts include fines and penalties, statutory liability for environmental redemption and other financial consequences that might be significant. For more details refer to the Sustainability Report, page 17. **Risk level:** High risk **Risk exposure trend:** 2019 – No Change **Link to strategy:** Governance and sustainability	• The Company operates a certified environmental management system that meets international standards and all our production sites are certified compliant with ISO 14001. • The Company has implemented a number of initiatives to monitor and limit the impact of its operations on the environment, including external audit assessment of the performance indicators and adopting industry best practice for corporate and mine level policies and procedures. • The Company has a Climate and Energy Management System and Carbon Management Policy. Both include standards for risks and opportunities assessment. The Management System includes an energy-efficiency programme to improve our use of energy resources through better energy monitoring, metering and reduction, in line with ISO 50001, the international standard for energy management. • Identification and assessment of climate risks include physical risks (acute, chronic), transitional risks, political and legal risks, technological risks, market risks, and reputational risks. For details see page 52 of the Annual report and page 17 of the Sustainability Report. • We have also disclosed climate-related data in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For details please refer to pages 44–45 of the Sustainability Report. • Since 2018, when we established our Tailings and Water Storage Facilities Policy alongside a Tailings Storage Facilities (TSF) Management System, we have tailored both to each operating site and appointed responsible employees. The system is aimed at timely identification of any deviation at every stage of the facility's lifecycle (designing, engineering, construction, operation, maintenance, upgrading, mothballing and closure). All findings are accessible by the Company management, employees, stakeholders and regulatory agencies and are used to enhance control, prevent accidents, and prepare emergency response plans. All our TSFs undergo regular audits for compliance with these requirements as well as safety examinations. TSFs are also regularly monitored by environmental and engineering teams, with on-site inspections of pipelines, pump stations, water levels and dam bodies. • We conduct engineering, seismic and geological surveys, and test pulp at least once every five years. Using monitoring data (temperature of soils, depression curve) and physical features of materials used for the TSF foundation and dam construction, we adjust stability calculations and risk assessment. • The Group constantly reviews the list of measured and controlled environmental parameters to ensure compliance with current environmental risk management requirements.

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Political and social risks

Risk description and potential effect	Risk response/mitigation actions
6. Legal risk Operating in developing countries, such as Russia and Kazakhstan, involves the risk that changes in tax and other legislation may occur from time to time. The most sensitive areas are the regulation of foreign investment in the development of mineral resources at strategic deposits and in strategic minerals, private property, environmental protection and taxation. In recent years, the governments of Russia and Kazakhstan have become more consistent regarding the introduction of new regulations and taxes, demonstrating an awareness of investment climate issues. However, in the application of existing legislation requiring interpretation, courts often uphold the more assertive position of the tax authorities, which does not always coincide with the Company's position. As a result of changes in laws and regulations, certain types of transactions and technologies may become unavailable to the Group or the costs of compliance may be increased. **Risk level:** Medium risk **Risk exposure trend:** 2019 – No Change **Link to strategy:** Governance and sustainability	• Polymetal has a successful track record of operating in Russian and Kazakh jurisdictions, having developed its own expertise in corporate, tax, licensing and other legal areas. • Corporate and operating management teams are responsible for meeting the legal requirements in their operating activities. Head office and on-site legal teams guarantee appropriate controls over compliance issues. • The Group's policy is to ensure strict legal compliance in all jurisdictions where Group companies operate. The Group's financial and legal teams monitor current legislation and proposed changes, and incorporate these into the practice, involving leading external experts where appropriate.
7. Political risk Operating in Russia and Kazakhstan involves some risk of political instability, which may include changes in government, negative policy shifts and civil unrest. Financial and economic sanctions imposed in 2014–2019 by the US and the EU on certain businesses and individuals in Russia increased political tensions and economic instability; there is a risk that further sanctions could impact the Group's ability to operate in Russia. Russia's complex relations with the US and EU, as well as its involvement in conflicts in the Middle East, may potentially present a risk to Group's operations. In addition, there is a risk that due to the deterioration of the macroeconomic situation, governments in Russia and Kazakhstan may consider imposing currency controls and limitations on capital flows. These factors are not expected to affect the Group's operating performance, yet may have a negative impact on the ability of the Group to secure external financing. These factors may have an adverse effect on the Group's market value and operating environment. **Risk level:** High risk **Risk exposure trend:** 2019 – No Change **Link to strategy:** Governance and sustainability	• The Group actively monitors political developments on an ongoing basis. We aim to maintain open working relationships with local authorities in the countries where we operate. • Sanctions imposed on Russian individuals and businesses in 2014–2019 have not currently had any direct influence on the Group's operations. Neither the Group nor its major shareholders are targeted by US or EU sanctions. However, to a limited extent, sanctions have affected both the macroeconomic situation in Russia and interest rates for borrowings. • The Company has designed and implemented a Group Sanctions Compliance Policy, outlining general principles and approaches to sanctions compliance in the Group's operations. Respective Local Sanctions Compliance Policies have been adopted in Russia and Kazakhstan.

Risk and risk management continued

Principal risks

Risk description and potential effect	Risk response/mitigation actions
Political and social risks continued	
8. Tax risk Due to frequent changes in tax legislation in Russia and Kazakhstan, lack of established practices in tax law means that additional costs such as taxes or penalties may occur. The taxation risk level correlates with the legal and political risks levels. Multinational companies will continue to be subject to considerable public scrutiny across the world within the Base Erosion and Profit Shifting (BEPS) action plan. **Risk level:** High risk **Risk exposure trend:** 2019 – Increase **Link to strategy:** Robust performance	• The Group's policy is to comply fully with the requirements of applicable tax laws, providing adequate controls over tax accounting and tax reporting. • Nevertheless, the ongoing changes to Russian and Kazakh tax legislation, and evolving practice of the application of these laws in courts, could lead to tax disputes and potential additional tax liabilities. • The Group regularly evaluates its tax positions to ensure they are adequately reflected in the consolidated financial statements. To date, the Group is not aware of any significant outstanding tax claims which could lead to additional taxes accrued in the future (beyond amounts already booked or disclosed in the Group's financial statements). The Group applies a conservative approach to provisioning for probable tax liabilities. • The Group is continuously monitoring its tax strategies and tax structures to comply with the new landscape created by BEPS without suffering unwarranted disruptions in business operations or incurring excessive costs. • Despite the fact that there were no significant changes in tax legislation in the reporting period, given the Group's conservative approach to assessing tax risks, the tax risk has been upgraded to take account of the growth of business operations.
Financial risks	
9. Market risk Gold and silver price volatility may result in material and adverse movements in the Company's operating results, revenues and cash flows. **Risk level:** Extreme risk **Risk exposure trend:** 2019 – No Change **Link to strategy:** Robust performance Delivering growth Securing the future	The Company has developed and, to the extent necessary, implemented procedures to ensure consistent cash flow generation at operating mines, including: • Redistribution of ore feedstock between deposits within a hub to achieve higher margins due to better grade profile, better logistics or less expensive mining methods • Deferring the start of production while continuing ore stacking to achieve better cost profiles due to positive effects of scale • Managing the volume of third-party ore purchases • Staffing level review and hiring freeze • Asset-level cost-cutting. Reserve and resource prices, as well as cut-off grades, are reviewed at least annually to conservatively reflect the prevailing commodity price levels. Short-, medium- and long-term life-of-mine plans are adjusted as appropriate. Stress testing for these conservative price assumptions is performed to ensure the resilience of operating mines in a stress scenario and continued value creation. Contingency action plans have been developed to address performance in a stress scenario. While the price of precious metals remains volatile, the measures taken by the Company ensure that each operating mine remains cash-flow positive. The Company will continue with this approach. Currently, the Group does not hedge its commodity price exposure since its strategy is to offer stakeholders full exposure to the potential upside of gold and silver pricing.
10. Currency risk The risk arises from the Company's receipts from metal sales and foreign currency denominated debt, as well as the foreign currency denominated cost of imported capital goods and consumables. **Risk level:** High risk **Risk exposure trend:** 2019 – No Change **Link to strategy:** Robust performance	• Natural hedging is used to reduce the risk exposure: revenue is matched with US Dollar-denominated debt. • Flexible budgeting is used to monitor the effect of exchange rate fluctuations on the Group's financial results. The Group has determined critical exchange rates levels for its operations and is monitoring risk against these levels. • During 2019, there was moderate volatility of the Russian Rouble and Kazakh Tenge exchange rates against foreign currencies. • As at 31 December 2019, 99% of the Group's total debt was denominated in US Dollars. The Company will continue to retain most of its loan portfolio in US Dollars.
11. Liquidity risk The inability to raise sufficient funds to meet current operating or ongoing financial needs or to develop new projects and growth. Inadequate cash management in terms of cash flow forecast, available resources and future requirements. **Risk level:** Medium risk **Risk exposure trend:** 2019 – No Change **Link to strategy:** Robust performance	• The Group's treasury function is responsible for ensuring that there are sufficient funds in place, including loan facilities, cash flow from operating activities and cash on hand to meet short-term business requirements. Long-term credit lines and borrowings are used to finance new projects and organic growth. • The Group ensures that significant undrawn committed facilities are in place to cover any funding gaps. • Liquidity risk was successfully managed during 2019: the target level of annual debt repayments was achieved, while average tenor significantly improved and exceeded four years as a result of refinancing efforts during the year. • The Group generated significant free cash flow in 2019, while increasing the total limit of the undrawn credit lines.
12. Interest rate risk The Group is exposed to interest rate risk as a significant part of the Group's debt portfolio is US Dollar-denominated floating rate borrowings. **Risk level:** Medium risk **Risk exposure trend:** 2019 – No Change **Link to strategy:** Robust performance	• The Group monitors recent trends for any increase in base rates by the US Federal Reserve. The magnitude of risk remains low due to the comfortable leverage position of the Group and the low share of interest costs in total expenditures. • Current and future negotiations with banks for potential financing deals include assessment of their fixed versus floating rates and stress testing against various market rate dynamics. • More than 70% of the loan portfolio is now locked at a fixed interest rate. LIBOR, which is applicable to 30% of the Group's loan portfolio, decreased 0.8% in 2019 and helped to improve the Group's average cost of debt.

Emerging risks

In addition to the currently identified risks, the Company has a process of identifying and addressing emerging risks. Emerging risks are defined as circumstances or trends that could significantly impact the Company's financial strength, competitive position or reputation within the next five years and have a long-term impact for several years. Emerging risks can be very difficult to quantify given the potentially unknown and far-reaching impacts on industry and external environment in general. Emerging risks are particularly important in the context of the Company's strategic planning. Accordingly, we identify the critical assumptions in strategic plans that could be impacted by these emerging risks.

We involve top and line management into the dialogue to identify the emerging risks during internal communications, technical council meetings, and project risk analysis, including approval of charters of significant projects by the Board.

Current emerging risks

When identifying and assessing risks, the Group also draws up a watch list of emerging risks, whose potential impact is not clear at the present time, and the most notable of these are set out below. We monitor them in line with our risk management process.

Resource nationalism	An attempt by individual states to assert greater control over natural resources in their territory by restricting global extractive industries through the limitation of foreign investment in the sector, limitation or duties for bullion/concentrate exports and/or mining super-profit tax. Historically, both Russia and Kazakhstan have maintained a safe and predictable investment climate for the mining industry. However, globally, resource nationalism is on the increase within the mining sector. The Group actively engages with governmental and local authorities in its regions of operation in order to monitor and address any potential issues.
Tightening environmental regulations in China and related market transformation	The Chinese government continues to introduce regulatory measures and greater enforcement to help overcome environmental challenges. This has already had wide-ranging ramifications for mining and mineral processing worldwide. Currently, Polymetal sells its double refractory gold concentrates (more than 20% of total sales in 2019) to Chinese offtakers. Therefore, any environmental restrictions for concentrate imports could affect the Group's ability to sell these materials. The Group is currently building the POX-2 expansion project, which will eliminate its dependence on Chinese offtakers.
Cybersecurity risk	Management has assessed that risks associated with cybersecurity currently do not represent a key risk. However, given the importance of enterprise information systems on the activities of the Group, we identify them as emerging. Maintaining cyber resilience is a priority for the Group. The Group's strategy provides for cybersecurity risk management in accordance with a series of standards ISO / IEC 27001 (ISO 27001). The Group uses an information technology management platform based on the COBIT package (Control Objectives for Information and Related Technology), which provides a complete set of high-level requirements to be considered for effective control of each IT process. The Group carefully monitors emerging information security threats and the management of network and information flows. In 2018, an external independent audit of the security of the corporate network was conducted by an independent cybersecurity consultant, Jet Infosystems. The audit revealed no critical weaknesses in the control system and procedures. In 2019, an external independent audit of the safety of the production process control system was conducted by Satel, an independent information security consulting centre. No significant errors in the system and control procedures were detected.
Coronavirus epidemic	Management has considered the recent coronavirus spread and although the epidemic presently has not had any material impact on the business operations of the Group, including, inter alia, its ability to ship concentrate to its offtakers in China. Management will continue to carefully monitor the situation (including the extent to which the virus spreads outside of China), and take mitigating action as and when appropriate.

Board of Directors

Committed to the highest standards of governance

1. Ian Cockerill

Chair of the Board of Directors

Appointed: 23 April 2019.
Previous experience: Chair of Blackrock World Mining Trust, 2016–2019. Lead Independent Director of Ivanhoe Mines, 2011–2019. Non-executive Director of Orica, 2010–2019. Director of Endeavour Mining Corp (ASX), 2013–2019. Executive Chair and Chair of Petmin, 2010–2017. CEO of AngloCoal, 2008–2009. Managing Director, COO and CEO of Gold Fields, 1999–2008. Executive Officer Business Development and African Operations for AngloGold, 1997–1999.
Qualifications: BSc (Hons) in Geology from Chelsea College of Science and Technology, University of London. MSc in Mineral Production Management from Royal School of Mines, London. Management Development Programme at University of South Africa. Advanced Management Programme at Templeton College, Oxford University.
Other roles: Independent non-executive Director of BHP. Director of Leadership for Conservation in Africa and Chair of Conservation 360, both conservation NGOs.

N S

2. Ollie Oliveira

Senior Independent non-executive Director

Appointed: 25 April 2018.
Previous experience: Founder and Managing Partner of Greengrove Capital LLP. Independent non-executive Director of Dominion Diamond Corporation; Chairman of its Audit Committee, 2013–2015. Head of Corporate Finance, Director of Diamond Trading Company (DTC) and Member of DTC and De Beers Executive Committees, 1997–2008; Executive Director, Strategy and Business Development in De Beers holding company, 2001–2008. Finance Manager, Corporate and International Finance in Anglo American Corporation of South Africa Ltd, 1989–1997. Group Finance Director of Press Corporation Ltd, 1980–1989. Touche Ross (now Deloitte), 1974–1980.
Qualifications: BCom from University of KwaZulu-Natal. Fellow of ICMA (UK). Member of South African Institute of Chartered Accountants.
Other roles: Non-executive Director of Blackrock World Mining Trust. Non-executive Director and Senior Independent Director at Antofagasta; Chairman of its Project and Audit and Risk Committees.

N A R

3. Vitaly Nesis

Group Chief Executive Officer

Appointed: 29 September 2011.
Previous experience: Member of JSC Polymetal Board, 2004–2012. CEO of Vostsibugol, 2002–2003. Strategic Development Director at the Ulyanovsk Automobile Plant in 2000. McKinsey in Moscow, 1999–2000. Merrill Lynch in New York, 1997–1999.
Qualifications: BA in Economics from Yale University. MA in Mining Economics from St. Petersburg Mining Institute.
Other roles: Chief Executive of JSC Polymetal since 2003.

S

4. Victor Flores

Independent non-executive Director

Appointed: 30 January 2019.
Previous experience: Started his career as a sector analyst at United Services Advisors (now US Global Investors), an investment management company focusing on natural resources and precious metals, before becoming Portfolio Manager and Chief Investment Officer. Managing Director and Senior Mining Analyst at HSBC for 11 years. Partner responsible for gold investments at Paulson & Co, 2009–2018. Director at Midas Gold Corp. and Tower Hill Mines, 2017–2019.
Qualifications: BSc in Geological Sciences and MSc in Energy and Mineral Resources from the University of Texas at Austin. CFA charter holder since 1992.
Other roles: Director of Strategic Projects at Orion. Director of Lydian International Limited.

A

5. Italia Boninelli

Independent non-executive Director

Appointed: 12 December 2019.
Previous experience: More than 20 years' international experience in building human capital through culture and change management, and corporate performance enhancement. She is an executive coach and organisational design consultant, focusing on strategy facilitation, remuneration, conflict resolution, HR advisory and leadership development. Executive VP for Organisational Development at AngloGold Ashanti, 2010–2016. Senior VP for Human Resources at Gold Fields, 2007–2010. Group Human Resources Director for Network Healthcare Holdings Ltd, 2004–2006.
Qualifications: MA in Psychology from the University of the Witwatersrand, Johannesburg.
Other roles: Independent Non-executive Director of Hospice Witwatersrand (South Africa). Patron of WIMSA (Women in Mining in South Africa).

R

6. Tracey Kerr

Independent non-executive Director

Appointed: 1 January 2018.
Previous experience: 30 years' experience in the international mining industry. Held the role of Group Head of Exploration with Anglo American Plc, 2011–2015. Before joining Anglo American in 2011 she held technical and exploration management roles with Vale and BHP Billiton, based in Australia, UK, Canada and Brazil.
Qualifications: MSc in Economic Geology from University of Tasmania. Diploma in Company Direction from the Institute of Directors, UK.
Other roles: Group Head of Safety and Sustainable Development in Anglo American plc.

S R

7. Christine Coignard

Independent non-executive Director

Appointed: 1 July 2014.
Previous experience: 30 years' experience in international banking and consultancy: Royal Bank of Canada, Société Générale, Citi and Apogee Gold Fund, Boston. Project Manager for Interros, Russia. Director of investments and financing for Norilsk Nickel. Managing Director at HCF International Advisers.
Qualifications: Business degree from Emlyon, France. MBA from Schulich School of Business, Toronto, Canada.
Other roles: Managing Director and Founding Partner of Coignard & Haas GmbH. Independent Director at Eramet; member of Audit, Risks and Ethics, and Strategy and Corporate Social Responsibility committees.

R A

8. Giacomo Baizini

Independent non-executive Director

Appointed: 1 January 2018.
Previous experience: EVRAZ plc Group CFO in 2009–2014; various positions in operations planning and business development after joining the Group in 2005. Prior to joining EVRAZ, Mr Baizini was a management consultant with McKinsey & Co in their Milan and Tokyo offices.
Qualifications: Summer MBA from the Kellogg Graduate School of Management. MA Hons in Physics from the University of Oxford. Diploma of Industrial Engineering from the Japan Management Association.
Other roles: General Manager of EVRAZ Group SA.

A N R

9. Jean-Pascal Duvieusart

Non-executive Director

Appointed: 29 September 2011.
Previous experience: Managing Partner for Central Europe and the CIS at McKinsey – joined in 1992 working in Brussels, New York and Central Europe; Managing Partner in Prague. Consultancy and advisory services to banks, insurers and industrial companies in Russia and Central Europe. Former Executive Director of Nomos Bank.
Qualifications: MBA from the University of Chicago. Master's degree in Commercial Engineering, Catholic University of Louvain, Belgium.
Other roles: Shareholder of PPF Group NV. Group CEO of Home Credit International a.s., Board member of Home Credit BV and the Anglo-American School of Moscow. Member of the European Regional Business Council of the World Economic Forum Davos.

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10. Konstantin Yanakov

Non-executive Director

Appointed: 29 September 2011.
Previous experience: Member of JSC Polymetal's Board of Directors, 2008–2012; member of its Audit Committee. Various positions at MDM Bank. CFO of JSC Polymetal until 2004. Board Member at Piraeus Bank, Inbank, Greek Organisation of Football Prognostics, and Tiscali. Supervisory Board Member of Rigensis Bank.
Qualifications: MBA from the London Business School. PhD in Economics from Russian State University of Management. Degree in Global Economics from the Government of Russia's Finance Academy.
Other roles: Board Member of the East Mining Company. Director of ICT Holding. Deputy Director General in charge of Finance at CJSC ICT, Moscow Branch; Board Member of CJSC ICT. General Director (sole executive body) of LLC ICT-Kapital.

Key

- Committee Chair
- A Audit and Risk Committee
- N Nomination Committee
- R Remuneration Committee
- S Safety and Sustainability Committee

Senior management

Diverse professional team delivering business excellence

1. Vitaly Nesis
Group Chief Executive Officer

See biography on page 88.

2. Vitaly Savchenko
Chief Operating Officer

Appointed: 2009.
Experience: Director of the Production Department, 2007–2009, senior production and technical positions since 2004. Chief Underground Mine Engineer at Priargunskoye Mining and Chemical Company as well as various managing positions at the mine, 1994–2003. Recipient of second and third-category Miner's Glory Medal.
Qualifications: Degree with Honours in Underground Mineral Mining engineering, Kyrgyz Mining Institute. MBA from the UK's Open University Business School.

3. Sergey Trushin
Deputy CEO, Mineral Resources

Appointed: 2010.
Experience: Chief Geologist at the Khabarovsk Exploration Company, 2008–2010. Chief Geologist at Albazino Resources 2006–2008 and various positions at Albazino Resources since 1998. Geologist with Dalnevostochnie Resources, 1991. Geologist with the Production Geological Association 'Dalgeology' and the Nizhne-Amursk exploration expedition in the preceding six years.
Qualifications: Degree in Geological Surveying and Mining Engineering Exploration from the Novocherkassk State Polytechnic Institute.

4. Pavel Danilin
Deputy CEO, Strategic Development

Appointed: 2009.
Experience: Previous roles in Polymetal: Director of Corporate Finance and Investor Relations, Head of Corporate Finance. Head of Corporate Finance at CJSC ICT, 2002–2003. Deputy Head of Currency Department and Head of Financial Resources Department at the Kaliningrad branch of Bank Petrocommerce, 1998–2001.
Qualifications: MBA from the University of California at Berkeley, Haas School of Business. Degree in Economics and Management, Kaliningrad State Technical University.

5. Roman Shestakov
Deputy CEO, Project Development and Construction

Appointed: 2009.
Experience: Chief Engineer at Gold of Northern Urals, 2007–2009. Pit superintendent, 2006–2007. Mine superintendent at the Okhotsk Mining and Exploration Company, 2004–2005. Mining engineer in the Production and Technical Department of JSC Polymetal Management in the preceding two years.
Qualification: Honours degree in Open-pit Mining from the Mining Department of St. Petersburg State Mining Institute. MBA from the UK's Open University Business School.

6. Maxim Nazimok
Chief Financial Officer

Appointed: 2017.
Experience: Previous roles in Polymetal: Finance Director, 2015–2016; Chief Financial Controller, 2011–2015. Deputy Chief Financial Officer at Nomos Bank in 2010–2011; Director of Business Planning and Analysis from 2009. Head of Management and IFRS Reporting at MDM Bank, 2008–2009. Various financial positions at PricewaterhouseCoopers, 2003–2008.
Qualifications: BA in Economics from St. Petersburg State University. Graduated with distinction from the Executive MBA-Global Programme at London Business School and Columbia Business School. Fellow member of ACCA.

7. Valery Tsyplakov
Managing Director, Polymetal Engineering

Appointed: 2004.
Experience: Previous roles in Polymetal: Deputy General Director for Mineral Resources, Design and Technology and senior roles in Production and Technology, and Technological Research Departments, 2000–2004. Department Head at the Soviet Union Research Institute of Aeronautical Automation. Prior to this, a quest scientist at Aarhus University's Physics Institute (Denmark). Research Fellow in the Plasma Physics Department of the Moscow Physics and Engineering Institute. Professional Member of the Institute of Materials, Minerals & Mining (London).
Qualifications: Degree in Experimental Nuclear Physics, Moscow Physics and Engineering Institute. PhD in Physics and Mathematics.

8. Igor Kapshuk
Chief Legal Officer

Appointed: 2015.
Experience: Previously worked in Polymetal as Head of the Legal Department from 2005 and Deputy Head from 2003. Deputy General Counsel, Head of the Department for Legal Matters and Head of Claims Department at the branch of Siberia Energy Coal Company and at Vostsibugol (Irkutsk), 2001–2003. Legal advisor for Pharmasintez, 1999–2001. Legal advisor and acting Head of the Legal Department at the Irkutsk Tea-Packing Factory, 1997–1998. Legal advisor at an insurance company (Irkutsk), 1994–1997.
Qualifications: Degree from the Law School of Irkutsk State University.

9. Tania Tchedaeva
Director, Corporate Governance and Company Secretary

Appointed: 2011.
Experience: Company Secretary at Orsu Metals Corporation, 2008–2011. Various positions in Oriel Resources plc, 2004–2008.
Qualifications: MSc in Finance from London Business School, 2008. Fellow of ICSA: The Governance Institute. Degree in Translation and Interpretation from Moscow State Linguistic University.

10. Eugenia Onuschenko
Director, Corporate Finance

Appointed: 2009.
Experience: Joined Polymetal in 2008 as Head of the Bank Financing department and later served as the Head of Corporate Finance and Investor Relations. Prior to joining Polymetal, held several roles at Ernst & Young in transaction advisory services. Career focus on corporate and project finance, capital markets and investor relations.
Qualifications: Graduate of St. Petersburg State University of Economics and Finance. Bachelor's degree in Economics and Management from Grenoble University Pierre-Mendes, France.

11. Daria Goncharova
Chief Sustainability Officer

Appointed: 2015.
Experience: Joined Polymetal in 2010 in the corporate finance and investor relations team. Prior to this, held a business development role at GiproShakht Severstal from 2008 to 2009.
Qualifications: Graduate of St. Peterburg's Russian Presidential Academy of National Economy and Public Administration. Master's in Green Management, Energy and Corporate Social Responsibility from Bocconi University, Milan.

12. Evgeny Vrublevskiy
Director of PMTL Holding Ltd, Head of Treasury

Appointed: 2015.
Experience: Director of PMTL Holding Ltd and Head of Treasury since 2015. Treasury Manager at UFG Asset Management, 2014–2015. Treasury Manager at Inteco Group, 2012–2014. Head of Settlements at UniCredit Securities, 2008–2012. Various positions with Uralsib Capital in Moscow, 2005–2008
Qualifications: BA in Management from Moscow State Mining University. MA in Economics from Witte University Moscow. Certified Treasury Professional (CTP) designation awarded by the Association for Financial Professionals (AFP). Advanced Certificate from Cyprus Securities and Exchange Commission.

Board Chair's letter

> Stakeholder and employee engagement continues to be a major focus and feeds into the decision-making of the Board.

Dear shareholders

This is my first year as a Director and Chair of the Board at Polymetal, and I am particularly pleased to have joined the Company at this stage of its development. Polymetal's IPO was in 2011 and since then the Group management, led by its Board and chaired by Bobby Godsell, has taken Polymetal from strength to strength. In 2019 Polymetal is now a FTSE 100 company with world-class assets, a leader in ESG practices, and proud of delivering on its promises.

During the year, I participated in multiple meetings and site visits as part of a busy succession and induction process. I observed first-hand Polymetal's best-in-class facilities, competent management, employees who are proud to work for the Company, and suppliers who value co-operation with an international organisation, as well as communities that welcome the opportunities provided by our social investment programmes. I also met with some of the Group's biggest shareholders. This was a good introduction to Polymetal and its operations, and I look forward to continuing the work that Bobby started.

Board succession

Having largely completed our Board succession programme, we are continuing to review the ongoing needs of the Board. Polymetal's next step is to ensure that it not only retains and trains its existing employees, but also engages with and attracts new young talent in an increasingly competitive labour market. With that in mind, I am happy to welcome to the Board Italia Boninelli, who brings with her 20 years' experience in developing leadership and human capital. In addition, as we become a more mature company and our shareholder engagement needs start to change, we are fortunate to have Victor Flores as a Board member. Victor, who joined in January 2020, is one of the best analysts in our industry with in-depth knowledge and over 30 years' experience in finance, investing and research. Both Italia and Victor will stand for election at the 2020 AGM and I very much hope for your endorsement of these new appointments.

However, sadly we say goodbye to two Board colleagues, Christine Coignard and Jean-Pascal Duvieusart, who will not be offering themselves for re-election at the 2020 AGM. As Chair of the Remuneration Committee, Christine has been pivotal in shaping Polymetal's governance and remuneration practices. Congratulations to Jean-Pascal on his new job and I appreciate that it is no longer possible to continue as a non-executive Director. Ollie Oliveira succeeds Christine as Chair of the Remuneration Committee and I have joined the Safety and Sustainability Committee.

Stakeholder and employee engagement

The Board has a long-established history of taking stakeholders' views into account when making business decisions. As part of the UK Code requirements, the Board continued to consider the interests of key stakeholders in Board discussions and decision-making. We also increased the focus on building and maintaining successful engagement mechanisms with a wide range of stakeholders, acknowledging that active communication is vital for a successful and sustainable business.

Employee engagement has long been an area of strength for companies within the mining industry or for those with a unionised workforce, and Polymetal is no different. The Company's executive management already engages effectively with its employees through a number of channels. In 2019, we further strengthened this by introducing a new employee engagement programme, with employees able to pose questions directly to the Board. We look forward to integrating this annual feedback session into the future decision-making and strategic planning processes of the Board. You can read more about workforce engagement on page 101.

Next year we will continue developing engagement mechanisms with the Group's other stakeholders. This will include two deep-dive sessions to help us to improve our understanding of the needs of our suppliers, contractors and communities.

Corporate governance

The new UK Code was introduced in 2018 and effective from 1 January 2019. The Company has taken all the necessary steps to ensure continued compliance, including revised terms of reference for the Board and its Committees as well as setting out comprehensive work plans for 2019.

Adherence to the strictest of international standards and exacting best practice is the foundation of our approach to corporate governance and guides the Company's business operations. This has earned Polymetal its high standing among the investor community as well as from its employees and other stakeholders. I am grateful to the management, employees and my Board colleagues for their work and support throughout the year and I look forward to steering the Company through this next phase of its development.

Ian Cockerill
Board Chair

Statement of compliance with the UK Corporate Governance code

The Directors are committed to maintaining high standards of corporate governance. As a premium UK-listed company, during the year ended 31 December 2019, Polymetal International was required to comply with the UK Corporate Governance Code (the UK Code) – published in July 2018 and available through the UK Financial Reporting Council's website – or, where the provisions of the UK Code have not been complied with, to provide appropriate explanations. During 2019, the Company was in compliance with all provisions of the UK Code. Detailed information about how Polymetal applies principles of the UK Code is available in the Corporate Governance section on the Company's website: www.polymetalinternational.com.

As well as complying with the UK Code, the Company has complied with all applicable regulations of the Moscow Stock Exchange and Astana International Exchange, and respective Russian securities laws and AIX Markets Listing Rules.

Areas of focus in 2019

The following Board discussions, linked to the Company's overall strategy and UK Code requirements, took place in 2019:

Areas of focus		Strategic priorities
Board leadership and Company purpose Read more on pages 02–15, 25, 30–49, 57, 60, 75, 84, 92, 98–99, 100–103, 113, 114–115, 142–143		
• Quarterly and annual production results • Exploration update	• Operational update • Mineral Resources and Ore Reserves update	Robust performance
• POX-2 project approval	• Nezhda project update	Delivering growth
• Strategy review • Progress report on digital initiatives	• M&A transactions approval	Securing the future
• Tailings storage facilities safety review • Approach to corporate culture, Group purpose and values	• Safety and sustainability risk management (Amursk) • Astana International Exchange listing in Kazakhstan	Governance and sustainability
Division of responsibilities Read more on pages 94–95, 115, 100–103, 105, 109		
• Review of Group policies and subsidiary governance • New policies approval	• Overview of stakeholder relationships (including risks, challenges, and opportunities)/ workforce engagement	Delivering growth
• Review of schedule of matters reserved for the Board and terms of reference of Committees • Annual and Sustainability reports review and approval	• Modern Slavery Statement review • Annual reporting process: timing and responsibilities • Convening the AGM, approval of shareholder materials	Governance and sustainability
Composition, succession and evaluation Read more on pages 92, 94–98, 104, 110–111, 114, 118		
• Chair succession progress and new Chair appointment • Independent non-executive Directors' succession planning • Progress on external Board evaluation	• Directors' appointment and re-appointment at the AGM and composition of Board Committees • 2020 Board work plan	Securing the future
• Directors' disclosure of interest • Directors & Officers liability insurance renewal	• Articles of association update • Otkritie nomination	Governance and sustainability
Audit, risk and internal control Read more on pages 104–109		
• Approval of preliminary and annual financial results • Half-year 2019 financial update and results • Price assumptions for reserve and resource estimates	• Annual review of effectiveness of risk management and control systems • Risk tolerance discussion	Robust performance
• Revised budget for 2019 and special dividend consideration • Hedging policy review	• Support for dividend proposal/declaration of solvency • Analysis of investment in Kapan	Securing the future
• Audit tender decision		Governance and sustainability
Remuneration Read more on pages 118–123, 132–140		
• Remuneration policy review and approval (including executive Director's fee)	• Chair, executive and independent non-executive Directors' fees review	Securing the future

Link to strategy:

Robust performance · Delivering growth · Securing the future · Governance and sustainability

Corporate governance

Governance framework

The Board

Nomination Committee	Audit and Risk Committee	Safety and Sustainability Committee	Remuneration Committee
The Nomination Committee ensures a balance of skills, knowledge, independence, experience and diversity on the Board and its Committees and ensures orderly succession to both Board and management positions.	The Audit and Risk Committee helps the Board to monitor the integrity of the Group's financial statements; reviews the effectiveness of the Group's system of internal controls and risk management systems.	The Safety and Sustainability Committee monitors the Group's social, ethical, environmental and safety performance, and oversees all sustainable development issues on behalf of the Board.	The Remuneration Committee is responsible for the Group Remuneration Policy, and for setting pay levels and bonuses for senior management and employee benefit structures.
See page 110 for the Nomination Committee report.	See page 104 for the Audit and Risk Committee report.	See page 114 for the Safety and Sustainability Committee report.	See page 116 for the Remuneration Committee report.

Group CEO

The Group CEO takes ultimate responsibility for delivering on strategy and operating performance.

Board responsibilities

Strategy. Define the commercial strategy and long-term objectives of the Group.

Expenditure. Approve annual operating and capital expenditure budgets and any material changes to them.

Governance. Oversee the Group's operations, ensuring competent and prudent management, sound planning, a strong system of internal control and compliance with all statutory and regulatory obligations.

Performance. Review the performance of the Group in the light of its business strategy, objectives, business plans and budgets, and ensure that any necessary corrective action is taken.

Extension of Group activities. Approve any material extension of the Group's activities into new businesses or geographic areas and any decision to cease to operate all or any material part of the Group's business.

Stakeholder communications. Ensure a mutual understanding of objectives, maintain a constructive dialogue with all stakeholders, and promote a healthy corporate culture.

Role and structure of the Board

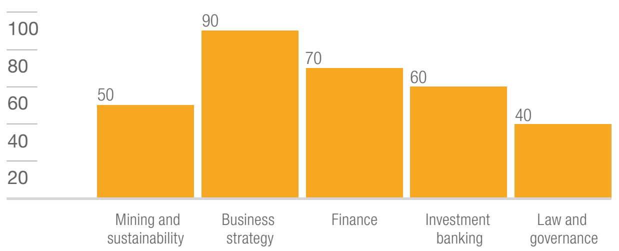
As of the date of this report, the Company's Board comprises the non-executive Chair, one executive Director and eight non-executive Directors. Excluding the Chair, six members of the Board are independent non-executive Directors. The page opposite shows the current structure of the Board and its Committees along with the status of each Director.

The Company's corporate governance framework safeguards against any conflict of interest, including the complete independence of the Audit and Risk, Nomination and Remuneration Committees and disclosure of any related party transactions in the financial statements, as well as preventing any individual from having unfettered powers of decision-making.

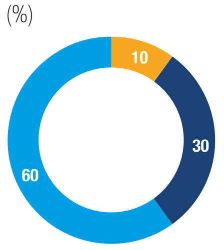
The Board has determined Christine Coignard, Ollie Oliveira, Tracey Kerr, Giacomo Baizini, Italia Boninelli and Victor Flores to be independent non-executive Directors. Ian Cockerill met the independence criteria on appointment.

The Company considers that the Board and its Committees have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively. All Directors have access to the advice and services of the Company Secretary, and are able to take independent professional advice, if necessary, at the Company's expense.

BOARD SKILLS
(%)

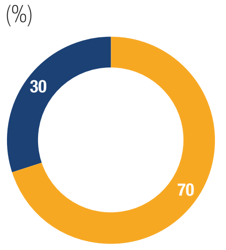


BOARD INDEPENDENCE
(%)



- Board Chair
- Non-independent Directors
- Independent Directors

BOARD DIVERSITY
(%)



- Men
- Women

Roles of the Chair, Group CEO and Senior Independent Director

The Board has approved the division of responsibilities between the Chair and the Group CEO and defined the role of the Senior Independent Director.

Chair
Ian Cockerill N S

The Chair reports to the Board and is responsible for the leadership and overall effectiveness of the Board and for setting the Board's agenda. Mr Cockerill has been able to commit sufficient time to his role as non-executive Chair of Polymetal International and the Board believes that other commitments did not adversely affect his contribution to the Company.

Chair's responsibilities include:
- Effective running of the Board
- Ensuring that there is appropriate delegation of authority to executive management
- Promoting a culture of openness and debate between the executive and non-executive Directors
- Ensuring that the Directors receive accurate, timely and clear information
- Ensuring that the views of the shareholders are communicated to the Board as a whole.

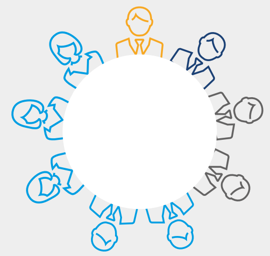
Group CEO
Vitaly Nesis S

The Group CEO exercises his role through his executive and/or Director positions in the Group sub-holding companies. He reports to the Chair and the Board directly and upholds the Group's responsibilities to its shareholders, customers, employees and other stakeholders.

The Group CEO's responsibilities include:
- Developing Group strategy, including communicating annual plans and commercial objectives to the Board
- Identifying and executing strategic opportunities
- Reviewing the operational performance and strategic direction of the Group
- Making recommendations on remuneration policies, terms of employment and effective succession planning for senior employees
- Ensuring effective communication with shareholders and that appropriate, timely and accurate information is disclosed to the market, with issues escalated promptly to the Board.

Independent non-executive Directors
Christine Coignard R A
Tracey Kerr S R
Giacomo Baizini A N R
Italia Boninelli R
Victor Flores A

The independent non-executive Directors are determined to be independent in character and judgement, and free from relationships or circumstances that may affect or could appear to affect their judgement. Their role is to challenge the strategy and scrutinise the performance of management in meeting agreed goals and objectives, to monitor the reporting of the Company's performance, to review the integrity of financial information and ensure that internal financial controls and risk management systems are robust and defensible. They determine the appropriate level of remuneration for the Group CEO and have a primary role in appointing and, when necessary, removing him.



Non-executive Directors
Konstantin Yanakov
Jean-Pascal Duvieusart S

Non-independent non-executive Directors include Mr Yanakov (who is a representative of Powerboom Investments Limited) and Mr Duvieusart (who is a representative of PPF Group). Mr Nesis is the brother of the beneficial owner of Powerboom Investments Limited. Save for the potential conflicts inherent in these relationships, there are no potential conflicts of interest between the duties owed by the Directors or senior management to the Company and their private interests or other duties.

Senior Independent Director
Ollie Oliveira R A N

In 2018, Mr Oliveira was appointed Senior Independent Director (SID). He attended a series of one-on-one meetings with institutional shareholders and investors, arranged as part of the Company's roadshow, and the investor events organised by the Company's brokers. The Board is regularly updated on shareholders' opinions following meetings with the Directors and management.

SID's responsibilities include:
- Being available to major shareholders in order to listen to their views and help develop a balanced understanding of their issues and concerns
- Acting as an intermediary for the other Directors if necessary.

Separate meetings are held between the non-executive Directors without the Chair or the Group CEO being present; between non-executive Directors without the Chair, led by the SID, to appraise his performance annually and on such other occasions as appropriate; and between the independent non-executive Directors without the other non-executive Directors being present. This includes both formal and informal meetings.

Board meeting attendance

In 2019, the Board met eight times and had additional training sessions and informal discussions.

Board member	Board meetings
Ian Cockerill[1]	4/4
Bobby Godsell[2]	2/4
Vitaly Nesis	8/8
Jonathan Best[2]	4/4
Christine Coignard	8/8
Tracey Kerr	8/8
Ollie Oliveira	8/8
Jean-Pascal Duvieusart	7/8
Giacomo Baizini	8/8
Konstantin Yanakov	7/8
Italia Boninelli[3]	1/1

1 Director from 23 April 2019.
2 Director until 23 April 2019.
3 Director from 12 December 2019.

Further business was approved by a Board Committee on six occasions by way of a conference call and by written resolution on two additional occasions. The Board also held informal discussions at the time of the site visit and when receiving quarterly production updates.

Board site visits

Annual site visits greatly improve the Board's understanding of Polymetal's operations and organisation, and are an invaluable contribution to the Board's evaluation of the Group's business plan and strategy. They also provide the Board with an opportunity to talk with local senior management and employees about their experience of working for Polymetal. Since the IPO, the Directors have visited all of the Company's key operations.

On a three-day visit to the Company's operations in the Far East of Russia (Amursk and Albazino) during 2019, the Board of Directors gained first-hand insights into the work of local management, and the challenges and opportunities that they face. They met with key mine executives and employees, and were given a detailed tour of production facilities at Amursk, including an update on the new POX-2 facility. More detailed information about the 2019 site trip can be found on page 102.

Board and Committee meetings in 2019

In 2019, in addition to the regular Board and Committee meetings, we held additional meetings to address a shareholder's Director nomination and fatalities at our operations. In addition, the Remuneration Committee had an information session with the Company's remuneration consultants PwC, the Safety and Sustainability Committee met with senior management in the St. Petersburg office and the Audit and Risk Committee met with the audit tender participants.

Every year, our December meeting is dedicated to our plans for the next year. From 2020, we are revising our meeting schedule to spread the workload more evenly throughout the year, move our strategy session from January to June to better align with any feedback received from our shareholders at both the April AGM and investor day, and move our governance and planning meeting to November to ensure that management has sufficient time to reflect on the results achieved throughout the year. Additional meetings will be scheduled should the need arise.

Month	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Safety and Sustainability Committee	GM	Training sessions and informal meetings
January	1		1				
February		1				GM	
March	2	1	1	1			
April	1		1	1	1	AGM	3
May	1	1					
June					1		
July				1			
August	1	2	1				2
September							
October		1	1	1			1
November							
December	1	1	1	1			

Board evaluation

In accordance with corporate governance requirements, the most recent externally facilitated evaluation was undertaken in 2019 by Fidelio Partners, an independent Board Development and Executive Search consultancy, who also conducted Polymetal's 2016 evaluation. Fidelio's relationship with Polymetal focused only on Board effectiveness; Fidelio did not provide recruitment, search or other advisory services.

The Board confirms that recommendations from the 2016 evaluation have largely been implemented including, most importantly, those for Board succession. The three key areas for improvement were: Polymetal's distinctive position – implications for the Board; the challenge of succession and safety first:

- As part of succession planning, the following members have joined the Board since 2016: Mr Baizini, who has experience of working for companies in both the West and the East, and is fluent in Russian; Ms Kerr, who is London-based and has 30 years' experience in the international mining industry, including safety and sustainability; Mr Oliveira, who has over 16 years' experience in engaging with London-based institutional investors, including the role of Senior Independent Director of a large mining company; Mr Cockerill, who has over 40 years' experience in the sector and an outstanding record in mining and corporate governance at all levels; Ms Boninelli, who brings with her 20 years' experience in developing leadership and human capital; Mr Flores, who is one of the most highly regarded analysts in our industry with in-depth knowledge and over 30 years' experience in finance, investing and research.
- With reference to the succession of the Group CEO and senior management, the Nomination Committee had detailed discussions about the short-term and long-term approach to the further development of the internal pipeline of candidates, drawn from the most capable of the Group employees.
- The Safety and Sustainability Committee continues to oversee and support the work of the executive team in reducing fatalities by firmly embedding a safety-first culture. The annual plan for the Committee's work ensures that internal processes are in line with relevant market practice. Ms Kerr became the Chair of the Safety and Sustainability Committee, bringing a wealth of experience to the role. In addition, from 2020, the measurement criteria for the health and safety KPI will be absence from work after an accident rather than the frequency of accidents, ensuring that the focus is on overall safety and near misses within the Group. The 50% penalty in cases of fatalities will also now include long-term disabilities and fatalities occurring at our contractors. Further information is available on page 115.

Fidelio's 2019 Board evaluation focused on enhancing Board effectiveness and the value that the Board delivers. In its evaluation, Fidelio has drawn heavily upon the UK Code and also taken into account the international footprint of the Company and its assets. Fidelio conducted interviews with Board members, senior management and employees including those involved in stakeholder engagement, reviewed various materials and observed a Board meeting and meetings of all the Committees.

Fidelio concluded that the Polymetal Board is open and willing to engage, and has relevant experience and skills, a clear commitment to good governance and Board members who bring their operational, financial and governance experience to the Board debate. Fidelio highlighted several forward-looking themes with the most important noted in the table below. These provide a focal point for the Board for the development of implementation plans.

Areas for Board focus	Next steps for consideration
Shareholder and stakeholder engagement	**Stakeholder engagement:** establish a link between stakeholder engagement, community work that Polymetal is already undertaking and the requirements of the UK Code; produce a clear statement of Polymetal's approach to Board-level employee engagement; continue to interpret and better understand the findings arising from employee engagement. **Shareholder engagement:** continue to develop relationships with leading institutional shareholders; Head of Investor Relations to report to the Board regularly on investor relations strategy.
Committee meetings	**Nomination Committee:** executive succession planning; medium-term skill matrix requirements and further medium-term Board refreshment to ensure that this is staggered; ensure collaboration with the Remuneration Committee, including on diversity, the pipeline and related communication. **Remuneration Committee:** appoint a single point of contact at executive level to support and drive the work of the Committee. **Audit and Risk Committee:** ensure the critical relationship with the internal auditor is maintained and expanded; cyber/technology risk to be fully considered; develop a FTSE 100 peer network. **Safety and Sustainability Committee:** ensure that ESG factors are appropriately reflected in compensation; liaise with the Audit and Risk Committee on environmental reporting; frame Board support for the Paris Accord.
Board dynamics and development	• Ensure individual feedback for Board members, including clarity on Board and executive roles • Build a closer understanding of Polymetal, its operations and environment • Continue to support the executive through facilitating introductions • Establish peer networks, for Committee Chairs in particular • Support Committee Chairs in building ownership.

Training

Polymetal invests significant amounts of time and money into training employees, but it is as important that Directors continue to develop and refresh their understanding of the Group's activities. Every year the Board, as part of the site trip, meets local management at operations and Directors familiarise themselves with the technology used, logistics, health and safety standards and supplier management. The Board is kept informed of relevant developments in the Company by way of monthly management reports, including comprehensive information on operating and financial performance, and the progress of capital projects.

It is also essential that the Directors regularly refresh and update their skills and knowledge with both external and internal training when necessary. Members of the Board individually attend seminars, conferences and training events to keep up-to-date about developments in key areas. Board meetings include presentations from Group experts to ensure the Directors have access to the wealth of knowledge within the Company as well as presentations from external providers.

Directors' information and training sessions 2019

Board	
January:	D&O insurance, market overview
April:	Directors' responsibilities (Morgan Stanley) Digital reinvention of the mining industry (Ward Howell)
August:	Tailings storage facilities
December:	Rare earth market overview

Audit Committee	
March:	IFRS 16 Leases (Deloitte)
December:	Approach to capitalisation Audit market reform (Deloitte)

Remuneration Committee	
January:	New UK Governance Code update
April:	Remuneration review – market update (PWC)
December:	Regulatory and governance update (proxy advisors)

Safety and Sustainability Committee	
March:	Transparency in the supplier chain
December:	Management performance measures and ESG metrics

Induction

To provide a thorough induction to new Board members, they are granted access to the induction 'dataroom' with information about the Company, its current Board and Committee members, sector market update, Board and Committees terms of reference, corporate documents and Group policies. All Directors have electronic access to the materials of all previous Board and Committee meetings, minutes, Group policies, results of Board and Committee evaluations, D&O insurance policy and AGM results, as well as the Company's annual, interim financial and quarterly production results and sustainability reports. They are updated on corporate governance rules and practices, including those relating to their roles as non-executive Directors. As part of the induction process, new Directors familiarise themselves with the arrangements for Board and Committee meetings and site visits, along with existing remuneration and compensation procedures, Board and Committee meeting schedules and external training options for the next year. In addition to the 'dataroom', induction meetings are arranged, to give new Directors the opportunity to discuss appropriate issues with fellow Directors, the Group CEO and executive team.

Board induction programme for Ian Cockerill

Mr Cockerill was appointed as Board Chair in April 2019 and a tailored induction programme was implemented to enable his participation in Board discussions with a sound understanding of the Group's long-term strategy, business model, operations and governance structure. Engagements involved meetings with fellow Directors, senior management, division heads, technical briefings and site visits.

Topic	Meetings held
Business strategy	Meeting with Strategic Development Department
Finance	Meeting with Group CFO, Head of IFRS reporting, Head of Internal Audit, Head of Corporate Finance
Operations	Meeting with Group COO, Deputy CEO (Mineral Resources), Deputy CEO (Construction and Development), key Project Managers for Nezhda, POX and Kyzyl
Engineering	Tour of Polymetal Engineering facilities (laboratories, data mine department), Meeting with Head of Engineering Department, Head of Laboratories, Head of the Project Department
Safety, health	Meeting with Group COO, Head of H&S Department
Human capital	Meeting with the HR Department
Sustainability and environment	Meeting with Chief Sustainability Officer
Shareholders	Meeting with shareholders as part of the Board engagement programme
Culture	Series of lunches and dinners with Group CEO and top management
Governance	One-on-one meetings with all Directors, meeting with Company Secretary

In addition, Mr Cockerill visited our Kyzyl operation in Kazakhstan, where he met with senior management, key employees and toured the facilities.

Culture, purpose and values

Corporate culture

Polymetal's culture is firmly aligned with its strategy and recognised and supported by the Board. All Directors are expected to act with integrity, lead by example and promote the desired culture. The success of Polymetal is entirely down to its people. Our robust performance is based on each employee taking pride in their work and responsibility for their actions, understanding their individual impact on the business and being open to new challenges.

Growth through innovation

We deliver growth using a range of strategies and innovative solutions. By thinking creatively, we are able to explore future opportunities for expanding our operations that are often overlooked by other companies. We are not afraid of turning challenging situations to our advantage in order to progress towards our goals.

A learning company

We secure our future by encouraging continuous learning and self-development among all our employees. Our culture of continuous learning with Group-wide training and development opportunities is critical to improving skills, motivating employees and ensuring the ongoing success of the Company. As part of the cycled-learning process, we provide professional and managerial education through our corporate training network, digital training hubs and training centres. Given our vast geography, we have also developed advanced distance-learning systems to complement the work of our training centres and on-site training facilities. Innovative methods are widely used to train our Talent Pool and target groups for key positions throughout the Company.

A shared corporate culture

Sustainability and safety are our licence to operate. Responsibility at all levels of the Company is key to ensuring strong governance and ethics: from the Board of Directors to the Group as a whole, down to individual subsidiaries and to the employees. Accountability at all levels from the Board down is seen as central to embedding a shared corporate culture within Polymetal and employees have a vital role to play in reinforcing corporate values, both at work and in their everyday lives.

Our corporate culture is pivotal to delivering the long-term success of the Company and the Board recognises that our employees are central to this process.

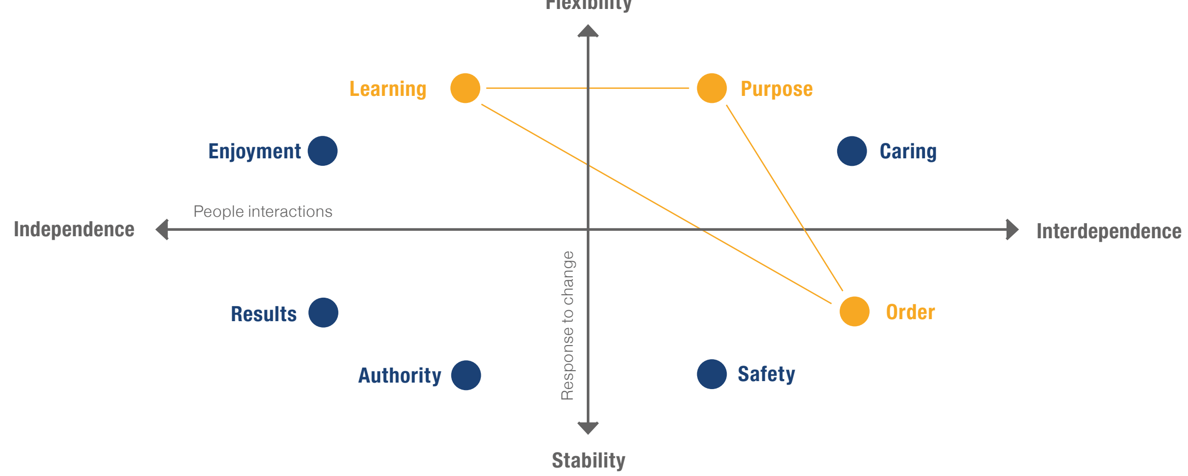
Monitoring the impact of any corporate culture is challenging. In 2019, 380 innovative solutions (2018: 114) were proposed by employees from 11 subsidiaries, of which 183 were implemented (2018: 82) and 73 (2018: 16) are being considered. We provided 780,054 training hours for 10,453 of our employees, an investment of $1.2 million by the Company. At Polymetal, we are proud that employees value working for the Company: our employee turnover rate is low at 5.8% (2018: 5.8%) and, in an employee survey, 84% (2018: 82%) said they were satisfied with working for Polymetal. In 2019, the rate of absenteeism was 0.011 (2028: 0.012).

In 2019, the Board continued to discuss Polymetal's culture, purpose and values. We undertook a corporate culture survey, which largely confirmed that employees throughout the Group have a shared culture. 1,203 employees participated in the survey, encompassing managers (17%), specialists (32%) and other employees (51%). The main attributes pinpointed in the culture profile were learning, purpose and order; unusually, the first two of these being more akin to those expected of a start-up company rather than an established organisation such as ours. Polymetal's employees share a common understanding of our purpose, and are keen on learning while requiring structure and order to focus on their goals. The Board was very impressed with how accurately senior managements' understanding of the Group culture was reflected in the survey. The survey also confirmed that employees do not feel pressured into achieving short-term goals, in line with Polymetal's focus on long-term growth. We were encouraged by the level of engagement from those working in our mining and processing facilities and feel that this reflects positively on the overall safety of our employees.

The Board acknowledges that culture is not set in stone and that this is an ongoing process. In 2020, the Board discussions will focus on:

- The Board's vision and continuing discussion and monitoring of the Company's culture, purpose and values
- Internal discussions to formulate precise wording
- Internal PR activities to promote the desired Company culture, purpose and values, including through the intranet, an online course for new employees and a visual communication programme
- Implementation of HR processes: communication with labour market and employees, recruiting the right people and retaining talent.

CORPORATE CULTURE SURVEY RESULTS



STRATEGIC REPORT
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APPENDICES

Board stakeholder engagement

The Board is ultimately responsible for the direction, management, performance and long-term sustainable success of the Company. It sets the Group's strategy and objectives, taking into account the interests of all its stakeholders. A good understanding of our stakeholders enables us to factor the potential impact of strategic decisions on each stakeholder group into Boardroom discussions.

Shareholders

We have a structured approach to our shareholder engagement, which includes market updates, meetings, roadshows, shareholder consultations and General Meetings. We ensure that shareholders' interests are considered as part of our Board decision-making process.

Investor meetings

In 2019, Polymetal held over 200 investor meetings during eight non-deal roadshows and eleven industry conferences organised in nine different countries in Europe and North America. These roadshows included sessions on ESG and corporate governance, during which the Chief Sustainability Officer and members of the Board (including the Chair) met with investors.

Investor days and site tours

Polymetal organised two Capital Market Days in April and November attended by more than 50 investors and analysts. Senior management provided updates on Polymetal's strategy and mid-term growth outlook, with a particular focus on current operations and their exploration prospects. In February 2019, we also held a workshop outlining the investment decisions for the POX-2 key development project.

In September 2019, we organised site visits to Amursk-POX and Albazino for industry analysts and investors.

Annual General Meeting:

- At the AGM, the Board communicates directly with shareholders about the business and they, in return, have an opportunity to meet and pose questions to the Directors in attendance.
- The AGM is held in London to facilitate easier participation by shareholders. The Board Chair and Chairs of all Board Committees make themselves available to answer any questions that shareholders may have.
- The Annual Report and Notice of the AGM are made available – in printed form and on our website – at least 20 working days before the AGM to ensure that shareholders have time to consider them in detail.
- The AGM voting results are reported via the London Stock Exchange and on our website.

Shareholder consultation

In 2019, the Group's revised Directors' Remuneration Policy was the main focus of shareholder engagement. The Chair of the Remuneration Committee, supported by the SID, had both conference calls and face-to-face meetings with institutional shareholders. As part of the process, proxy advisors were consulted and their feedback was incorporated into the revised policy. Further information is available in the Remuneration Committee report on page 121.

The Company welcomes further discussion with shareholders in relation to the Remuneration Policy and we will continue to engage with shareholders when considering material changes to our strategy, Board or remuneration policies.

Board Chair, Senior Independent Director and Committee Chairs

Since his appointment in April 2019, Mr Cockerill has participated in two investor days and had several in-person meetings with institutional shareholders in order to understand their views. In 2020, the Board Chair will continue to facilitate an open dialogue with shareholders.

The SID, Mr Oliveira, played a major role in shareholder engagement during the Chair transition process and Directors' Remuneration Policy consultation. He continues to make himself available to all shareholders in order to hear their views and help develop a balanced understanding of their issues and concerns.

All Committee Chairs offer themselves for shareholder meetings on a regular basis. In 2019, the Chairs of both the Remuneration and the Safety and Sustainability Committees had meetings with institutional shareholders.

Image: POX-2 workshop, February 2019.

1 Polymetal is incorporated in Jersey under the Companies (Jersey) Law 1991 (as amended). The Companies (Jersey) Law 1991 does not include any provision equivalent to s. 172 of the Companies Act 2006, and the Companies Act 20016 does not apply directly to Polymetal. As a consequence, Polymetal is not obliged to report on s. 172 compliance in the same manner as a company incorporated under the Companies Act 2006. However, as a premium listed company, Polymetal must comply with the UK Code, including certain disclosures of considerations of the interests of its stakeholders and workforce engagement.

Pursuant to the UK Code the Board has regard to the factors set out in section 172 of the Companies Act 2006 when making decisions[1]. Directors also have regard to other factors which we consider relevant to the decision being made. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making the Board aims to make sure that its decisions are fair, consistent and predictable. See more on stakeholder engagement on page 54.

Workforce engagement

In 2019, the Board performed an in-depth review of its largest stakeholder group – its workforce – setting up an employee engagement system, which will continue in the ensuing years. The success of our business depends upon the expertise, dedication and skill of our people:

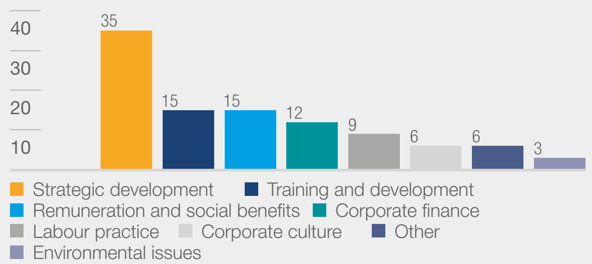
- The Group employs approximately 12,000 people, who work at its operations, on exploration and development projects and at the Group's corporate offices.
- We hire the most talented staff and focus on engagement, increasing diversity and equal opportunities for women, decreasing labour turnover and facilitating training and career development.
- We also work hard to provide a safe working environment, competitive wages and social packages, comfortable living conditions and career progression.
- The Group maintains constructive, transparent and attentive relationships to ensure the retention of its employees, avoid labour disputes and contribute to operational excellence.
- Our commitment to integrity and compliance is set out in the Group's Code of Conduct and through Group policies and standards, including Whistleblowing, Anti-Bribery and Corruption, Staff and Management Diversity and Human Rights, all of which are available on our website.

A formalised approach to workforce engagement is a requirement of the UK Code. The Board, in close co-operation with Group management has developed a communication tool that takes into account the Group's wide geographic spread and often extremely remote locations. A constructive feedback process allows employees to engage directly with Directors so that they are made aware of any concerns among the workforce. Alongside this, the Company's executive management already operates an effective means of engagement with its employees through a number of channels, including direct lines to the Group CEO and departmental heads. Following an evaluation of these communication channels, information boards and the corporate newspaper were identified as the most engaging and, in 2019, a new employee engagement programme was introduced. During the reporting period, there were no complaints or grievances relating to discrimination or violation of human rights.

Board and employee communications

There are direct lines to the Group CEO and departmental heads. Employee satisfaction surveys are conducted on a regular basis with the results disseminated via the intranet and a summary provided to the Nomination Committee. In 2019, employees from every subsidiary used various workforce engagement channels to ask a total of 1,039 questions on a wide range of topics: 34 individual questions and 12 from groups of employees were addressed to Directors. Employees received responses from the relevant Directors or the Board as a whole directly and these were also published on information boards, the intranet and in the corporate newspaper.

QUESTIONS ASKED BY TOPIC
(%)



CIRCLE OF CONTINUOUS FEEDBACK

Analysis of the questions received during this year's workforce engagement was very informative. The Board was pleased that employees understood the strategic role of the Board with the majority of questions about Polymetal's future. Training issues came second in line with the Group culture as a learning company while remuneration was third. As a result of this, information on the intranet was updated to ensure that employees have access to relevant data about the business. Remuneration questions were analysed separately by the Remuneration Committee and a section on the intranet was set up outlining the Group remuneration practices.

In 2020, the Directors' direct line is included in the circle of continuous feedback for our employees.

Board stakeholder engagement continued

The Amursk POX plant is our headline operation and its expansion with the construction of POX-2 will be a protracted and involved process. Engaging with local stakeholders to ensure that their interests are taken into account has been an integral part of the Board's long-term decision-making.

Amursk POX-2: engaging with local stakeholders

In early 2019, the Board finalised its investment decision to proceed with the proposed POX-2 project at Amursk, but this was not before intense discussions about how to capitalise on the success of the plant and an extensive review of the interests of all relevant stakeholder groups were undertaken. Following this consultation, a number of long-term projects were initiated that were of particular importance to the local community, POX employees and their families. These included the renovation of educational, medical and sports facilities as well as improving the amenities and landscape around Amursk. With a requirement to fill newly created jobs for the plant, an educated and skilled workforce plus attractive residential environs would be crucial factors.

In 2018, the Company began implementing a programme of life quality improvement and urban environmental development in Amursk. We have already invested over $3 million in new infrastructure projects, training initiatives and other issues raised through stakeholder engagement, which are highlighted in the table opposite.

With the expansion project well underway, the Board visited Amursk in August 2019 to talk to local management about the challenges and opportunities of the POX-2 project. They also visited the town itself to see the progress that has already been made on social and environmental schemes.

Above: POX-2 workshop, February 2019.

Stakeholders	Challenge	Approach
Employees	POX-2 will create more than 470 new jobs, increasing to around 900 by 2022/23: • Lack of potential highly qualified employees in the region • Low interest in employment opportunities among young people • Competition for human resources with other mining companies	• A training centre, opened in 2016, now includes 52 licensed qualification programmes • Ongoing recruitment campaign • Invite experts from other countries • Attract university students through employment events and other PR activities • Encourage school children to look at metal and mining industry as a future profession • Partnering with the Amursk Polytechnic College and by 2022, their graduates will have guaranteed job opportunities at Polymetal • Maintain the image of the Amursk POX as a leading, reliable employer • Prepare city infrastructure for relocation of new employees and their families: apartment building for 100 families
Local community	**Social impact** Negative perception of the Amursk region due to its remoteness and underdeveloped infrastructure	• Improve Amursk city look and attractiveness: renovation of river embankment, central square and bus station in Amursk city • Education: equipment for a biology and chemistry lab at a school and environmental centre, school renovation • Sport and healthcare: renovation of a sports grounds and facilities; support children's football tournaments; renovation of a women's health clinic • Culture: renovation of the cinema centre and a culture hall for young people that hosts festivals, conferences, art exhibitions • Grievance mechanism to understand concerns of the population, public hearings, social polls and surveys, site visits
	Environmental impact	• Water recycling system and drainage system design to prevent water discharge • Responsible cyanide management programme • Heat recuperation system • Dry stacking of tailings
Government and industry authorities	• Extended and complex permitting process • Strict regulatory compliance	• Advance planning and regular meetings with officials • Specialist department at the management company in charge of permitting • Use of investment road maps based on previous successful projects • Increased tax payments to local government
Suppliers and contractors	• Project with extended execution • Long delivery terms • Complex technical requirements • Thresholds for Russian-based suppliers	• Transparent tendering process • Flexible advance payment and delivery terms • Pre-tender qualification requirements for prompt engagement with a smaller pool of contractors • Up to 30% local procurement • Up to 70% local suppliers
Shareholders	• Short-term reduction in dividend payment • Capital allocation	• POX-2 workshop for more than 50 institutional investors and analysts to communicate project rationale • Non-deal roadshows in London and EU plus follow-up calls and meetings with investors • Site visit to Amursk POX for investors and industry analysts

Ensuring that all our business decisions also offer the best returns for our shareholders.

Audit and Risk Committee meeting attendance

Board member	Meetings
Giacomo Baizini (Chair)	7/7
Jonathan Best[1]	2/2
Christine Coignard	7/7
Ollie Oliveira	7/7

1 Chair until 23 April 2019.

Three further informal meetings took place as part of the audit tender process.

Two further meetings took place with external and internal auditors without management present.

The Audit and Risk Committee is an independent body, consisting only of independent non-executive Directors with relevant skills and experience in financial reporting and risk management. The Committee is chaired by Mr Baizini and its other members are Mr Oliveira and Ms Coignard. Mr Best served as a Committee Chair prior to the AGM on 23 April 2019, but did not offer himself up for re-election. From 30 January 2020, Mr Flores became a further member of the Committee. The Board considers that the composition and work of the Audit and Risk Committee comply with the requirements of the UK Code.

Dear shareholders

Having served as a member of the Audit and Risk Committee since 2018, I am honoured to have been appointed as its Chair and to take over the mantle from Jonathan Best, whose dedicated leadership has steered the work of the Committee for the last eight years.

While 2019 has been a good year for gold, Polymetal operates in a capricious environment with both volatile markets and economies, which in turn influence commodity prices and exchange rates. Alongside this, we are ever mindful of the increasingly complex governance and accounting frameworks that drive the internal controls and risk management processes of our business. We believe that we have developed robust and sound mechanisms to handle any eventuality successfully, but at the same time recognise the need to guard against complacency.

Minimising business risk

Minimising risk is core to every strategic and operational element of Polymetal's business and in its commitment to its stakeholders. As part of the Audit and Risk Committee's remit, we undertake assessments of the Company's principal risks and risk levels, including regular deep dives, as well as allocating time to discussing any emerging risks to its operations. We maintain a continuous dialogue with management to ensure that information about key risks and potential impacts are communicated at all levels throughout the Company. This year a greater emphasis was given to significant issues (as disclosed on page 106) and critical judgements and estimates (see page 105) with relevant disclosures made in the year-end accounts.

Audit tender

In 2019, the Audit and Risk Committee, supported by Polymetal's highly professional finance team, led the audit tendering process for financial years starting from 2020 in accordance with applicable regulations and legislation. This was a thorough process and we are grateful to the audit firms who took the time and effort to participate. We believe that Deloitte LLP is a first-class candidate and in reaching our decision, we considered the overall audit quality and the principal criteria in the tendering process, as well as the experience and expertise of Russian/CIS and UK teams. Deloitte's strong focus not only on the financial statements, but also on the strategic report and best practices in corporate governance will provide us with a well-structured, rigorous and successful reporting process.

Investing for the future

With Kyzyl now fully operational, in 2020 we will be turning our attention to Nezhda and POX-2, our two major development projects. The Audit and Risk Committee receives regular updates from management to confirm that there are tight controls on capital expenditure and that these projects are progressing to schedule. This time next year, we will need to make investment decisions about Veduga and Prognoz, our pipeline projects. With that in mind, we will continue to robustly monitor and control our spending to ensure the best returns on investment for our shareholders.

Giacomo Baizini

Giacomo Baizini
Chair, Audit and Risk Committee

	Key responsibilities	Focus during 2019
Integrity of financial statements	• Monitoring the integrity of the Group's consolidated financial statements • Reviewing financial statements, including the consistency of accounting policies across the Group, the methods used to account for significant transactions, the reasonableness of significant estimates and judgements and the clarity and completeness of disclosure	• Reviewed and recommended for approval financial and risk information included in the Annual Report • Reviewed and recommended for approval Polymetal's results for the six months to 30 June 2019 • Supervised preparation of the longer-term viability statement • Deep dive into significant accounting policies (including approach to capitalisation, leases in accordance with new IFRS 16, accounting for exploration and evaluation assets)
Internal controls and risk management	• Reviewing the effectiveness of the Group's system of internal controls and risk management and ensuring shareholders' interests are properly protected • Monitoring and reviewing the effectiveness of the Group's internal audit	• Reviewed the critical risks and exposures, including significant judgements, findings, impairments and tax risks; discussed emerging risks • Reviewed reporting from internal auditors on key controls and approved internal audit plan • Performed an in-depth review of several subsidiaries (Polymetal Engineering, Albazino, Kyzyl, Amursk POX, Omolon); reviewed risk management systems at Amursk POX • Monitored the effectiveness of internal audit • Approved significant transactions
External auditor	• Making recommendations to the Board on the appointment or removal of the Group's external auditor • Reviewing the effectiveness of the external audit process • Reviewing the independence and objectivity of the external auditor and the appropriateness of the provision of any non-audit services	• Approved the terms of external audit engagement (including the scope) and the Group's external audit plan • Reviewed audit planning report for 2019 year end • Reviewed the actual external audit fee in 2019 compared with the authorised amount; approved the terms of engagement, including the scope of the audit • Reviewed the independence and effectiveness of the external auditor • Performed the full audit tender process and selected Deloitte LLP as external auditor
Policies and procedures	• Reviewing the Group's policies and procedures for preventing and detecting bribery and fraud, and the systems and controls in place to ensure that the Group complies with relevant regulatory and legal requirements	• Supervised compliance with the Company's Anti-Bribery and Corruption, Whistleblowing, Treasury and other policies and procedures • Reviewed approach to related-party transactions • Performed internal assessment of the Committee's effectiveness and adopted an action plan • Reviewed the Committee's terms of reference • Reviewed the work plan for 2020

Fair, balanced and understandable

The Board and the Audit and Risk Committee are satisfied that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Committee ensured that the Company has applied the following robust process:

- In October, Group management and external auditors hold a planning session. Clear instructions and a timeline are provided to all participants of the annual reporting process. All regulatory requirements and best practice recommendations are monitored and communicated to the participants on an ongoing basis.
- In late December, members of all Board Committees receive the relevant draft sections of the Annual Report to ensure that the key messages and information disclosed are aligned with the Company's strategy and performance, and are consistent with their understanding of the Company's business.
- In February, the Committee holds a conference call to review critical accounting judgements and estimates disclosed in the notes to the financial statements and to discuss any significant issues related to the consolidated financial statements. The Committee takes into account the conclusions and observations made by the external auditor over key judgements and significant issues.
- The Committee reviews the disclosure of Alternative Performance Measures (APMs) to ensure appropriate prominence of APMs and IFRS measures and their presentation throughout the Annual Report. A guide to APMs can be found in the 'Alternative performance measures' section on page 207.
- In late February, all Directors receive and review a full draft of the Annual Report and consolidated financial statements to ensure consistency of disclosure of the Company's established purpose, values and strategy.
- In early March, the Committee reviews the final Annual Report and financial statements – including significant accounting issues explained in the notes to the consolidated financial statements, based on its knowledge, discussions, management papers or other interactions with management, as well as the conclusions of external auditors – and recommends them to the Board for approval.
- In early March, the preliminary financial statements are approved by the Board for release to the London Stock Exchange to ensure timely disclosure of financial information.
- In mid-March, the Annual Report is approved by the Board for publication on the Company's website and circulation to its shareholders.

Significant issues related to the financial statements

The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. During the year, the Committee has focused in particular on the key issues and areas of judgement listed below as being business-sensitive. The Committee has also reviewed detailed external auditor reports outlining audit work performed and any issues identified in respect of key judgements (see the independent auditor's report on pages 148–153).

Significant issues addressed by the Committee	How the Committee addressed the issues
Significant corporate transactions Accounting for acquisitions and disposals involves a number of judgements, specifically in respect of determining purchase price allocation, estimating the fair value of the contingent consideration and gains and losses arising on the transactions.	The Committee reviewed the accounting for disposals made by the Group in the year (disposal of Kapan and Irbychan Gold, see page 176), as well as finalising of the allocation of purchase price to the assets and liabilities acquired in the previous year (acquisition of Veduga, see page 172). The Committee challenged the key judgements made by management in these areas and concluded that these were made appropriately and consistently. In all cases the Committee concluded that the disclosures made in the Annual Report were appropriate and clear. See pages 171–176.
Recoverability of metal inventories At 31 December 2019, the Group held $520 million in respect of inventory, including ore and concentrate stockpiles and heap leach work in progress totalling $498 million. In accordance with IAS 2 Inventories, inventory is required to be valued at the lower of cost or net realisable value. The assessment of the recoverability of ore stockpiles and heap leach work in progress requires management judgement, including determination of expected metal volume to be recovered, processing costs and future prices to be realised on sale.	Management performed net realisable value calculations by estimating the recoverability and valuation of metal inventories as of 30 June 2019 and 31 December 2019. The Committee examined the price assumptions used by management as well as unit costs, treatment charges and other internal assumptions used in determining the net realisable value of unfinished goods within metal inventories (ore and concentrate stockpiles). The Committee is satisfied that the appropriate write-down of metal inventories to net realisable value has been recognised in the current financial year. See Note 22 on page 192.
Recoverability of exploration and evaluation assets At 31 December 2019, the Group held exploration and evaluation (E&E) assets of $410 million (2018: $367 million). E&E costs are capitalised based on the 'successful efforts' method when management concludes that future economic benefits are likely to be realised as a result of exploration activities and internal assessment of Mineral Resources. The evaluation of future prospects of the asset requires significant judgement.	Management performed detailed analysis of the recoverability of E&E assets as at 31 December 2019. The Committee examined the management analysis of recoverability of exploration and evaluation assets and assessed management's approach to determine whether the existing exploration and evaluation assets are likely to generate future economic benefits and whether any indicators of impairment had been identified. The factors assessed included the nature and objective of the project, the project's current stage and the extent of E&E that has been performed, project timeline, main risks of the project and the latest geological results and testings. This review did not indicate any concerns with the carrying value of the Group's exploration and evaluation assets as at 31 December 2019. See Note 19 on page 190.
Tax exposures The Group is subject to income tax and mining taxes in the Russian Federation and Kazakhstan. Judgement is required in determining the tax due when dealing with different tax legislation. At 31 December 2019, probable exposures total $10 million and predominantly relate to a risk identified in respect of Russian mineral extraction tax.	The Committee received updates on the status and progress of tax audits and evaluated management's assessment of various tax risks and appropriateness of provisions made in the financial statements, where applicable. The review did not identify any concerns with respect to the Group's tax compliance and relevant disclosure in the financial statements. See Note 13 on page 184 and Note 17 on pages 186–188.
Longer-term viability statement The viability statement, scenario analysis process and key risks factored into the analysis are presented on 144–145.	The Committee exercised oversight of the viability statement development process, including assessment of the Group's prospects made by management, the time horizon over which the assessment is made, the basis of preparation and the results of risk-scenario analysis. The Committee concluded that the scenarios analysis, time horizon and assumptions used are severe and feasible, and well aligned with the Group's budgeting and strategy process. See pages 144–145.

Internal controls and risk management

Risk management

Risk management is the responsibility of the Board and is integral to the achievement of the Group's strategic objectives. The Board is satisfied that there is an ongoing process, which was operational during the year and up to the date of approval of the Annual Report, for identifying, evaluating and managing the principal risks faced by the Group, as described on page 79.

The Board takes account of material changes and trends in the risk profile, including robust assessment of the Company's emerging risks, and considers whether the control system, including reporting, adequately supports the Board in achieving its risk management objectives. The Group's Risk Management Policy and Process ensures that the procedures are embedded in all of Polymetal's systems and processes, ensuring that the Company's responses to risk remain current and dynamic.

The Group enforces a responsible business culture throughout all Group entities to mitigate principal risks and to keep residual risk at an acceptable level. The Audit and Risk Committee assists the Board with its assessment of the Group's principal risks and its review of the effectiveness of the risk management process. The Committee reviews reports on the Group-level risk profiles and controls that are in place during its meetings throughout the year.

The Group has implemented enterprise and operational policies and controls to manage risks that may affect achievement of the Group's strategic objectives. Transaction-level internal controls are designed to enhance the value of operational-level objectives and accountability of new projects and initiatives.

In conducting its annual review of the effectiveness of risk management and the internal control system (including financial, operating and compliance controls), the Committee considers the key findings from the ongoing monitoring and reporting processes, management representations and independent assurance reports. Management provides a timely response to issues raised by internal audit. Where possible, the issues are resolved within one reporting period.

Further details of the Group's risk management framework and risk governance are provided on pages 78–79.

Internal audit (IA)

The IA Department supports the Board, through the Audit and Risk Committee, in evaluating the Company's and the Group's governance framework. It also aims to raise levels of understanding and awareness of risk and control throughout the Group.

Internal auditors maintain organisational independence from Group management by reporting to the Audit and Risk Committee on substantive matters and to the Group CEO for administrative purposes; the internal auditors additionally report their findings to the members of the Group's executive management. Any potential conflicts of interest should be disclosed by the internal auditors as they arise; internal auditors are not allowed to audit areas where they have held operational roles in the previous 12 months.

The IA Department's annual work plan is approved by the Audit and Risk Committee. It is based on a risk tolerance evaluation that ensures the achievement of the Group's operating objectives and focuses on the principal risks the of Group's risk profile. The head of the IA reports to the Board through the Audit and Risk Committee. The KPIs of the head of the IA are: completion of work in accordance with the approved plan, quality of audits and the number of follow-up audits, where agreed recommendations have been implemented.

In addition to the Audit and Risk Committee assessment, the internal auditors use an annual self-certification process, which requires managers throughout the Group to personally confirm the testing of internal controls and compliance with Group policies within their business or function, as well as the steps taken to address actual or potential issues that are identified. The results of self-certification as well as management response thereto are provided to the Committee along with other reports on the internal audit activities.

The IA Department also performs periodic external certification, the most recent of which started at the end of 2018 with the results presented to the Audit and Risk Committee in March 2019. It was confirmed that the independence and objectivity of the Group's IA Department is in compliance with international standards for internal audit.

Internal control framework and activities

The management structure of the Group and internal policies and procedures are aimed at maintaining a robust control framework within the Group to encourage the achievement of strategic objectives within set risk tolerance levels. This framework includes:

- An appropriate tone set from the top (Board level), aimed at building the appropriate control environment and ethical climate
- Management support of a comprehensive risk management system (for more detail refer to pages 78–79)
- Strong segregation of duties including internal controls over sensitive transactions
- Specific control activities implemented at all levels of the Group
- A periodic review of the effectiveness of internal controls.

The governance framework reflects the specific structure and management of the Group, where authority and control are delegated by the Board to different levels, from senior management to the managers of the Group's operating entities and then cascaded down to business and project managers as appropriate. Within this framework, authority is delegated with clearly prescribed limits and decisions are escalated where either project size or risk profile require a higher level of authority. In addition to controls operating at transaction level (production, exploration, construction, procurement), the control framework also includes a set of general procedures for transaction approval, financial accounting, reporting and budgeting.

The Board confirms that the actions it considers necessary have been or are being taken to remedy any failings or weaknesses in the Group's system of internal controls. Based on the results of the review of risk management and internal control activities undertaken by the Board and the Audit and Risk Committee, the Board considers that the risk management and internal control systems are in accordance with the relevant principles and provisions of the UK Code and other applicable guidance.

Audit tender

The Group has a policy of tendering the external audit at least every ten years. The most recent tendering process took place from January to May 2019, with a view to appointing the external auditor for the 2020 audit, which also coincides with the completion of the five-year term of our current audit partner. Deloitte LLP has been our auditor for 10 years, following our listing on the London Stock Exchange. Deloitte was invited to participate in this tendering process, along with other appropriately qualified international audit firms.

The tender process was held in compliance with the Competition and Markets Authority regulations, applicable EU requirements and Financial Reporting Council (FRC) guidance. The Audit and Risk Committee was responsible for:

- Initiating and supervising the competitive audit tender process
- Making the recommendation to the Board of Directors as to its first and second choice candidates for appointment pursuant to the competitive tendering process
- Negotiating and agreeing the audit fee and the scope of audit
- Influencing the appointment of the audit engagement partner.

In order to ensure that the tendering process was transparent, fair and effective, the background and other information requested by the contesting firms was downloaded to the online data room and provided via email in case of specific queries. No conflicts of interest were identified during the designing and conducting of the audit tender process. Confirmations of independence were received from the firms by a predetermined deadline.

Management held several meetings with participating firms based on their requests. An assessment was undertaken to evaluate which firm would be capable of carrying out the required audit services, taking into consideration both the following criteria and the combined performance as a whole:

- Audit quality and expertise, including recent FRC quality review reports
- Tender documentation overview
- Mining sector experience of the firm and business knowledge, experience with FTSE 100 companies and associated regulation and governance
- Audit team competence, resources and cultural fit
- Communication skills
- Quality control, service approach and audit plan, including transition planning
- Commercial aspects (applicable only for final presentation).

Following the completion of the evaluation, the Audit and Risk Committee recommended Deloitte LLP to the Board for approval as external auditors for the year commencing 1 January 2020. The decision was driven by expertise, better resources and the audit approach to delivering high quality audit services to Polymetal. After considering the Committee's recommendation, the Board proposed Deloitte LLP as auditor subject to shareholders' approval at the Company's 2020 AGM. The Company is in compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation Order 2014.

External auditor

External auditor appointment

The re-appointment of Deloitte LLP as the Group's external auditor is reviewed annually by the Audit and Risk Committee. Deloitte LLP was appointed auditor in 2011, with Deloitte CIS having been auditor of JSC Polymetal since 2007. James Leigh was appointed as audit partner in 2015. The Committee's assessment of the external auditor's performance and independence underpins its recommendation to the Board to propose to shareholders the re-appointment of Deloitte LLP as auditor until the conclusion of the AGM in 2021. Resolutions to authorise the Board to re-appoint and determine the auditor's remuneration will be proposed at the AGM on 27 April 2020. Dean Cook will take over as audit partner for 2020.

Non-audit services by the external auditors

The Audit and Risk Committee monitors the Company's relationship with its external auditor in relation to the provision of non-audit services to ensure that auditor objectivity and independence are safeguarded. This is achieved by disclosure of the extent and nature of non-audit services (see Note 15 to the consolidated financial statements) and the prohibition of selected services being provided by the external auditor.

Pre-approval thresholds are in place for the provision of permitted non-audit services by the external auditor. Non-audit services are approved by management (if below $5,000), Chairman of the Audit and Risk Committee (if between $5,000 and $20,000), and Audit and Risk Committee (if above $20,000). Certain types of audit related work, up to a cumulative annual value of $100,000, may be undertaken by the auditor without prior referral to the Audit and Risk Committee. Any further non-audit work is subject to approval by the Audit and Risk Committee in further tranches of $100,000. In the event that the cumulative value of non-audit fees exceeds $500,000 in any given year, separate approval by the Audit and Risk Committee is required explaining why there is no threat to independence. Further information is available on the Company's website.

Following the Jersey Financial Services Commission's consultation on changes to the Crown Dependencies' Audit Rules and Guidance, the definition of Public Interest Entities incorporated in the European Economic Area (EAA PIEs) was extended to market traded companies (MTCs) such as Polymetal. Therefore, going forward the Audit and Risk Committee will apply the new EU Audit legislation and changes to the UK Ethical Standard, which introduced new restrictions and prohibitions on non-audit services to EEA PIEs.

In 2019, non-audit fees were $0.50 million of which $0.45 million were incurred for audit-related assurance services for the Group's half-year review. Non-audit fees represented 46% of the 2019 audit fee (2018: 48%). Non-audit fees, excluding audit-related services, amounted to $0.05 million, or 3% (2018: 5%) of total fees for audit and audit-related services.

The Audit and Risk Committee has considered information pertaining to the balance between fees for audit and non-audit work for the Group in 2019 and concluded that the nature and extent of non-audit services provided do not present a threat to the external auditor's objectivity or independence.

Auditor independence

The auditors are required each year to confirm in writing to the Committee that they have complied with the independence rules of their profession and regulations governing independence, and that they have complied with the requirements of the Company's policy on provision of non-audit services. The external auditor is required to maintain appropriate records to provide reasonable assurance that its independence from the Company is not impaired.

Review of the effectiveness of the external audit process and audit quality

The Audit and Risk Committee has adopted a formal framework in its review of the effectiveness of the external audit process and audit quality which focuses on the following areas:

- The audit partners, with particular focus on the lead audit engagement partner
- The audit team
- Planning and scope of the audit and identification of areas of audit risk
- Execution of the audit
- The role of management in an effective audit process
- Communications by the auditor with the Audit and Risk Committee, and how the auditor supports the work of the Audit and Risk Committee
- How the audit contributes insights and adds value
- The independence and objectivity of the audit firm and the quality of the formal audit report to shareholders.

An auditor assessment is completed annually by each member of the Audit and Risk Committee and by the CFO by way of a formal questionnaire. Feedback is also sought from the Group CEO, other members of the finance team, divisional management and the head of internal audit. The feedback from this process is considered by the Audit and Risk Committee, and is provided both to the auditor and to management. Action plans arising are also reviewed by the Committee.

The effectiveness of management in the external audit process is assessed principally in relation to the timely identification and resolution of areas of accounting judgement, the quality and timeliness of papers analysing those judgements, management's approach to the value of the independent audit, the booking of audit adjustments arising (if any) and the timely provision of draft public documents for review by the auditor and the Audit and Risk Committee.

Policies and procedures

Evaluation

In 2019, the Committee carried out a comprehensive self-evaluation of its performance. The members of the Committee, CFO and members of the finance team completed a thorough assessment questionnaire on the work of the Audit and Risk Committee and other related issues, including external audit and the quality, experience and expertise of the internal auditors. Based on the assessment results, the areas that needed attention were aggregated and incorporated into the 2020 Committee work plan. All comments received were fairly minor and the areas of further focus included:

- Succession planning for future members of the Audit and Risk Committee
- Training to understand the principles and developments in corporate reporting and regulation
- Timing of the Committee and Board meetings, and timing and frequency of meetings between various participants in the annual reporting process
- Enhanced communication between the Committee and various participants in the annual reporting process
- Continued work on the review of related party transactions and appropriateness of accounting policies, including APMs, used in accordance with the European Securities and Markets Authority (ESMA) guidelines.

The principles and provisions

In the reporting period, all members of the Committee had financial experience and competence relevant to the sector in which the Company is operating; Messrs Baizini and Oliveira have competence in accounting (detailed information on the experience, skills and qualifications of all Committee members can be found on pages 88–89). Ms Coignard is Chair and Messrs Oliveira and Baizini are members of the Remuneration Committee, which ensures continuity between the workings of both Committees.

Ultimate responsibility for reviewing and approving the interim and annual financial statements remains with the Board. The Board considers that the Audit and Risk Committee complies with the provisions of the UK Code, FRC Guidance on Audit Committees and Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Committee gives due consideration to applicable laws and regulations, the provisions of the UK Code and the requirements of the Listing Rules.

UK Bribery Act 2010

The Company and its Directors are committed to ensuring adherence to the highest legal and ethical standards. This is reflected in every aspect of the way the Group operates. Bribery is a criminal offence in the countries in which the Group operates. Corrupt acts expose the Group and its employees to the risk of prosecution, fines and imprisonment, as well as endangering the Company's reputation. The Group has a Code of Conduct in place, which refers to its Anti-Bribery and Corruption Policy. The policy extends across all of the Group's business dealings in all countries and territories in which the Group operates and applies to Directors, managers and all employees of the Group, as well as relevant business partners and other relevant individuals and entities. The policy prohibits the payment, offer or authorisation of bribes, the receipt or acceptance of a bribe, or the payment, offer or promise to pay any facilitating payments. The Board attaches the utmost importance to this policy and applies a zero-tolerance approach to acts of bribery and corruption by any of the Group's employees or by business partners working on the Group's behalf.

As part of implementation of internal procedures to comply with the UK Bribery Act, the Group has a formalised Whistleblowing Policy which defines the processes in place for staff to communicate, in confidence, concerns about possible improprieties, unethical or illegal activities and ensures that arrangements are in place for the independent investigation of such matters. Management reports to the Committee twice a year on implementation of policies and procedures within the Group's operations, and any instances of corruption or unethical conduct within the Group. Further information on due diligence processes implemented by the Company in pursuance of those policies is available in the Sustainability Report. The Company affirms that it has not denied any personnel access to the Audit and Risk Committee and that it has provided protection to whistleblowers from adverse personnel action.

All policies and procedures on prevention of bribery and corruption are annually reviewed by the Audit and Risk Committee for any changes required to be recommended to the Board.

The Code of Conduct, Anti-Bribery and Corruption and Whistleblowing Policies are available on the Company's website.

Nomination Committee report

> We have made significant progress in our Board succession programme.

Nomination Committee composition and meeting attendance

Board member	Meetings
Ollie Oliveira (Chair)[1]	5/5
Tracey Kerr[2]	5/5
Giacomo Baizini	5/5
Ian Cockerill[3]	3/3

1 Chair until 31 December 2019.
2 Member until 30 January 2020.
3 Member from 15 May 2019 and Chair from 30 January 2020.

The Nomination Committee comprises three independent non-executive Directors who have no personal financial interest in the matters to be decided, other than as a shareholder (where applicable). In 2019, the Committee was chaired by Mr Oliveira to facilitate the Board Chair succession programme; from 30 January 2020, Mr Cockerill became Chair of the Nomination Committee. Ms Kerr was a Committee member until 30 January 2020.

The Board considers that the composition and work of the Nomination Committee complies with the requirements of the UK Code.

Dear shareholders

In June 2018, I was appointed Chair of the Nomination Committee and tasked by the Board to undertake a structured search process for a new non-executive Board Chair. In March 2019, the Board was delighted to announce that Ian Cockerill had accepted the position of Board Chair and his appointment was approved by the shareholders in April at the 2019 AGM. He has brought to our Company and Boardroom exceptional experience in mining and corporate governance at both executive and non-executive levels.

The Nomination Committee also continued with the execution of the succession plan for non-executive Directors, previously approved by the Board and notified to shareholders. We are pleased to confirm that this programme is now substantially completed with Italia Boninelli having joined the Board in December 2019 and Victor Flores in January 2020. Our two new colleagues bring human capital expertise and an in-depth knowledge of both the gold industry and the institutional investors thereof, across three different continents.

In the last two years, we have made five new appointments and the composition of the Board has been substantially altered. In making these appointments, we were fortunate to receive applications from very good and experienced candidates. We are now drawing on the skills and experience of our newest members, who are reviewing our business and practices with fresh eyes, but at the same time we retain sufficient representation from Directors with an acquired historic knowledge of the Company's business.

In January 2020, I handed over the Chair of the Nomination Committee to Ian. Along with my fellow members, I will assist him with reviewing the ongoing leadership needs of the Group, both executive and non-executive, to enable us to continue to compete effectively in the marketplace. Ian will now play the key role of defining the structure of the future Board and ensuring that new Board members quickly gain an understanding of Polymetal's strategy, culture and values.

The Nomination Committee fully supports the Board's objectives in maintaining the highest possible standards of corporate governance throughout the business. The continued development of the executive pipeline is a major challenge and focus of the Nomination Committee: Polymetal already has very good technical and management teams but needs to continue to develop and retain the best industry experts and enhance existing expertise.

Thus far we have been successful, with minimum rotation at executive and management levels. Going forward, formalised and structured succession planning is vital for the Company's continuing development and ensures that the leadership is aligned to corporate strategy, both at Board and senior management levels. It is our remit and objective to ensure that we have a Board and management team that continues to be composed of representatives with world-class skills in finance, mining, ESG and governance and stakeholder engagement.

Ollie Oliveira
Senior Independent Director, Chair, Nomination Committee

	Key responsibilities	Focus during 2019
Board structure review and evaluation	• Leads a formal, rigorous and transparent process for Board appointments • Regularly reviews the Board structure, size and composition and makes recommendations to the Board about any changes • Makes recommendations to the Board about the Directors' re-appointment at the end of their term of office • Reviews the results of the Board performance evaluation that relate to the composition of the Board and individual Directors	• Continued with the independent non-executive Director succession programme • Supervised the tailored induction process • Reviewed the time required from non-executive Directors • Continued to review the skills and experience of the Board, term limits of Directors, concept of independence • Reviewed the structure, size and composition of all Committees, including skills, knowledge, experience and diversity and made recommendations to the Board about changes • Made recommendations to the Board about the re-election of Directors at the AGM
Leadership and conflicts of interest	• Keeps under review both executive and non-executive leadership needs of the Group • Requires Directors and proposed appointees to the Board to disclose any conflict of interest or significant commitments, with an indication of the time involved • Requires Directors to apply for approval before undertaking additional external appointments	• Continued succession discussion at executive level, including support in developing a diverse pipeline • Reviewed the report on the development of participants in the Young Leaders Programme • Discussed the personal development plan for the senior management team and Young Leaders • Received an update of the externally facilitated Board evaluation • Kept under review the executive leadership needs of the Group in order to ensure the continued ability of the Group to compete effectively in the marketplace
Diversity and governance	• Leads on diversity and provides a statement of the Board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy and progress on achieving objectives • Focuses on the Company's approach to succession and planning, and how both support developing a diverse pipeline • Reviews the Company's gender balance within the Group leadership team	• Reviewed HR reports, including headcount, costs, diversity, professional development, employment culture, approach to the learning process and training benchmarking information • Discussed diversity highlights, including the policy on diversity and inclusion, how it had been implemented and progress on achieving the objectives • Reviewed the Committee's terms of reference • Reviewed the work plan for 2020

Board succession

In 2017, the Company started its Board succession programme in response to the external Board evaluation feedback and to ensure that the Board continued to work effectively to achieve the Group's objectives. Polymetal appointed Spencer Stuart, an international search firm, to assist with the phased refresh of its Board. No other services were provided by Spencer Stuart and it has no other connections with Polymetal.

In 2018, three new Directors, Tracey Kerr, Giacomo Baizini and Ollie Oliveira, were appointed and three existing Directors, Russell Skirrow, Len Homeniuk and Marina Grönberg, stepped down from the Board. In 2019, Ian Cockerill and Italia Boninelli joined the Board while neither Bobby Godsell nor Jonathan Best offered themselves for re-election at the AGM. In 2020, Victor Flores became a non-executive Director.

As a result of the structured succession process, the Board members now have a combination of skills covering all of Polymetal's strategic objectives, including business strategy, finance, mining and sustainability, investment banking, human capital and governance. The average length of service on the Board has reduced to 4.5 years; the Board still has sufficient historic knowledge about the Company while also drawing on the skills and experience of its newest members.

0–2 years | 2–6 years | 6–9 years

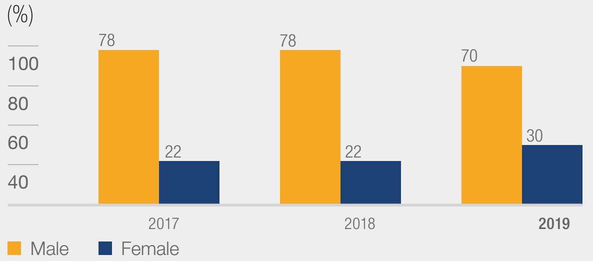
Board Director	Tenure on 1 March 2020
Victor Flores	1 month
Italia Boninelli	3 months
Ian Cockerill	10 months
Ollie Oliveira	1 years 9 months
Giacomo Baizini	2 years 2 months
Tracey Kerr	2 years 2 months
Christine Coignard	5 years 7 months
Vitaly Nesis	8 years 3 months
Konstantin Yanakov	8 years 3 months
Jean-Pascal Duvieusart	8 years 3 months

Diversity and gender pay

Polymetal is committed to the principles of non-discrimination, inclusion and diversity for both the Board and its employees. All have equal opportunities regardless of gender, age, race, nationality, language, origin, wealth, residence, religion and other beliefs, social or other personal circumstances. The Company's Code of Conduct and Policy on Diversification of the Staff Structure outline the principles and approach to diversity and prohibit any discrimination. Regular compliance monitoring is undertaken by the HR department, which ensures that our internal procedures are implemented throughout all Group companies. No instances of discrimination were reported in 2019. The Group is in full compliance with all local legislation in the countries where it operates that prohibit any discrimination in payment and promotion.

Board gender diversity is addressed as part of the Board succession programme, including considering candidates with little or no previous Board experience in public companies for appointment as non-executive Directors. We are assisted in this process by Spencer Stuart, an international search firm and signatory to the voluntary Code of Conduct on gender diversity and best practice. The lead partner on the assignment is female. Since the official start of the Board succession programme in 2017, we have appointed two additional female Directors: Tracey Kerr and Italia Boninelli. This means that we achieved the 33% target of women on the Board ahead of the 2020 deadline for FTSE 350 companies, as defined by the Hampton-Alexander Review. The Board's Nomination Committee continues working hard to ensure that this proportion of women on Polymetal's Board is at least sustained.

GENDER COMPOSITION OF THE BOARD
(%)



In 2019, the overall proportion of women working in the Group was: 21% (2018: 20%).

Employee gender parity	Male 2019	Male 2018	Male 2017	Female 2019	Female 2018	Female 2017
All employees, of which:	**79%**	80%	79%	**21%**	20%	21%
Managers	**78%**	77%	77%	**22%**	23%	23%
Employees with vocational training or higher education	**61%**	60%	60%	**39%**	40%	40%
Workers	**88%**	88%	88%	**12%**	12%	12%

1 2018 number adjusted from 1.32 to 1.29 to reflect Kazakh subsidiaries.

The Nomination and Remuneration Committees undertook an in-depth review of the workforce gender pay gap during 2018. It concluded that, while there is no gender pay gap for the same positions, the gender imbalance within the mining industry in general impacts the gender pay ratio in Polymetal, which in 2019 was 1.30 (2018: 1.29[1]). The Board determined that in order to narrow the gender pay gap, Polymetal needs to continue improving its talent pipeline.

The Group HR department identified the following priority areas for 2020:

- Providing training for the HR department diversity/gender specialist, responsible for hiring and promotion processes
- Supporting women's ambitions to master new professions and build careers
- Creating more options for enhancing both the vocational and leadership skills and qualifications of employees within the Company
- Enhancing Polymetal's brand to make it more appealing to all candidates.

The Group's focus is on attracting, retaining and promoting women in professions traditionally dominated by men: production, processing, metallurgy, geology, construction and procurement. It is also essential to create a pipeline of candidates deemed capable of achieving senior management positions in such roles as mine surveyor/geologist and specialists in production or mine planning. In 2019, 20% of such vacancies were filled by women. We have identified a diversity target group and set a 30% female representation target. Further information is available on page 59.

Looking to the future, it is vital that women are also represented at a more junior level and we have made significant improvements in the gender balance of our Talent Pool; almost doubling the number of women over the past two years from 10% in 2017 to 19% in 2019. At least one-third of participants in our Young Leader Programme are now women.

We believe that increasing female representation will benefit the Group and we actively endorse female participation in Polymetal's management. We acknowledge that reducing the gender imbalance, and with it the gender pay gap, is a long-term goal and we will continue to focus on inclusivity and diversity in order to enable our employees to fulfil their potential.

The Young Leaders Programme

Our Young Leaders Programme is now well established and ongoing. This programme helps to evaluate the Talent Pool and tailors training for the future senior management needs of the Group. Within the programme, regular meetings take place between Young Leaders and Board members, which enable the Board to challenge and debate with the Young Leaders, who in return have an opportunity to ask questions and interact directly with the Board. In the previous year, one third of the Young Leaders were female; this proportion will increase to 40% in 2020.

Every year a group of Young Leaders, specialists from different departments and subsidiaries who have excelled in their jobs, are chosen to make a Board presentation in London. This group is divided into two and each allocated a topic to prepare. Training is provided on both the particular topic and general presentation skills. Prior to the trip to London, the groups have internal conference calls to discuss the presentations and then practice their presentations in front of their colleagues in St. Petersburg.

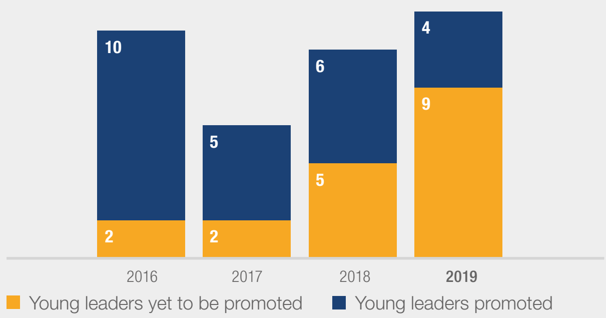
In 2019, the group of Young Leaders included geologists, engineers, development and construction, procurement, production, mine planning, mineral resources, economic and finance and investment project specialists. The schedule for the first day in London included introductions to Board members, an overview from executive search company Ward Howell of the 'Digital Reinvention of the Mining Industry' which was followed by the two presentations from the Young Leaders on their visions for digital initiatives within the Group. These presentations included actual case studies from Polymetal's sites as well as highlighting the potential for digital development within the Group. There were plenty of opportunities for networking and informal discussions with Directors and Group senior management.

On the second day, the Young Leaders attended Polymetal's Investor Day at the London Stock Exchange with presentations given by the Board Chair, Group CEO and Group CFO. These illustrated how the work of individual subsidiaries feeds into the overall results of the Group and is presented to institutional investors. The Young Leaders also had the chance to see how the LSE operates and learn more about financial markets. Returning to Polymetal, these Young Leaders then participate in a corporate training programme to further develop both their professional and personal skills as part of our Talent Pool as their careers progress within the Company.

Young Leaders' development progress

Since the start of the programme, our Young Leaders have been an active part of our development pipeline with promotions for ten young leaders from the first cohort in 2016, five from 2017, six from 2018 and four from the 2019 programme.

YOUNG LEADERS' DEVELOPMENT PROGRESS
(NUMBER OF PARTICIPANTS)



Left and below:
Young leaders at the meeting with the Board in London

Above:
Young leaders at the London Stock Exchange

Safety and Sustainability Committee report

66

At Polymetal, we have pledged to promote best sustainability practice throughout the business.

Safety and Sustainability Committee composition and meeting attendance

Board member	Meetings
Tracey Kerr (Chair)	4/4
Vitaly Nesis	4/4
Jean-Pascal Duvieusart	4/4

The Safety and Sustainability Committee comprises three Directors. The Committee is chaired by Ms Kerr and its other members are Messrs Nesis and Duvieusart. From 30 January 2020, Mr Cockerill became a further member of the Safety and Sustainability Committee.

Dear shareholders

At Polymetal, we have made health and safety fundamental to our business operations, with our primary focus on the well-being of our employees.

Our principal objective is to have no fatalities. However, regrettably, I have to report two fatalities in 2019 at our Mayskoye and Omolon mines in Russia. I offer my sincere condolences to the family, friends and colleagues of Messrs Magafurov and Kalabashkin. In both cases we conducted detailed investigations and have implemented measures to address the key findings. We have improved the safeguarding processes and procedures in the workplace resulting in a decrease in the frequency of injuries and increased recognition of situations that could lead to serious incidents. But it is obvious that more needs to be done to reinforce a stronger safety ethos among all our employees and avert further fatalities.

Starting this year, we made two major changes in our approach to safety. Firstly, our contractors must now follow the same strict health and safety rules that apply to our own employees; they are included in our in-house training and persistent non-compliance is a case for contract termination. In addition, from 2020, we will be changing our health and safety KPI. Instead of using the lost-time injury frequency rate (LTIFR), which records frequency of accidents, we will move to measuring our results in terms of actual days off work following an accident, which will help us monitor and address the severity of injuries. We will continue to apply a penalty of up to 50% in cases of fatalities or severe injuries, and will start taking into account long-term disabilities and fatalities occurring at our contractors.

During 2019, there was greater scrutiny of corporates and how they perform their duties and act as good corporate citizens. We are glad to confirm that we remain ahead of many of our peers in our environmental, social and governance (ESG) projects. As part of Polymetal's pledge to promote best sustainability practice throughout the business, we will be adding an ESG metric to our Group CEO's KPI. This will then cascade down to relevant employees to further emphasise our ongoing focus on this important area of governance. Further information is available in the ESG scorecard section on the next page.

We have a comprehensive work plan for 2020, including in-depth reviews of our relationships with contractors, safety leadership and culture, Cyanide Code compliance, energy efficiency and carbon footprint, and the first financial assessment of climate-related risks and their impacts. As well as the implementation of our ESG policies, we will evaluate plans to improve our risk management and internal control procedures pertaining to compliance with ESG strategies and policies, including emerging risks.

With my fellow Committee members, I am looking forward to undertaking these duties on behalf of the Company and its stakeholders.

Tracey Kerr
Chair, Safety and Sustainability Committee

	Key responsibilities	Focus during 2019
Safety	• Receives reports from management on significant safety, health and sustainability issues • Oversees management's interaction with regulatory authorities on safety, health and sustainability matters • Reviews and monitors the safety, health and sustainability performance of the Group • Considers whether an independent audit of processes is appropriate and reviews audit results and findings on health, safety and sustainability, the action plans pursuant to the findings and the result of investigations into significant events	• Deep dive analysis of risks: traffic safety (Kazakh operation case study) and safety of gas-flame and welding works (Khabarovsk Area operation case study) • Safety performance analysis of incidents and risk assessment; safety plan implementation • Health and safety report for 2019 and team work plan for 2020 • Critical Risk Management System focus in 2020 and safety plan • Review of Mayskoye and Omolon contractor fatalities
Sustainability	• Oversees the Company's overall approach to sustainability, including the establishment and periodic review of the safety, health and sustainability strategy and policies • Receives regular updates from management regarding compliance with safety, health and environmental legislation and internal targets; commitment to the principles of the International Council on Mining and Metals and the UN Global Compact regarding sustainable development and the policies and systems in place to monitor such compliance	• Review of Sustainability Report for 2018 • Deep dive analysis: mine closure • Human rights risk assessment • Deep dive analysis: tailings storage facilities management • Sustainability strategy and gap analysis, progress and plans review • Analysis of priority projects for 2020–2021 and key focus areas
Ethical conduct	• Ensures that the Company consistently exhibits and promotes ethical, transparent and responsible behaviour, engages with key stakeholders and communities, and contributes to the development and growth of healthy and sustainable communities • Monitors the effectiveness of the safety, health and sustainability policies, systems, risk management programmes and processes in place • Liaises with the Audit and Risk Committee and internal audit function, oversees the implementation of the safety, health and sustainability risk management and internal control procedures • Reviews the benchmarking of the policies, systems and monitoring processes	• Risk management and internal control procedures for compliance with health, safety and sustainability strategy and policies (Amursk) • Modern Slavery Statement and implementation of the Modern Slavery Policy (offtakers included in the scope of the annual review) • Review of the Group approach to the policies relating to safety and sustainably and the relevant policies (Tailings Management, Mine Closure, Environment, Health and Safety) and recommendation for the Board approval • Review of sustainability KPIs for the CEO and senior management • Review of the Committee's performance and its terms of reference • Review of the work plan for 2020

ESG scorecard

In line with the Company's enhanced emphasis on ESG, from 2020 the KPI structure for the Group CEO will be changed by reducing the KPIs for production and total cash cost by 5% each and introducing a 10% sustainability/ESG KPI. To ensure a continuing focus on safety, the penalty factor for fatal/severe cases of up to 50% of annual bonus earned for non-safety-related KPIs will remain unchanged. The resulting KPI structure for 2020 will comprise:

- Production (20%)
- Total cash cost (20%)
- Completion of new projects on time and within budget (25%)
- Health and safety (25%)
- ESG (10%)

The sustainability/ESG KPI will be defined each year by the Safety and Sustainability Committee in line with the Group's long-term targets and will be based on a comprehensive scorecard. For 2020, our focus will be on people management, environment, social policy in areas of operation and other management and corporate programmes. Further information on remuneration is available in the Remuneration Committee's report on pages 116–140.

Performance against the scorecard will be assessed by the Safety and Sustainability Committee and recommended for approval by the Board, with the Group CEO abstaining on any decisions in relation to the scorecard. Retrospective targets will be published in the subsequent year's Annual Report.

This KPI will cascade down to the following groups of employees: Group CEO, COO, mine directors, subsidiary directors and their deputies, senior managers in the management company and heads of the main operational units and their deputies.

Group 1	**CEO and COO**
↓	
Group 2	**Mine directors, subsidiary directors and their deputies, top managers in the management company**
↓	
Group 3	**Heads of the main operational units and their deputies**

Remuneration at a glance

The overview below summarises the vesting outcomes for our incentives during 2019, and the alignment of these outcomes with our corporate strategy, and the actual payments to the Group CEO for 2019.

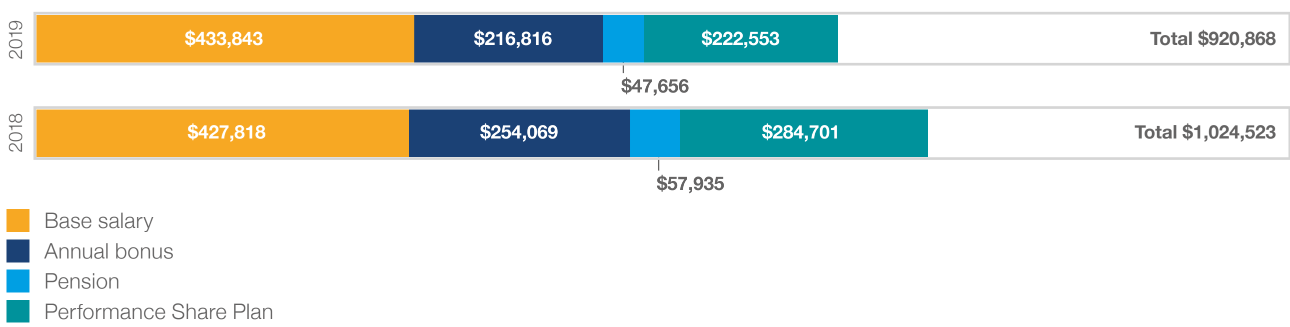
OUR REMUNERATION POLICY		KEY FEATURES	2020	2021	2022	2023	2024	2025
100%	**Base salary** To attract and retain high-calibre executives	• Annual review by Remuneration Committee • Increases in line with the wider workforce, except where a change in the scope of the role occurs						
100%	**Annual bonus** To focus on achieving annual performance goals, based on KPIs and strategy	• Maximum bonus opportunity – 120% of base salary • 50% of the bonus earned is compulsorily deferred into shares • Penalty factor for fatal/ severe accidents	50% subject to 3-year deferral / 50% cash	1/3 shares	1/3 shares	1/3 shares		
125%	**Performance Share Plan** To provide long-term alignmentwith shareholders' interests by delivering above-market returns	• Default grant level – 125% of base salary • 4-year vesting period and an additional mandatory 1-year holding period • TSR performance against global peers					Shares	1-year post-vest holding

Year 2020 2021 2022 2023 2024 2025

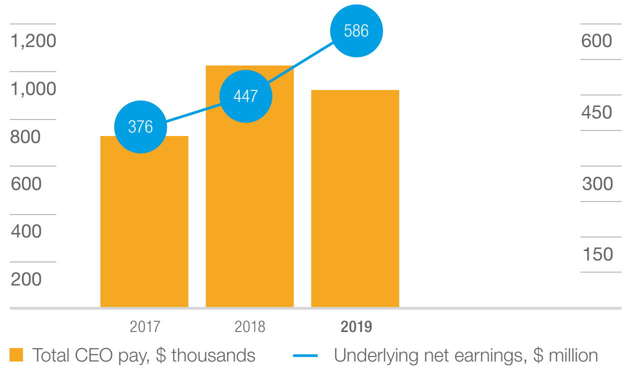
SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)

The graph below sets out total remuneration for the Group CEO for 2019. Further details are provided on page 133.

Group CEO

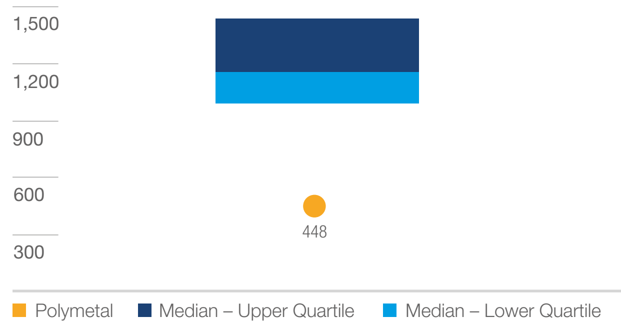


GROUP CEO PAY VS POLYMETAL PERFORMANCE



2020 PROPOSED GROUP CEO BASE SALARY VS MARKET BENCHMARK[1]

($ THOUSANDS)



1 Data per 2019 Report on FTSE 100 Director's Remuneration. GBP translated to US$ using cross-rate as of 31.12.2019.

Variable pay outcomes

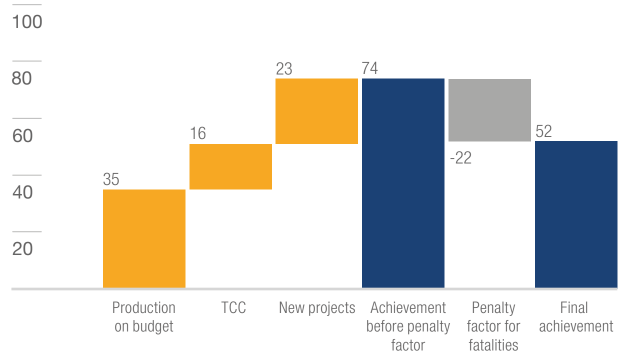
Annual bonus payment made in respect of performance for the year comprised 52% of base salary, or $216,816. Further details on the performance measures, targets and actual outcomes are provided on page 134.

$216,816

Annual bonus
2018: $254,069

2019 ANNUAL BONUS OUTCOMES

(% OF TARGET)



PSP vesting

During the four-year performance period ending 29 April 2019 for the PSP awards made in 2015, Polymetal achieved a positive absolute TSR of 56.1% and outperformed a median TSR of 34.8% of the FTSE Gold Mines Index constituents. Further details on PSP vesting are provided on page 135.

32.1%

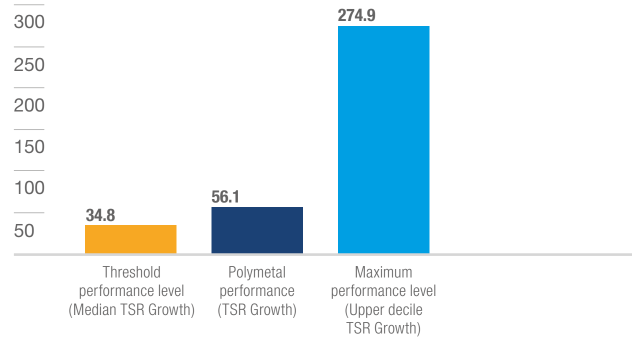
Vesting of 2015 PSP grant
2018: 39.1%

$222,553

PSP face value
2018: $284,701

4-YEAR TSR VS FTSE GOLD MINES PEERS

(%)



Remuneration Committee report

> Our updated Remuneration Policy will ensure continued alignment with our strategy and culture, with management focusing on running a sustainable business while generating superior shareholder returns.

Remuneration Committee meeting attendance

Board member	Meetings
Christine Coignard (Chair)	6/6
Giacomo Baizini	6/6
Jonathan Best[1]	2/2
Ollie Oliveira	6/6
Italia Boninelli[2]	0/0

1 Member until 23 April 2019.
2 Member from 12 December 2019.

Further business conducted by the Committee was approved by written resolution on one further occasion.

The Remuneration Committee comprises four independent non-executive Directors who have no personal financial interest in the matters to be decided, other than as a shareholder (where applicable). The Committee is chaired by Ms Coignard and its other members are Messrs Oliveira and Baizini, and Ms Boninelli. Mr Best served on the Committee prior to the AGM on 23 April 2019, but did not put himself forward for re-election. Ms Kerr joined the Committee on 30 January 2020.

The Board considers that the composition and work of the Remuneration Committee complies with the requirements of the UK Code.

Dear shareholders

2019 was a busy year for both corporate governance and remuneration matters, with the majority of London-listed companies, including Polymetal, requesting shareholders to approve their revised Directors' Remuneration Policy. Changes stipulated in the UK Code as well as secondary legislation and updated guidelines by major proxy advisors and governance teams of major institutional investors provided us with a clear framework to review our Remuneration Policy and reporting practices.

Remuneration features in 2019

In 2019, we implemented our Remuneration Policy which operated as intended, and without the need to exercise any discretion.

The total 2019 remuneration of Mr Nesis, Group CEO and only executive Director, comprised $920,868. As a result of the strong performance of the Company and achieving set KPIs (as disclosed on page 134), an annual bonus of $216,816, representing 52% of base salary and 41% of maximum opportunity, was awarded to the Group CEO in respect of 2019. Effective 1 April 2020, Mr Nesis's salary will increase by the Russian inflation rate of 4%, which is in line with the average increase for the rest of our workforce. This will result in a revised Group CEO base salary of $447,745 per annum. The current base salary of the Group CEO is below lower quartile for companies of comparable sector and size.

In 2019, key Group employees benefited from the vesting of Polymetal's Performance Share Plan (PSP) for the second year in a row. During the four-year vesting period (2015–2019), Polymetal achieved a positive absolute TSR of 56.1% and outperformed the median TSR of 34.8% of the FTSE Gold Mines Index constituents. This resulted in the PSP vesting at 32.1% of maximum. The shares awarded are subject to a mandatory one-year holding period following vesting. In 2019, the PSP benefited 414 participants including senior management, selected mid-management and specialists. We trust that this plan serves to further motivate and retain all of our PSP participants.

Supporting core values

We employ almost 12,000 people in our offices, mines and processing facilities. Our people are often required to work in remote regions with extreme weather conditions that generally require fly-in, fly-out arrangements. Like the rest of our industry peer group, having a highly skilled workforce with a range of specialist skills is a prerequisite to achieving our long-term goals. Many of our senior managers graduated at top Russian and international universities. Talented people are both scarce and in demand; hence formulating an appropriate remuneration package is key to hiring, retention and motivation for Polymetal.

We believe that fundamental to this is having an even-handed approach throughout the organisation, fostered through a Remuneration Policy with consistently applied principles and structures. We offer our executive Director and management team a competitive package. This consists of a base salary that is supplemented with individual incentives, which draw on key strategic, operating, financial and ESG metrics for the business. We further align the interests of the Company's management and shareholders through a long-term performance share plan covering 414 key employees within our organisation.

	Key responsibilities	Focus during 2019
Remuneration Policy	• Determining, within agreed terms of reference, the remuneration of the Chair and specific remuneration packages for the executive Director, the Company Secretary and members of senior management, including any pension rights and compensation payments	• Approach to remuneration: executive remuneration strategy and structure; employee remuneration review, including results of internal survey, salary benchmarking, workforce engagement on remuneration • Annual review of the Board Chair's fee • Performance Share Plan (PSP) update and scheme analysis. A list of criteria for PSP inclusion • Updated Remuneration Policy to be proposed at the 2020 AGM following shareholder consultation
Remuneration of executive management	• Making recommendations to the Board on the Group's policy on the remuneration of executive management • Formulating suitable performance criteria for the performance-based pay of executive management • Reviewing and overseeing all aspects of any executive share scheme operated by or to be established by the Company	• Approval of bonuses and deferred shares issued to the Group CEO and senior management. Confirmation that there was no malus or clawback • Senior management salary review; approval of KPIs for 2019 • Approval of PSP grant for 2019 • Approval of the PSP vesting (award of 2015 grant)
Governance and employee benefit structures	• Having a duty of care to keep abreast and act upon changes in law, regulations and other published guidelines or recommendations regarding the remuneration of directors of listed companies, including formation and operation of share schemes • Considering and making recommendations to the Board concerning disclosure of details of remuneration packages and structures, in addition to those required by law or regulations • Reviewing and advising the Board on any major changes in employee benefit structures throughout the Company or the Group	• Final approval of the Remuneration Report for 2019 • New UK Governance Code/legal/proxy guidance update: impact on disclosure requirements • Review of the Committee's terms of reference • Internal evaluation • Review of the work plan for 2020

Obviously, it is not just remuneration that helps us retain highly dedicated and loyal employees – staff turnover in 2019 was only 5.8%. This starts with our core values, consistently applied across the organisation. We have a relatively young workforce with an average age of 39 years but, at the same time, we have a good mix of generations that complement and work well with each other. We are proud supporters of gender diversity, at management level and at an operational level. We also focus on training opportunities that enable all our employees to develop relevant hard and soft skills as we look to growing our future leadership.

2019 was the first year in which we formalised our workforce engagement programme with the Board. This was in addition to the meetings that Directors already have with Group employees during Board meetings, visits to Group subsidiaries and site trips. A 'direct line' communication channel offered employees throughout the Group an opportunity to ask the Board questions. The Board received 34 questions from individual employees and 12 from groups of employees, 15% of which related to remuneration. The Remuneration Committee carefully reviewed the questions relating to remuneration and responded to each individual employee. The answers to all of the questions received as part of the Board engagement programme were published on the intranet and in the corporate newspaper. Within the intranet, a dedicated page was set up to communicate to the Group employees how executive remuneration aligns with the wider Company pay policy. For details on workforce engagement refer to page 101.

To read more about how the Committee addresses the factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture, see page 127.

Changing our Remuneration Policy

The revised Directors' Remuneration Policy will be put forward for shareholder approval at the AGM scheduled for April 2020. The Remuneration Committee has given significant thought to the relevance and applicability of the existing policy and has considered potential changes to it in the context of Polymetal's current strategy and industry-specific market conditions as well as evolving UK governance practices. A shareholder and proxy advisor consultation period ran in October–December 2019 and the Board Chair, SID and I participated in several meetings and calls requested by our shareholders. We listened carefully and can confirm that no significant concerns about the proposals were raised.

The main objectives of the revised policy remain the same:

- Structure the remuneration package towards long-term corporate performance taking into consideration the interests of all of our stakeholders as a whole.
- Attract and fairly reward high-calibre directors and executives in respect of the responsibilities undertaken and comparable pay levels.
- Incentivise management to maximise the value of Polymetal and align the interests of executives with those of shareholders.

The Committee believes that the current pay structure for executive management is well aligned to the strategy of maintaining stakeholder value through growth and cash flow generation alongside a culture with high standards of corporate governance and sustainable development for the following reasons:

- There is a good balance between fixed and variable pay. Variable pay represents more than 50% of the total remuneration package for the Group CEO.

- The KPIs used are tailored to the strategic objectives and corporate culture.
- The KPIs currently used for variable pay can be objectively measured and are within management's control. Use of directly controllable KPIs ensures not only strategic alignment, but also reinforces the motivational impact of the annual bonus targets.
- Deferral of 50% of the annual bonus ensures that the short-term annual targets are not achieved at the expense of long-term shareholder value creation. This also enables management to participate in the share price and dividend upside and strengthens alignment between management and shareholders' interests.
- Finally, the long-term incentive plan provides a further significant incentive to execute the strategy of long-term value creation. It only generates significant payouts if Polymetal excels among its peers on delivering TSR by combining growth and dividends.

We were pleased to see that most of the recent provisions for legal, regulatory, guidelines and best practice governance and reporting updates applicable to us were already built into our existing Remuneration Policy and reports. We have also looked at the mechanics of the Performance Share Plan (PSP) since it first vested in 2018 and made minor adjustments to improve the plan. As a consequence, we have fine-tuned the process for vesting PSP shares without much altering the expected outcomes. We have introduced a two-year post-cessation requirement for a minimum shareholding by our executive Director and senior executives. We have clarified the rules on malus and clawback, and improved the framework for the use of any necessary discretion. Finally, for the first time since listing in 2011, we have introduced a fee for the Senior Independent Director (SID) and have increased the fee for our Board Chair in line with the market. In both cases, the changes reflect the increased complexity and responsibilities of the roles as well as the time commitment necessary to discharge these duties. We will continue to report on a voluntary basis on CEO pay ratio (page 137) and the gender pay gap (page 112).

From 2020, we will be increasing the scope of sustainability KPIs within the annual bonus scheme. In line with the Company's enhanced emphasis on sustainability and corporate social responsibility, from 2020 the KPI structure for the Group CEO and the relevant senior management will be changed: an additional 10% ESG KPI will be introduced, with simultaneous decreases of both production and TCC KPIs from 25% to 20%. The share of two sustainability KPIs (health and safety and the new ESG) will constitute 35% of the total of five KPIs. To ensure a continuing focus on safety, the penalty factor for fatal/severe cases – a reduction of up to 50% of the annual bonus earned for non-safety-related KPIs – remains unchanged. The new ESG KPI will be defined each year by the Company's Safety and Sustainability Committee in line with the Group's long-term targets and will be based on a comprehensive scorecard. Performance against the scorecard will be assessed by the Safety and Sustainability Committee and recommended for approval by the Board with the Group CEO abstaining on any decisions in relation to the scorecard. Further information can be found on page 115.

We believe that the revised Remuneration Policy will both continue to motivate and retain our high-calibre executive team, with its historic track record of delivering on a sustainable business model and generating superior shareholder returns. The revised fees for the Board Chair and SID will ensure that Directors are fairly compensated for their time and contribution to ensuring best corporate governance practice in Polymetal.

We would like to thank you for your continued support for the Company's Remuneration Policy and Remuneration Committee report. The current Directors' Remuneration Policy was approved by shareholders on 16 May 2017 with 99.10% votes cast in favour, with a subsequent 98%+ of votes in favour of implementation during 2017–2019. The Board and the Remuneration Committee are unanimous in proposing that the minor changes to the Remuneration Policy detailed within this report are in the best interests of the Company and we would ask for your approval of the revised policy at the 2020 AGM.

Going forward

At the time of the AGM, I will have served six years on Polymetal's Board: as Senior Independent Director; Chair of the Remuneration Committee; a member of both the Audit and Risk Committee and the Nomination Committee. These have been exciting times during which, and on all strategic, operational, financial and ESG fronts, Polymetal has become a world leader in the precious metals sector. Our market capitalisation has more than doubled and we have gained international recognition for our achievements. It has been an honour to have contributed to this in my role as a Director. As the Company embarks on the next phase of its development and fine tunes its corporate culture including diversity across all levels of the organisation, I feel it is time for me to move on and make room for new sets of skills on the Board. I will not therefore present myself for re-election as a Director at this AGM.

Italia Boninelli and Tracey Kerr joined the Committee in 2019 and 2020 respectively. Ollie Oliveira has served on the Committee since April 2018 and has been pivotal in refining our procedures and practices. He will chair the Remuneration Committee from the 2020 AGM onwards.

I would like to thank you for your very strong support during the last six years and, like you, I look forward to following further developments at Polymetal.

Christine Coignard
Chair, Remuneration Committee

Remuneration Policy update

The Remuneration Committee confirms that many aspects of the policy are already in line or ahead of market practice, including base salary, pension, annual bonus, Deferred Share Plan, and vesting period of Performance Share Plan.

The Remuneration Committee has determined that certain aspects of our Remuneration Policy require amendment in order to reflect the changing environment in which Polymetal operates. After detailed discussions, the Remuneration Committee and the Board (where applicable) are proposing the following, with the changes highlighted in the tables below.

Summary of the Directors' Remuneration Policy

Element of policy	Current policy	Revised approach	Rationale for update
Base salary	Any increase in base salary is typically in line with the wider workforce, unless there are exceptional circumstances or a significant change of responsibilities, which may warrant a higher increase. The current base salary of the Group CEO is below the lower quartile for companies of comparable sector and size.	No change	
Pension	The Group CEO and senior executives' pension contributions do not exceed the mandatory defined contribution made to the pension fund of the Russian Federation (10% of total pay). The Group does not fund any additional pension contributions or retirement benefits. For new hires, pension contributions will be limited to the mandatory contributions required by applicable law.	No change	This approach is in line with the wider workforce.
Annual bonus	KPIs are reviewed and approved on an annual basis, targets are disclosed retrospectively. KPIs for the senior executives' team mirror those of the Group CEO where applicable and include directly controllable metrics.	No change	
LTIP (Deferred Shares Awards)	50% of the Group CEO's and senior executives' bonus is deferred into shares released in equal instalments over three years by way of deferred share awards.	No change	
LTIP (Performance Share Plan)	**Vesting period:** A vesting period of four years applies with an additional post-vest holding period of one year.	No change	
	Opportunity: Maximum grant permitted under the plan rules is **200%** of salary per annum. Default grant level is expected to be **150%** of base salary.	Maximum grant permitted under the plan rules is **150%** of salary per annum. Default grant level is expected to be **125%** of base salary. The value that can be received in the year of vesting will be **limited to twice the face value** of the award on grant. Any gains above this will be forfeit before the start of the one-year holding period. In certain exceptional circumstances, the Remuneration Committee will be able to use discretion to disapply the cap.	An amendment in order to reduce the risk of potential excessive gains arising from the potential volatility of Polymetal's share price.

Remuneration Policy update continued

LTIP (Performance Share Plan) continued	**Performance metrics used and period applicable:** Vesting is tied to Polymetal's relative TSR performance against FTSE Gold Mines Index constituents: • 0% vests for below median performance • 20% vests at median performance • 100% vests at **top decile** performance and above. Vesting occurs on a linear line basis between median and top decile performance. No award will vest if absolute TSR is negative, regardless of relative performance.	Vesting is tied to Polymetal's relative TSR performance against FTSE Gold Mines Index constituents: • 0% vests for below median performance • 20% vests at median performance • 100% vests at **upper quintile** performance and above. Vesting occurs on a linear line basis between median and upper quintile performance. No award will vest if absolute TSR is negative, regardless of relative performance.	The revised vesting scale will be better tailored to reward for the Company's underlying relative performance versus that of peers. This amendment is not expected to produce any large changes in pay-outs but will strip out the effect of abnormal one-off performances in the top decile of the peer group. Bringing the performance requirement down to the upper quintile with a simultaneous reduction in quantum maintains similar pay for performance with maximum pay-out still requiring performance significantly above market peers.
Minimum shareholding requirement	**Operation:** The Group CEO is required to build a minimum shareholding over a **four-year** period.	Executives will be required to build a minimum shareholding over a **five-year** period.	
	Opportunity: 500% of base salary for the Group CEO.	500% of base salary for the Group CEO. A requirement to retain the same minimum shareholding will apply for **two years post-cessation** of employment.	
Malus and clawback	Clawback and malus provisions apply for the unvested portion of the LTIP (both DSA and PSP); the Remuneration Committee may, at any time up to and including vesting, reduce the number of shares that vest, should it consider that a material misstatement, misconduct and/or a failure of risk management occurs. No clawback is applied to the cash part of the annual bonus, as this provision would contradict the labour law of the Russian Federation.	For unvested shares under the LTIP (both DSA and PSP) an employee loses the vesting rights unless there are good leaver circumstances. In addition, there are certain provisions for the reduction of the LTIP vesting, including clawback. LTIP rules will be amended to make specific reference to malus and clarify clawback provisions to include misconduct or fraud, misstatement of accounts, corporate failure, serious reputational damage or failure of risk management and may be revised by the Remuneration Committee from time to time.	List of provisions largely in line with guidance to the Code and typically applied FTSE practice.

Independent non-executive Directors' (INED) remuneration

INEDs' fees will be denominated and paid in US Dollars in line with the $/GBP exchange rate used in the Company's most recent Annual Report. (Historically, INEDs' fees were paid in GBP, but disclosed within the remuneration report in US Dollars.) This brings the payment of INED fees in line with the Group reporting and the Company's functional currency. Proposed 2019 fees are largely in line with the estimated 2019 fees disclosed in the Annual Report 2018, other than for some minor changes due to the rounding of the resulting US Dollar fee amounts.

In addition, in response to the increasing regulatory and governance compliance requirements and significant time commitment needed, in line with typical market practice, the introduction of an additional fee is proposed for performing the role of the Senior Independent Director, set at 20% of the annual INED Board fee. The revised Directors' fees are proposed as follows:

	Proposed revised INED fees, from 2020 onwards, $	Amounts estimated for 2019 as stated in Annual Report 2018, $	% change
INED basic fee	127,000	127,080	-0.06
Additional fees:			
Senior Independent Director	25,000	–	n/a
Audit and Risk Committee Chair	38,000	38,124	-0.33
Remuneration Committee Chair	19,000	19,062	-0.33
Safety and Sustainability Committee Chair	19,000	19,062	-0.33
Nomination Committee Chair	19,000	19,062	-0.33
Committee membership fee (not payable to the Committee Chair)	13,000	12,708	2.30
Board and Committee meeting attendance fee	4,000	3,812	4.92

Independent Board Chair remuneration

In response to the increased prominence and complexity of the role of the Board Chair at Polymetal and to better align remuneration with current market levels, an increase in the Chair's fee is proposed; this has not been amended since the Company's IPO in 2011. After careful consideration, the Remuneration Committee has determined that this increase is appropriate in light of the wider scope and greater responsibilities required of this role at Polymetal, largely due to the increased scale and complexity of the Company, as well as the subsequent demands and time commitment. The revised fee will be at the median of FTSE 100 companies.

	Proposed revised Chair fee, $	Amounts estimated for 2019 as stated in Annual Report 2018, $
Independent Board Chair fee	500,000	317,700

Directors' Remuneration Policy

Summary table

At the AGM on 27 April 2020, the Committee will be requesting shareholder approval of the following Remuneration Policy to cover a period of three years. The Policy will apply from the date of approval. No changes to the previous policy have been made, other than where indicated earlier in this report on page 121.

Element and purpose/ link to strategy	Operation	Opportunity	Performance metrics used and period applicable
Executive Director – Group CEO			
Base salary **To attract and retain high-calibre executives**	The Committee reviews the base salary on an annual basis and, when setting base salary for the following year, takes into account general economic and market conditions, underlying Group performance, the level of increases made across the Group as a whole, the remuneration of executives in similar positions in FTSE and global mining peers, and individual performance.	Over the policy period, the base salary for the Group Chief Executive Officer will be set at an appropriate level within the peer group and will increase in line with base salary increases for the wider workforce, except where a change in the scope of the role occurs. The annual base salary for the reporting year and the current year is set out in the Annual Report on Remuneration and on page 139.	Not applicable.
Pension **To provide funding for retirement**	The Group does not fund any pension contributions or retirement benefits, except contributions to the mandatory pension fund of the Russian Federation, as required by Russian law. The Group pays defined contributions to the mandatory pension fund. This permits retiring employees to receive a defined monthly pension for life from the statutory pension fund.	Pension contribution does not exceed the mandatory contribution made to the pension fund of the Russian Federation. Currently 10% of total pay.	Not applicable.
Benefits	The Group does not provide any benefits for its Group CEO.	Not applicable.	Not applicable.
Annual bonus **To focus on achieving annual performance goals, which are based on the Group's KPIs and strategy**	The annual bonus result is determined by the Committee after the year end, based on performance against defined targets. Annual bonuses are paid three months after the end of the financial year to which they relate. 50% of the annual bonus earned is paid in cash and the remaining 50% is compulsorily deferred into shares, which are released annually to the employee over the next three years in equal instalments through the Deferred Share Awards (DSA) plan. Clawback conditions apply to the DSA. No clawback is applied to the cash part of the annual bonus, as this provision would contradict the labour law of the Russian Federation. Details of the DSA are set out on the next page.	Maximum bonus opportunity – 120% of base salary with the following weightings at target: • Production (20%) – 150% maximum • Total cash cost[1] (20%) – 150% maximum • Completion of new projects on time and within budget (25%) – 100% maximum • Health and safety (25%) – 100% maximum • ESG (10%) – 100% maximum. There is an additional penalty factor for fatal/severe cases of up to 50% of the annual bonus earned for non-safety-related KPIs. Target bonus opportunity – 100% of base salary.	The annual bonus is earned based on the achievement of a mix of financial and non-financial measures over the financial year. The Committee has discretion to vary the list and weighting of performance metrics over the life of this Remuneration Policy. In addition, the Committee has discretion to vary performance metrics part-way through a year if there is a significant event, which causes the Committee to believe that the original performance metrics are no longer appropriate. No discretion was applied in 2019.

1 As defined on page 69.

Element and purpose/ link to strategy	Operation	Opportunity	Performance metrics used and period applicable
Long-Term Incentive Plan (LTIP)			
Deferred Share Awards plan (DSA) **Deferral to encourage retention and alignment with shareholders' interests**	50% of the annual bonus earned is paid in cash and the remaining 50% is compulsorily deferred into shares, which are released annually to the employee over the next three years in equal instalments. Clawback and malus provisions apply for the unvested portion of the DSA; the Remuneration Committee may, at any time up to and including vesting, reduce the number of shares that vest, should it consider that misconduct or fraud, material misstatement of accounts, corporate failure, serious reputational damage, or failure of risk management occurs. Dividend equivalents will be received on vested shares, reflecting the value of dividends that have been paid during the period from the grant date to the vesting date.	Not applicable.	Entitlement to this deferred component is subject to continued employment over the deferral period. In normal circumstances, DSAs will continue until the normal time of vesting upon cessation of employment due to death, injury, ill-health, disability, redundancy, retirement, or any other circumstance which the Committee determines (Good Leaver Circumstances). Alternatively, the Board may determine that DSAs will vest immediately. In both circumstances there would be no pro-rating of the DSAs for the time from the award date until cessation of employment or for performance. No performance conditions apply to the DSA shares as they have been subject to fulfilment of annual KPIs.
Performance Share Plan (PSP) **To provide long-term alignment with shareholders' interests by delivering sustainable above-market shareholder returns**	Under the PSP, annual rolling conditional share awards are made with a four-year vesting period and an additional mandatory holding period of one year following vesting. Stretch performance targets reward participants for delivering positive absolute and superior relative TSR performance against global peers over the performance period. Clawback and malus provisions apply for the unvested portion of the PSP, whereby the Remuneration Committee may, at any time up to and including vesting, reduce the number of shares that vest, should it consider that misconduct or fraud, material misstatement of accounts, corporate failure, serious reputational damage, or failure of risk management occurs. Retesting of the performance conditions in future years is not allowed under any circumstances.	Maximum grant permitted under the plan rules is 150% of salary per annum. Default grant level is expected to be 125% of base salary. The value that can be received in the year of vesting will be limited to twice the face value of the award on grant. Any gains above this will be forfeit before the start of the one-year holding period. In certain exceptional circumstances, the Remuneration Committee will be able to use discretion to disapply the cap. Outstanding awards during 2016, 2017, 2018, and 2019 had a default grant level of 150% of salary. Dividend equivalents will be received on vested shares, reflecting the value of dividends that have been paid during the period from the grant date to the vesting date.	Vesting is based on relative TSR, measured over 4 years against the constituents of the FTSE Gold Mines Index and also on the Company's absolute TSR. Peers are ranked and the Company's position determines vesting: • 0% vests for below median performance • 20% vests at median performance • 100% vests at upper quintile performance and above. Vesting occurs on a linear line basis between median and upper quintile performance. No award will vest if absolute TSR is negative, regardless of relative performance. The Committee may substitute, vary or waive the performance targets if an event occurs which causes the Committee to consider that the target is no longer appropriate. The Committee has discretion to vary the proportion of awards that vest to ensure that the outcomes are fair and appropriate, and reflect the underlying performance of the Group.

Use of discretion for LTIP programme (DSA and PSP)

When setting forward-looking targets, it is not always possible to predict the outcomes, especially with the quickly changing market environment and the volatility of our sector. The Committee retains the right to exercise discretion, both upwards and downwards, to ensure that the level of award payable is appropriate. The Committee will make adjustments to retain the original intent and challenge of the performance measure in the event of, for example, corporate transactions, significant commodity, share price or other macroeconomic volatility or changes to accounting standards. If any discretion is exercised, the rationale will be fully disclosed in the subsequent Annual Report.

Directors' Remuneration Policy continued

Element and purpose/ link to strategy	Operation	Opportunity	Performance metrics used and period applicable
Long-Term Incentive Plan (LTIP) continued			
Minimum shareholding requirements To strengthen alignment between the interests of the executive Director and those of shareholders	Executive Directors will be required to build a minimum shareholding over a five-year period. Unvested shares under the PSP or DSA are not taken into account when calculating progress towards the minimum shareholding requirements. For the purposes of determining whether the requirements have been met, the share price is measured at the end of each financial year. Post vesting and tax, all shares acquired under PSP and DSA awards must be retained until the shareholding requirement is met.	500% of base salary for the Group CEO. The retention of the full shareholding is required for two years post-cessation of employment.	Not applicable.
Non-executive Directors			
Fees for non-executive Directors To attract and retain high-calibre non-executive Directors	The fees of independent non-executive Directors are set by reference to those paid by other FTSE peer companies. Fees are set to reflect the responsibilities and time spent by non-executive Directors on the affairs of the Company. No fees are paid to non-independent, non-executive Directors. Non-executive Directors are not eligible to receive benefits and do not participate in incentive or pension plans. The following fees are paid in addition to the non-executive Director base fee: Committee Chair's fee; Senior Independent Director fee; Committee membership fee; and Board, Committee and General Shareholder Meeting attendance fees. The Remuneration Committee determines the framework and broad policy for the remuneration of the Board Chair for approval by the Board. The remuneration of non-executive Directors is a matter for the Board Chair and the executive members of the Board, i.e. the Group CEO. Directors do not participate in discussions relating to their own fees.	Fees are reviewed, but not necessarily increased, on an annual basis. Any increase in non-executive Directors' fees will normally be in line with market levels for similar roles in UK-listed companies, except where a change in the scope of the role occurs. Current fee levels are set out in the Annual Report on Remuneration.	Not applicable.

Performance measures and targets

The Committee selected the performance conditions indicated in the policy table because they are central to the Company's overall strategy, and include the key metrics used under the annual bonus and LTIP by the Group CEO to oversee the operation of the business.

Performance targets for all of our incentive plans are reviewed annually and, where appropriate, are typically set at a level that is in line with the Company's plans and budget.

Changes to the policy

The updates that will apply for the Remuneration Policy from 2020 are set out on page 121.

Remuneration Policy alignment with the UK Code

When determining executive remuneration policy, the Committee is addressing the following principles as set out in the revised UK Code:

UK Code principle	How it is addressed
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	• Senior management interests are aligned with those of our shareholders and the Company's long-term objectives. 50% of the bonuses awarded each year to the Group CEO and the senior management team are deferred into shares in the Company through the DSA over a period of three years and malus provisions apply to the unvested awards. • The PSP provides an additional focus for key employees of the Group on delivering superior TSR. Stringent PSP vesting conditions, based on above median relative TSR and underpinned by positive absolute shareholder returns, are therefore fully aligned with sustainable shareholder-value creation. • A vesting period of four years under the PSP, over which malus conditions apply to the unvested awards, with an additional post-vest holding period of one year (resulting in a total term of five years) ensures that management focuses on the long-term interests of the Company and of its stakeholders. • To read more about how we engage with our stakeholders, see pages 54 and 100.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The general structure of the Directors' Remuneration Policy is simple and straightforward, including three main elements: • Fixed: base salary (any increase is typically in line with the wider workforce) and pension contributions (do not exceed the mandatory defined contribution to the statutory pension fund, in line with the wider workforce). • Short-term: annual bonus based on achievement of financial and non-financial KPIs. KPIs for the senior executives' team mirror those of the Group CEO where applicable and include directly controllable metrics. • Long-term incentive plan: provides a further significant incentive to execute the strategy of long-term value creation. DSA (50% of the Group CEO's and senior executives' bonus based on annual KPIs is deferred into shares released in equal instalments over three years) and PSP (based on relative and absolute TSR over a vesting period of four years, followed by an additional post-vest holding period of one year).
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	• The Committee can use discretion in particular circumstances to override excessive outcomes. • The Remuneration Policy is aligned with the Group's risk management assessment process. • Caps are applied to short-term and long-term remuneration to reduce the risk of potential excessive gains, as well as malus and clawback provisions.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	• The scenario analysis on page 128 provides estimates of the minimum target and maximum opportunity for the Group CEO remuneration. • In addition, the effect of future share price increases on the LTIP outcome has been illustrated on page 128.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	• Performance-related pay makes up a significant proportion of the remuneration package (53% and 69% of total remuneration for target and maximum performance scenarios, respectively), with an appropriate balance between the reward for short- and long-term performance. • The drivers of variable pay (KPIs) are stretching, well-aligned with the Company's strategic and operational objectives, and cascade throughout the organisation in a way that ensures our employees' pay is aligned to Polymetal's performance and to the wider principles of the policy. • Performance targets for all incentive plans are reviewed annually and, where appropriate, are typically set at a level that is in line with the Company's plans and budget.
Alignment to culture Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	• The KPIs used are tailored to the strategic objectives and corporate culture. • The management KPIs include significant weighting towards sustainability metrics, with the Group CEO's component purposefully focused on ESG. More than 70 different ESG KPIs are individually applied throughout the Group to the employee most able to make a difference.

Directors' Remuneration Policy **continued**

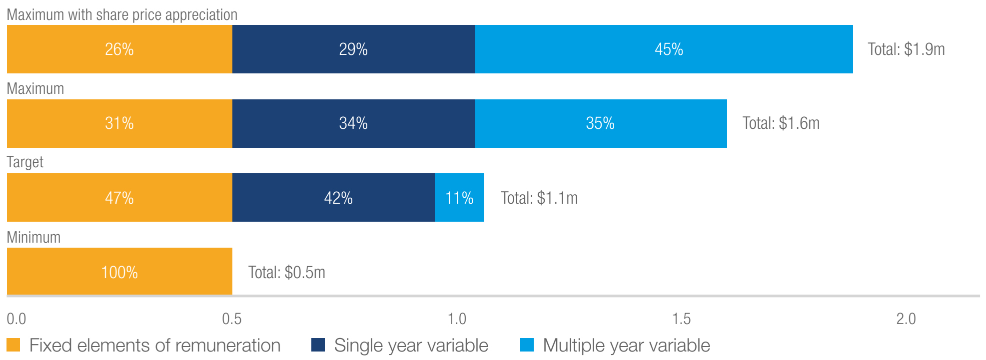
Illustration of application of the Remuneration Policy

The composition and structure of the remuneration package for the Group CEO under four performance scenarios (minimum performance, target performance, maximum performance and maximum with share price appreciation) is set out in the chart below.

This chart shows that the proportion of remuneration delivered through short-term and long-term incentive schemes is in line with our Remuneration Policy and changes significantly across the three performance scenarios. As such, the package promotes the achievement of both short-term and long-term performance targets and drives the alignment of the Group CEO's interests with the interests of shareholders.

Note:
Scenario values are translated at the budgeted exchange rate of 63 RUB/$.

APPLICATION OF REMUNERATION POLICY



	Minimum	Target	Maximum	Maximum with share price appreciation
Fixed elements	Base salary and pension	Base salary and pension	Base salary and pension	Base salary and pension
Single year variable	Performance against quantitative KPIs is below budget by more than 10%. Non-achievement of qualitative or non-financial KPIs. 0% pay-out.	Performance against quantitative KPIs is at budgeted levels. Full achievement of non-financial KPIs. 100% of base salary pay-out (83.3% of maximum opportunity). Includes DSA awards.	Performance against quantitative KPIs is above budgeted levels. Full achievement of non-financial KPIs. 125% of base salary pay-out (100% of maximum opportunity). Includes DSA awards.	Performance against quantitative KPIs is above budgeted levels. Full achievement of non-financial KPIs. 125% of base salary pay-out (100% of maximum opportunity). Includes DSA awards.
Multiple year variable	Share price performance is below the median of FTSE Gold Mines Index constituents. No shares vest.	Scenario is based on 125% policy awards. Share price performance is at median of FTSE Gold Mines Index constituents. Shares equivalent to 25% of base salary vest under the PSP (20% of total shares available).	Share price performance is in the top quintile of FTSE Gold Mines Index constituents. Shares equivalent to 125% of base salary vest under the PSP (100% of total shares available).	Share price performance is in the top quintile of FTSE Gold Mines Index constituents. Shares equivalent to 125% of base salary vest under the PSP (100% of total shares available). Share price appreciation of 50% has been assumed.

No allowance has been made for the payment of dividend equivalents.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay a competitive overall package, as appropriate, to attract and motivate the right talent for the role. If an executive is promoted to the Board from within the Company, any pre-existing awards or benefits that were made available to them prior to becoming a Director (and not in anticipation of an imminent promotion to the Board) will be retained and allowed to vest or be provided under the original terms.

The following table sets out the various components that would be considered for inclusion in the remuneration package for the appointment of an executive Director. Any new Director's remuneration package would include the same elements, set at a level consistent with the scope of the role (at a level not exceeding that of the Group CEO as set out in the Remuneration Policy table), and be subject to the same constraints as those of existing executive Directors performing similar roles, as shown below.

Area	Policy and operation
Base salary and benefits	The base salary level will be set by taking into account the experience of the individual and the salaries paid in comparable companies. Depending on the circumstances of any particular appointment, the Committee may choose to set the base salary below market median and increase the amount paid over a period of time to achieve alignment with market levels for the role (with reference to the experience and performance of the individual), subject to the Company's ability to pay. In line with the Remuneration Policy, as set out in the Directors' Remuneration Policy table, no benefits will be provided to recruited Directors.
Pension	Pension contributions will be limited to the mandatory contributions required by Cypriot/Russian/Kazakh or any other applicable law, as set out in the Directors' Remuneration Policy table.
Annual bonus	The executive Director will be eligible to participate in the annual bonus scheme as set out in the Directors' Remuneration Policy table. The maximum annual opportunity is 120% of base salary. 50% of any bonus is deferred into shares under the DSA, as set out in the Directors' Remuneration Policy table.
Long-term incentives	The executive Director will be eligible to participate in the PSP part of the LTIP at the Remuneration Committee's discretion and in line with the details set out in the Directors' Remuneration Policy table. The maximum annual grant permitted under the scheme rules is 150% of base salary and the normal grant level is up to 125% of base salary. Performance measures would apply, as set out in the Directors' Remuneration Policy table.
Replacement awards	The Committee will seek to structure any replacement awards so that overall they are no more generous in terms of quantum or timing than the awards to be forfeited as a consequence of the individual joining the Company. In determining the quantum and structure of any replacement awards, the Committee will seek to replicate the fair value and, as far as practicable, the timing, form and performance requirements of the forfeited remuneration. The maximum value of replacement awards is capped at 50% of the individual's base salary and at least 50% of any replacement award should be delivered in the Company's shares.
Other	Should relocation of a newly recruited executive Director be required, reasonable costs associated with this relocation will be met by the Company. Such relocation support may include, but not be limited to, payment of legal fees, removal costs, temporary accommodation/hotel costs, a contribution to stamp duty and replacement of non-transferable household items. In addition, and in appropriate circumstances, the Committee may grant additional support in relation to the payment of school fees and the provision of tax advice. The Company will reimburse the executive Director for all reasonable expenses which they may incur while carrying out executive duties.

Policy on payment for loss of office

The Committee's approach when considering payments in the event of termination is to take into account individual circumstances, including the reason for termination, contractual obligations of both parties, applicable share plan and pension scheme rules (including any relevant performance conditions).

Vitaly Nesis is an executive Director of Polymetal International plc and Group CEO of JSC Polymetal, a 100% subsidiary of the Group, incorporated in Russia. Further details are set out in the current Directors' service contracts section on page 132.

Directors' Remuneration Policy continued

The table below summarises the key elements of the executive Director policy on payment for loss of office.

Area	Policy and operation	
Notice period	**Polymetal International** Six months from Company Six months from Director	**JSC Polymetal** With immediate effect from Company One month from Director
Compensation for loss of office in service contracts	No entitlement in respect of directorship of Polymetal International. Up to three times average monthly salary in respect of directorship of JSC Polymetal in accordance with provisions of the labour law of the Russian Federation.	
Treatment of annual bonus awards	Where an executive Director's employment is terminated after the end of the performance year, but before the payment of the annual bonus is made, the executive may be eligible for an annual bonus award for that performance year subject to an assessment based on performance achieved over the period. No award will be made in the event of gross misconduct. Where an executive Director's employment is terminated during a performance year, a pro-rated annual bonus award for the period worked in that performance year may be payable, subject to an assessment based on performance achieved over the period.	
Treatment of unvested DSAs under plan rules	In normal circumstances, DSAs will continue until the normal time of vesting upon cessation of employment in Good Leaver Circumstances. Alternatively, the Board may determine that DSAs will vest immediately. In both circumstances, for the DSA already granted, there would be no pro-rating for time from the award date until cessation of employment or for performance.	
Treatment of unvested PSP awards under plan rules	Any outstanding award will lapse at cessation of employment with the Group, unless the cessation is due to Good Leaver Circumstances, in which case the award will usually vest as normal in accordance with the terms of the award. Alternatively, the Committee may determine that the award will vest immediately. The Committee will determine the proportion of the award that will vest, taking into account (where relevant) the extent to which the performance conditions have been met or are likely to be met at the end of the performance period, and any other factors the Committee may consider relevant. The number of shares will also be pro-rated down to reflect the reduced service period.	
Post-cessation shareholding requirement	The executive Director is to retain a minimum shareholding requirement (500% of base salary or actual shareholding if lower) for two years post-cessation of employment. Shares must be kept with a broker who can implement blocks on trades.	
Exercise of discretion	Any discretion available in determining the treatment of incentives upon termination of employment is intended only to be relied upon to provide flexibility in unusual circumstances. The Committee's determination will take into account the particular circumstances of the Director's departure and the recent performance of the Group.	
Corporate event	In relation to PSP awards, in the event that the Company's shares cease to trade on the London Stock Exchange or any other recognised stock exchange (delisting) or the Directors of the Company pass a resolution to the effect that delisting is imminent or where the Board determines that a 'significant event' has occurred, which may be a demerger, winding-up or compulsory acquisition of the Company, or any other event as determined by the Board, at the discretion of the Board and, where applicable, with the consent of the acquiring company, PSP awards will not vest but will be exchanged for new PSP awards. In the event that the PSP awards are exchanged for new PSP awards: • The award date of the new PSP award shall be deemed to be the same as the award date of the original PSP award. • The new PSP award will be in respect of shares in a company determined by the Board which may include any acquiring company. • The new PSP award must be equivalent to the PSP award and will vest at the same time and in the same manner as the PSP award. Where relevant, either the vesting of the new PSP award must be subject to any performance conditions which are, so far as possible, equivalent to any conditions applying to the PSP award, or no performance conditions will apply but the value of shares comprised in the new PSP award shall be the value of the number of shares which would have vested under the PSP award if they had not been exchanged for new PSP awards. DSAs shall vest immediately and shall not be pro-rated for time or performance if any of the events referred to above occur.	

Remuneration Policy for other employees

The Remuneration Policy for other members of the executive team and broader management team within the Group is consistent in both structure and KPIs to that of the Group CEO. While the value of remuneration will vary throughout the Group, depending upon the individual's role, significance to the business and the level of responsibility, the remuneration of all senior executives consists of a base salary, an annual bonus and participation in the LTIP (the PSP and DSA).

The KPI structure for all of our senior managers and key employees is tailored to individual responsibilities and performance. To reflect the aim of zero fatalities, the bonus calculation system for the Group CEO, some senior managers and mine management has a major focus on health and safety KPIs, adjusting bonus outcomes on all KPIs in the case of fatalities. We aim to ensure the corporate cohesiveness of the team as well as to support individual success and development.

Shareholding requirements are also set below the Group CEO level. Operation of the DSA programme for the most senior employees mirrors the executive Director's arrangement set out in the policy table, where 50% of the annual bonus is deferred into shares and released annually to the employees over a period of three years.

The Remuneration Policy for the wider group of employees is aimed at aligning pay with the achievement of targeted results for each employee. The Company's policy on fair pay provides for the payment of additional remuneration for employees living in difficult climatic locations and the delivery of appropriate levels of pay for different levels of work. The bonus component of remuneration for mid-level management and operational staff is measured based upon the achievement of production targets, increasing output, the level of justified cost savings and health and safety records. In terms of pension arrangements, the Company applies a consistent approach for the Group CEO and other employees, and adheres to the mandatory pension contributions required under applicable laws.

Polymetal is firmly committed to acknowledging and rewarding employees' hard work and achievements. To help us attract and retain the best candidates, we offer a competitive remuneration package and benefits, which exceed regional averages in our areas of operation. We also aim to provide a pleasant and effective working environment as well as training or further education and other opportunities for our employees.

Salaries are considered for annual increases based on the Company's performance results, inflation rates and the competitive level of salaries versus the wider market. In 2019, an average 4% increase in compensation was made to the Group CEO and the general workforce, in line with Russian inflation. Effective from 1 April 2020, a 4% increase will be made in Russia and 6% in Kazakhstan in line with inflation.

Employees up to three levels below the Board (approximately 650 employees throughout the Group) are eligible to participate in the PSP at the discretion of the Remuneration Committee. In 2019, 414 employees were awarded the PSP. From 2020, the PSP policy default grant level is 125% of base salary for the Group CEO (subject to the approval of the revised Directors' Remuneration Policy), in line with other participants.

Top-down approach to remuneration structure within the Group

Employee level	Number of employees	Maximum bonus percentage of salary	Proportion of bonus deferred into shares (DSA)	Normal LTIP award grant
Group CEO	1	120%	50%	125%[1]
Executive Committee	7	120%	50%	125%
Mine managing directors and senior executives	19	120%	50%	125%
Senior managers and key personnel[2]	657	30–60%	n/a	125%
Other employees	10,927	10–30%	n/a	n/a

1 The maximum annual grant permitted under the scheme rules is 150% of base salary.
2 PSP participants from the pool of senior managers and key personnel are recommended by the Company and approved by the Board. Being granted options in one year does not necessarily mean they will be granted the following year.

Statement of consideration of employment conditions elsewhere in the Group

In setting the Policy for the Group CEO, the Committee takes into account a range of factors, including remuneration packages and overall base salary increases awarded to the wider employee population during the year.

The Committee did not formally consult with the employees when reviewing the Policy, however considered informal feedback through our formalised workforce engagement programme with the Board, 'direct line' communication channel, and through the intranet, where a dedicated page was set up to communicate to Group employees how executive remuneration aligns with the wider Company pay policy. 15% of all questions received by the Board related to remuneration; the Committee carefully reviewed them and responded to each individual employee. The answers to all of the questions received as part of Board engagement programme were published on the intranet and in the corporate newspaper. For details on workforce engagement refer to page 101.

Annual Report on Remuneration

Current Directors' service contracts

Group CEO

The table below highlights key elements of the service contract of the Group CEO with JSC Polymetal, the Russian holding company of the Group where he holds the CEO position:

Date of contract	1 September 2018
Expiry of term	31 August 2023
Payment in lieu of notice	None
Pension	None, except for defined contributions to the mandatory pension fund of the Russian Federation

At expiration of the previous five-year employment contract, on 31 August 2018, JSC Polymetal, a 100% indirect subsidiary of the Company incorporated in Russia, entered into an employment contract with Mr Nesis as its Group Chief Executive Officer (Group CEO). The contract was renewed on the same terms for a further period of five years.

Under the terms of the contract, the Group CEO undertakes to perform general management of JSC Polymetal and arrange for its commercial, economic, social and other activities with a view to providing for JSC Polymetal's further development. The employment contract does not contain any specific grounds for early termination. The contract can be terminated at any time on one month's notice by Mr Nesis and with immediate effect by JSC Polymetal in accordance with Russian labour and civil law. This could result in compensation of three average monthly salaries.

Mr Nesis entered into an appointment letter (as amended) with the Company in relation to his appointment as an executive Director. This appointment took effect on 29 September 2011 and was conditional on admission of shares to trading on the London Stock Exchange. Mr Nesis does not receive any fees in respect of his appointment as a Director of Polymetal International plc but is entitled to reimbursement of his reasonable expenses incurred in relation to carrying out his duties as a Director. The appointment of Mr Nesis as a Director may be terminated at any time in accordance with the Articles of Association and he is subject to annual re-election at the Annual General Meeting of shareholders. Mr Nesis can terminate his appointment as a Director on six months' notice. He is not entitled to receive any compensation in respect of his role as Director on termination of this appointment.

The full terms and conditions of appointment are available for inspection at the Company's registered office in Jersey and its office in Cyprus.

Non-executive Directors

Non-executive Directors do not have service contracts and the terms of their appointment are set out in letters of appointment. The appointment of any non-executive Director may be terminated at any time in accordance with the Articles of Association and they are subject to annual re-election at the Annual General Meeting of shareholders. The appointment of each non-executive Director may be terminated by either party on one month's notice. A non-executive Director is not entitled to receive any compensation on termination of their appointment. Each non-executive Director is subject to confidentiality restrictions without limitation in time.

The full terms and conditions of appointment of all of the Directors are available for inspection at the Company's registered office in Jersey and its office in Cyprus.

Dates of contract or appointment for non-executive Directors are set out in the table below:

Director	Date of appointment	Notice period
Victor Flores	30 January 2020	1 month
Italia Boninelli	11 December 2019	1 month
Ian Cockerill	23 April 2019	1 month
Ollie Oliveira	25 April 2018	1 month
Giacomo Baizini	1 January 2018	1 month
Tracey Kerr	1 January 2018	1 month
Christine Coignard	1 July 2014	1 month
Konstantin Yanakov	29 September 2011	1 month
Jean-Pascal Duvieusart	29 September 2011	1 month
Bobby Godsell[1]	29 September 2011	1 month
Jonathan Best[2]	29 September 2011	1 month

1 Director until 23 April 2019.
2 Director until 23 April 2019.

Single total figure of remuneration (audited)

Summary

From 1 April 2019, the approved salary increase for the Group CEO was 4%, which is in line with Russian inflation and the average increase for the rest of our workforce. From 1 April 2020 the salary increase will be 4% in line with inflation and the rest of the Russian-based workforce. The revised Group CEO base salary is $447,745 per annum (using 63 RUB/$ exchange rate).

As a result of the strong performance of the Company and achieving the set KPIs (other than for health and safety performance), the Group CEO received a bonus of 41% of maximum opportunity for the year (which constitutes 52% of his base salary or $216,816), with 50% of bonus deferred into shares vesting over a period of the next three years under the terms of the DSA.

No discretion has been used in respect of non-executive and executive Directors' remuneration throughout the reporting period. The Group CEO is the only executive member of the Board.

Group CEO

The table below sets out the 2019 remuneration for the Group CEO.

The Group CEO's remuneration is denominated in Russian Roubles and converted to US Dollars for presentation purposes. The approach to exchange rates and Russian Rouble remuneration equivalent is set out in footnote 1 to this table.

Base salary		Taxable benefits		Annual bonus		PSP[3,4]		Pension		Group CEO total remuneration	
2019	2018	**2019**	2018	**2019**[2]	2018	**2019**	2018	**2019**	2018	**2019**	2018
433,843	427,818	**–**	-	**216,816**	254,069	**222,553**	284,701	**47,656**	57,935	**920,868**	1,024,523

1 The amounts are translated at the average rates of the Russian Rouble to the US Dollar for 2019 and 2018, respectively.
2 50% of the bonus received in 2019 will be deferred into 7,228 shares on 3 March 2020 at $15.21 (RUB 969) per share (using average price for the 90-day period ending 31 December 2019). In line with the policy disclosed on page 125, deferred shares will be released in equal tranches over a period of three years in March 2021, March 2022 and March 2023 and are not subject to further performance conditions.
3 In 2019, further to the vesting of the PSP awards made in 2015, 21,236 shares (2018: 28,992 shares) were issued to Mr Nesis. Further details on PSP vesting are provided on page 135. These shares are subject to a mandatory one-year holding period following vesting.
4 In 2019, $41,779 of the $222,553 vesting under the PSP was in relation to share price appreciation, excluding shares accrued relating to dividends.

Non-executive Directors

Details of total fees paid to non-executive Directors and the Board Chair during 2019 and 2018 are set out in the table below. Effective 1 January 2019, non-executive Directors' fees were converted from British Pounds Sterling and fixed in US Dollars as stated in the Annual Report 2018, the exchange rate being 1.27.

	Total fees ($)	
	2019	2018
Italia Boninelli[1]	11,789	
Ian Cockerill[2]	239,518	
Ollie Oliveira	214,108	139,898
Giacomo Baizini	231,682	206,835
Tracey Kerr	193,435	195,930
Christine Coignard	182,237	220,727
Bobby Godsell[3]	110,187	366,260
Jonathan Best[4]	77,568	218,708
Russell Skirrow	–	74,783
Leonard Homeniuk	–	64,642
Konstantin Yanakov	–	–
Jean-Pascal Duvieusart	–	–
Total non-executive fees	**1,260,523**	**1,487,782**

1 Director from 11 December 2019.
2 Director from 23 April 2019.
3 Director until 23 April 2019.
4 Director until 23 April 2019.

Note:
The amounts for 2019 and 2018 are translated at average GBP/$ exchange rates.

Non-executive Directors do not receive performance-related pay.

Annual Report on Remuneration continued

Single total figure of remuneration – Additional information (audited)

Annual bonus targets and outcomes

The targets for annual bonus measures and performance against these targets are set out below:

Measures	Weight	Maximum opportunity (% of base salary)	Threshold	Target	Maximum	2019 Outcome	Achievement
Achieving production budget, Koz	25%	37.5%	1,398	1,553	1,631	1,614	35%
Total cash cost per ounce of gold equivalent produced, $/oz	25%	37.5%	695	632	600	655	16%
Completion of new projects on time and within budget	25%	25%	1 point	10 points	10 points	9.2 points	23%
Health and safety	25%	25%	Nil fatalities; reduction of LTIFR[1] by 10% year-on-year	Nil fatalities; reduction of LTIFR[1] by 10% year-on-year	N/A	2 fatalities and 3 severe cases	0%
Total achievement before penalty factor	100%	125%					74%
Penalty factor for fatal/severe cases	Up to 50% of bonus earned for non-safety related KPIs (10% for each fatality/two severe cases) – up to 37.5% of total bonus		N/A	N/A	N/A	2 fatalities and 3 severe cases	-22%
Final achievement for the year, % of base salary	**100%**	**125%**					**52%**

1 Lost Time Injury Frequency Rate.

Safety penalty factor for fatal/severe cases is up to 50% of the annual bonus earned for non-safety related KPIs. This resulted in the Group CEO receiving a bonus of 41% of maximum opportunity for the year (which constitutes 52% of his base salary or $216,816).

Deferred Share Awards Plan (audited)

DSA deferred shares granted in 2019

50% of annual bonus for 2018 was deferred into 12,369 shares on 20 March 2019 at $9.66 (RUB 644) per share (using average price for the 90-day period ending 31 December 2018). In line with the policy disclosed on page 125, deferred shares will be released in equal tranches over a period of three years in March 2020, March 2021 and March 2022 and are not subject to further performance conditions.

Recipient	Deferred shares under	Date of grant	End of deferral period	Shares granted	Share price period	Share price, $	Face value, $
Group CEO	DSA grant 2019	20 March 2019	March 2022	12,369	Average price for the 90-day period ending 31 December 2018	9.66	119,485

DSA deferred shares vested in 2019

In accordance with the policy, part of the award of deferred shares under the DSA, which was granted in March 2016, March 2017 and March 2018, vested on 20 March 2019 and was transferred to the Group CEO, totalling 8,933 shares (including an additional 659 share awards for dividend equivalents).

DSA deferred shares grant proposed for 2020

In addition, further to the bonus approval for the year ended 31 December 2019, the Group CEO will receive in March 2020 a deferred bonus award in shares under the terms of the DSA (50% of the annual bonus earned is paid in cash and the remaining 50% is compulsorily deferred into shares). Share awards will vest annually over the next three years in equal instalments (in March 2021, 2022 and 2023), subject to continued service in the Group. Under the terms of the DSA, dividend equivalents will be received on vested shares reflecting the value of the dividends which have been paid during the period from the grant date to the vesting date. Dividend equivalents will also be paid as shares.

Summary of DSA deferred shares outstanding as of 3 March 2020

The current number of outstanding deferred shares under DSA (following 12,369 deferred shares granted in 2019) is represented as follows:

Name	Position	Year of grant	Number of deferred DSA shares granted	Number of DSA shares vested in 2019	Additional share awards for dividend equivalents	Total number of shares vested under DSA grant	Outstanding shares under DSA grant
Vitaly Nesis	Group CEO	2016	6,656	2,218	258	6,914	–
		2017	7,909	2,636	216	5,488	2,637
		2018	10,261	3,420	185	3,605	6,841
		2019	12,369	–	–	–	12,369
		Total	**37,195**	**8,274**	**659**	**16,007**	**21,847**

Performance Share Plan (audited)

PSP award made in 2019

Under the PSP, a conditional award of 60,740 ordinary shares (at target grant level of 150% of annual base salary at March 2019) with no par value was made to Mr Nesis in 2019. It is exercisable following a respective four-year vesting period, subject to performance measures determined by Polymetal. For this award, vesting is based on relative TSR, measured against the constituents of the FTSE Gold Mines Index and also on the Company's absolute TSR. Peers are ranked and the Company's position determines vesting (0% vests for below median performance; 20% vests at median performance; 100% vests at top decile performance and above). No award will vest if absolute TSR is negative, regardless of relative performance.

Recipient	Award	Grant date	Performance period	Shares granted	Market share price on grant date[1], $	Notional value in case of 100% vesting, $
Group CEO	PSP grant 2019	9 April 2019	April 2019–April 2023	60,740	10.96	665,710

1 Closing spot share price at 9 April 2019.

PSP award vested in 2019

PSP awards vest based on relative TSR, measured over four years against the constituents of the FTSE Gold Mines Index and also on the Company's absolute TSR. The four-year performance period ended on 29 April 2019 for the PSP awards made in 2015. These awards paid out 100% of maximum for top decile performance, 20% of maximum for median performance, and 0% of maximum for performance below median or if absolute TSR was negative. Polymetal achieved a positive absolute TSR of 56.1% and outperformed a median TSR of 34.8% of the FTSE Gold Mines Index constituents. Accordingly, the 2015 performance share awards have partially vested at 32.1% of the total awards granted. Additional share awards for the dividend equivalent during the four-year performance period were also paid. Further to the vesting of the PSP awards made in 2015, 21,236 shares vested to Mr Nesis. These shares are subject to a mandatory one-year holding period following vesting. No discretion was exercised in respect of changes in the share price since the date of the award.

Recipient	Vesting award	Vesting date	Performance period	Shares vested	Market share price on vesting date, $	Face value, $
Group CEO	PSP grant 2015	30 April 2019	April 2015–April 2019	21,236 (incl. 3,305 shares for dividend equivalent)	10.48	222,553 (incl. 34,636 for dividend equivalent)

The value of PSP vested and awarded to the Group CEO in respect of the 2015 PSP grant is included in the single total figure table on page 133.

Summary of PSP share options outstanding as of 3 March 2020

Name	Position	Year of grant/ Year of vesting	Number of PSP share awards granted	PSP awards release in 2019	Number of PSP shares vested (see below)	Outstanding shares under PSP grant
Vitaly Nesis	Group CEO	2015/2019	66,166	66,166	21,236	–
		2016/2020	48,507	–	–	48,507
		2017/2021	47,249	–	–	47,249
		2018/2022	55,570	–	–	55,570
		2019/2023	60,740	–	–	60,740
Total number of share options outstanding under the PSP			**278,232**	**–**	**–**	**212,066**

Annual Report on Remuneration continued

Other scheme interests awarded during the financial year
No other share awards were made to the Group CEO in 2019.

Total pension entitlements (audited)
Save for the Group's defined contributions to the mandatory pension fund of the Russian Federation during the financial year ended 31 December 2019, no amounts were set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors and senior management. This is in line with the rest of the workforce.

Loss of office payments or payments to past Directors (audited)
No loss-of-office payments or payments to past Directors were made in the year under review.

Directors' shareholdings (audited)
The Group CEO is required to retain a shareholding equal to five times his base salary, i.e. 145,114 shares.

For the purposes of determining whether the requirements have been met, the share price is measured at the end of each financial year. Shares are valued for these purposes at the year-end price of $15.7 per share at 31 December 2019 translated at the closing exchange rate of the US Dollar to the Russian Rouble as at 31 December 2019.

Shares that count towards shareholding requirements include unrestricted shares. The table below sets out the number of shares held, or potentially held, by Directors. For details of outstanding conditional share awards held by the Group CEO at 31 December 2019, refer to page 135.

		Shares held			Options held			
Director	Shareholding requirement (% of salary)	Owned outright	Unvested (subject to performance conditions)	Unvested (not subject to performance conditions)	Vested but unexercised	Exercised in year	Current shareholding (% of salary)	Guideline met
Vitaly Nesis	500%	3,273,230	–		–	–	11,278%	yes
Ian Cockerill		29,300	–		–	–	–	N/A
Ollie Oliveira[1]		15,000	–		–	–	–	N/A
Christine Coignard[2]		5,500	–		–	–	–	N/A
Bobby Godsell[3]	–	2,000	–		–	–	–	N/A

1 Shares are held by a person closely associated with Mr Oliveira.
2 Shares are held by a person closely associated with Ms Coignard.
3 Shares held by Mr Godsell at the date of his resignation as a Director on 23 April 2019.

Performance graph
To provide context to the Company's performance in its specific sector of operation, the graph below illustrates the Company's TSR performance relative to the constituents of the FTSE Gold Mines Index, from the date of the Company's listing on the London Stock Exchange in October 2011.

TOTAL SHAREHOLDER RETURN
(%)

■ Polymetal ■ FTSE Gold Mines Index

Group CEO's pay in the last nine years

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Group CEO total remuneration ($)	**920,868**	1,024,523	726,928	496,411	511,665	907,790	1,081,572	1,037,413	1,138,013
Annual bonus – % of maximum	**41%**	49%	44%	40%	33%	90%	88%	90%	137%[1]
PSP award – % of maximum	**27%**	33%	–	–	–	–	–	–	–

1 An additional bonus was awarded by the Remuneration Committee to Mr Nesis for the successful IPO of the Company in November 2011. Mr Nesis was required to devote a significant amount of time above and beyond his normal day-to-day responsibilities as CEO to successfully bring about the IPO. Excluding the additional bonus, the annual bonus comprised 49% of maximum opportunity in 2011.

Percentage change in Group CEO's remuneration
The table below shows the percentage change in the Group CEO total remuneration from 2018 to 2019, compared to the average change for all Group employees. To ensure the comparability of this figure, and to minimise distortions, the all-employee average remuneration figure is based on full-time permanent employees.

% change	Base salary	Annual bonus	Taxable benefits
Group CEO	+1%	-15%	n/a
Average employee	+1%	+8%	n/a

Group CEO to employee pay ratio
The UK regulations on CEO pay ratio disclosure do not apply to Polymetal as the Group has less than 250 UK employees, but we support the move to transparency of remuneration levels across the wider workforce and we have therefore chosen to voluntarily publish our median CEO pay ratio. The use of a pay ratio, and how it moves over time, is intended to help the stakeholders to make a balanced evaluation of how pay arrangements are delivered across the whole employee population.

A significant proportion of the Group CEO's remuneration package is performance-related and dependent on the achievement of financial and non-financial KPIs, as well as dependent on LTIP outcomes based on Polymetal TSR performance. Therefore, the ratio could range significantly from year to year. The Committee will continue to take into account factors such as internal relativities and ratios when considering executive pay.

The table provides the pay ratio of the Group CEO's total remuneration to the equivalent pay for the lower quartile, median and upper quartile of Group employees (calculated on a full time basis). The Group CEO remuneration is the total single figure remuneration for 2019 contained on page 133. Employee pay data was determined for the first nine months of 2019 with a projected calculation of the salary component of pay and benefits for the full financial year.

Year	Method	25th percentile	Median	75 percentile
2019	Option A	70:1	40:1	25:1
2018	Option A	79:1	47:1	29:1

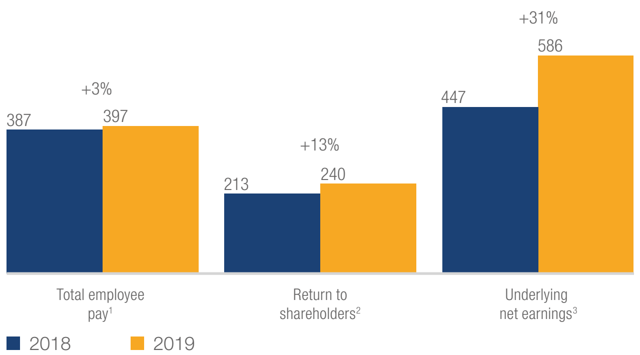
Remuneration data, $	2019	2018
CEO single total figure of remuneration	920,868	1,024,523
Group employee remuneration 25th percentile	13,152	13,043
Median Group employee remuneration	22,797	21,752
Group employee remuneration 75th percentile	36,211	34,770

Annual Report on Remuneration continued

Relative importance of spend on pay

The chart below shows how employee remuneration costs compare with profit before tax and distributions made to shareholders in 2019 and 2018.

RELATIVE IMPORTANCE OF EMPLOYEE PAY
($m)



1 Note 14 of consolidated financial statements.
2 Dividends paid during the period, Note 18 of consolidated financial statements.
3 Refer to the Alternative Performance Measures section.

Advisors

PricewaterhouseCoopers LLP (PwC) provided Polymetal with information and support in relation to general remuneration matters and implementation of the Company's remuneration policy. PwC is a member of the Remuneration Consultants' Group (RCG) and a signatory of the RCG Voluntary Code of Practice, and incorporates the principles of the Voluntary Code of Practice into its engagement. No other services were provided by PwC during 2019 other than external assurance services for the Company's Sustainability Report and tax advisory. Fees paid to PwC in relation to remuneration services provided to the Committee in 2019 totalled $30,800 (2018: $9,463), with fees quoted in advance and based on the level of complexity of the work undertaken.

PwC was selected in 2013, after submitting a proposal to management, to carry out benchmarking as part of a competitive process, the results of which were presented to the Remuneration Committee for approval.

During its work in 2019, the Committee was aided by the Group CEO, Board Chair, SID and senior finance and human resources executives of the Company.

Statement of consideration of shareholders' views

The Committee regularly consults with the Company's major shareholders, and sought their feedback on the revised Directors' Remuneration Policy. The shareholder consultation period started in October 2019 and the Board Chair, Senior Independent Director and the Remuneration Committee Chair participated in several meetings and calls requested by shareholders. In line with a shareholder query and to ensure that the safety KPI is preserved at 25% level, the ESG KPI was introduced by reducing both the production and TCC KPIs by 5%, rather than splitting the safety KPI into 15% safety and 10% ESG KPI. The maximum bonus opportunity is preserved at 125% of base salary. No other concerns over the proposals were raised and the Board will proceed with recommending the revised Remuneration Policy to Polymetal's shareholders for approval in April 2020.

Shareholder support for the Remuneration Policy and 2018 Directors' Remuneration Committee report

The Company received shareholder approval of its Remuneration Policy at the AGM on 25 May 2017 to cover a period of three years. The policy applied from the date of approval. The Directors' annual Remuneration Committee report was put to an advisory shareholder vote at the 2019 AGM of the Company. The table below shows full details of the voting outcomes.

	Votes for	Votes against	Votes withheld
Remuneration Policy (at the 2017 AGM)	294,388,477 (99.10%)	2,675,792 (0.90%)	335,724
2018 Remuneration Committee report (at the 2019 AGM)	387,649,359 (98.93%)	4,175,376 (1.07%)	945,322

Implementation of the Remuneration Policy in 2020

In 2020 and subject to shareholder approval of the Directors' Remuneration Policy on 27 April 2020, the Committee intends to implement the Remuneration Policy for executive and non-executive Directors as follows:

Group CEO

Base salary

In accordance with the policy, the Group CEO's salary will be increased (in Roubles) by a total of 4% in 2020 in line with the rest of the workforce. Base salary for the Group CEO for 2019 and 2020 is set out below:

	2020 salary	2019 salary	% change
Group CEO	RUB 28,207,920	**RUB 27,123,000**	4.0%
	$447,745	**$417,277**	7.3%

Base salary for 2020 is translated at the budgeted exchange rate of Russian Rouble to US Dollar for 2020.

Pension and benefits

No pension or benefits plans are in place for 2020, except for the defined pension contributions to the mandatory pension fund of the Russian Federation.

Annual bonus

The prospective targets for annual bonus measures are considered commercially sensitive by the Board, particularly in the gold mining industry, because of the sensitivity of information that their disclosure may provide to the Company's competitors, given that these are largely based outside the UK and hence are not subject to the same reporting requirements as the Company. Targets and outcomes will be disclosed retrospectively at the end of the performance year.

Long-Term Incentive Plan (Deferred Share Awards Plan and Performance Share Plan)

Deferred Share Awards Plan

The Committee intends to defer annual bonus awards earned for the 2020 performance period in line with the policy disclosed on page 124.

Performance Share Plan

The Committee intends to make an award under the PSP to the Group CEO in 2020, in line with the policy disclosed on page 125. Vesting is based on relative TSR measured against the constituents of the FTSE Gold Mines Index and on the Company's absolute TSR. Peers are ranked and the Company's position determines vesting:

	TSR v FTSE Gold Mines Index	Pay-out
Below threshold	Below median performance	0%
Threshold	Median performance	20%
Maximum	Upper quintile performance	100%

Straight-line vesting will occur between median and upper decile performance. No award will vest for performance below median, or if the Company's absolute TSR performance is negative, regardless of relative performance.

Implementation of the Remuneration Policy in 2020

Non-executive Directors

There was no change to the non-executive Directors' fees in 2019. Effective 1 January 2019, non-executive Directors' fees were converted from British Pound Sterling and fixed in US Dollars as stated in the Annual Report 2018. Fee rates for 2020 are shown on the assumption that changes to the Directors' Remuneration Policy will be accepted by shareholders at 2020 AGM.

Role	2020 fees ($)	2019 fees ($)
Non-executive Board Chair	500,000	317,700
Senior Independent Director	25,000	No additional fee
Independent non-executive Director basic fee	127,000	127,080
Additional fees		
Audit and Risk Committee Chair	38,000	38,124
Chair of other Committees	19,000	19,062
Committee membership fee (not payable to the Committee Chair)	13,000	12,708
Board and Committee meeting attendance fee	4,000	3,812 per meeting

Approval

This report was approved by the Board of Directors and signed on its behalf by

Christine Coignard
Chair, Remuneration Committee

Directors' report

The Directors submit the Annual Report of Polymetal International plc together with the audited financial statements of Polymetal International plc for the year ended 31 December 2019.

Corporate governance

Refer to pages 94–99 for a description of the Group's corporate governance structure and policies.

Financial and business reporting

The Board believes that the disclosures set out in the Strategic report on pages 1 to 87 of this Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Auditors

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware.
- The Director has taken all steps that they should have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be proposed at the forthcoming AGM. The Audit and Risk Committee reviews both the level of the audit fee and the level and nature of non-audit fees as part of its review of the adequacy and objectivity of the audit process.

Directors

The Directors, their status and Board Committee memberships are set out on pages 88 to 89 of the Annual Report.

Re-election policies

In accordance with the UK Code, all Directors are subject to annual re-election. Full terms and conditions of the appointment of non-executive Directors are available for inspection at the Company's registered office in Jersey and its office in Cyprus.

The Directors' biographical details are set out on pages 88–89. Following their performance evaluations, the Board and the Chair consider that each of the Directors standing for election or re-election will continue to be an effective contributor to the Group's success and demonstrates commitment to their role.

Appointment and replacement of Directors

The Board may appoint a person who is willing to act as a Director, either to fill a vacancy or as an additional Director and, in either case, whether or not for a fixed term. Irrespective of the terms of his or her appointment, a Director so appointed shall hold office only until the next AGM. If not re-appointed at such AGM, they shall vacate office at its conclusion.

The Company may, by ordinary resolution, remove any Director from office (notwithstanding any provision of the Company's Articles or of any agreement between the Company and such Director, but without prejudice to any claim that they may have for damages for breach of any such agreement). No special notice needs to be given of any resolution to remove a Director and no Director proposed to be removed has any special right to protest against his or her removal. The Company may, by ordinary resolution, appoint another person in place of a Director removed from office.

Directors' interests

Directors' interests are disclosed in annual declarations and the Company Secretary is notified promptly of any changes to those interests. Before each Board meeting, independent non-executive Directors reconfirm their independence and all Directors disclose whether they hold any interests in any matters to be reviewed at the Board meeting. Information on Directors' interests in the shares of the Company is set out in the Remuneration report on page 136.

Directors' indemnities

To the extent permitted by the Companies (Jersey) Law 1991, the Company has indemnified every Director and other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) out of the assets of the Company against any liability incurred by them for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company. This provision does not affect any indemnity to which a Director or officer is otherwise entitled.

Board and Committee terms of reference

In line with the new UK Corporate Governance Code, effective from 1 January 2019, the terms of reference for the Board and its Audit and Risk, Nomination and Remuneration Committees were updated to reflect best practice. The updated terms of reference for all Board Committees can be found in the Corporate Governance section on the Company's website: www.polymetalinternational.com. The schedule of matters reserved to the Board and its Committees is reviewed at least annually.

Political donations

The Company may not make a political donation to a political party or other political organisation, or to an independent election candidate, or incur any political expenditure, unless such donation or expenditure is authorised by an ordinary resolution of shareholders passed before the donation is made or the expenditure incurred. No such donations were made in 2019 (2018: none).

Capital structure

The structure of the Company’s share capital is detailed in Note 31 to the financial statements. There are no specific restrictions on the size of a holding or on the transfer of shares, which are both regulated by the Articles of the Company and applicable legislation. The Directors are not aware of any agreements between holders of the Company’s shares that may result in restrictions on the transfer of shares or on voting rights.

The Articles of the Company can be altered by a special resolution of the Company. A resolution is a special resolution when it is passed by three-quarters of the members who (being entitled to do so) vote in person, or by proxy, at a General Meeting of the Company. Pursuant to the Company’s Articles, the Directors have the power to allot Equity Securities (as defined in the Articles).

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements and employees’ share plans. None of these is considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid. Substantial shareholdings in the Company are disclosed on page 224.

Details of employee option schemes are set out in the Remuneration report on page 131. There were no acquisitions of the Company’s own shares in 2019.

As at 31 December 2019, the Group and its subsidiaries held no treasury shares (31 December 2018: no shares).

At the AGM of the Company held in 2019, the power to allot Equity Securities (as defined in the Articles) was renewed up to an aggregate number of 156,456,103 ordinary shares, provided that the Directors’ power in respect of such an amount may only be used in connection with a pre-emptive issue (as defined in the Articles).

The Directors are further empowered pursuant to Article 10.4 of the Company’s Articles to allot Equity Securities for cash as if Article 11 of the Articles (Pre-emptive rights) did not apply and for the purposes of paragraph (b) of Article 10.4 of the Articles, the Non Pre-emptive Shares (as defined in the Articles) are an aggregate number of up to 23,468,415 ordinary shares. The Directors are empowered to allot an additional 23,468,415 Equity Securities for cash as if Article 11 of the Articles (Pre-emptive rights) did not apply and for the purposes of paragraph (b) of Article 10.4 of the Articles. This additional authority can be used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction that the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-emption Group.

The authorities above will, unless previously revoked or varied, expire at the conclusion of the Company’s next AGM (or, if earlier, at the close of business on the date which is 15 months after the date of the resolution which granted them, being 23 July 2020).

Pursuant to Article 57 of the Companies (Jersey) Law 1991, the Company is authorised to make market purchases of ordinary shares of the Company, provided that:

- The maximum number of ordinary shares to be purchased is 46,936,830 ordinary shares.
- The minimum price (excluding expenses) which may be paid for each ordinary share is 1 penny.
- The maximum price (excluding expenses) which may be paid for each ordinary share is the higher of:
  - an amount equal to 105% of the average of the middle market quotations of an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; or
  - an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System.
- Pursuant to Article 58A of the Companies (Jersey) Law 1991, the Company may hold as treasury shares any ordinary shares purchased pursuant to the authority conferred in this resolution.

This authority will expire at the conclusion of the Company’s next AGM or 18 months from the date of the passing of this resolution, being 23 October 2020 (whichever is earlier).

Approval of share issues, consideration for which does not exceed $25 million, is delegated to any Director holding any executive office.

As of 3 March 2020, the total issued share capital of the Company comprises 470,230,200 ordinary shares of no par value, each carrying one vote. During the year, 819,892 ordinary shares in the Company were issued in accordance with the Long-Term Incentive Plan.

Dividends

The Group’s profit for the year ended 31 December 2019 attributable to equity holders of the Company was $480 million (2018: $354 million). Underlying net earnings (for details refer to the Financial review section) in 2019 were $586 million (2018: $447 million). In August 2019, the Company declared an interim dividend of $0.20 per share (2018: $0.17 per share), which was paid in September 2019. In February 2020, the Company declared a special dividend of $0.20 per share (2018: none), which was paid in March 2020.

The Directors have proposed the payment of a final dividend of $0.42 per share (2018: $0.31 per share).

Annual General Meeting

The AGM of shareholders of the Company will take place on Monday 27 April 2020 in London, UK. Notice of AGM and Form of Proxy will be sent out in due course.

Having taken all matters considered by the Board and brought to the attention of the Board during the year into account, we are satisfied that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy.

On behalf of the Board

Ian Cockerill
Board Chair
3 March 2020

In accordance with provision C.2.2 of the UK Corporate Governance Code, and taking into account the Group's current position and the principal risks that would threaten the business model, future performance and finance ability of the Company, for a period longer than the 12 months required by the going concern statement, management prepared a viability analysis which was assessed by the Board for approval.

Going concern

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 31 December 2019, the Group held $253 million of cash and had net debt of $1,479 million, with $1,904 million of additional undrawn facilities of which $1,079 million are considered committed. Debt of $214 million is due for payment within one year. The Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities.

The Board is satisfied that the Group's forecasts and projections, having taken account of 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 this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the year ended 31 December 2019.

Viability statement

Based on key drivers and measures of success used within the business, the Board has assessed the prospects of the Group, taking account of the potential impact of the principal risks to the Group's business model and ability to deliver its strategy, including solvency and liquidity risks during the reasonably reliable lookout period.

Assessment of prospects

Management has considered the Group's long-term prospects aligned to the sustainability of the business model (detailed on pages 20–21) and covering a period of the average of Polymetal's life-of-mine of 13 years, primarily with reference to the results of the Board-approved strategy (detailed on pages 24–25). Management has also considered the Group's current strong financial position, including the level of cash at 31 December 2019 and the Group's historic ability to generate free cash flow and raise and refinance debt as required.

The overall macroeconomic backdrop is expected to remain supportive for gold, with the numerous political and economic uncertainties likely to lead to stock market volatility and higher risk aversion.

The strategic planning process is undertaken annually, and includes analyses of Polymetal's current position, growth projects pipeline, cash flow, investment decisions and returns to shareholders. Accordingly, and considering global prospects for gold and gold price, history of exploration success and ability to buy good deposits at commercial amounts, the Board believes the prospects for the Group in the long run remain good.

Viability lookout period

The period over which the Board considers it possible to form a reasonable expectation as to the Group's viability, based on the stress testing and scenario planning process employed by the Group, is the three-year period to December 2022. This is within the Group's routine medium-term forecasting, performed on the annual basis, and covering strategic and investment planning. The Board is confident that routine operational risks are being monitored and managed effectively within this three-year lookout period, and the Group's scenario planning is focused primarily on plausible changes in external factors, providing a reasonable degree of confidence whilst still providing an appropriate longer-term outlook.

Principal risks

The Board has continued to place appropriate emphasis on risk management in 2019, taking into account material external economic and geopolitical challenges and considering the Group's responsiveness to changes within its business environment. The detailed assessment of the principal risks and uncertainties facing the Group is set out on pages 81–87 of this Annual Report.

The corporate planning process is underpinned by detailed life-of-mine plans, and overlaid with scenario stress testing. The stress tests are designed to evaluate the resilience of the Group to the potential impact of principal risks and the availability and effectiveness of the mitigating actions that could be taken to avoid or reduce the impact of the underlying risks. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk and internal control systems, as discussed on pages 106–107, are taken into account.

Key assumptions

The key assumptions underpinning the Board's assessment of longer-term viability include gold and silver prices, production volumes, foreign exchange rates and the ability to roll forward borrowing facilities as they fall due in the ordinary course of business. These assumptions are consistent with those used for business planning purposes, and also for the assessment of impairment indicators and the recoverability of ore stockpiles and heap leach work in progress.

Assessment of viability

In order to assess the resilience of the Group to threats to its viability posed by principal risks in severe but plausible scenarios, the model was subjected to stress analysis together with an assessment of potential mitigating actions.

The four most significant risks in terms of their potential financial impact are modelled together as a single stress scenario to understand their combined financial impact. These cover risks associated with market, currency, liquidity and construction, as set out below. The remaining principal risks are considered to be either immaterial or too remote to affect our viability over a three-year period.

The resulting impact on key metrics was considered with particular focus on solvency measures including debt headroom and covenants.

Liquidity and solvency

The Group is considered to be viable if its financial covenants are maintained within prescribed limits, and if there is available debt headroom to fund operations.

The sources of funding available to the Group are set out in Note 25 to the consolidated financial statements. Our base case projections demonstrate that the Group should be able to operate within the currently available debt facilities and comply with all related covenants during the lookout period. The committed undrawn facilities of $1,079 million noted above have an average period of maturity of four years.

Our stress testing focuses in particular on 10% adverse changes in market prices of gold and silver and foreign exchange rates, as well as 10% overrun capital expenditure on POX-2 and Nezhda projects, and demonstrates that under reasonably possible downside assumptions, only limited mitigating actions are required to maintain liquidity and covenant compliance.

There is no change in the Group's stated dividend policy during the lookout period both in base and stress scenarios, but dividends are assumed to be linked to profits and therefore would reduce if profits reduce.

Expectations

The Board confirms that taking into account the Group's current position and based upon the robust assessment of the principal risks facing the Group and related stress testing, together with available mitigating actions, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2022.

Directors’ responsibility statement

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS). The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991. International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group’s financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board’s ‘Framework for the preparation and presentation of financial statements’.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance; and
- make an assessment of the Company’s ability to continue in operation and meet its liabilities as they fall due over the reasonably reliable lookout period of three years.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK and Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Ian Cockerill
Board Chair

Vitaly Nesis
Group CEO
3 March 2020

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Independent auditor's report to the members of Polymetal International plc

Report on the audit of the financial statements

1. Opinion
In our opinion the financial statements of Polymetal International plc (the 'parent company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- have been prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:
- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated balance sheet;
- the Consolidated statement of cash flows;
- the Consolidated statement of changes in equity; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and as issued by the IASB.

2. Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Recoverability of exploration and evaluation assets; and • Recoverability of heap leach ore stock piles and work in progress.
Materiality	The materiality that we used for the financial statements was US$25 million (2018: US$21 million) which was determined on the basis of adjusted profit before tax. We have adjusted profit before tax for net foreign exchanges losses of US$36 million (2018: US$40 million), write down of assets held for sale of US$28 million (2018: nil) and the net loss on disposal of subsidiaries of US$16 million (2018: US$54 million). As there was no impact in 2019, there was no adjustment for a revaluation gain on the initial share on business combination (2018: US$41 million).
Scoping	Our scoping identified 12 components: • Dukat, Omolon, Albazino and Kyzyl were subject to a full scope audit; and • Specified procedures were performed at Svetloye, Voro, Varvara, Amursk, Mayskoye, Nezhda, Amikan and the Corporate component. This scoping represents a change from our 2018 audit with Svetloye and Voro both moving from a full scope audit to focused procedures. Nezhda and Amikan, which were acquired in 2018, were previously considered as part of the Corporate component. Our coverage and scoping assessment are discussed further in section 7 below. A number of balances across all components were tested centrally, as the business activities, processes and controls related to these balances are centralised in the Group's head office.
Significant changes in our approach	The risk associated with accounting for corporate asset transactions was identified as a key audit matter in 2018 but was considered to be less relevant for the 2019 audit as there were no significant corporate asset transactions undertaken. Additionally, the risk associated with the recoverability of metal inventories has been pinpointed in 2019 to the ore designated for heap leaching in addition to the heap leach work in progress. See the Key audit matters description below for further information.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern
We have reviewed the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks, including where relevant the impact of the relevant political and economic environments including Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement
Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 78–87 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 144 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 141–145 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the Directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of Polymetal International plc continued

5.1. Recoverability of exploration and evaluation assets

Key audit matter description	At 31 December 2019, the Group held exploration and evaluation (E&E) assets of US$407 million (2018: US$365 million). Recoverability of E&E assets is dependent on the expected future success of exploration activities. E&E costs, including geophysical, topographical, geological and similar types of costs, are capitalised into exploration assets if management concludes that future economic benefits are likely to be realised based on an assessment of exploration results and identified mineral resources. The evaluation of each asset's future prospects requires significant judgement. Under IFRS 6 Exploration for and evaluation of mineral resources, potential indicators of impairment include management's plans to discontinue the exploration activities, lack of further substantial exploration expenditure planned, expiry of exploration licences in the period or in the near future, or existence of other data indicating the expenditure capitalised is not recoverable. Refer to the Audit Committee report on page 106 and the disclosure in Note 19 on page 189. Additionally note that the accounting policy is shown in Note 2 on page 160.
How the scope of our audit responded to the key audit matter	We have reviewed and challenged management's assumptions used in the assessment of the recoverability of the Group's E&E assets, the most significant being the Prognoz asset at US$312 million (2018: US$265 million). We have obtained an understanding of the design and implementation of management's relevant controls relating to the recoverability of E&E assets. We have reviewed the Board minutes to confirm that there are no plans to discontinue exploration activities and reviewed the Board approved budget for 2020 to check that specific exploration project spend was identified, where relevant. We have assessed the recoverability of assets by meeting with operational management to discuss material E&E assets, reviewing drilling and other testing results in the year and confirming future development plans. We have evaluated licence conditions to check that there were no breaches of key terms, and no licences have expired or expire in the near term.
Key observations	No additional impairments of E&E assets were identified from the work performed.

5.2. Recoverability of heap leach ore stock piles and work in progress

Key audit matter description	At 31 December 2019 ore stockpiles designated for heap leaching and heap leach work in progress balance was US$57 million (2018: US$71 million). At 31 December 2019 total inventories recorded were US$758 million (2018: US$639 million). Due to a longer heap leach processing cycle that can take up to three years, lower margins and limited track record of processing, we consider that the recoverability assessment of these types of metal inventories requires a higher degree of judgement, and is more sensitive to changes in key assumptions. Historically, the majority of write downs to metal inventories related to ore designated for heap leaching or the heap leach work in progress. Refer to the Audit Committee report on page 106 and the disclosure in Note 22 on page 192. Additionally note that the accounting policy is shown in Note 2 on page 160.
How the scope of our audit responded to the key audit matter	We have attended inventory counts performed by management's experts, performed roll forward testing from the count dates through to year end by testing management's metal inventory models, and assessed management's experts' methodology, expertise and objectivity. We have obtained an understanding of the design and implementation of relevant controls in relation to metal inventory measurement. We have tested the net realisable value ('NRV') to assess whether costs exceed NRV and an impairment should be recorded. To assess management's assumptions we have: • Challenged the technical recovery assumptions through comparison to actual achieved recoveries and/or approved life of mine plans; • Challenged the cost assumptions against actual processing costs and the approved budgets and life of mine plans; • Challenged the price assumptions used by management by comparing these to the long term analyst consensus for long term inventories and forward curves for short term inventories; • Performed look back tests of recoverability of heap leach ore stockpiles and heap leach work in progress held at 31 December 2018. We have also performed substantive analytical procedures on management's inventory costing calculations.
Key observations	No additional write-downs of heap leach ore stockpiles and work in progress were identified from the work performed.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group Materiality	US$25 million (2018: US$21 million)
Basis for determining materiality	We used the Group's adjusted profit before tax as the key benchmark. This approach is consistent with our 2018 audit and the selected materiality figure represents 3.6% of the adjusted profit before tax figure (2018: 4.4%) and 1.3% of net assets (2018: 1.5%).
Rationale for the benchmark applied	The use of this metric is consistent with our 2018 audit and has been chosen on the basis that the adjusted profit before tax is a key benchmark for management and investors to appraise the Group's performance. We have adjusted profit before tax for net foreign exchanges losses of US$36 million (2018: US$40 million), write down of assets held for sale of US$28 million (2018: nil) and the net loss on disposal of subsidiaries of US$16 million (2018: US$54 million). As there was no impact in 2019, there was no adjustment for a revaluation gain on the initial share on business combination (2018: US$41 million).

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- Our risk assessment, including our assessment of the Group's overall control environment;
- The consistent organisational structure of the Group relative to the prior year audit; and
- Our past experience as auditors which has indicated a low number of uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$1.25 million (2018: US$1.05 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

The Group holds various mining assets in Russia and Kazakhstan. Our scoping identified 12 components (Svetloye, Dukat, Omolon, Albazino, Voro, Varvara, Amursk, Mayskoye, Kyzyl, Nezhda, Amikan and a single component comprising the support function corporate entities).

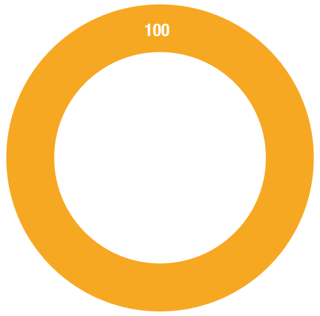
Our 2019 scoping followed the same approach as in 2018 where the audit team performed central testing over a number of the Group's standardised processes and controls. For balances which were tested centrally, we have performed substantive audit procedures on all components.

We determined the scope of the procedures to be performed at each component on the balances not tested centrally. We have performed full scope audits at Dukat, Omolon, Albazino and Kyzyl. Focussed procedures were performed at Svetloye, Voro, Varvara, Amursk, Mayskoye, Nezhda, Amikan and the Corporate component. This represents a change from our 2018 scoping where both Svetloye and Voro were previously subject to a full scope audit.

The Group audit team was involved in the work of the component auditors at all stages of the audit process. The signing partner and senior members of the Group engagement team visited the head office in St. Petersburg regularly throughout the year and during the final audit in 2020. Senior members of the team visited Varvara (2018: Amursk).

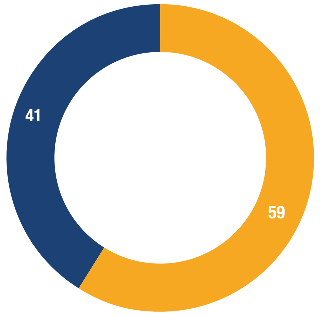
Our audit work was executed at levels of materiality applicable to each individual component, which were between US$12.5 million and US$20.0 million (2018: US$8.4 million and US$18.9 million).

REVENUE
%



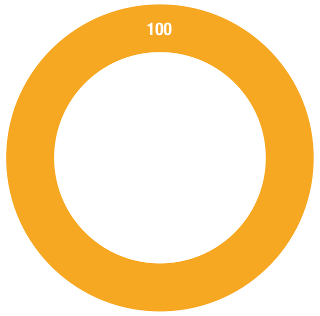
Tested at a Group level

METAL INVENTORIES
%



Full scope audit
Specified procedures

E&E ASSETS
%



Tested at a Group level

8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

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

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Group's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

11. Opinions on other matters prescribed by our engagement letter

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had been applied to the Company.

12. Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

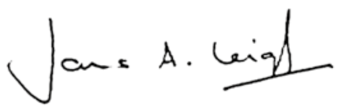
Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and those matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



James Leigh, FCA
For and on behalf of Deloitte LLP

Recognised Auditor
London, UK
3 March 2020

Consolidated financial statements

Consolidated income statement

	Note	Year ended 31 December 2019 Continuing operations $m	Discontinued operations $m	Total Group $m	Year ended 31 December 2018 Continuing operations $m	Discontinued operations $m	Total Group $m
Revenue	7	2,241	5	2,246	1,706	176	1,882
Cost of sales	8	(1,197)	(4)	(1,201)	(971)	(125)	(1,096)
Gross profit		**1,044**	**1**	**1,045**	**735**	**51**	**786**
General, administrative and selling expenses	12	(181)	(1)	(182)	(164)	(11)	(175)
Other operating expenses, net	13	(68)	–	(68)	(47)	(28)	(75)
Share of loss of associates and joint ventures		–	–	–	(1)	–	(1)
Operating profit		**795**	**–**	**795**	**523**	**12**	**535**
Foreign exchange loss, net		(36)	–	(36)	(37)	(3)	(40)
Revaluation of initial share on business combination	4	–	–	–	41	–	41
Loss on disposal of subsidiaries, net	4	(16)	–	(16)	(54)	–	(54)
Write-down of assets held for sale	4	(28)	–	(28)	–	–	–
Change in fair value of contingent consideration liability	29	(23)	–	(23)	7	–	7
Finance income		7	–	7	8	–	8
Finance costs	16	(81)	–	(81)	(71)	–	(71)
Profit before income tax		**618**	**–**	**618**	**417**	**9**	**426**
Income tax expense	17	(135)	–	(135)	(65)	(6)	(71)
Profit for the financial period		**483**	**–**	**483**	**352**	**3**	**355**
Profit for the financial period attributable to:							
Equity shareholders of the Parent		480	–	480	351	3	354
Non-controlling interest		3	–	3	1	–	1
		483	**–**	**483**	**352**	**3**	**355**
Earnings per share ($)							
Basic	31	1.02	–	1.02	0.79	–	0.79
Diluted	31	1.01	–	1.01	0.79	–	0.79

Consolidated statement of comprehensive income

	Year ended 31 December 2019 $m	Year ended 31 December 2018 $m
Profit for the period[1]	**483**	**355**
Items that may be reclassified to profit and loss		
Exchange differences on translating foreign operations	353	(485)
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	(54)	17
Currency exchange differences recycled to income statement on disposal of foreign operation	–	19
Total comprehensive income/(loss) for the period	**782**	**(94)**
Total comprehensive income/(loss) for the period attributable to:		
Equity shareholders of the Parent	777	(95)
Non-controlling interest	5	1
	782	**(94)**

1 Profit for the year ended 31 December 2019 includes a loss of $13 million arising on the disposal of Kapan discontinued operation. Profit for the year ended 31 December 2018 included $3 million of profits relating to discontinued operations and a loss of $63 million arising on the disposal of such operations, amounting to a net loss of $60 million.

Consolidated balance sheet

	Note	31 December 2019 $m	31 December 2018 restated[1] $m
Assets			
Property, plant and equipment	19	2,810	2,419
Right-of-use assets	20	31	–
Goodwill	21	16	15
Investments in associates and joint ventures		2	2
Non-current loans and receivables		10	6
Deferred tax asset	17	73	73
Non-current inventories	22	114	102
Total non-current assets		**3,056**	**2,617**
Assets held for sale	5	14	74
Current inventories	22	644	537
VAT receivable		149	95
Trade receivables and other financial instruments	23	48	81
Prepayments to suppliers		62	44
Income tax prepaid		18	8
Cash and cash equivalents	24	253	379
Total current assets		**1,188**	**1,218**
Total assets		**4,244**	**3,835**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities	27	(153)	(146)
Prepayments received	7	(5)	(100)
Current borrowings	25	(214)	(117)
Income tax payable		(7)	(8)
Other taxes payable		(41)	(37)
Current portion of contingent consideration liability	29	(7)	(5)
Current lease liabilities	20	(3)	–
Liabilities associated with assets classified as held for sale	5	(1)	(8)
Total current liabilities		**(431)**	**(421)**
Non-current borrowings	25	(1,518)	(1,782)
Contingent consideration liability	29	(59)	(49)
Deferred tax liability	17	(196)	(152)
Environmental obligations	26	(57)	(32)
Non-current lease liabilities	20	(29)	–
Other non-current liabilities		(3)	(2)
Total non-current liabilities		**(1,862)**	**(2,017)**
Total liabilities		**(2,293)**	**(2,438)**
NET ASSETS		**1,951**	**1,397**
Stated capital account	31	2,424	2,414
Share-based compensation reserve	32	26	24
Translation reserve		(1,302)	(1,599)
Retained earnings		780	540
Shareholders' equity		**1,928**	**1,379**
Non-controlling interest	4	23	18
Total equity		**1,951**	**1,397**

Notes on pages 158 to 205 form part of these financial statements. These financial statements are approved and authorised for issue by the Board of Directors on 3 March 2020 and signed on its behalf by:

Vitaly Nesis
Group CEO

Ian Cockerill
Board Chair

1 Restated following determination of the final fair value of the assets acquired and the liabilities assumed as at the acquisition date in respect of the Amikan business combination. Refer to Note 4.

Consolidated statement of cash flows

	Note	Year ended 31 December 2019 $m	Year ended 31 December 2018 $m
Net cash generated by operating activities	34	**696**	**513**
Cash flows from investing activities			
Purchases of property, plant and equipment	19	(436)	(344)
Loans forming part of net investment in joint ventures		–	(51)
Net cash outflow on acquisitions	4	–	(6)
Proceeds from disposal of subsidiaries	4	43	15
Loans advanced		(6)	(28)
Receipt of repayment of loans provided		2	35
Net cash used in investing activities		**(397)**	**(379)**
Cash flows from financing activities			
Borrowings obtained	25	1,244	1,697
Repayments of borrowings	25	(1,410)	(1,254)
Repayments of principal under lease liabilities	20	(3)	–
Dividends paid	18	(240)	(213)
Contingent consideration paid	29	(13)	(6)
Net cash (used in)/from financing activities		**(422)**	**224**
Net (decrease)/increase in cash and cash equivalents		(123)	358
Cash and cash equivalents at the beginning of the period	24	379	36
Effect of foreign exchange rate changes on cash and cash equivalents		(3)	(15)
Cash and cash equivalents at the end of the financial period	24	**253**	**379**

Consolidated statement of changes in equity

	Note	Number of shares outstanding (unaudited)	Stated capital account $m	Share based compensation reserve $m	Translation reserve $m	Retained earnings $m	Total equity attributable to the parent $m	Non-controlling interest $m	Total equity $m
Balance at 1 January 2018		**430,115,480**	**2,031**	**21**	**(1,151)**	**406**	**1,307**	**–**	**1,307**
Profit for the financial year		–	–	–	–	353	353	2	355
Other comprehensive income, net of income tax		–	–	–	(448)	–	(448)	(1)	(449)
Share based compensation	32	–	–	12	–	–	12	–	12
Shares allotted to employees	32	1,001,365	9	(9)	–	–	–	–	–
Issue of shares for business combinations	4	36,402,296	358	–	–	–	358	17	375
Issue of shares for contingent consideration	29	1,015,113	10	–	–	–	10	–	10
Issue of shares to acquire non-controlling interest	31	834,055	6	–	–	(6)	–	–	–
Dividends	18	–	–	–	–	(213)	(213)	–	(213)
Balance at 31 December 2018		**469,368,309**	**2,414**	**24**	**(1,599)**	**540**	**1,379**	**18**	**1,397**
Profit for the financial year		–	–	–	–	480	480	3	483
Other comprehensive loss, net of income tax		–	–	–	297	–	297	2	299
Share based compensation	32	–	–	12	–	–	12	–	12
Shares allotted to employees	32	819,892	10	(10)	–	–	–	–	–
Dividends	18	–	–	–	–	(240)	(240)	–	(240)
Balance at 31 December 2019		**470,188,201**	**2,424**	**26**	**(1,302)**	**780**	**1,928**	**23**	**1,951**

Notes to the consolidated financial statements

1. General

Corporate information

Polymetal Group (the Group) is a leading gold and silver mining group with operations in Russia and Kazakhstan.

Polymetal International plc (the Company) is the ultimate parent entity of Polymetal Group. The Company was incorporated in 2010 as a public limited company under Companies (Jersey) Law 1991 and has its place of business in Cyprus. Its shares are traded on the London, Moscow stock exchanges and Astana International Exchange.

Significant subsidiaries

As at 31 December 2019 the Company held the following significant mining and production subsidiaries:

Name of subsidiary	Deposits and production facilities	Segment	Country of incorporation	Effective interest held, % **31 December 2019**	Effective interest held, % 31 December 2018
Gold of Northern Urals CJSC	Voro	Ural	Russia	100	100
Svetloye LLC	Svetloye	Khabarovsk	Russia	100	100
Magadan Silver JSC	Dukat	Magadan	Russia	100	100
	Lunnoye				
	Arylakh				
Mayskoye Gold Mining Company LLC	Mayskoye	Magadan	Russia	100	100
Omolon Gold Mining Company LLC	Birkachan	Magadan	Russia	100	100
	Tsokol				
	Burgali				
	Olcha				
Albazino Resources Ltd	Albazino	Khabarovsk	Russia	100	100
Amur Hydrometallurgical Plant LLC	AGMK Plant	Khabarovsk	Russia	100	100
Varvarinskoye JSC	Varvara	Kazakhstan	Kazakhstan	100	100
Bakyrchik Mining Venture LLC	Bakyrchik	Kazakhstan	Kazakhstan	100	100
Komarovskoye Mining Company LLC	Komar	Kazakhstan	Kazakhstan	100	100
South-Verkhoyansk Mining Company JSC	Nezhda	Yakutia	Russia	100	100
Prognoz Silver LLC	Prognoz	Yakutia	Russia	100	100
GRK Amikan LLC	Veduga	Khabarovsk	Russia	74.31	74.31

Going concern

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 31 December 2019, the Group held $253 million of cash and had net debt of $1,479 million, with $1,904 million of additional undrawn facilities of which $1,079 million are considered committed. Debt of $214 million is due for payment within one year. The Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities.

The Board is satisfied that the Group's forecasts and projections, having taken account of 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 this report and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2019.

Basis of presentation

The Group's annual consolidated financial statements for the year ended 31 December 2019 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value as of end of the reporting period and share-based payments which are recognised at fair value as of measurement date.

The following accounting policies have been applied in preparing the consolidated financial statements for the year ended 31 December 2019.

New standards adopted by the Company and changes in accounting policies

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2018, except for changes arising from the adoption of the following new accounting pronouncements which became effective in the current reporting period:

- IFRS 16 *Leases*;
- IFRIC 23 *Uncertainty over Income Tax Treatments*;
- Amendments to IAS 28 *Investments in Associates and Joint Ventures*;
- Amendments to IFRS 9 *Financial Instruments*;
- Amendments to IAS 19 *Employee Benefits*;
- Annual Improvements to IFRSs: 2015–17 Cycle: IFRS 3 *Business Combinations*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

The Group has determined these amendments do not have a significant impact on its consolidated financial statements or are not applicable to the Group, except for IFRS 16.

IFRS 16 *Leases* replaced the following standards and interpretations: IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. The new standard provides a single lessee accounting model for the recognition, measurement, presentation and disclosure of leases. IFRS 16 applies to all leases including subleases and requires lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. The principal impact of IFRS 16 is the change of lessee's accounting treatment for the contracts which were previously classified as operating leases.

The Group has elected to adopt the modified retrospective transition approach and so any cumulative effect of transition to IFRS 16 is recognised in retained earnings with no restatement of the comparative period. The comparative period was not restated and is presented in accordance with the accounting policy set out in the 2018 Annual Report.

On transition, lease liabilities were recognised as the present value of lease payments still to be made, discounted at the appropriate incremental borrowing rate of 9.96% applicable at 1 January 2019 to the borrowings in Russian Roubles or Kazakh Tenge. For the majority of leased assets, the corresponding right-of-use asset was recognised equal to the value of the lease liability at 1 January 2019, adjusted for any accrued or prepaid lease payments. Total right-of-use assets and respective lease liabilities, recognised at 1 January 2019, amount to $31 million and principally relate to the leased office buildings and other property (Note 20). The Group has determined that surface lease arrangements with municipal government for the purposes of mining and exploration activities fall out of the IFRS 16 scope.

From 1 January 2019, in the Group's Income Statement depreciation of right-of-use assets and interest expense on the lease liabilities are recognised instead of operating lease expenses under IAS 17. During the year ended 31 December 2019, in relation to leases under IFRS 16 the Group recognised the depreciation of right-of-use assets of $4 million and unwind of discount on lease liabilities of $3 million, which are excluded from EBITDA. For the year ended 31 December 2018, $7 million of operating lease costs were charged and deducted from EBITDA.

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019. The Group has previously disclosed the minimum lease payments under non-cancellable operating leases based on contract terms. For the purposes of IFRS 16, the amount was revised based on the available extension options and management estimation of whether the Group is reasonably certain to exercise these options.

	$m
Operating non-cancellable lease commitments disclosed under IAS 17 at 31 December 2018	12
Adjustment to the expected lease term	38
Effect of discounting	(19)
Lease liabilities recognised at 1 January 2019	**31**

New accounting standards issued but not yet effective

The following standards and interpretations were in issue but not yet effective as of reporting date:

- IFRS 17 *Insurance Contracts*, effective for annual period beginning on or after 1 January 2021 with earlier application is permitted.
- Definition of a Business - Amendments to IFRS 3 *Business Combinations*, effective for annual periods beginning on or after 1 January 2020.
- Definition of Material – Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, effective for annual periods beginning on or after 1 January 2020.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 *Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, the effective date of the amendments has yet to be set; however, earlier application of the amendments is permitted.

The Group has determined these standards and interpretations are unlikely to have a significant impact on its consolidated financial statements or are not applicable to the Group.

2. Significant accounting policies

Basis of consolidation

Subsidiaries

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated on consolidation.

Changes to the Group's ownership interests that do not result in a loss of control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Group's interests and Non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiaries. Any difference between the amount by which the Non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on the disposal is calculated as the difference between 1) the aggregated fair value of the consideration received and the fair value of any retained interest and 2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and Non-controlling interests.

Business combinations

IFRS 3 *Business Combinations* applies to a transaction or other event that meets the definition of a business combination. When acquiring new entities or assets, the Group applies judgement to assess whether the assets acquired and liabilities assumed constitute an integrated set of activities, whether the integrated set is capable of being conducted and managed as a business by a market participant, and thus whether the transaction constitutes a business combination, using the guidance provided in the standard. Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred. Transaction costs incurred in connection with the business combination are expensed. Provisional fair values are finalised within 12 months of the acquisition date.

Where applicable, the consideration for the acquisition may include an asset or liability resulting from a contingent consideration arrangement. Contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in such fair values are adjusted against the cost of acquisition retrospectively with the corresponding adjustment against goodwill where they qualify as measurement period adjustments. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed at the acquisition date. The measurement period may not exceed one year from the effective date of the acquisition. The subsequent accounting for contingent consideration that does not qualify for as a measurement period adjustment is based on how the contingent consideration is classified. Contingent consideration that is classified as equity is not subsequently remeasured. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRS 9 *Financial Instruments* with the corresponding amount being recognised in profit or loss.

The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in equity are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Goodwill and goodwill impairment

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any Non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any Non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable goodwill is included in the determination of the profit or loss on disposal.

Acquisition of mining licences

The acquisition of mining licences is often effected through a non-operating corporate entity. As these entities do not represent a business, it is considered that the transactions do not meet the definition of a business combination and, accordingly, the transaction is accounted for as the acquisition of an asset. The net assets acquired are accounted for at cost. Where asset acquisition is achieved in stages net assets acquired are accounted for as the sum of cost of the original interest acquired and the cost of additional interest acquired.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence constitutes the power to participate in the financial and operating policy decisions of the investee but does not extend to a control or joint control over the enactment of those policies. The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting.

A joint arrangement is defined as an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

A joint operation is a joint arrangement in which the parties that share joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. This includes situations where the parties benefit from the joint activity through a share of the output, rather than by receiving a share of the results of trading. In relation to its interest in a joint operation, the Group recognises: its share of assets and liabilities; revenue from the sale of its share of the output and its share of any revenue generated from the sale of the output by the joint operation; and its share of expenses.

A joint venture is a joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement and is accounted for using the equity accounting method.

When entering in a new joint arrangement, the Group applies judgement to assess whether the parties that have joint control over the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement (joint operation) or rights to the net assets of the arrangement (joint venture), using the guidance provided in the standard. When a joint arrangement has been structured through a separate vehicle, consideration has been given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances.

2. Significant accounting policies continued

Equity method of accounting

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the investee. When the Group's share of the losses of an associate or a joint venture exceeds the Group's interest in that entity, the Group ceases to recognise its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an investee at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 36 *Impairment of Assets* (IAS 36) are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investments. Where an indicator of impairment exists or the carrying value of the asset contains goodwill with an indefinite useful life, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single cash generating unit through the comparison of its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36.

When a Group entity transacts with its investees, profits and losses resulting from the transactions with the investee are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or the joint venture that are not related to the Group.

Functional and presentation currency

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all Russian entities the functional currency is the Russian Rouble (RUB). The functional currency of the Group's entities located and operating in Kazakhstan (Varvarinskoye JSC, Bakyrchik Mining Venture LLC, Inter Gold Capital LLC, Komarovskoye Mining Company LLC) is the Kazakh Tenge (KZT). The functional currency of the Group's entity located and operating in Armenia (Kapan MPC CJSC) was the Armenian Dram (AMD). The functional currency of the parent company Polymetal International plc and its intermediate holding companies is the US Dollar.

The Group has chosen to present its consolidated financial statements in US Dollars ($), 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 period end date;
- All income and expenses are translated at the average exchange rates for the periods presented, except for significant transactions that are translated at rates on the date of such transactions;
- Resulting exchange differences are recognised in other comprehensive income and presented as movements relating to the effect of translation to the Group's presentation currency within the Translation reserve in equity; and
- In the consolidated statement of cash flows, cash balances at the beginning and end of each reporting period presented are translated using exchange rates prevalent at those respective dates. All cash flows in the period are translated at the average exchange rates for the periods presented, except for significant transactions that are translated at rates on the date of transaction.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to Non-controlling interests and are not recognised in the consolidated income statement. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

The Group translates its income and expenses in presentation currency on a monthly basis. During the years ended 31 December 2019 and 31 December 2018 exchange rates used in the preparation of the consolidated financial statements were as follows:

	Russian Rouble/US Dollar	Kazakh Tenge/US Dollar	Armenian Dram/US Dollar
31 December 2019			
Year ended	61.91	381.18	479.70
Average	64.74	382.84	480.53
Maximum monthly rate	67.35	389.23	488.33
Minimum monthly rate	62.94	377.87	476.00
31 December 2018			
Year ended	69.47	384.20	483.75
Average	62.68	344.76	483.03
Maximum monthly rate	67.66	372.41	486.30
Minimum monthly rate	56.79	320.70	480.45

The Russian Rouble, Kazakh Tenge and Armenian Dram are not freely convertible currencies outside the Russian Federation, Kazakhstan and Armenia, accordingly, any translation of Russian Rouble, Kazakh Tenge and Armenian Dram denominated assets and liabilities into U.S. Dollar for the purpose of the presentation of consolidated financial statements does not imply that the Group could or will in the future realise or settle in U.S. Dollars the translated values of these assets and liabilities.

Foreign currency transactions

Transactions in currencies other than an entity's functional currencies (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies 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 transaction. Non-monetary items carried at fair value are translated at the exchange rate prevailing on the date on which the most recent fair value was determined. Exchange differences arising from changes in exchange rates are recognised in the consolidated income statement. Exchange differences generated by monetary items that forms part of the intra-group net investment in the foreign operation are recognised in the consolidated financial statements within foreign currency translation reserve.

Property, plant and equipment

Mining assets

Mining assets include the cost of acquiring and developing mining assets and mineral rights. Mining assets are depreciated to their residual values using the unit-of-production method based on proven and probable ore reserves according to the JORC Code, which is the basis on which the Group's mine plans are prepared. Changes in proven and probable reserves are dealt with prospectively. Depreciation is charged on new mining ventures from the date that the mining asset is capable of commercial production. In respect of those mining assets whose useful lives are expected to be less than the life of the mine, depreciation over the period of the asset's useful life is applied.

Mineral rights for the assets under development are included within Exploration and development. When a production phase is started, mineral rights are transferred into Mining assets and are depreciated as described below.

Capital construction-in-progress

Capital construction-in-progress assets are measured at cost less any recognised impairment. Depreciation commences when the assets are ready for their intended use.

Exploration and development assets

Mineral exploration and evaluation costs, including geophysical, topographical, geological and similar types of costs, are capitalised into exploration assets if management concludes that future economic benefits are likely to be realised based on current internal assessment of exploration results and identified mineral resources.

Exploration and evaluation expenditures are transferred to development assets when commercially-viable reserves are identified, so that the entity first establishes proved and probable reserves in accordance with JORC Code and respective mining plan and model are prepared and approved. At the time of reclassification exploration and evaluation assets are assessed for impairment based on the economic models prepared.

The costs to remove any overburden and other waste materials to initially expose the ore body, referred to as stripping costs, are capitalised as a part of mining assets when these costs are incurred.

2. Significant accounting policies continued

Non-mining assets
Non-mining assets are depreciated to their residual values on a straight-line basis over their estimated useful lives. When parts of an item of property, plant and equipment are considered to have different useful lives, they are accounted for and depreciated separately. Depreciation methods, residual values and estimated useful lives are reviewed at least annually.

Estimated useful lives are as set out below:

Machinery and equipment	5–20 years
Transportation and other assets	3–10 years

Gains or losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the asset's carrying amount at the date. The gain or loss arising is recognised in the consolidated income statement.

Stripping costs
During the production phase of a mine when the benefit from the stripping activity is the improved access to a component of the ore body in future periods, the stripping costs in excess of the average ore to waste ratio for the life of mine of that component are recognised as a non-current asset. After initial recognition, the stripping activity asset is depreciated on a systematic basis (unit-of-production method) over the expected useful life of the identified component of the ore body made accessible as a result of the stripping activity.

Estimated ore reserves
Estimated proven and probable ore reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits. The Group's reserves are estimated in accordance with JORC Code.

Leases
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognised a rights-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 (defined as leases with a lease term of 12 months or less), leases of low value assets and leases for the purposes of mining and exploration activities, which fall out of the IFRS 16 scope. For these leases, the Group recognises the leases payments as operating expenses on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability based on the effective interest method and by reducing the carrying amount to reflect the lease payments made. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses and are presented as a separate line in the consolidated financial statements.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described below.

Impairment of property, plant and equipment
An impairment review of property, plant and equipment is carried out when there is an indication that those assets have suffered an impairment loss or there are impairment reversal indicators. If any such indication exists, the carrying amount of the asset is compared to the estimated recoverable amount of the asset in order to determine the extent of the impairment loss or its reversal (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. The carrying amounts of all the cash-generating units are assessed against their recoverable amounts determined based on a fair value less costs to sell calculation. Fair value is based on the application of the Discounted Cash Flow Method (DCF) using post-tax cash flows. The DCF method is attributable to the development of proved and probable reserves and certain resources where a relevant resource-to-reserve conversion ratio can be reasonably applied.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognised in prior periods. Impairment loss may be subsequently reversed if there has been a significant change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

A reversal of an impairment loss is recognised in the consolidated income statement immediately.

Inventories
Metal inventories
Inventories including refined metals, metals in concentrate and in process, doré and ore stockpiles are stated at the lower of production cost or net realisable value. Production cost is determined as the sum of the applicable expenditures incurred directly or indirectly in bringing inventories to their existing condition and location. Work in-process, metal concentrate, doré and refined metal are valued at the average total production costs at each asset's relevant stage of production (i.e. the costs are allocated proportionally to unified metal where unified metal is calculated based on prevailing market metal prices). Ore stockpiles are valued at the average cost of mining that ore. Where ore stockpiles and work in-process are not expected to be processed within 12 months, those inventories are classified as non-current.

Net realisable value represents the estimated selling price for that product based on forward metal prices for inventories which are expected to be realised within 12 months, and the flat long-term metal prices for non-current inventories, less estimated costs to complete production and selling costs.

Consumables and spare parts
Consumables and spare parts are stated at the lower of cost or net realisable value. Cost is determined on the weighted average moving cost. The portion of consumables and spare parts not reasonably expected to be used within one year is classified as a long-term asset in the Group's consolidated balance sheet. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments
Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Trade receivables without provisional pricing that do not have a significant financing component (determined in accordance with IFRS 15 *Revenue from Contracts with Customers*) are not initially measured at fair value, rather they are initially measured at their transaction price.

Financial assets
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL) depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

Trade receivables without provisional pricing that do not contain provisional price features, loans and other receivables are held to collect the contractual cash flows and therefore are carried at amortised cost adjusted for any loss allowance. The loss allowance is calculated in accordance with the impairment of financial assets policy described below.

Trade receivables arising from sales of gold, silver, copper and zinc concentrates with provisional pricing features are exposed to future movements in market prices and have contractual cash flow characteristics that are not solely payments of principal and interest and are therefore measured at fair value through profit or loss and do not fall under the expected credit losses model (ECL) described below.

Effective interest rate method
The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. Significant accounting policies continued

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade and other receivables and contract assets, except for trade accounts receivable with provisional pricing. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and other receivable. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities
All financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or fewer, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Environmental obligations
An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of mining assets. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value using a risk-free rate applicable to the future cash flows, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognised in the consolidated income statement over the life of the operation, through the depreciation of the asset in the cost of sales line and the unwinding of the discount on the provision in the finance costs line. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in the consolidated income statement as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the consolidated income statement.

The provision for closure cost obligations is remeasured at the end of each reporting period for changes in estimates and circumstances. Changes in estimates and circumstances include changes in legal or regulatory requirements, increased obligations arising from additional mining and exploration activities, changes to cost estimates and changes to the risk free interest rate.

Employee benefit obligations
Remuneration paid to employees in respect of services rendered during a reporting period is recognised as an expense in that reporting period. The Group pays mandatory contributions to the state social funds, including the Pension Fund of the Russian Federation and Kazakhstan, which are expensed as incurred.

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are computed in accordance with the laws of countries where the Group operates.

Current tax
The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 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 end of the reporting period. 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Current and deferred tax
Current and deferred tax is recognised in the consolidated income statement, except when they relate to items that are recognised in the consolidated statement of comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in consolidated statement of comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2. Significant accounting policies continued

Uncertain tax positions
Provision for uncertain tax positions is recognised within current tax when management determines that it is probable that a payment will be made to the tax authority. For such tax positions the amount of the probable ultimate settlement with the related tax authority is recorded. When the uncertain tax position gives rise to a contingent tax liability for which no provision is recognised, the Group discloses tax-related contingent liabilities and contingent assets in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. As of 31 December 2019 management has identified a total exposure (covering taxes and related interest and penalties) of $100 million in respect of contingent liabilities (2018: $47 million), including $99 million related to income tax (2018: $46 million).

Revenue recognition
The Group has three major streams: the sale of gold and silver bullions and sale of copper, zinc, gold and silver concentrate and doré. Revenue is measured at the fair value of consideration to which an entity expects to be entitled in a contract with a customer in exchange for transferring promised goods, excluding amounts collected on behalf of third parties, such as value added tax (VAT). Group recognises revenue when it transfers control of a product or service to a customer.

Sale of gold and silver bullion
The Group processes doré produced in the Russian Federation into London Good Delivery Bars prior to sale. This final stage of processing is carried out on a toll-treatment basis at state-owned refineries. The Group sells gold and silver bullion to banks through long-term agreements. The sales price, as determined in the agreement, may be variable based upon the London Bullion Market Association (LBMA) spot or fixed price, however the Group does not enter into fixed price contracts. For domestic sales, control and title passes from the Group to the purchaser at the refinery gate with revenue recognised at that point. For export sales, once the gold and/or silver bars have been approved for export by Russian customs, they are then transported to the vault of the purchaser. Control and title passes and revenue is recognised at the point when the gold and/or silver bars are received by the purchaser.

Sales of copper, zinc, gold and silver concentrate
The Group sells copper, gold and silver concentrate under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. Concentrate sales are initially recorded based on forward prices for the expected date of final settlement. Revenue is recorded at the time of shipment, when control pass to the buyer. Revenue is calculated based on the copper, gold and silver content in the concentrate and using the forward London Bullion Market Association (LBMA) or London Metal Exchange (LME) price to the estimated final pricing date, adjusted for the specific terms of the relevant agreement. Revenue is presented net of refining and treatment charges which are subtracted in calculating the amount to be invoiced.

Doré
Doré sales arrangements are similar to the copper, zinc, gold and silver concentrate pricing arrangements described above, with shorter quotational periods of up to 14 days.

Share-based compensation
The Group applies IFRS 2 *Share-based Payments* to account for share-based compensation. IFRS 2 requires companies to recognise compensation costs for share-based payments to employees based on the grant-date fair value of the award.

The fair value of the awards granted under Performance Share Plan (PSP) (as defined in the Remuneration report) is estimated using a Monte-Carlo model valuation (see Note 32).

Awards which are granted under Deferred Share Awards (DSA) plan and are released over a period of three years, are measured at share price at a grant date and are prorated across periods to the different vest dates (see Note 32).

The fair value of the awards granted is recognised as a general, administrative and selling expense over the vesting period with a corresponding increase in the share-based compensation reserve. Upon the exercise of the awards the amounts recognised within the share-based compensation reserve are transferred to stated capital account.

Earnings per share
Earnings per share calculations are based on the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated using the treasury stock method, whereby the proceeds from the potential exercise of dilutive stock options with exercise prices that are below the average market price of the underlying shares are assumed to be used in purchasing the Company's common shares at their average market price for the period.

3. Critical accounting judgements and key sources of estimation uncertainty

In the course of preparing the financial statements, management necessarily makes judgements and estimates that can have a significant impact on those financial statements. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in the future periods affected. The judgements involving a higher degree of estimation or complexity are set out below.

Critical accounting judgement
The following is the critical accounting judgement (apart from judgements involving estimation which are dealt with separately below), made in the process of applying the Group's accounting policies during the year that has the most significant effect on the amounts recognised in the financial statements.

Recoverability of exploration and evaluation assets
Exploration and evaluation assets include mineral rights and exploration and evaluation costs, including geophysical, topographical, geological and similar types of costs. Exploration and evaluation costs are capitalised if management concludes that future economic benefits are likely to be realised and determines that economically viable extraction operation can be established as a result of exploration activities and internal assessment of mineral resources.

According to IFRS 6 *Exploration for and evaluation of mineral resources*, the potential indicators of impairment include: management's plans to discontinue the exploration activities, lack of further substantial exploration expenditure planned, expiry of exploration licences in the period or in the nearest future, or existence of other data indicating the expenditure capitalised is not recoverable. At the end of each reporting period, management assesses whether such indicators exist for the exploration and evaluation assets capitalised, which requires significant judgement.

As of 31 December 2019 total exploration and evaluation costs capitalised amount to $387 million (2018: $365 million) with the most significant asset of $314 million (2018: $290 million) attributable to the Prognoz silver property acquired during the year ended 31 December 2018.

Key sources of estimation uncertainty
The following are the sources of estimation uncertainty that carry the most significant risk of material effect on next year's accounts, being items where actual outcomes in the next 12 months could vary significantly from the estimates made in determining the reported amount of an asset or liability.

Cash flow projections for fair value accounting and impairment testing
Expected future cash flows used in DCF models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including ore reserves, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure.

- Ore reserves and mineral resources - Recoverable reserves and resources are based on the proven and probable reserves and resources in existence. Reserves and resources are incorporated in projected cash flows based on ore reserve statements and exploration and evaluation work undertaken by appropriately qualified persons (see below). Mineral resources, adjusted by certain conversion ratio, are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the required confidence to convert to ore reserves.
- Commodity prices – Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. Polymetal currently use a flat real long-term gold and silver price of $1,200 per ounce (2018: $1,200) and $15 per ounce (2018: $15), respectively. Medium-term assumptions for the years 2020–2022 for gold and silver prices are of $1,400 per ounce (2018: $1,200) and $17 per ounce (2018: $15), respectively.
- Foreign exchange rates – Foreign exchange rates are based on latest internal forecasts, benchmarked with external sources of information for relevant countries of operation. Management have analysed RUB/$ rate movements for the year ended 31 December 2019. Long-term RUB/$ exchange rate is estimated at 65 RUB/$ (2018: 65 RUB/$), while medium term rate for the years 2020–2022 is estimated at 63 RUB/$ (2018: 65 RUB/$).
- Discount rates – The Group used a post-tax real discount rate of 9.0% (2018: 9.0%). Cash flow projections used in fair value less costs of disposal impairment models are discounted based on this rate.
- Operating costs, capital expenditure and other operating factors – Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated there with. Underlying input cost assumptions are consistent with related output price assumptions. Other operating factors, such as the timelines of granting licences and permits are based on management's best estimate of the outcome of uncertain future events at the balance sheet date.

No impairment for property, plant and equipment was recognised during the year ended 31 December 2019 as no indicators of impairment were identified. The sensitivities for goodwill impairment testing are disclosed in Note 21, and in the absence of indicators for impairment, these are not extended to impairment testing more generally. The sensitivity of items held at fair value is not material.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Ore reserves

An ore reserve estimate is an estimate of the amount of product that can be economically and legally extracted from the Group's properties. Ore reserve estimates are used by the Group in the calculation of: depletion of mining assets using the units-of-production method; impairment charges and in forecasting the timing of the payment of decommissioning and land restoration costs. Also, for the purpose of impairment review and the assessment of the timing of the payment of decommissioning and land restoration costs, management may take into account mineral resources in addition to ore reserves where there is a high degree of confidence that such resources will be extracted.

In order to calculate ore reserves, estimates and assumptions are required about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices, discount rates and exchange rates. Estimating the quantity and/or grade of ore reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Ore reserve estimates may change from period to period as additional geological data becomes available during the course of operations or if there are changes in any of the aforementioned assumptions. Such changes in estimated reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Assets' carrying values due to changes in estimated future cash flows;
- Depletion charged in the consolidated income statement where such charges are determined by using the units-of-production method;
- Provisions for decommissioning and land restoration costs where changes in estimated reserves affect expectations about the timing of the payment of such costs;
- Carrying value of deferred tax assets and liabilities where changes in estimated reserves affect the carrying value of the relevant assets and liabilities; and
- Contingent consideration liabilities where these are determined by the future production levels.

Ore reserves are subject to the annual reestimation (please refer to the Reserves and Resources section of the Annual Report). Based on the ore reserves estimates as of 1 January 2020, the depreciation charge for the year ended 31 December 2019 would decrease by $24 million (2018: decrease by $20 million compared with using the ore reserves estimates as of 1 January 2019).

Recoverability of deferred tax assets

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised (Note 17). There is an application of judgement in assessing the amount, timing and probability of future taxable profits and repatriation of retained earnings. These factors affect the determination of the appropriate rates of tax to apply and the recoverability of deferred tax assets. These judgements are influenced, inter alia, by factors such as estimates of future production, commodity lines, operating costs, future capital expenditure and dividend policies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

Deferred tax assets arising from tax losses carried forward recognised as of 31 December 2019 amount to $136 million (2018: $167 million). Tax losses carried forward represent amounts available for offset against future taxable income generated by Mayskoye Gold Mining Company LLC, JSC South-Verkhoyansk Mining Company and JSC Polymetal Management (Russian Federation) and were recognised in full. Each legal entity within the Group represents a separate tax-paying component for income tax purposes. The tax losses of one entity cannot be used to reduce taxable income of other entities of the Group. The gross tax losses have an indefinite life. It is not practical to show the likely impact on the deferred tax balances of changes in corporate parameters because of number of legal entities with tax losses available and the different tax attributes applicable to each entity.

Uncertain tax positions

As of 31 December 2019 management has identified a total exposure (covering taxes and related interest and penalties) of $100 million in respect of contingent liabilities (2018: $47 million), including $99 million related to income tax (2018: $46 million).

Recoverability of stockpiles and work in-process

The assessment of the recoverability of metal inventories requires judgement both in terms of calculating expected costs to process and refine ore stock piles to produce concentrate or doré for sale, and in terms of estimating future prices to be realised on sale (Note 22). The Group uses survey and assay techniques to estimate quantities of the ore stockpiled and ore stacked in heap leach pads, as well as the recoverable metal in the material and work in-process. The amount of the recoverable metals, that will be available for sale, is determined based on technological recoveries, which are established for each deposit and extraction technology. Changes in these estimates can result in a change in mine operating costs of future periods and carrying amounts of inventories.

During the year ended 31 December 2019 the Group provided for the net realisable value of metal inventories in the amount of $19 million (year ended 31 December 2018: write-down of $21 million).

The amount of inventories held at net realisable value at 31 December 2019 is $44 million (31 December 2018: $99 million).

The key assumptions used in determining the net realisable value of inventories at 31 December 2019 are consistent with those used for goodwill impairment testing as described on page 169.

Valuation of contingent consideration payable

The Group has recorded contingent consideration liabilities of $66 million as at 31 December 2019 (2018: $54 million) related to various acquisitions made, as set out in Note 29 to the financial statements. Various estimates must be made when determining the value of contingent consideration to be recognised at each balance sheet date. The assumptions made are consistent with those made for impairment testing purposes (see above), and additional assumptions are included in Note 29. Significant changes in assumptions could cause an increase, or reduction, in the amount of contingent consideration payable, with a resulting charge or credit in the consolidated income statement.

4. Acquisitions and disposals

Summary of acquisitions and disposals in consolidated statement of profit and loss

	Note	2019 $m	2018 $m
Revaluation of initial share on business combination			
Nezhda		–	20
Amikan		–	21
Total		**–**	**41**
Loss on disposal of subsidiaries, net			
Kapan		(13)	–
Khakanja		–	(63)
Other		(3)	9
Total		**(16)**	**(54)**
Write-down of assets held for sale			
Irbychan	5	(28)	–
Total		**(28)**	**–**

(a) Year ended 31 December 2019

Kapan mine disposal

In October 2018 the Group entered into a legally binding agreement to sell its 100% interest in the Kapan mine to Chaarat Gold Holdings Limited (Chaarat), an unrelated party. The disposal was effected as a part of the programme to dispose of smaller short-lived assets. Kapan was the major part of the Armenia cash-generating unit and the Armenia operating segment, and therefore as of 31 December 2018 it met the definition of a discontinued operation and an asset held for sale in accordance with IFRS 5 *Assets Held for Sale and Discontinued Operations*. As of 31 December 2018 the proceeds from the Kapan disposal were expected to approximate to its carrying amount, so no impairment loss was recognised following the classification of this operation as held for sale.

On 30 January 2019, the transaction was completed. The total consideration received amounted to $55 million, subject to working capital adjustments. $10 million was settled in Chaarat's convertible notes maturing in 2021 and the remaining $45 million was received in cash.

The notes conversion price was set at $0.25 million per 527,871 ordinary shares, which equalled 21,114,840 Chaarat ordinary shares. The convertible notes met the definitions of financial asset under IFRS 9 Financial instruments and therefore were to be classified as a financial asset in their entirety. The convertible notes failed the solely payments of principal and interest (SPPI) criterion and were accounted for at fair value through profit and loss. The fair value of the convertible bonds as of date of transaction approximated to $11 million.

As part of the transaction an intercompany loan of $11 million outstanding as of 31 December 2018 and 30 January 2019 was assigned to Chaarat for no consideration.

On 29 July 2019, the Company signed a settlement agreement with Chaarat delivering the convertible bonds back to Chaarat and receiving its 14,638,020 newly issued ordinary shares, as well as finalising the working capital adjustment at nil and releasing Polymetal from warranties and indemnities under the sale and purchase agreement. The adjustment to the consideration resulting from this settlement agreement amounts to $5 million, being the realised loss on conversion of the convertible notes. The total loss on disposal of Kapan recognised during the year ended 31 December 2019 therefore amounted to $13 million.

Charaat shares received are quoted shares and accounted for at fair value through profit and loss and are presented within trade receivables and other financial instruments (Note 23).

4. Acquisitions and disposals continued

The net assets of the disposed subsidiary at the date of disposal were as follows:

	$m
Property, plant and equipment	40
Deferred tax asset	7
Inventories	17
Cash and cash equivalents	2
Other current assets	7
Accounts payable and accrued liabilities	(9)
Net assets disposed of	**64**
Cash consideration received	45
Fair value of the convertible bonds received	11
Working capital adjustment	–
Adjustment per settlement agreement	(5)
Total consideration received	51
Loss on disposal of a subsidiary	**13**

As of 31 December 2018 Kapan was classified as held for sale and discontinued operation in accordance with IFRS 5 Assets held for sales and discontinued operations. The major classes of assets and liabilities held by Kapan and their carrying values as of 31 December 2018 approximate to the carrying values as of the disposal date. The results of the Kapan operations are shown as discontinued operations in the consolidated income statement and statement of consolidated statement of cash flows and are presented in Note 5.

In December 2019 the Group disposed of the remaining entities of the Armenia segment. These entities had a net asset value of $4 million and were disposed of for $1 million resulting in a loss on disposal of $3 million.

Amikan purchase price allocation

On October 2018 the Group acquired an additional 31.7% stake in GRK Amikan LLC ("Amikan"), the licence holder for the Veduga property. Veduga is a high-grade refractory gold deposit with reserves of 1.4 Moz of gold at 4.8 g/t and additional mineral resources of 0.4 Moz at 4.9 g/t.

Following this acquisition, the Group increased its overall ownership in the Veduga gold deposit to 74.3%.

Polymetal has been a partial owner of the property since 2006 with the original 50% stake acquired through the JV with AngloGoldAshanti and subsequently diluted by external equity financing. From 2012 the Group's equity ownership was 42.65% and it exercised significant influence over the property. The investment was accounted for using the equity method of accounting. In 2012–2018 2,882 kt of ore with the average grade of 3.84 g/t containing 356 koz of gold was extracted from the open-pit mine at Veduga. Historically ore was sold to multiple processing plants including Varvara.

As the Amikan operations represent an integrated set of activities with a focus on mining and extraction of precious metals, it was determined that it meets the definition of a business pursuant to IFRS 3 and that it should be fair value accounted for using the acquisition method.

Consideration transferred

The total consideration comprised $21.5 million, payable by issuing 2,456,049 Polymetal new ordinary shares. The number of issued shares has been determined by dividing $19.7 million by $8.036, the spot price of ordinary shares of the Company on the Main Market of the London Stock Exchange as at market close on 10 October 2018 in U.S. Dollars. The fair value of the consideration transferred was determined based on the 12 October 2018 closing share spot price of $8.78.

As the Group obtained control over the Amikan gold property, which was previously considered a joint venture operation that constituted a business, the Group's previously recognised share of the business subject to joint control was remeasured in accordance with IFRS 3. The remeasurement resulted in a fair value gain of $21 million as of the acquisition date, and was recognised in the income statement.

The non-controlling interest (25.69% ownership interest in Amikan) recognised at the acquisition date was measured as the proportionate share in the recognised amounts of the acquiree's identifiable net assets and amounted to $17 million.

Assets acquired and liabilities recognised at the date of acquisition

The initial accounting of the Amikan acquisition was provisionally determined at 31 December 2018 based on the management's best estimate. The purchase price allocation was updated based on the updated DCF model. The updated model includes the processing of ore which was written off on preliminary purchase price allocation, resulting in an increase of inventories fair value balance and decrease of amount allocated to mineral rights.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed and its reconciliation to the provisional accounting are set out in the table below:

Assets acquired and liabilities recognised at the date of acquisition

	Provisional amounts previously reported $m	Adjustments $m	Adjusted amounts $m
Property, plant and equipment	101	(7)	94
Inventories	5	7	12
Cash and cash equivalents	4	–	4
Other current assets	(1)	–	(1)
Environmental obligations	(1)	–	(1)
Borrowings	(26)	–	(26)
Deferred tax liabilities	(14)	–	(14)
Fair value of the net assets acquired	**68**	**–**	**68**
Consideration transferred			
Fair value of shares issued	22	–	22
Initial investment in JV as of acquisition date	8	–	8
Revaluation gain	21	–	21
Non-controlling interest at fair value	17	–	17
Total consideration	**68**	**–**	**68**
Cash and cash equivalents acquired	**4**	**–**	**4**

The effect of the finalisation of the Amikan acquisition accounting on the Group balance sheet is as follows:

	31 December 2018 (previously stated) $m	Fair value adjustments $m	31 December 2018 (restated) $m
Property, plant and equipment	2,426	(7)	2,419
Non-current inventories	95	7	102
Change in equity	**–**	**–**	**–**

(b) Year ended 31 December 2018

During the year ended 31 December 2018 the Group completed the Amikan, Prognoz silver property and Nezhda gold property business combinations, and the Tarutin asset swap which was accounted for as the asset acquisition.

4. Acquisitions and disposals continued

The purchase price allocations for Prognoz and Nezhda were finalised in 2018, while the Amikan purchase price allocation was finalised during 2019 as discussed above. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Prognoz $m	Nezhda $m	Amikan (restated) $m	Tarutin $m	Total $m
Property, plant and equipment	290	322	94	3	709
Inventories	–	3	12	–	15
Cash and cash equivalents	–	–	4	–	4
Other current assets	2	10	(1)	–	11
Accounts payable and accrued liabilities	–	(10)	–	–	(10)
Environmental obligations	–	(1)	(1)	–	(2)
Borrowings	(42)	(78)	(26)	(3)	(149)
Deferred tax liabilities	(50)	(38)	(14)	–	(102)
Fair value of the net assets acquired	**200**	**208**	**68**	**–**	**476**
Fair value of shares issued	200	136	22	–	358
Cash consideration paid	–	10	–	–	10
Contingent consideration payable	14	–	–	–	14
Option fair value	–	11	–	–	11
Initial investment in JV as of acquisition date	10	31	8	–	49
Less consideration allocated to the Shareholders' loan	(24)	–	–	–	(24)
Revaluation gain	–	20	21	–	41
Non-controlling interest at fair value	–	–	17	–	17
Total consideration	**200**	**208**	**68**	**–**	**476**

The summary of transactions is discussed in detail below.

Prognoz silver property acquisition

In April 2018 the Group completed the acquisition of the Prognoz silver deposit in Yakutia, Russia ("Prognoz"), through two consecutive deals. On 13 April 2018 the Group completed the acquisition of the 45% stake from Polar Acquisition Ltd (PAL) for consideration paid through the issue of 6,307,000 Polymetal new ordinary shares and on 23 April 2018 acquired the remaining 50% a stake from the private investor for consideration paid by issuing 14,152,668 new ordinary shares of the Company. The initial 5% interest in Prognoz was previously accounted for as a joint venture under IFRS 11 *Joint Arrangements*.

In addition to the share considerations paid to PAL and the private investor Polymetal also committed to pay a net smelter return ("NSR") royalties as described in Note 29.

As a result of the transactions, Polymetal consolidated its 100% stake in Prognoz.

The Group determined that it obtained control over Prognoz as of 23 April 2018.

Prognoz is the largest undeveloped primary silver deposit in Eurasia with JORC-compliant Indicated and Inferred Resources, estimated by the Group in 2018 of 256 Moz at 789 g/t silver equivalent. As the Prognoz operations represent an integrated set of activities with a focus on exploration, it was determined that it meets the definition of a business pursuant to IFRS 3 and that it should be fair value accounted for using the acquisition method.

Consideration transferred

The fair value of the newly issued 6,307,000 ordinary shares issued as part of the consideration paid for Prognoz to PAL was determined based on the spot price at the acquisition date, being $9.63, and it was valued at $61 million.

The fair value of the newly issued 14,152,668 ordinary shares issued as part of the consideration paid for Prognoz to the private investor was determined based on the spot price at the acquisition date, being $9.83, and it was valued at $139 million, with $24 million allocated to the acquired shareholders' loan.

The NSR royalties meet definition of contingent consideration and are accounted for at their fair value at the acquisition date as the described in Note 29. The input assumption applied were as follows.

The fair value of the NSR payable to PAL was determined using the long-term silver price assumption of $15 per ounce. At the acquisition date, the fair value of the contingent consideration was estimated at $9 million.

The fair value of the NSR payable to the private investor was estimated at $5 million by applying the key assumptions set out below:

Silver price volatility	31.69%
Silver price as of acquisition date/long-term real price per ounce	$16.94/$15
Discount rate	9%

Nezhda gold property acquisition

In 2018 Polymetal consolidated 100% interest in Nezhdaninskoye gold deposit ("Nezhda") in Yakutia, Russia, by acquiring 7% for $8 million in cash as part of the shareholder agreement signed in July 2017 and by exercising a call option to acquire the remaining 75.3% stake for consideration of $146 million, payable in cash and Polymetal shares. The completion of the sale, including the exercise of the call option were subject to approval by the Russian Federal Government's Commission on Foreign Investments into Companies of Strategic Importance.

The initial 17.7% interest in Nezhda was previously accounted for as a joint venture under IFRS 11 *Joint Arrangements*. In November 2018, Polymetal received all necessary regulatory approvals and completed the acquisition of the remaining 82.3% stake in Nezhda from entities owned by Ivan Kulakov.

The Group determined that it obtained control over the Nezhda gold property on 26 November 2018.

As Nezhda operations represent an integrated set of activities with a focus on exploration, it was determined that it meets the definition of a business pursuant to IFRS 3 and that it should be fair value accounted for using the acquisition method.

Consideration transferred

The fair value of the 13,486,579 ordinary shares issued as part of the consideration paid was determined based on the spot price at the acquisition date, being $10.07, and it was valued at $136 million. The fair value of the Call Option described above represents part of the consideration transferred and comprised $11 million as of acquisition date.

As the Group obtained control over the Nezhda gold property, which was previously considered a joint venture operation that constituted a business, the Group's previously recognised share of the business subject to joint control was remeasured in accordance with IFRS 3. The remeasurement resulted in a fair value gain of $20 million as of the acquisition date, and was recognised in the income statement.

Tarutin asset swap

In April 2018, Polymetal reached an agreement with the Russian Copper Company ("RCC") for an all-share exchange of Polymetal's Tarutin property in Russia for 85% of RCC's East Tarutin property in Kazakhstan. As a result of the transaction, Polymetal received 85% of Tarutinskoye LLP, the licence holder for the copper-gold East Tarutin deposit located in Kazakhstan. In return, Polymetal transferred 100% of Vostochny Basis LLC, the licence holder for the copper-gold Tarutin deposit located in the Russian Federation. The transaction represents an asset swap and does not entail any additional payments or deferred considerations.

East Tarutin is a copper-gold deposit located in proximity to the Varvara processing plant and is expected to source the ore for further processing at the Varvara hub.

The acquired company did not meet the definition of a business pursuant to IFRS 3 and the transaction represents the acquisition of mineral rights through a non-operating corporate entity and does not give rise to goodwill or a gain. Based on IFRS 3 guidance the carrying amount of the assets given up represent the cost of the investment in East Tarutin (Kazakhstan). As a result the Group purchased mineral rights of $3 million.

Khakanja disposal

In December 2018 the Group disposed of its Khakanja operations (Okhotskaya Mining and Exploration Company LLC), which comprise the 600 Ktpa processing plant, related infrastructure at the Khakanja mine, and old stockpiles at Khakanja, Avlayakan and Ozernoye deposits with current ore reserves of approximately 0.1 Moz of GE, as well as exploration properties of Kundumi and Mevachan. The total consideration for Khakanja comprised $30 million of which $5 million was received in cash and $25 million represented relinquished bank debt. Simultaneously the Group disposed of its Okhotskiy port assets, which were previously accounted for as a part of Khakanja operations, for a consideration of $2 million paid in cash. The disposal of Khakanja operations was effected as part a strategy of selling smaller short-lived assets.

4. Acquisitions and disposals continued

The net assets of the disposed subsidiary at date of disposal were as follows:

	$m
Property, plant and equipment	19
Inventories	40
Other current assets (net)	21
Environmental obligations	(4)
Borrowings	(25)
Fair value of the net assets disposed	**51**
Cash consideration received	7
Loss on disposal	**(44)**
Cumulative exchange differences in foreign operation recycled from translation reserve	(19)
Total loss on disposal	**(63)**

The results of Khakanja operations are shown as discontinued operations in the consolidated income statement and statement of consolidated statement of cash flows (Note 5).

During 2018 the Group disposed of its minor subsidiaries Svetlobor platinum exploration project and Kirankan gold deposit, as well as its interest in the joint venture Aktogai Mys LLC (Dolinnoye exploration licence in Kazakhstan).

5. Assets held for sale and discontinued operations

Irbychan Gold

In November 2019 the Group carved out a group of assets with an aggregate carrying value of $41 million, including the Omolon low grade ore stock pile and related mining and exploration licenses, into a separate legal entity. The group plans to dispose of this group of assets through a sale to a third party in the next 3–6 months, as a part of the Group strategy to dispose of smaller and low-margin assets. A non-binding agreement for the sale was reached with the third party in December 2019, but has not yet been formalised.

The group of assets meets the definition of a disposal group as per IFRS 5 *Assets held for sale and discontinued operations*, so it is presented separately in the balance sheet as of 31 December 2019. Irbychan Gold does not represent a separate major line of business or geographical area of operations or a part of a single co-ordinated plan to dispose of such, thus it was concluded that it doesn't meet the definition of discontinued operation. The expected sale price approximates to $13 million. The disposal group as a whole is subject to the measurement requirements of IFRS 5, so as of 31 December 2019 was measured at the lower of its carrying amount and fair value less costs to sell, and the Group recognised a loss of $28 million as detailed below:

	31 December 2019		
	Carrying value $m	**Write-down $m**	**Fair value less cost to sell $m**
Property, plant and equipment	11	(9)	2
Non-current inventories	31	(20)	11
Other assets and liabilities	1	–	1
Total assets held for sale	**43**	**(29)**	**14**
Deferred tax liability	(1)	1	–
Environmental obligations	(1)	–	(1)
Total liabilities associated with assets classified as held for sale	**(2)**	**1**	**(1)**
Net assets classified as held for sale	**41**	**(28)**	**13**

Kapan and Khakanja operations disposal

Kapan (see also Note 4) was identified as the major part of the Armenia cash generating unit and the Armenia operating segment, and therefore at 31 December 2018 it met the definition of a discontinued operation and an asset held for sale in accordance with IFRS 5 *Assets held for sale and discontinued operations*.

In December 2018 the Group disposed of its Khakanja operations, which was identified as a separate cash generating unit and a separate major line of business, included in the Khabarovsk segment, and therefore at 31 December 2018 it also met the definition of a discontinued operation in accordance with IFRS 5 *Assets held for sale and discontinued operations*.
The results of Khakanja operations and Kapan are shown as discontinued operations in the consolidated income statement and statement of consolidated statement of cash flows:

	Year ended 31 December 2019		Year ended 31 December 2018		
	Kapan $m	**Total $m**	Kapan $m	Khakanja $m	Total $m
Revenue	5	**5**	61	115	**176**
Expenses, net	(5)	**(5)**	(81)	(86)	**(167)**
Profit before income tax	**–**	**–**	**(20)**	**29**	**9**
Attributable income tax expense	–	**–**	(2)	(4)	**(6)**
Profit for the financial period	**–**	**–**	**(22)**	**25**	**3**
Loss on disposal of discontinued operations	(13)	**(13)**	–	(63)	**(63)**
Attributable tax expense	–	**–**	–	–	**–**
Net loss attributable to discontinued operations (attributable to equity shareholders of the Parent)	**(13)**	**(13)**	**(22)**	**(38)**	**(60)**
Net cash generated by/(used in)					
Operating activities	–	**–**	5	15	**20**
Investing activities	–	**–**	(10)	(8)	**(18)**
Financing activities	–	**–**	–	25	**25**

As of 31 December 2018 Kapan was classified as held for sale and discontinued operation in accordance with IFRS 5 *Assets held for sales and discontinued operations*. The major classes of assets and liabilities held by Kapan and their carrying values as of 31 December 2018 approximate to the carrying values as of disposal date.

The major classes of assets and liabilities held by Kapan which comprise operations classified as held for sale as of 31 December 2018 are as follows:

	$m
Property, plant and equipment	40
Deferred tax assets	7
Inventories	16
Cash and cash equivalents	3
Other current assets	8
Total assets classified as held for sale	**74**
Accounts payable and accrued liabilities	(8)
Total liabilities associated with assets classified as held for sale	**(8)**

6. Segment information

The Group has identified five reportable segments:

- Magadan (Omolon Gold Mining Company LLC, Magadan Silver JSC, Mayskoye Gold Mining Company LLC);
- Ural (Gold of Northern Urals CJSC);
- Khabarovsk (Albazino Resources Ltd, Amur Hydrometallurgical Plant LLC, Svetloye LLC; GRK Amikan LLC);
- Kazakhstan (Varvarinskoye JSC, Komarovskoye Mining Company LLC, Bakyrchik Mining Venture LLC);
- Yakutia (South-Verkhoyansk Mining Company JSC, Prognoz Silver LLC).

As the Group disposed of its Kapan operations in 2019 the entire Armenia segment is disclosed as discontinued operations.

Reportable segments are determined based on the Group's internal management reports, which are separated based on the Group's geographical structure. Minor companies and activities (management, exploration, purchasing and other companies) which do not meet the reportable segment criteria are disclosed within corporate and other segment. Each segment is engaged in gold, silver or copper mining and related activities, including exploration, extraction, processing and reclamation. The Group's segments are based in the Russian Federation and Kazakhstan.

From 1 January 2019 management identified the Yakutia segment, comprising the Nezhda development and the Prognoz exploration operations, acquired during the year ended 31 December 2018, which were previously reported within Corporate and other. From 1 January 2019 management presents GRK Amikan LLC, which was previously reported within Corporate and other, within the Khabarovsk segment, as the Veduga ore is processed at Amur Hydrometallurgical Plant LLC. The comparative information has been restated on a consistent basis.

The measure which management and the Chief Operating Decision Maker (the CODM) use to evaluate the performance of the Group is segment Adjusted EBITDA, which is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 206.

The accounting policies of the reportable segments are consistent with those of the Group's accounting policies under IFRS.

Revenue shown as Corporate and other comprises, principally, intersegment revenue relating to the supply of inventories, spare parts and fixed assets, and rendering management services to the Group's production entities. Intersegment revenue is recognised based on costs incurred plus a fixed margin basis. From 1 January 2019 the Group reports revenue and cost of sales, pertaining to its productions entities, net of any intersegmental revenue and cost of sales, related to the intercompany sales of ore and concentrates, as well as intercompany smelting services, as this presentation is more meaningful from management and forecasting perspective. The comparative information has been restated on a consistent basis.

Business segment current assets and liabilities, other than current inventory, are not reviewed by the CODM and therefore are not disclosed in these consolidated financial statements. The segment adjusted EBITDA reconciles to the profit before income tax as follows:

Year ended 31 December 2019 ($m)	Kazakhstan	Khabarovsk	Magadan	Ural	Yakutia	Total continuing segments	Total discontinued operations	Corporate and other	Intersegment operations and balances	**Total**
Revenue from external customers	681	569	842	149	–	2,241	5	–	–	2,246
Intersegment revenue	–	–	–	–	–	–	–	249	(249)	–
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	207	228	476	37	–	948	4	155	(164)	943
Cost of sales	295	278	582	51	–	1,206	4	155	(164)	1,201
Depreciation included in Cost of sales	(87)	(49)	(92)	(7)	–	(235)	–	–	–	(235)
Write-down of metal inventory to net realisable value	–	–	(12)	(7)	–	(19)	–	–	–	(19)
Write-down of non-metal inventory to net realisable value	–	–	1	–	–	1	–	–	–	1
Rehabilitation expenses	(1)	(1)	(3)	–	–	(5)	–	–	–	(5)
General, administrative and selling expenses, excluding depreciation, amortisation and share based compensation	14	17	31	4	8	74	1	102	(15)	162
General, administrative and selling expenses	16	18	32	4	8	78	1	118	(15)	182
Depreciation included in SGA	(2)	(1)	(1)	–	–	(4)	–	(4)	–	(8)
Share-based compensation	–	–	–	–	–	–	–	(12)	–	(12)
Other operating expenses excluding additional tax charges	12	15	27	5	(1)	58	–	9	(1)	66
Other operating expenses	12	18	26	5	(1)	60	–	9	(1)	68
Bad debt and expected credit loss allowance	–	(1)	–	–	–	(1)	–	–	–	(1)
Additional tax charges/fines/penalties	–	(2)	1	–	–	(1)	–	–	–	(1)
Share of income of associates and joint ventures	–	–	–	–	–	–	–	–	–	–
Adjusted EBITDA	**448**	**309**	**308**	**103**	**(7)**	**1,161**	**–**	**(17)**	**(69)**	**1,075**
Depreciation expense	89	50	93	7	–	239	–	4	–	243
Rehabilitation expenses	1	1	3	–	–	5	–	–	–	5
Write-down of non-metal inventory to net realisable value	–	–	(1)	–	–	(1)	–	–	–	(1)
Write-down of metal inventory to net realisable value	–	–	12	7	–	19	–	–	–	19
Share-based compensation	–	–	–	–	–	–	–	12	–	12
Bad debt and expected credit loss allowance	–	1	–	–	–	1	–	–	–	1
Additional tax charges/fines/penalties	–	2	(1)	–	–	1	–	–	–	1
Operating profit / (loss)	**358**	**255**	**202**	**89**	**(7)**	**897**	**–**	**(33)**	**(69)**	**795**
Net foreign exchange gains										(36)
Loss on disposal of subsidiaries										(16)
Write-down of assets held for sale										(28)
Change in fair value of contingent consideration liability										(23)
Finance income										7
Finance costs										(81)
Profit before tax										**618**
Income tax expense										(135)
Profit for the financial period										**483**
Current metal inventories	95	132	230	30	–	487	–	1	(45)	443
Current non-metal inventories	26	41	114	5	10	196	–	17	(12)	201
Non-current segment assets:						–				
Property, plant and equipment, net	815	584	394	18	817	2,628	–	182	–	2,810
Goodwill	–	–	16	–	–	16	–	–	–	16
Non-current inventory	41	24	47	3	–	115	–	–	(1)	114
Investments in associates	–	–	–	–	–	–	–	2	–	2
Total segment assets	**977**	**781**	**801**	**56**	**827**	**3,442**	**–**	**202**	**(58)**	**3,586**
Additions to non-current assets:										
Property, plant and equipment	89	114	84	5	155	447	–	23	–	470
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–

6. Segment information (continued)

Year ended 31 December 2018 ($m)	Kazakhstan	Khabarovsk	Magadan	Ural	Yakutia	Total reportable segments	Total discontinued operations	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	272	575	725	134	–	1,706	176	–	–	1,882
Intersegment revenue (restated)	–	–	–	–	–	–	–	235	(235)	–
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	121	245	392	38	–	796	107	144	(158)	889
Cost of sales (restated)	159	298	487	47	–	991	119	144	(158)	1,096
Depreciation included in Cost of sales	(37)	(53)	(71)	(9)	–	(170)	(13)	–	–	(183)
Write-down of metal inventory to net realisable value	–	–	(21)	–	–	(21)	–			(21)
Write-down of non-metal inventory to net realisable value	(1)	–	(2)	–	–	(3)	1			(2)
Rehabilitation expenses	–	–	(1)	–	–	(1)	–	–	–	(1)
General, administrative and selling expenses, excluding depreciation, amortisation and share-based compensation	15	15	32	4	2	68	11	95	(14)	160
General, administrative and selling expenses	16	15	32	4	2	69	11	109	(14)	175
Depreciation included in SGA	(1)	–	–	–	–	(1)	–	(2)	–	(3)
Share-based compensation	–	–	–	–	–	–	–	(12)	–	(12)
Other operating expenses excluding additional tax charges	8	7	23	5	–	43	3	6	–	52
Other operating expenses	8	7	23	5	–	43	28	4	–	75
Lichkvaz exploration expenses and mineral rights write-off	–	–	–	–	–	–	(24)	–	–	(24)
Additional tax chargers/fines/penalties	–	–	–	–	–	–	(1)	2	–	1
Share of income of associates and joint ventures	–	–	–	–	–	–	–	(1)	–	(1)
Adjusted EBITDA	**128**	**308**	**278**	**87**	**(2)**	**799**	**55**	**(11)**	**(63)**	**780**
Depreciation expense	38	53	71	9	–	171	13	2	–	186
Rehabilitation expenses	–	–	1	–	–	1	–	–	–	1
Lichkvaz exploration expenses and mineral rights write-off						–	24			24
Write-down of non-metal inventory to net realisable value	1	–	2	–	–	3	(1)			2
Write-down of metal inventory to net realisable value	–	–	21	–	–	21	–	–	–	21
Share-based compensation	–	–	–	–	–	–	–	12	–	12
Additional tax chargers/fines/penalties	–	–	–	–	–	–	1	(2)	–	(1)
Operating profit / (loss)	**89**	**255**	**183**	**78**	**(2)**	**603**	**18**	**(23)**	**(63)**	**535**
Net foreign exchange gains										(40)
Revaluation of initial on business combination										41
Loss on disposal of subsidiaries										(54)
Change in fair value of contingent consideration liability										7
Finance income										8
Finance costs										(71)
Profit before tax										**426**
Income tax expense										(71)
Profit for the financial period										**355**
Current metal inventories	57	95	194	33	–	379	–	–	(11)	368
Current non-metal inventories	22	36	99	5	5	167	–	9	(7)	169
Non-current segment assets:	–	–	–	–	–	–	–	–	–	–
Property, plant and equipment, net	823	486	364	20	585	2,278	3	145	–	2,426
Goodwill	–	–	15	–	–	15	–	–	–	15
Non-current inventory	22	15	65	2	–	104	–	–	(2)	102
Investments in associates	–	–	–	–	–	–	–	2	–	2
Total segment assets	**924**	**632**	**737**	**60**	**590**	**2,943**	**3**	**156**	**(20)**	**3,082**
Additions to non-current assets:										
Property, plant and equipment	134	104	74	5	21	338	15	24	–	377
Acquisition of subsidiaries	–	94	–	–	612	706	–	3	–	709

7. Revenue

Continuing operations

	Year ended 31 December 2019				Year ended 31 December 2018			
	Volume shipped (unaudited)	**Volume payable (unaudited)**	**Average price ($ per oz/t payable) (unaudited)**	**$m**	Volume shipped (unaudited)	Volume payable (unaudited)	Average price ($ per oz/t payable) (unaudited)	$m
Gold (thousand ounces)	1,410	1,363	1,377	1,878	1,120	1,096	1,227	1,345
Silver (thousand ounces)	22,507	22,076	15.8	349	24,110	23,735	14.8	351
Copper (tonnes)	2,864	2,705	5,176	14	1,932	1,827	5,474	10
Total				**2,241**				**1,706**

Total continuing and discontinued operations

	Year ended 31 December 2019				Year ended 31 December 2018			
	Volume shipped (unaudited)	**Volume payable (unaudited)**	**Average price ($ per oz/t payable) (unaudited)**	**$m**	Volume shipped (unaudited)	Volume payable (unaudited)	Average price ($ per oz/t payable) (unaudited)	$m
Gold (thousand ounces)	1,413	1,366	1,377	1,882	1,224	1,198	1,226	1,468
Silver (thousand ounces)	22,538	22,107	15.8	349	26,118	25,675	14.8	380
Copper (tonnes)	3,016	2,842	5,278	15	3,542	3,348	5,675	19
Zinc (tonnes)	(8)	(7)	–	–	6,625	5,625	2,667	15
Total				**2,246**				**1,882**

Geographical analysis of revenue by destination is presented below:

	Continuing operations Year ended		Total continuing and discontinued operations Year ended	
	31 December 2019 $m	31 December 2018 $m	**31 December 2019 $m**	31 December 2018 $m
Sales within the Russian Federation	1,044	1,038	1,044	1,153
Sales to Kazakhstan	655	338	655	338
Sales to East Asia	472	245	472	263
Sales to Europe	70	85	75	128
Total	**2,241**	**1,706**	**2,246**	**1,882**

Included in revenues for the year ended 31 December 2019 are revenues which arose from the sales to the Group's largest customers, whose contribution to the Group's revenue exceeded 10% of the total revenue. In 2019 revenues from such customers amounted to $659 million, $439 million, $338 million and $266 million respectively (2018: $490 million, $228 million, $203 million and $173 million, respectively).

Revenue is derived principally from the sale of gold and silver bullions, copper, gold and silver concentrate and doré. The Group sells gold and silver bullions to banks through long-term agreements. The sales price, as determined in the agreement, is based on the spot London Bullion Market Association (LBMA) price. Copper, zinc, gold and silver concentrate and doré are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale.

The Group enters into prepaid bullion sales arrangements, which are settled solely through bullion shipments and are priced based on the spot London Bullion Market Association (LBMA) price, prevailing of the date of the respective shipment. The arrangements fall under IFRS 15 *Revenue from Contracts with Customers* and respective advances received represent contract liabilities, which are presented on the face of the balance sheet as prepayments received. There were no prepayments received under such arrangements as of 31 December 2019 (31 December 2018: $100 million). As of 31 December 2019 contract obligations related to the concentrate sales amount to $5 million and were accounted for as prepayments received (31 December 2018: nil).

7. Revenue continued

Presented below is an analysis per revenue stream:

	Magadan $m	Khabarovsk $m	Ural $m	Kazakhstan $m	Discontinued operations $m	Total $m
Year ended 31 December 2019						
Bullions	412	513	149	–	–	1,074
Concentrate	430	34	–	245	5	714
Doré	–	22	–	436	–	458
	842	**569**	**149**	**681**	**5**	**2,246**
Year ended 31 December 2018						
Bullions	362	563	134	–	115	1,174
Concentrate	363	12	–	107	61	543
Doré	–	–	–	165	–	165
	725	**575**	**134**	**272**	**176**	**1,882**

8. Cost of sales

	Continuing operations Year ended		Total continuing and discontinued operations Year ended	
	31 December 2019 $m	31 December 2018 $m	**31 December 2019 $m**	31 December 2018 $m
Cash operating costs				
On-mine costs (Note 9)	485	417	488	482
Smelting costs (Note 10)	359	314	360	349
Purchase of ore and concentrates from third parties	59	66	59	78
Purchase of ore from related parties (Note 33)	–	22	–	22
Mining tax	115	87	115	97
Total cash operating costs	**1,018**	**906**	**1,022**	**1,028**
Depreciation and depletion of operating assets (Note 11)	250	210	250	228
Rehabilitation expenses	5	1	5	1
Total costs of production	**1,273**	**1,117**	**1,277**	**1,257**
Increase in metal inventories	(98)	(174)	(98)	(187)
Write-down of metal inventories to net realisable value (Note 22)	19	21	19	21
Write-down of non-metal inventories to net realisable value (Note 22)	(1)	4	(1)	2
Idle capacities and abnormal production costs	4	3	4	3
Total	**1,197**	**971**	**1,201**	**1,096**

Mining tax includes royalties payable in Russian Federation, Kazakhstan and Armenia. Mining tax in Russian Federation and Kazakhstan is calculated based on the value of the precious metals extracted in the period. This value is usually determined based on the realised selling price of precious metals or, in case if there were no sales during the period, cost of production of metals extracted (Russian Federation) or the average market price (Kazakhstan) during the reporting period. The royalty payable in Armenia was calculated as a percentage of actual sales during the reporting period.

Idle capacities and abnormal production costs were expensed as incurred and relate to idle capacities when processing plants are stopped for general maintenance.

9. On-mine costs

	Continuing operations Year ended		Total continuing and discontinued operations Year ended	
	31 December 2019 $m	31 December 2018 $m	**31 December 2019 $m**	31 December 2018 $m
Services	229	185	230	222
Labour	132	122	133	133
Consumables and spare parts	119	107	120	121
Other expenses	5	3	5	6
Total (Note 8)	**485**	**417**	**488**	**482**

10. Smelting costs

	Continuing operations Year ended		Total continuing and discontinued operations Year ended	
	31 December 2019 $m	31 December 2018 $m	**31 December 2019 $m**	31 December 2018 $m
Consumables and spare parts	155	143	155	159
Services	139	109	140	118
Labour	63	60	63	70
Other expenses	2	2	2	2
Total (Note 8)	**359**	**314**	**360**	**349**

11. Depletion and depreciation of operating assets

	Continuing operations Year ended		Total continuing and discontinued operations Year ended	
	31 December 2019 $m	31 December 2018 $m	**31 December 2019 $m**	31 December 2018 $m
On-mine	188	154	188	169
Smelting	62	56	62	59
Total (Note 8)	**250**	**210**	**250**	**228**

Depreciation of operating assets excludes depreciation relating to non-operating assets (included in general, administrative and selling expenses) and depreciation related to assets employed in development projects where the charge is capitalised. Depreciation expense, which is excluded from the Group's calculation of Adjusted EBITDA (see Note 6), also excludes amounts absorbed into unsold metal inventory balances.

12. General, administrative and selling expenses

	Continuing operations Year ended		Total continuing and discontinued operations Year ended	
	31 December 2019 $m	31 December 2018 $m	**31 December 2019 $m**	31 December 2018 $m
Labour	136	120	137	127
Services	8	14	8	16
Share-based compensation (Note 32)	12	12	12	12
Depreciation	8	3	8	3
Other	17	15	17	17
Total	181	164	182	175
Including				
Mine site expenses	78	69	79	80
Corporate head office expenses	103	95	103	95
Total	**181**	**164**	**182**	**175**

13. Other operating expenses, net

	Continuing operations Year ended		Total continuing and discontinued operations Year ended	
	31 December 2019 $m	31 December 2018 $m	**31 December 2019 $m**	31 December 2018 $m
Lichkvaz exploration expenses and mineral rights write-off	–	–	–	24
Social payments	24	14	24	16
Exploration expenses	19	12	19	13
Provision for investment in Special Economic Zone	11	11	11	11
Taxes, other than income tax	11	13	11	13
Other expenses	3	(3)	3	(2)
Total	**68**	**47**	**68**	**75**

For the operations held in the Special Economic Zone of the Russian Far East, Omolon Gold Mining Company LLC and JSC Magadan Silver are entitled to the decreased statutory income tax rate of 17%, as well as decreased mining tax rate (paying 60% of standard mining tax rates). In return for obtaining this tax relief the members of the regional free Economic Zone are obliged to invest 50% of their tax savings each year in the Special Economic Zone Development Programme, amounting to $11 million in 2019 (2018: $11 million).

During the year ended 31 December 2019 exploration expenses include write downs of $9, which were previously within exploration and development assets (2018: nil).

Operating cash flow spent on exploration activities amounts to $10 million (2018: $12 million).

14. Employee costs

	Continuing operations Year ended		Total continuing and discontinued operations Year ended	
	31 December 2019 $m	31 December 2018 $m	**31 December 2019 $m**	31 December 2018 $m
Wages and salaries	313	278	314	303
Social security costs	71	68	71	72
Share-based compensation	12	12	12	12
Total employee costs	**396**	**358**	**397**	**387**
Reconcilation:				
Less: employee costs capitalised	(43)	(35)	(43)	(37)
Less: employee costs absorbed into unsold metal inventory balances	(15)	(30)	(15)	(32)
Employee costs included in cost of sales	**338**	**293**	**339**	**318**

The weighted average number of employees during the year ended 31 December 2019 and year ended 31 December 2018 was:

	Year ended	
	31 December 2019	31 December 2018
Magadan	4,023	4,048
Khabarovsk	2,305	2,807
Kazakhstan	2,472	2,163
Armenia	69	953
Ural	752	809
Yakutia	478	412
Corporate and other	1,712	1,528
Total	**11,811**	**12,720**
Less discontinued operations	69	1,539
Total continuing operations	**11,742**	**11,181**

Compensation of key management personnel is disclosed within Note 33.

15. Auditor's remuneration

	Year ended	
	31 December 2019 $m	31 December 2018 $m
Fees payable to the auditor and their associates for the audit of the Company's Annual Report		
United Kingdom	0.35	0.36
Overseas	0.74	0.72
Audit of the Company's subsidiaries	0.06	0.05
Total audit fees	**1.15**	**1.13**
Audit-related assurance services	0.47	0.46
Total audit and half-year review fees	**1.62**	**1.59**
Other services	0.03	0.08
Total non-audit fees	0.03	0.08
Total fees	**1.65**	**1.67**
Non-audit fees as % of audit and half-year review fees	**2%**	**5%**

16. Finance costs

	Year ended 31 December 2019 $m	31 December 2018 $m
Interest expense on borrowings	72	67
Unwinding of discount on lease liabilities (Note 20)	3	–
Unwinding of discount on environmental obligations (Note 26)	4	3
Unwinding of discount on contingent consideration liability (Note 29)	2	1
Total	**81**	**71**

No significant amount of finance cost related to the discontinued operations in either year.

During the years ended 31 December 2019 interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of $9 million (2018: $11 million). These amounts were calculated based on the Group's general borrowing pool and by applying an effective interest rate of 4.26% (2018: 4.19%) to cumulative expenditure on such assets.

17. Income tax

The amount of income tax expense for the years ended 31 December 2019 and 31 December 2018 recognised in profit and loss is as follows:

	Continuing operations Year ended		Total continuing and discontinued operations Year ended	
	31 December 2019 $m	31 December 2018 $m	**31 December 2019 $m**	31 December 2018 $m
Current income taxes	101	101	101	108
Deferred income taxes	34	(36)	34	(37)
Total	**135**	**65**	**135**	**71**

A reconciliation between the reported amounts of income tax expense attributable to income before income tax is as follows:

	Year ended 31 December 2019 $m	31 December 2018 $m
Profit before income tax	**618**	**426**
Theoretical income tax expense at the tax rate of 20%	124	85
Effect of Special Economic Zone and Regional Investment project decreased tax rates	(34)	(27)
Effect of different tax rates of subsidiaries operating in other jurisdictions	5	7
Revaluation of initial share on business combination	–	(8)
Change in fair value of contingent consideration liability	4	1
Current year losses not recognised and losses previously recognised written-off	6	1
Non-deductible interest expense	14	14
Non-taxable consolidation adjustments on disposal of subsidiaries	3	3
Adjustments in respect of prior periods	(1)	(5)
Other non-taxable income and non-deductible expenses	14	–
Total income tax expense	**135**	**71**

The actual tax expense differs from the amount which would have been determined by applying the statutory rate of 20% for the Russian Federation and Kazakhstan to profit before income tax as a result of the application of relevant jurisdictional tax regulations, which disallow certain deductions which are included in the determination of accounting profit. These deductions include share-based payment expenses, social related expenditures and other non-production costs, certain general and administrative expenses, financing expenses, foreign exchange related and other costs.

Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17% for the operations held in the Special Economic Zone of the Russian Far East, the rate of 17% was used in calculation of income tax provision and deferred tax positions for those entities. Svetloye LLC is subject to tax relief as Regional Investment Project and is entitled to the statutory income tax rate of 0% up to 2021. Amursk Hydrometallurgical Plant LLC is entitled to income tax rate of 0% up to 2023 and tax rate of 10% in 2024–2028.

Tax exposures recognised in income tax

During the year ended 31 December 2019 and the year ended 31 December 2018 no individual significant exposures were identified as probable and therefore provided for. Management has identified a total exposure in respect of contingent liabilities (Note 28) (covering taxes and related interest and penalties) of approximately $99 million being uncertain tax positions (31 December 2018: $46 million) which relate to income tax. Management do not believe that it is probable that material tax will be payable in respect of these items.

Income tax amounts included in other comprehensive income

An analysis of tax by individual item presented in the Consolidates statement of comprehensive income is presented below:

	Year ended 31 December 2019 $m	31 December 2018 $m
Net foreign exchange gains/(losses) on net investment in foreign operation		
Current tax expense	5	(1)
Deferred tax expense	–	(1)
Total income tax recognised in other comprehensive income	**5**	**(2)**

Current and deferred tax assets recognised within other comprehensive income relates to the tax losses originated by foreign currency exchange losses, allowable for tax purposes and generated by monetary items that forms part of the intragroup net investment in the foreign operation. These foreign currency exchange losses are recognised in the consolidated financial statements within foreign currency translation reserve.

Deferred taxation

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the reporting period.

	Year ended 31 December 2019 $m	31 December 2018 $m
Deferred tax liabilities	(196)	(152)
Deferred tax assets	73	73
Total	**(123)**	**(79)**

17. Income tax continued

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following analysis shows deferred tax balances presented for financial reporting purposes:

	Property, plant, and equipment and other non-current assets $m	Trade and other payables $m	Tax losses $m	Other $m	Total $m
At 1 January 2018	**(159)**	**8**	**126**	**9**	**(16)**
Charge to income statement	(5)	(3)	46	(1)	37
Acquisitions (Note 4)	(124)	–	20	2	(102)
Disposals (Note 4)	1	–	(2)	2	1
Reclassified as held for sales (Note 5)	(2)	–	–	(5)	(7)
Recognised in other comprehensive income	–	–	–	(1)	(1)
Exchange differences	34	(1)	(23)	(1)	9
At 31 December 2018	**(255)**	**4**	**167**	**5**	**(79)**
Charge to income statement	(5)	11	(40)	–	(34)
Reclassified as held for sales (Note 5)	–	–	–	1	1
Exchange differences	(21)	1	9	–	(11)
At 31 December 2019	**(281)**	**16**	**136**	**6**	**(123)**

The Group believes that the recoverability of the recognised deferred tax asset (DTA) of $136 million at 31 December 2019 (2018: $167 million), which is related to the tax losses carried forward, is more likely than not based upon expectations of future taxable income in the Russian Federation and Kazakhstan.

From 1 January 2019 in accordance with Russian Federation tax law regarding loss carryforwards, loss carryforwards are limited to 50% of taxable profit in tax years throughout 2021. From 2022 the limitation will expire and it will be possible to fully utilise loss carryforwards against the corporate tax base in a given year and losses incurred from 2007 can be carried forward for an indefinite period until fully utilised.

Losses incurred in certain taxable entities in recent years have created a history of losses as of 31 December 2019. The Group has concluded that there is sufficient evidence to overcome the recent history of losses based on forecasts of sufficient taxable income in the carry-forward period.

Tax losses carried forward represent amounts available for offset against future taxable income generated predominantly by Mayskoye Gold Mining Company LLC, Varvarinskoye JSC, Bakyrchik Mining Venture LLC and JSC South-Verkhoyansk Mining Company. Each legal entity within the Group represents a separate tax-paying component for income tax purposes. The tax losses of one entity cannot be used to reduce taxable income of other entities of the Group.

The Group's estimate of future taxable income is based on established proven and probable reserves which can be economically developed. The related detailed mine plans and forecasts provide sufficient supporting evidence that the Group will generate taxable earnings to be able to fully realise its net DTA even under various stressed scenarios. The amount of the DTA considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced due to delays in production start dates, decreases in ore reserve estimates, increases in environmental obligations, or reductions in precious metal prices.

No deferred tax asset has been recognised in respect of $112 million (2018: $109 million) as it is not considered probable that there will be future taxable profits against which the losses can be utilised.

The deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group subsidiaries have not been recognised as the Group has determined that the undistributed profit of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognised, amount to $3,363 million (2018: $2,459 million).

18. Dividends

Dividends recognised during the years ended 31 December 2019 and 31 December 2018 are detailed in the below:

	Dividends				
	Cents per share	$m	Deducted from the equity during the period	Proposed in relation to the period	Paid in
Final dividend 2017	30	136	2018	2017	May 2018
Interim dividend 2018	17	77	2018	2018	September 2018
Final dividend 2018	31	146	2019	2018	May 2019
Interim dividend 2019	20	94	2019	2019	September 2019
Special dividend 2019	20	94	2020	2019	March 2020
Final dividend 2019	42	197	n/a	2019	n/a
Total dividends for the year ended 31 December 2018			**213**	**223**	**213**
Total dividends for the year ended 31 December 2019			**240**	**385**	**240**

19. Property, plant and equipment

	Development assets $m	Exploration assets $m	Mining assets $m	Non-mining assets $m	Capital construction in-progress $m	Total $m
Cost						
Balance at 31 December 2017	**655**	**150**	**2,024**	**61**	**276**	**3,166**
Additions	34	45	162	6	130	377
Transfers	(453)	(54)	724	1	(218)	–
Reclassified as held for sale	–	–	(47)	(2)	(12)	(61)
Change in environmental obligations	–	–	2	–	(3)	(1)
Acquisitions restated (Note 4)	297	291	102	–	19	709
Eliminated on disposal of subsidiary	(4)	(13)	(61)	(2)	(3)	(83)
Disposals and write-offs including fully depleted mines	(24)	–	(140)	(4)	–	(168)
Translation to presentation currency	(39)	(54)	(417)	(10)	(39)	(559)
Balance at 31 December 2018 (restated)	**466**	**365**	**2,349**	**50**	**150**	**3,380**
Additions	84	43	174	5	164	470
Transfers	(12)	(50)	111	10	(59)	–
Reclassified as held for sale	–	(9)	–	(6)	–	(15)
Change in environmental obligations	–	–	15	–	1	16
Acquisitions (Note 4)	–	–	–	–	–	–
Disposals and write-offs including fully depleted PPE	(5)	(4)	(177)	(2)	(2)	(190)
Translation to presentation currency	56	42	181	7	20	306
Balance at 31 December 2019	**589**	**387**	**2,653**	**64**	**274**	**3,967**

19. Property, plant and equipment continued

	Development assets $m	Exploration assets $m	Mining assets $m	Non-mining assets $m	Capital construction in-progress $m	Total $m
Accumulated depreciation, amortisation						
Balance at 31 December 2017	**–**	**–**	**(1,081)**	**(31)**	**–**	**(1,112)**
Charge for the period	–	–	(254)	(5)	–	(259)
Reclassified as held for sale	–	–	20	1	–	21
Eliminated on disposal of subsidiary	–	–	56	2	–	58
Disposals and write-offs including fully depleted mines	–	–	135	1	–	136
Translation to presentation currency	–	–	190	5	–	195
Balance at 31 December 2018	**–**	**–**	**(934)**	**(27)**	**–**	**(961)**
Charge for the period	–	–	(270)	(9)	–	(279)
Reclassified as held for sale	–	–	–	4	–	4
Eliminated on disposal of subsidiary	–	–	–	–	–	–
Disposals and write-offs including fully depleted mines	–	–	175	1	–	176
Translation to presentation currency	–	–	(95)	(2)	–	(97)
Balance at 31 December 2019	**–**	**–**	**(1,124)**	**(33)**	**–**	**(1,157)**
Net book value						
31 December 2018 (restated)	**466**	**365**	**1,415**	**23**	**150**	**2,419**
31 December 2019	**589**	**387**	**1,529**	**31**	**274**	**2,810**

The balance of as 31 December 2018 was restated as a result of finalisation of the Amikan acquisition accounting (Note 4).

Mining assets, exploration and development assets at 31 December 2019 included mineral rights with net book value which amounted to $1,258 million (31 December 2018: $1,216 million) and capitalised stripping costs with net book value of $109 million (31 December 2018: $76 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries.

No property, plant and equipment was pledged as collateral at 31 December 2019 or at 31 December 2018.

20. Leases

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

	31 December 2019 $m
Right-of-use assets	
Balance at 1 January 2019	**31**
Additions	8
Depreciation charge for the period	(4)
Disposals	(9)
Accumulated depreciation of assets disposed	1
Translation to presentation currency	4
Balance at 31 December 2019	**31**

The most significant leases of the Group are office leases.

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

Lease liabilities	**31 December 2019 $m**
Balance at 1 January 2019	**(31)**
New lease contracts	(8)
Unwinding of discount on lease liabilities	(3)
Repayments of lease liability	6
Termination of lease contracts	8
Translation to presentation currency	(4)
Total lease liabilities	**(32)**
Less current portion of lease liabilities	**(3)**
Total non-current lease liabilities	**(29)**

The Group excluded the following lease agreements from the right-of-use assets and lease liabilities and continues to account those lease agreements as lease expenses:

- Lease agreements with variable payments;
- Lease agreements of land plots to explore for or use minerals and similar non-generative resources;
- Short-term lease agreements that expire within 12 months from the date of initial application;
- Lease agreements of low value assets (of $5,000 or less).

Amounts recognised in profit and loss for the year ended 31 December 2019 are as follow:

	Year ended 31 December 2019 $m
Expenses relating to lease exemptions	(2)
Unwinding of discount on lease liabilities	(3)
Depreciation of right-of-use assets	(4)
Total lease expenses	**(9)**

21. Goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

	Year ended	
	31 December 2019 $m	31 December 2018 $m
Cost and Accumulated impairment losses		
At 1 January	**15**	**18**
Translation effect	1	(3)
At 31 December	**16**	**15**
Mayskoye	12	11
Dukat	4	4
Total	**16**	**15**

The carrying amount of goodwill is reviewed annually to determine whether it is in excess of its recoverable amount. The recoverable amount of the cash-generating unit is determined based on a fair value less costs to sell calculation. Fair value is based on the application of the Discounted Cash Flow Method (DCF) using post-tax cash flows. The DCF method is attributable to the development of proved and probable reserves. The impairment testing procedure and related assumptions are described in detail in "Key sources of estimation uncertainty" section above.

21. Goodwill continued

Sensitivity analysis

For Dukat and Mayskoye management has performed an analysis as to whether a reasonably possible adverse change to any of the key assumptions would lead to impairment.

The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

- 10% simultaneous decrease in gold and silver prices over the life of mine;
- 10% appreciation in RUB/$ exchange rates;
- 10% increase in operating expenses over the life of mine; and
- 0.5% increase in the discount rate applied.

Each of the sensitivities above has been determined by assuming that the relevant key assumption moves in isolation, and without regard to potential mine plan changes and other management decisions which would be taken to respond to adverse changes in existing management projections. No scenarios would result in impairment of any of the recognised goodwill.

22. Inventories

	Year ended 31 December 2019 $m	31 December 2018 restated $m
Inventories expected to be recovered after twelve months		
Ore stock piles	78	75
Consumables and spare parts	36	27
Total non-current inventories	**114**	**102**
Inventories expected to be recovered in the next twelve months		
Ore stock piles	214	174
Copper, gold and silver concentrate	131	116
Work in-process	75	55
Doré	10	14
Metal for refining	12	9
Refined metals	1	1
Total metal inventories	**443**	**369**
Consumables and spare parts	201	168
Total current inventories	**644**	**537**

Write-downs of metal inventories to net realisable value

The Group recognised the following write-downs to net realisable value of its metal inventories:

	Year ended 31 December 2019			Year ended 31 December 2018
	Ural $m	Magadan $m	Total operating segments $m	Total operating segments $m
Ore stock piles	–	(12)	(12)	(9)
Ore in heap leach piles	(7)	(3)	(10)	(9)
Copper, gold and silver concentrate	–	3	3	(3)
Total	**(7)**	**(12)**	**(19)**	**(21)**

The key assumptions used as at 31 December 2019 in determining net realisable value of inventories (including the commodity price assumptions for long-term stockpiles) were consistent with those used in the goodwill impairment review (Note 3). For short-term metal inventories applicable quoted forward prices as of 31 December 2019 were used: gold and silver price of $1,540 per ounce (2018: $1,300) and $18 per ounce (2018: $16), respectively.

The write-downs presented above exclude the Irbychan Gold ore impairment, which is recognised as part of the write down of assets held for sale to their fair value (Note 5).

During the year ended 31 December 2019 the Group recognised a reversal of previous write-down of consumables and spare parts inventory of $1 million (year ended 31 December 2018: write-down of $2 million).

The amount of inventories held at net realisable value at 31 December 2019 is $44 million (31 December 2018: $99 million).

23. Trade receivables and other financial instruments

	Year ended 31 December 2019 $m	31 December 2018 $m
Receivables from provisional copper, gold and silver concentrate sales	25	60
Other receivables	16	22
Less: Allowance for doubtful debts	(2)	(3)
Total trade and other receivables	**39**	**79**
Chaarat shares	7	–
Short-term loans provided to third parties	2	2
Total other short-term financial instruments	**9**	**2**
Total	**48**	**81**

The average credit period on sales of copper, gold and silver concentrate at 31 December 2019 was 13 days (2018: 22 days). No interest is charged on trade receivables. The Group's doubtful debt relates to its non-trade receivables, which are fully impaired.

24. Cash and cash equivalents

		Year ended 31 December 2019 $m	31 December 2018 $m
Bank deposits	– U.S. Dollar	179	361
	– other currencies	16	7
Current bank accounts	– U.S. Dollar	55	1
	– other currencies	3	10
Total		**253**	**379**

Bank deposits as at 31 December 2019 are mainly presented by the U.S. Dollar deposits, bearing an average interest rate of 1.31% per annum and KZT demand deposits bearing an interest rate of 7.52% (2018: U.S. Dollar deposits, bearing an average interest rate of 3% per annum and KZT demand deposits, bearing an interest rate of 5%).

25. Borrowings

Borrowings at amortised cost:

	Type of rate	Actual interest rate at 31 Dec 2019	Actual interest rate at 31 Dec 2018	31 December 2019 Current $m	31 December 2019 Non-current $m	31 December 2019 Total $m	31 December 2018 Current $m	31 December 2018 Non-current $m	31 December 2018 Total $m
Secured loans from third parties									
U.S. Dollar denominated	floating	3.61%	n/a	–	75	75	–	–	–
U.S. Dollar denominated	fixed	4.00%	4.00%	136	236	372	64	372	436
Total				**136**	**311**	**447**	**64**	**372**	**436**
Unsecured loans from third parties									
U.S. Dollar denominated	floating	3.48%	4.35%	26	350	376	11	940	951
U.S. Dollar denominated	fixed	4.25%	4.56%	52	849	901	34	470	504
Euro denominated	fixed	2.85%	2.85%	–	8	8	8	–	8
Total				**78**	**1,207**	**1,285**	**53**	**1,410**	**1,463**
				214	**1,518**	**1,732**	**117**	**1,782**	**1,899**

Bank loans

The Group has a number of borrowing arrangements with various lenders. These borrowings consist of unsecured and secured loans and credit facilities denominated in U.S. Dollars. Where security is provided it is in form of a pledge of revenue from certain sales agreements.

Movements in borrowings are reconciled as follows:

	Year ended 31 December 2019 $m	Year ended 31 December 2018 $m
At 1 January	**1,899**	**1,456**
Borrowings obtained	1,244	1,697
Borrowings acquired	–	26
Borrowings disposed	–	(25)
Repayments of borrowings	(1,410)	(1,254)
Net foreign exchange losses	(61)	(110)
Exchange differences on translating foreign operations	61	110
Arrangement fee amortisation	(1)	(1)
At 31 December	**1,732**	**1,899**

At 31 December 2019, the Group had undrawn borrowing facilities of $1,904 million (31 December 2018: $1,119 million), of which $1,079 million are considered committed (31 December 2018: $1,069). The Group complied with its debt covenants throughout 2019 and 2018.

The table below summarises maturities of borrowings:

	Year ended 31 December 2019 $m	Year ended 31 December 2018 $m
Year ended, 31 December 2019	–	117
31 December 2020	214	263
31 December 2021	241	500
31 December 2022	241	446
31 December 2023	257	469
31 December 2024	279	104
31 December 2025	–	–
31 December 2026	125	–
31 December 2027	125	–
31 December 2028	125	–
31 December 2029	125	–
Total	**1,732**	**1,899**

26. Environmental obligations

Environmental obligations include decommissioning and land restoration costs and are recognised on the basis of existing project business plans as follows:

	Year ended 31 December 2019 $m	Year ended 31 December 2018 $m
Opening balance	**32**	**39**
Change in estimate of environmental obligations (Note 13)	(2)	(1)
Decommissioning liabilities recognised as increase in Property plant and equipment (Note 19)	16	(1)
Rehabilitation expenses	5	1
Effect of unwinding of discount	4	3
Reclassified to discontinued operations	(1)	(1)
Acquired in business combinations (Note 4)	–	2
Disposal of subsidiary (Note 4)	–	(4)
Translation effect	3	(6)
Closing balance	**57**	**32**

The principal assumptions are related to Russian Rouble and Kazakh Tenge projected cash flows. The assumptions used for the estimation of environmental obligations were as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Discount rates	5.21%–8.1%	7.23%–10.68%
Inflation rates	2%–6%	2%–4.6%
Expected mine closure dates	1–30 years	1–34 years

The Group does not hold any assets that are legally restricted for purposes of settling environmental obligations.

The discount rates applied are based on the applicable government bond rates in Russia and Kazakhastan. The expected mine closure dates are consistent with life of mine models and applicable mining licence requirements.

27. Trade payables and accrued liabilities

	Year ended 31 December 2019 $m	Year ended 31 December 2018 $m
Trade payables	73	72
Accrued liabilities	49	39
Labour liabilities	14	12
Provision for investment in Special Economic Zone (Note 13)	12	11
Other payables	5	12
Total	**153**	**146**

In 2019 the average credit period for payables was 30 days (2018: 28 days). There was no interest charged on the outstanding payables balance during the credit period. The Group has financial risk management policies in place, which include budgeting and analysis of cash flows and payment schedules to ensure that all amounts payable are settled within the credit period.

28. Commitments and contingencies

Commitments

Capital commitments

The Group's budgeted capital expenditure commitments as at 31 December 2019 amounted to $152 million (2018: $87 million).

Social and infrastructure commitments

In accordance with a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government) the Group participates in financing of certain social and infrastructure development project of the region. During the year ended 31 December 2019 the Group paid $5 million (2018: $2 million) under this programme and the total social expense commitment as at 31 December 2019 amounts to $18 million (2018: $26 million), payable in the future periods as follows:

	31 December 2019 $m	31 December 2018 $m
Within one year	5	2
From one to five years	13	20
Thereafter	–	4
Total	**18**	**26**

Forward sale commitments

The Group has certain physical gold and silver forward sale commitments which are priced at the prevailing market price, calculated with reference to the LBMA or LME gold price, which are accounted for as executed as the Group expects to, and has historically, physically delivered into these contracts.

Contingencies

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transaction and activity of the companies of the Group may be challenged by the relevant regional and federal authorities and as a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

During 2019 and 2018 the Group has been involved in certain litigation in Russia. Management has identified a total exposure (covering taxes and related interest and penalties) of $100 million in respect of contingent liabilities (2018: $47 million), including $99 million related to income tax (2018: $46 million).

29. Fair value accounting

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2019 and 31 December 2018, the Group held the following financial instruments:

	31 December 2019			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Receivables from provisional copper, gold and silver concentrate sales	–	25	–	**25**
Chaarat shares	7	–	–	**7**
Contingent consideration liability	–	–	(66)	**(66)**
	7	**25**	**(66)**	**(34)**

	31 December 2018			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Receivables from provisional copper, gold and silver concentrate sales	–	60	–	**60**
Contingent consideration liability	–	–	(54)	**(54)**
	–	**60**	**(54)**	**6**

During the reporting periods, there were no transfers between Level 1 and Level 2.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and short-term debt recorded at amortised cost approximate to their fair values because of the short maturities of these instruments. The estimated fair value of the Group's debt, calculated using the market interest rate available to the Group as at 31 December 2019, is $1,482 million (2018: $1,660 million), and the carrying value as at 31 December 2019 is $1,732 million (2018: $1,899 million) (see Note 25).

Receivables from provisional copper, gold and silver concentrate sales

The fair value of receivables arising from copper, gold and silver concentrate sales contracts that contain provisional pricing mechanisms is determined using the appropriate quoted forward price from the exchange that is the principal active market for the particular metal. As such, these receivables are classified within Level 2 of the fair value hierarchy.

Contingent consideration liabilities

The table below sets out a summary of changes in the fair value of the Group's Level 3 financial liabilities for the year ended 31 December 2019:

	31 December 2019					31 December 2018
	Omolon $m	Kapan $m	Komar $m	Prognoz $m	Total $m	Total $m
Opening balance	11	8	21	14	54	62
Additions (Note 4)	–	–	–	–	–	14
Change in fair value, included in profit or loss	2	(2)	22	1	23	(7)
Unwinding of discount (Note 16)	1	–	–	1	2	1
Settlement though issue of shares (Note 31)	–	–	–	–	–	(10)
Cash settlement	(3)	(6)	(4)	–	(13)	(6)
Total contingent consideration	**11**	**–**	**39**	**16**	**66**	**54**
Less current portion of contingent consideration liability	(5)	–	(2)	–	(7)	(5)
Total non-current contingent consideration	**6**	**–**	**37**	**16**	**59**	**49**

29. Fair value accounting continued

Omolon

In 2008, the Group recorded a contingent consideration liability related to the acquisition of 98.1% of the shares in Omolon Gold Mining Company LLC ("Omolon"). The fair value of the contingent consideration liability was determined using a valuation model which simulates expected production of gold and silver at the Kubaka mine and future gold and silver prices to estimate future revenues of Omolon. This liability is revalued at each reporting date based on 2% of the life-of-mine revenues with the resulting gain or loss recognised in the consolidated income statement. The liability recognised as at 31 December 2019 is $11 million, including the current portion of $5 million.

Kapan

In 2016 the Group completed the acquisition of DPMK, the company owning the Kapan mine and processing plant in Armenia. The seller was entitled to receive a 2% NSR (Net Smelter Return) royalty on future production from the Kapan Gold Mine capped at $25 million. At the 31 December 2018, the fair value of the contingent consideration was estimated at $8 million, including current portion of $1 million. In January 2019, following the sale of Kapan (Note 4), the Group agreed with DPMK, to terminate the royalty owed to DPM via a buyout for a cash consideration of $6 million.

Komar

In 2016 the Group completed the acquisition of Orion Minerals LLP, the holding company for the Komarovskoye Gold Deposit ("Komar") in the Republic of Kazakhstan. The seller is entitled to the contingent consideration that was determined based on the LOM model of the Komarovskoye mine and calculated using Monte Carlo modelling (see below). At the 31 December 2019, the fair value of the contingent consideration was estimated at $39 million.

Prognoz

During year ended 31 December 2018 the Group completed the acquisition of Prognoz silver property. The consideration transferred included two separate contingent consideration liabilities. The first contingent liability represents a net smelter return ("NSR") royalty of between 2 and 4% pro-rated for the 45% holding, and dependent on the applicable statutory mineral extraction tax rate at the time when the asset enters commercial production. The royalty agreement is subject to a cap that increases progressively with the silver price. The fair value of the contingent liability is determined using a valuation model based on expected silver production and forecasted long-term flat silver prices.

The second contingent liability represents the NSR royalty in the range of 0.5% to 2.5%, pro-rated for the 50% holding and capped at $40 million. The royalty will be only payable if silver price is $19/oz or higher, with the actual royalty rate within the range determined on a progressive scale dependent on silver price. The fair value of the royalty is similarly determined using a valuation model based on the expected production of silver at the silver prices as above and is calculated using Monte Carlo modelling, which simulates expected production silver and the silver prices to estimate Prognoz future revenues.

As of 31 December 2019, the fair value of the total contingent consideration for Prognoz was estimated at $16 million.

Assumptions used in the valuation of the Omolon and Prognoz are consistent with those used in the calculation of net realisable value of metal inventories, such as long-term metal prices and discount rates. Estimated production volumes are based on life of mine plans and are approved by management as part of the long-term planning process.

Monte-Carlo assumptions

Monte-Carlo modelling contingent consideration was performed with the following inputs, where applicable:

- Gold price volatility: 16.30%
- Silver price volatility: 30.63%
- Average gold price for the last quarter prior to valuation date/ounce: $1,482
- Average silver price for the last quarter prior to valuation date/ounce: $17.32

The Directors consider that a reasonably possible change in a valuation assumption would not have a material impact on the financial statements for contingent considerations payable.

30. Risk management activities

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy is to provide value to stakeholders by maintaining an optimal short-term and long-term capital structure, reducing cost of capital, and to safeguard the ability to support the operating requirements on an ongoing basis, continuing the exploration and development activities.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 25 offset by cash and cash equivalents and bank balances as detailed in Note 24) and equity of the Group comprising the Stated Capital account, reserves and retained earnings.

The Group's committed borrowings are subject to certain financial covenants. Compliance with covenants is reviewed on a semi-annual basis and the Group's Board is satisfied with forecast compliance with covenants on those borrowings.

The Group's Board reviews the capital structure of the Group on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

Major categories of financial instruments

The Group's principal financial liabilities comprise borrowings, derivatives, trade and other payables. The Group has various financial assets such as accounts receivable, loans advanced and cash and cash equivalents.

	Year ended	
	31 December 2019 $m	31 December 2018 $m
Financial assets		
Financial assets at FVTPL		
Receivables from provisional copper, gold and silver concentrate sales (Note 23)	25	60
Chaarat shares	7	–
Loans and receivables, including cash and cash equivalents		
Cash and cash equivalents (Note 24)	253	379
Trade and other receivables (Note 23)	16	21
Non-current loans and receivables (Note 23)	10	6
Total financial assets	**311**	**466**
Financial liabilities		
Financial liabilities at FVTPL		
Contingent consideration liability (Note 29)	66	54
Financial liabilities at amortised cost		
Borrowings (Note 25)	1,732	1,899
Trade and other payables (Note 27)	89	87
Total financial liabilities	**1,887**	**2,040**

Trade and other payables exclude employee benefits and social security.

The main risks arising from the Group's financial instruments are foreign currency and commodity price risk, interest rate, credit and liquidity risks.

At the end of the reporting period, there are no significant concentrations of credit risk for receivables at FVTPL. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such receivables.

Presented below is a summary of the Group's accounts receivable with embedded derivative recorded on the consolidated balance sheet at fair value.

30. Risk management activities continued

	Consolidated balance sheet location	Year ended 31 December 2019 $m	Year ended 31 December 2018 $m
Receivable from provisional copper, gold and silver concentrate sales	Accounts receivable	25	60

	Location of gain (loss) recorded in profit or loss	Year ended 31 December 2019 $m	Year ended 31 December 2018 $m
Receivable from provisional copper, gold and silver concentrate sales	Revenue	2	5

Foreign currency and commodity price risk

In the normal course of business the Group enters into transactions for the sale of its commodities, denominated in U.S. Dollars. In addition, the Group has assets and liabilities in a number of different currencies (primarily Russian Rouble and Kazakh Tenge). As a result, the Group is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates.

The Group does not currently use derivative instruments to hedge its exposure to foreign currency risk.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities at 31 December 2019 and 31 December 2018 were as follows:

	Assets		Liabilities	
	31 December 2019 $m	31 December 2018 $m	31 December 2019 $m	31 December 2018 $m
U.S. Dollar	253	356	697	792
Euro	–	–	10	9
Total	**253**	**356**	**707**	**801**

U.S. Dollar denominated assets and liabilities disclosed above exclude balances outstanding held in Polymetal International plc and its intermediate holding companies, where the functional currency is U.S. Dollar ($) as described in Note 2.

Currency risk is monitored on a monthly basis by performing a sensitivity analysis of foreign currency positions in order to verify that potential losses are at an acceptable level.

The table below details the Group's sensitivity to changes in exchange rates by 10% which is the sensitivity rate used by the Group for internal analysis. The analysis was applied to monetary items denominated in respective currencies at the reporting dates.

	Year ended 31 December 2019 $m	Year ended 31 December 2018 $m
Profit or loss (RUB to U.S. Dollar)	(26)	(24)
Profit or loss (KZT to U.S. Dollar)	(19)	(20)

Provisionally priced sales

Under a long-established practice prevalent in the industry, copper, gold and silver concentrate sales are provisionally priced at the time of shipment. The provisional prices are finalised in a contractually specified future period (generally one to three months) primarily based on quoted LBMA or LME prices. Sales subject to final pricing are generally settled in a subsequent month.

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group does not currently hedge its exposure to interest rate risk.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section of this note.

For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would have decreased/increased by $6 million (2018: $7 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

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. The Group's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash and cash equivalents and loans and receivables.

Trade accounts receivable at 31 December 2019 and 31 December 2018 are represented by provisional copper, gold and silver concentrate sales transactions. A significant portion of the Group's trade accounts receivable is due from reputable export trading companies. With regard to other loans and receivables the procedures of accepting a new customer include checks by a security department and responsible on-site management for business reputation, licences and certification, creditworthiness and liquidity. Generally, the Group does not require any collateral to be pledged in connection with its investments in the above financial instruments. Credit limits for the Group as a whole are not set up.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The major financial assets at the balance sheet date other than trade accounts receivable presented in Note 24 are cash and cash equivalents at 31 December 2019 of $253 million (2018: $379 million).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its liabilities as they fall due.

The Group's liquidity position is carefully monitored and managed. The Group manages liquidity risk by maintaining detailed budgeting, 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.

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

30. Risk management activities continued

Presented below is the maturity profile of the Group's financial liabilities as at 31 December 2019:

	31 December 2019				
	Less than 3 months $m	3–12 months $m	1–5 years $m	More than 5 years $m	Total $m
Borrowings	68	216	1,106	639	**2,029**
Accounts payable and accrued expenses	89	1	–	–	**90**
Contingent consideration liabilities (Note 30)	4	3	45	28	**80**
Lease liabilities (Note 20)	1	4	22	20	**47**
Total	**162**	**224**	**1,173**	**687**	**2,246**

	31 December 2018				
	Less than 3 months $m	3–12 months $m	1–5 years $m	More than 5 years $m	Total $m
Borrowings	34	169	1,866	107	**2,176**
Accounts payable and accrued expenses	64	23	–	–	**87**
Contingent consideration liabilities (Note 30)	2	6	26	34	**68**
Total	**100**	**198**	**1,892**	**141**	**2,331**

31. Stated capital account and retained earnings

As at 31 December 2019, the Company's issued share capital consisted of 470,188,201 ordinary shares (2018: 469,368,309 ordinary shares) of no par value, each carrying one vote. The Company does not hold any shares in treasury (2018: none). The ordinary shares reflect 100% of the total issued share capital of the Company.

The movements in the Stated Capital account in the year were as follows:

	Stated capital account no. of shares	Stated capital account $m
Balance at 31 December 2017	**430,115,480**	**2,031**
Share issue for Prognoz	20,459,668	200
Share issue for Kyzyl deferred consideration	1,015,113	10
Share issue for Amikan	2,456,049	22
Share issue for Nezhda	13,486,579	136
Share issue for Saum	834,055	6
Issue of shares in accordance with DSA and LTIP plans	1,001,365	9
Balance at 31 December 2018	**469,368,309**	**2,414**
Issue of shares in accordance with DSA and LTIP plans	819,892	10
Balance at 31 December 2019	**470,188,201**	**2,424**

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law. The Group has unremitted accumulated retained earnings based on local accounting standards of approximately $3.4 billion (2018: $2.5 billion), which if remitted without restrictions would fund the Group's anticipated dividends for a number of years, after allowing for related tax payments. The directors believe that the Company therefore has access to cash to fund the Group's anticipated dividends for a number of years.

Weighted average number of shares: Diluted earnings per share

Both basic and diluted earnings per share were calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of outstanding common shares before/after dilution respectively. The calculation of the weighted average number of outstanding common shares after dilution is as follows:

	Year ended	
	31 December 2019	31 December 2018
Weighted average number of outstanding common shares	469,926,157	449,016,966
Dilutive effect of share appreciation plan	6,475,641	1,497,087
Weighted average number of outstanding common shares after dilution	**476,401,798**	**450,514,053**

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share during the year ended 31 December 2019 (year ended 31 December 2018: nil).

At 31 December 2019 the outstanding LTIP awards issued under all outstanding tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are in the money as of reporting date (31 December 2018: the outstanding LTIP awards issued under 2014–2016 tranches represent dilutive potential ordinary shares).

The awards issued under management bonus deferral award plan are dilutive as of 31 December 2019 and 31 December 2018 being contingently issued shares and are included in the calculation of diluted EPS based on the weighted average number of shares that would be issuable if the end of the reporting period were the end of the contingency period.

32. Share-based payments

For the year ended 31 December 2019, share-based compensation in the amount of $12 million including $2 million of management bonus deferral award (2018: $12 million and $1 million, respectively) was recognised in general, administrative and selling expenses in the consolidated income statement (Note 12). As of the reporting date the unrecognised share-based compensation expense related to non-vested equity-settled stock appreciated rights is detailed as follows:

	31 December 2019			31 December 2018	
	Number of option granted shares	Expected amortisation period years	Unrecognised share-based compensation expense $m	Expected amortisation period years	Unrecognised share-based compensation expense $m
Tranche 2015	2,636,366	–	–	0.3	1
Tranche 2016	2,039,787	0.3	1	1.3	3
Tranche 2017	2,070,002	1.3	4	2.3	8
Tranche 2018	2,549,754	2.3	6	3.3	9
Tranche 2019	2,831,753	3.3	10	n/a	n/a
			21		**21**

During the year ended 31 December 2019 total amount of 819,892 shares were released and issued in accordance with management bonus plan deferral award and the long-term incentive plan (2018: 1,001,365 shares in accordance with management bonus plan deferral award and the long-term incentive plan). The assumptions used in the calculation and fair value of one award, calculated based on those assumptions, are set in the table below:

	Tranche 2015	Tranche 2016	Tranche 2017	Tranche 2018	Tranche 2019
Risk free rate	1.17%	1.11%	1.60%	2.49%	2.32%
Expected volatility	43.70%	42.05%	41.65%	34.03%	33.87%
Constant correlation	30.86%	32.32%	34.49%	33.70%	39.54%
Expected life, years	4	4	4	4	4
Share price at the date of grant ($)	8.2	10.3	13.3	10.2	11.0
Fair value of one award ($)	3.8	4.6	6.9	4.0	4.3

Dividend yield is not incorporated into the calculation of the fair value of the awards, as Dividend equivalents will be received on vested shares, reflecting the value of dividends, which have been paid during the period from the grant date to the vesting date.

33. Related parties

Related parties are considered to include shareholders, affiliates, associates, joint ventures and entities under common ownership and control with the Group and members of key management personnel.

As of 31 December 2019 and for the year ended 31 December 2019 the Group does not have any significant balances outstanding or significant transactions with the related parties. For the year ended 31 December 2018 transactions with related parties were represented by purchases of ore from equity method investments of $22 million and sales of machinery and equipment to the joint ventures of $15 million.

As of 31 December 2019 and 31 December 2018 the share of non-controlling interest in Amikan GRK amounting to the $7 million was held by a related party (31 December 2018: $5 million).

The remuneration of directors and other members of key management personnel during the periods was as follows:

	Year ended	
	31 December 2019 $m	31 December 2018 $m
Share-based payments	3	3
Short-term benefits of board members	2	2
Short-term employee benefits	3	3
	8	**8**

34. Notes to the consolidated statement of cash flows

	Notes	**Year ended 31 December 2019 $m**	Year ended 31 December 2018 $m
Profit before tax		618	426
Adjustments for:			
Depreciation and depletion recognised in the statement of comprehensive income		243	186
Write-down of exploration assets and construction in progress	19	9	24
Write-down of metal inventories to net realisable value	22	19	21
Write-down of non-metal inventories to net realisable value	22	(1)	2
Share-based compensation	12, 32	12	12
Finance costs	16	81	71
Finance income		(7)	(8)
Rehabilitation expenses		5	1
Change in contingent consideration liability	29	23	(7)
Share of loss of associates and joint ventures		–	1
Foreign exchange gain		36	40
Revaluation of initial share on business combination		–	(41)
Loss on disposal of subsidiaries, net		16	54
Write-down of assets held for sale		28	–
Other non-cash expenses		4	3
		1,086	**785**
Movements in working capital			
Increase in inventories		(81)	(150)
Increase in VAT receivable		(45)	(19)
Increase in trade and other receivables		(54)	(24)
Increase in prepayments to suppliers		(12)	(34)
(Decrease)/Increase in trade and other payables		(16)	134
Increase in other taxes payable		–	3
Cash generated from operations		878	695
Interest paid		(81)	(74)
Interest received		6	4
Income tax paid		(107)	(112)
Net cash generated by operating activities		**696**	**513**

There were no significant non-cash transactions during the year ended 31 December 2019, other than in respect of share based payments (2018: the issuance of 38,251,464 shares for several business combinations and other transactions).

Cash outflows related to exploration amounted to $39 million for the year ended 31 December 2019 (2018: $43 million). During the year ended 31 December 2019, the capital expenditure related to the new projects, increasing the operating capacity amounts to $246 million (2018: $146 million).

35. Subsequent events

There were no subsequent events.

Alternative performance measures

Introduction

The financial performance reported by the Group contains certain Alternative Performance Measures (APMs) disclosed to complement measures that are defined or specified under International Financial Reporting Standards (IFRS). APMs should be considered in addition to, and not as a substitute for, measures of financial performance, financial position or cash flows reported in accordance with IFRS.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide the readers with valuable information and an improved understanding of the underlying performance of the business.

APMs are not uniformly defined by all companies, including those in the Group's industry. Therefore, the APMs used by the Group may not be comparable to similar measures and disclosures made by other companies.

Purpose

APMs used by the Group represent financial KPIs for clarifying the true financial performance of the Company and measuring it against strategic objectives, given the following background:

- Widely used by the investor and analyst community in mining sector and, together with IFRS measures, APMs provide a holistic view of the Company.
- Applied by investors to assess earnings quality, facilitate period-to-period trend analysis and forecasting of future earnings, understand performance through eyes of management.
- Highlight key value drivers within the business that may not be obvious in the financial statements.
- Ensure comparability of information between reporting periods and operating segments by adjusting for uncontrollable or one-off factors that impact upon IFRS measures.
- Used internally by management to assess financial performance of the Group and its operating segments.
- Used in the Group's dividend policy.
- Certain APMs are used in setting Directors' and management's remuneration.

APMs and justification for their use

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying net earnings	• Profit/(loss) for the financial period attributable to equity shareholders of the Company	• Write-down of metal inventory to net realisable value (post-tax) • Write-down of development and exploration assets (post-tax) • Foreign exchange (gain)/loss (post-tax) • Change in fair value of contingent consideration liability (post-tax) • Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures (post-tax).	• Exclude the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.
Underlying earnings per share	• No equivalent	• Underlying net earnings (as defined above) • Weighted average number of outstanding common shares.	• Exclude the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.
Underlying return on equity	• No equivalent	• Underlying net earnings (as defined above) • Average equity at the beginning and the end of reporting year, adjusted for translation reserve.	• The most important metric for evaluating a company's profitability • Measures the efficiency with which a company generates income using the funds that shareholders have invested.
Return on assets	• No equivalent	• Underlying net earnings (as defined above) before interest and tax • Average total assets at the beginning and the end of reporting year.	• A financial ratio that shows the percentage of profit a company earns in relation to its overall resources.
Adjusted EBITDA	• Profit/(loss) before income tax	• Finance cost (net) • Depreciation and depletion • Write-down of metal and non-metal inventory to net realisable value • Write-down of development and exploration assets • Share-based compensation • Bad-debt allowance • Net foreign exchange gain/losses • Change in fair value of contingent consideration liability • Rehabilitation costs • Additional mining taxes, VAT, penalties and accrued interest • Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures.	• Exclude the impact of certain non-cash elements, either recurring or non-recurring, that can mask underlying changes in core operating performance and be a proxy for operating cash flow generation.
Net debt	• Net total of current and non-current borrowings • Cash and cash equivalents	• Not applicable	• Measures the Group's net indebtedness, which provides an indicator of the overall balance sheet strength. • Used by creditors in bank covenants.
Net debt/ EBITDA ratio	• No equivalent	• Not applicable	• Used by creditors, credit rating agencies and other stakeholders.
Free cash flow	• Cash flow from operating activity less cash flow from investing activities	• Acquisition costs in business combinations and investments in associates and joint ventures • Proceeds from disposal of subsidiaries.	• Reflects cash generating from operations after meeting existing capital expenditure commitments. • Measures the success of the Company in turning profit into cash through the strong management of working capital and capital expenditure.
Free cash flow post M&A	• Cash flow from operating activity less cash flow from investing activities	• Not applicable	• Reflects cash generation to finance returns to shareholders after meeting existing capital expenditure commitments and financing growth opportunities.
Total cash costs (TCC)	• Total cash operating costs • General, administrative and selling expenses	• Depreciation expense • Rehabilitation expenses • Write-down of inventory to net realisable value • Intersegment unrealised profit elimination • Idle capacities and abnormal production costs • Excludes Corporate and Other segment and development assets.	• Calculated according to common mining industry practice using the provisions of the Gold Institute Production Cost Standard. • Gives a picture of the Company's current ability to extract its resources at a reasonable cost and generate earnings and cash flows for use in investing and other activities.
All-in sustaining cash costs (AISC)	• Total cash operating costs • General, administrative and selling expenses	• AISC is based on total cash costs, and adds items relevant to sustaining production such as other operating expenses, corporate level SG&A, and capital expenditures and exploration at existing operations (excluding growth capital). After-tax all in cash costs includes additional adjustments for net finance cost, capitalised interest and income tax expense. All-in costs includes additional adjustments on that for development capital.	• Includes the components identified in the World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a non-IFRS financial measure. • Provides investors with better visibility into the true cost of production.

Reserves and Resources

Ore Reserves as at 1 January 2020[1]

	Tonnage	Grade						Content					
	Kt	Au, g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Proved													
Standalone mines	**6,510**						**4.4**	**924**	**–**	**–**	**–**	**–**	**924**
Albazino	4,430	3.5	–	–	–	–	3.5	492	–	–	–	–	492
Mayskoye	1,220	7.1	–	–	–	–	7.1	282	–	–	–	–	282
Kyzyl project (Bakyrchik)[2]	860	5.4	–	–	–	–	5.4	150	–	–	–	–	150
Dukat hub	**6,020**						**3.7**	**113**	**50,989**	**–**	**0.5**	**0.5**	**725**
Dukat	4,680	0.5	261	–	–	–	3.6	69	39,247	–	–	–	542
Lunnoye	1,070	1.1	271	–	–	–	4.3	39	9,350	–	–	–	148
Goltsovoye	60	–	355	–	–	–	4.4	–	671	–	–	–	8
Arylakh	180	0.7	260	–	–	–	3.9	4	1,462	–	–	–	22
Perevalnoye	30	–	247	–	1.62	1.43	3.9	–	259	–	0.5	0.5	4
Varvara hub	**18,090**						**1.0**	**545**	**–**	**8.6**	**–**	**–**	**600**
Varvara[3]	13,700	0.8	–	0.46	–	–	0.9	363	–	8.6	–	–	417
Komar	4,390	1.3	–	–	–	–	1.3	183	–	–	–	–	183
Omolon hub	**4,660**						**3.0**	**436**	**1,166**	**–**	**–**	**–**	**449**
Birkachan	3,610	2.2	7	–	–	–	2.3	260	862	–	–	–	269
Olcha	240	7.2	21	–	–	–	7.4	53	152	–	–	–	54
Tsokol Kubaka	370	5.0	7	–	–	–	5.0	59	83	–	–	–	59
Yolochka[4]	440	4.6	5	–	–	–	4.7	65	68	–	–	–	66
Voro hub	**13,600**						**1.7**	**724**	**849**	**–**	**–**	**–**	**730**
Voro	8,790	1.5	3	–	–	–	1.5	429	849	–	–	–	436
Maminskoye[5]	4,810	1.9	–	–	–	–	1.9	295	–	–	–	–	295
Svetloye hub	**1,290**						**2.7**	**110**	**–**	**–**	**–**	**–**	**110**
Svetloye	1,290	2.7	–	–	–	–	2.7	110	–	–	–	–	110
Development and exploration projects	**14,080**						**3.8**	**1,626**	**7,603**	**–**	**–**	**–**	**1,706**
Nezhda[6]	11,730	3.6	20	–	–	–	3.9	1,372	7,603	–	–	–	1,452
Veduga[7]	490	2.7	–	–	–	–	2.7	42	–	–	–	–	42
Kutyn[8]	1,860	3.5	–	–	–	–	3.5	211	–	–	–	–	211
Total Proved	**64,250**						**2.5**	**4,478**	**60,607**	**8.6**	**0.5**	**0.5**	**5,243**
Probable													
Standalone mines	**58,420**						**6.0**	**11,254**	**–**	**–**	**–**	**–**	**11,254**
Albazino	11,080	4.1	–	–	–	–	4.1	1,446	–	–	–	–	1,446
Mayskoye	7,640	7.0	–	–	–	–	7.0	1,716	–	–	–	–	1,716
Kyzyl project (Bakyrchik)[2]	39,700	6.3	–	–	–	–	6.3	8,092	–	–	–	–	8,092
Dukat hub	**4,310**						**4.6**	**126**	**42,460**	**–**	**12.9**	**9.7**	**641**
Dukat	2,710	0.5	252	–	–	–	3.5	43	21,961	–	–	–	307
Lunnoye	770	1.9	227	–	–	–	4.7	47	5,591	–	–	–	115
Arylakh	130	0.8	327	–	–	–	4.9	4	1,389	–	–	–	21
Perevalnoye	580	–	258	–	2.24	1.69	4.3	–	4,764	–	12.9	9.7	79
Primorskoye[9]	120	8.3	2,227	–	–	–	30.2	33	8,754	–	–	–	119
Varvara hub	**20,600**						**1.6**	**1,033**	**–**	**9.1**	**–**	**–**	**1,090**
Varvara[3]	4,390	1.1	–	0.59	–	–	1.5	161	–	9.1	–	–	218
Komar	16,210	1.7	–	–	–	–	1.7	872	–	–	–	–	872
Omolon hub	**1,150**						**7.9**	**283**	**933**	**–**	**–**	**–**	**293**
Birkachan	700	7.4	23	–	–	–	7.6	166	518	–	–	–	171
Olcha	60	6.7	19	–	–	–	6.9	14	41	–	–	–	15
Tsokol Kubaka	90	5.9	9	–	–	–	6.0	18	28	–	–	–	18
Burgali	300	9.1	37	–	–	–	9.5	86	347	–	–	–	89
Voro hub	**10,210**						**2.4**	**688**	**1,056**	**18.9**	**18.1**	**–**	**797**
North Kaluga[10]	320	6.7	101	5.81	5.58	–	17.1	70	1,056	18.9	18.1	–	179
Maminskoye[5]	9,890	1.9	–	–	–	–	1.9	618	–	–	–	–	618
Svetloye hub	**4,320**						**2.7**	**376**	**–**	**–**	**–**	**–**	**376**
Svetloye	4,320	2.7	–	–	–	–	2.7	376	–	–	–	–	376
Development and exploration projects	**46,240**						**3.7**	**5,434**	**10,981**	**–**	**–**	**–**	**5,549**
Nezhda[6]	26,290	3.4	13	–	–	–	3.5	2,844	10,981	–	–	–	2,960
Veduga[7]	13,410	4.6	–	–	–	–	4.6	1,989	–	–	–	–	1,989
Kutyn[8]	6,540	2.9	–	–	–	–	2.9	601	–	–	–	–	601
Total Probable	**145,250**						**4.3**	**19,194**	**55,431**	**28.0**	**31.0**	**9.7**	**20,000**
Proved + Probable													
Standalone mines	**64,930**						**5.8**	**12,178**	**–**	**–**	**–**	**–**	**12,178**
Albazino	15,510	3.9	–	–	–	–	3.9	1,938	–	–	–	–	1,938
Mayskoye	8,860	7.0	–	–	–	–	7.0	1,998	–	–	–	–	1,998
Kyzyl project (Bakyrchik)[2]	40,560	6.3	–	–	–	–	6.3	8,242	–	–	–	–	8,242
Dukat hub	**10,330**						**4.1**	**239**	**93,449**	**–**	**13.4**	**10.2**	**1,366**
Dukat	7,390	0.5	258	–	–	–	3.6	112	61,209	–	–	–	849
Lunnoye	1,840	1.5	253	–	–	–	4.5	87	14,941	–	–	–	264
Goltsovoye	60	–	355	–	–	–	4.4	–	671	–	–	–	8
Arylakh	310	0.7	289	–	–	–	4.4	7	2,852	–	–	–	43
Perevalnoye	610	–	257		2.21	1.68	4.2	–	5,023	–	13.4	10.2	83
Primorskoye[9]	120	8.3	2,227	–	–	–	30.2	33	8,754	–	–	–	119
Varvara hub	**38,690**						**1.4**	**1,578**	**–**	**17.7**	**–**	**–**	**1,690**
Varvara[3]	18,090	0.9	–	0.52	–	–	1.1	523	–	17.7	–	–	635
Komar	20,600	1.6	–	–	–	–	1.6	1,055	–	–	–	–	1,055
Omolon hub	**5,810**						**4.0**	**720**	**2,100**	**–**	**–**	**–**	**741**
Birkachan	4,310	3.1	10	–	–	–	3.2	426	1,380	–	–	–	440
Olcha	300	7.1	20	–	–	–	7.3	67	193	–	–	–	69
Tsokol Kubaka	460	5.1	7	–	–	–	5.2	76	111	–	–	–	77
Burgali	300	9.1	37	–	–	–	9.5	86	347	–	–	–	89
Yolochka[4]	440	4.6	5	–	–	–	4.7	65	68	–	–	–	66
Voro hub	**23,810**						**2.0**	**1,412**	**1,904**	**18.9**	**18.1**	**–**	**1,527**
Voro	8,790	1.5	3	–	–	–	1.5	429	849	–	–	–	436
North Kaluga[10]	320	6.7	101	5.81	5.58	–	17.1	70	1,056	18.9	18.1		179
Maminskoye[5]	14,700	1.9	–	–	–	–	1.9	913	–	–	–	–	913

Reserves and Resources continued

Ore Reserves as at 1 January 2020[1] continued

	Tonnage	Grade						Content					
	Kt	Au, g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Svetloye hub	**5,610**	**2.7**					**2.7**	**486**	**–**	**–**	**–**	**–**	**486**
Svetloye	5,610	2.7	–	–	–	–	2.7	486		–	–	–	486
Development and exploration projects	**60,320**						**3.7**	**7,059**	**18,585**	**–**	**–**	**–**	**7,255**
Nezhda[6]	38,020	3.4	15	–	–	–	3.6	4,216	18,585	–	–	–	4,412
Veduga[7]	13,900	4.5	–	–	–	–	4.5	2,032	–	–	–	–	2,032
Kutyn[8]	8,400	3.0	–	–	–	–	3.0	812	–	–	–	–	812
Total Proved + Probable	**209,500**						**3.7**	**23,672**	**116,038**	**36.6**	**31.6**	**10.2**	**25,243**

1 Ore Reserves are reported in accordance with the JORC Code (2012). Any discrepancies in calculations are due to rounding.
2 Previous estimate prepared by Polymetal as at 01.07.2019. Price: Au = $1,200/oz. Revised estimate prepared by Polymetal as at 01.01.2020 (accounts only for depletion).
3 Cu grade in Ore Reserves only represents average grade in flotation feed. Ore Reserves for flotation: 1.9 Mt Proved and 1.6 Mt Probable.
4 Stockpiled Ore Reserves. Price: Au = $1,400/oz and Ag = $17/oz.
5 Estimate prepared by Polymetal as at 01.01.2014. Price: Au = $1,300/oz. Revised estimate was not performed due to lack of material changes.
6 Estimate prepared by CSA as at 01.04.2018. Price: Au = $1,200/oz and Ag = $16/oz. Revised estimate was not performed due to lack of material changes.
7 Previous estimate prepared by Polymetal as at 01.03.2019. Revised estimate was prepared by Polymetal as at 01.01.2020 (accounts only for depletion). Ore Reserves are presented in accordance with the Company's ownership equal to 74.3%.
8 Estimate prepared by Polymetal as at 01.10.2019. Price: Au = $1,300/oz. Revised estimate as at 01.01.2020 was not performed due to lack of material changes.
9 Initial estimate prepared by Polymetal as at 01.01.2020. Price: Au = $1,400/oz, Ag = $16/oz.
10 Initial estimate prepared by Polymetal as at 01.07.2014. Price: Au = $1,300/oz, Ag = $20/oz, Cu = $7,000/t and Zn = $1,700/t. Revised estimate was not performed due to lack of material changes.

Mineral Resources as at 1 January 2020[1]

	Tonnage	Grade						Content					
	Kt	Au, g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Measured													
Standalone mines	**4,620**						**5.3**	**792**	**–**	**–**	**–**	**–**	**792**
Albazino	3,440	2.7	–	–	–	–	2.7	296	–	–	–	–	296
Mayskoye[2]	1,180	13.0	–	–	–	–	13.0	496	–	–	–	–	496
Dukat hub	**1,360**						**7.1**	**53**	**21,149**	**–**	**–**	**–**	**309**
Dukat	670	0.9	443	–	–	–	6.2	19	9,505	–	–	–	133
Lunnoye	530	1.8	422	–	–	–	6.9	31	7,126	–	–	–	116
Goltsovoye	80	–	1,018	–	–	–	12.7	–	2,625	–	–		33
Arylakh	80	1.4	717	–	–	–	10.4	4	1,893	–	–	–	27
Varvara hub	**6,660**						**1.5**	**172**	**–**	**22.4**	**–**	**–**	**314**
Varvara[3]	6,520	0.8	–	0.39	–	–	1.5	163	–	22.4	–	–	305
Komar	140	2.0	–	–	–	–	2.0	9	–	–	–	–	9
Omolon hub	**680**						**3.5**	**75**	**183**	**–**	**–**	**–**	**77**
Birkachan	410	1.4	5	–	–	–	1.5	19	71	–	–	–	19
Olcha	160	4.9	15	–	–	–	5.0	25	77	–	–	–	25
Tsokol Kubaka	110	9.6	10	–	–	–	9.7	31	34	–	–	–	32
Voro hub	**1,230**						**1.6**	**65**	**45**	**–**	**–**	**–**	**65**
Voro	250	2.6	6	–	–	–	2.6	20	45	–	–	–	21
Maminskoye[4]	980	1.4	–	–	–	–	1.4	44	–	–	–	–	44
Svetloye hub	**740**						**1.0**	**23**	**–**	**–**	**–**	**–**	**23**
Svetloye	740	1.0	–	–	–	–	1.0	23	–	–	–	–	23
Development and exploration projects	**1,160**						**3.1**	**115**	**61**	**–**	**–**	**–**	**115**
Nezhda[5]	220	4.0	9	–	–	–	4.1	28	61	–	–	–	29
Veduga[6]	380	0.7	–	–	–	–	0.7	9	–	–	–	–	9
Kutyn[7]	560	4.3	–	–	–	–	4.3	77	–	–	–	–	77
Total Measured	**16,450**						**3.2**	**1,295**	**21,438**	**22.4**	**–**	**–**	**1,696**

Reserves and Resources continued

Mineral Resources as at 1 January 2020[1] continued

	Tonnage	Grade						Content					
	Kt	Au, g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Indicated													
Standalone mines	**8,400**						**5.4**	**1,466**	**–**	**–**	**–**	**–**	**1,466**
Albazino	3,910	4.6	–	–	–	–	4.6	581	–	–	–	–	581
Mayskoye[2]	1,190	10.0	–	–	–	–	10.0	382	–	–	–	–	382
Kyzyl (Bakyrchik, Bolshevik)[8]	3,300	4.7	–	–	–	–	4.7	503	–	–	–	–	503
Dukat hub	**780**						**6.9**	**27**	**11,850**	**–**	**1.9**	**1.4**	**172**
Dukat	430	0.9	457	–	–	–	6.4	13	6,372	–	–	–	90
Lunnoye	140	2.3	270	–	–	–	5.6	10	1,200	–	–	–	25
Goltsovoye	90	–	796	–	–		9.9	–	2,331	–	–	–	29
Arylakh	50	1.2	519	–	–	–	7.7	2	820	–	–	–	12
Perevalnoye	50	–	446	–	3.98	2.94	7.4	–	682	–	1.9	1.4	11
Primorskoye[9]	20	3.8	879	–	–	–	10.0	2	445	–	–	–	5
Varvara hub	**13,090**						**1.9**	**759**	**–**	**5.2**	**–**	**–**	**792**
Varvara[3]	2,960	1.4	–	0.49	–	–	1.7	130	–	5.2	–	–	163
Komar	5,770	2.0	–	–	–	–	2.0	372	–	–	–	–	372
Elevator[10]	4,360	1.8	–	–	–	–	1.8	257	–	–	–	–	257
Omolon hub	**560**						**17.1**	**226**	**7,255**	**–**	**–**	**–**	**308**
Birkachan	160	14.7	23	–	–	–	14.9	74	113	–	–	–	75
Olcha	50	9.2	28	–	–	–	9.5	15	45	–	–	–	15
Tsokol Kubaka	10	6.1	11	–	–	–	6.2	2	4	–	–	–	2
Burgali	50	8.4	19	–	–	–	8.6	14	32	–	–	–	15
Nevenrekan	290	13.2	770	–	–	–	21.9	121	7,061	–	–	–	201
Voro hub	**6,150**						**5.5**	**775**	**2,523**	**26.8**	**42.6**	**–**	**1,082**
Voro	50	2.7	4	–	–	–	2.7	5	6	–	–	–	5
Tamunier[11]	2,190	3.4	10	–	–	–	3.5	242	690	–	–	–	245
Maminskoye[4]	1,150	1.5	–	–	–	–	1.5	55	–	–	–	–	55
Saum[12]	1,260	2.4	45	2.14	3.39	–	9.9	96	1,827	26.8	42.6	–	399
Pescherny[13]	1,500	7.8	–	–	–	–	7.8	378	–	–	–	–	378
Svetloye hub	**4,450**						**3.4**	**492**	**–**	**–**	**–**	**–**	**492**
Svetloye	2,270	2.8	–	–	–	–	2.8	201	–	–	–	–	201
Levoberezhny[14]	2,180	4.1	–	–	–	–	4.1	291	–	–	–	–	291
Development and exploration projects	**11,360**						**7.7**	**727**	**146,134**	**–**	**–**	**119.8**	**2,823**
Nezhda[5]	2,770	3.7	16	–	–	–	3.9	331	1,423	–	–	–	346
Kutyn[7]	3,020	4.1	–	–	–	–	4.1	396	–	–	–	–	396
Prognoz[15]	5,570	–	808	–	–	2.15	11.6	–	144,710	–	–	119.8	2,081
Total Indicated	**44,790**						**5.0**	**4,472**	**167,762**	**32.0**	**44.5**	**121.2**	**7,134**

	Tonnage	Grade						Content					
	Kt	Au, g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Measured + Indicated													
Standalone mines	**13,020**						**5.4**	**2,258**	**–**	**–**	**–**	**–**	**2,258**
Albazino	7,350	3.7	–	–	–	–	3.7	877	–	–	–	–	877
Mayskoye[2]	2,370	11.5	–	–	–	–	11.5	879	–	–	–	–	879
Kyzyl (Bakyrchik, Bolshevik)[8]	3,300	4.7	–	–	–	–	4.7	503	–	–	–	–	503
Dukat hub	**2,140**						**7.0**	**80**	**32,999**	**–**	**1.9**	**1.4**	**481**
Dukat	1,100	0.9	448	–	–	–	6.3	32	15,876	–	–	–	223
Lunnoye	670	1.9	391	–	–	–	6.6	41	8,326	–	–	–	141
Goltsovoye	170	–	900	–	–	–	11.2	–	4,956	–	–	–	62
Arylakh	130	1.3	643	–	–	–	9.4	6	2,713	–	–	–	40
Perevalnoye	50	–	446	–	3.98	2.94	7.4	–	682	–	1.9	1.4	11
Primorskoye[9]	20	3.8	879	–	–	–	10.0	2	445	–	–	–	5
Varvara hub	**19,750**						**1.7**	**932**	**–**	**27.6**	**–**	**–**	**1,106**
Varvara[3]	9,480	1.0	–	0.40	–	–	1.5	293	–	27.6	–	–	467
Komar	5,910	2.0	–	–	–	–	2.0	381	–	–	–	–	381
Elevator[10]	4,360	1.8	–	–	–	–	1.8	257	–	–	–	–	257
Omolon hub	**1,240**						**9.6**	**301**	**7,438**	**–**	**–**	**–**	**384**
Birkachan	570	5.1	10	–	–	–	5.2	92	185	–	–	–	94
Olcha	210	5.9	18	–	–	–	6.1	40	122	–	–	–	41
Tsokol Kubaka	120	9.2	10	–	–	–	9.3	34	38	–	–	–	34
Burgali	50	8.4	19	–	–	–	8.6	14	32	–	–	–	15
Nevenrekan	290	13.2	770	–	–	–	21.9	121	7,061	–	–	–	201
Voro hub	**7,380**						**4.8**	**840**	**2,569**	**26.8**	**42.6**	**–**	**1,147**
Voro	300	2.6	5	–	–	–	2.6	25	52	–	–	–	25
Tamunier[11]	2,190	3.4	10	–	–	–	3.5	242	690	–	–	–	245
Maminskoye[4]	2,130	1.4	–	–	–	–	1.4	99	–	–	–	–	99
Saum[12]	1,260	2.4	45	2.14	3.39	–	9.9	96	1,827	26.8	42.6	–	399
Pescherny[13]	1,500	7.8	–	–	–	–	7.8	378	–	–	–	–	378
Svetloye hub	**5,190**						**3.1**	**515**	**–**	**–**	**–**	**–**	**515**
Svetloye	3,010	2.3	–	–	–	–	2.3	224	–	–	–	–	224
Levoberezhny[14]	2,180	4.1	–	–	–	–	4.1	291	–	–	–	–	291
Development and exploration projects	**12,520**						**7.3**	**842**	**146,195**	**–**	**–**	**119.8**	**2,938**
Nezhda[5]	2,990	3.7	15	–	–	–	3.9	359	1,484	–	–	–	375
Veduga[6]	380	0.7	–	–	–	–	0.7	9	–	–	–	–	9
Kutyn[7]	3,580	4.1	–	–	–	–	4.1	473	–	–	–	–	473
Prognoz[5]	5,570	–	808	–	–	2.15	11.6	–	144,710	–	–	119.8	2,081
Total Measured + Indicated	**61,240**						**4.5**	**5,768**	**189,200**	**54.5**	**44.5**	**121.2**	**8,830**

Reserves and Resources continued

Mineral Resources as at 1 January 2020[1] continued

	Tonnage	Grade						Content					
	Kt	Au, g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Inferred													
Standalone mines	**26,570**						**6.8**	**5,772**	**–**	**–**	**–**	**–**	**5,772**
Albazino	4,710	6.1	–	–	–	–	6.1	922	–	–	–	–	922
Mayskoye[2]	5,180	11.3	–	–	–	–	11.3	1,884	–	–	–	–	1,884
Kyzyl (Bakyrchik, Bolshevik)[8]	16,680	5.5	–	–	–	–	5.5	2,967	–	–	–	–	2,967
Dukat hub	**2,640**						**7.0**	**68**	**41,662**	**–**	**14.7**	**14.2**	**595**
Dukat	1,520	0.8	487	–	–	–	6.7	39	23,762	–	–	–	326
Lunnoye	320	1.8	409	–	–	–	6.8	18	4,064	–	–	–	68
Goltsovoye	120	–	703	–	–	–	8.8	–	2,689	–	–	–	34
Arylakh	180	0.3	473	–	–	–	6.2	2	2,703	–	–	–	36
Perevalnoye	460	–	418	–	3.17	3.07	6.8	–	6,225	–	14.7	14.2	102
Primorskoye[9]	40	7.0	1,713	–	–	–	24.3	9	2,221	–	–	–	31
Varvara hub	**5,770**						**1.9**	**342**	**–**	**2.8**	**–**	**–**	**359**
Varvara[3]	1,560	1.7	–	0.61	–	–	2.0	86	–	2.8	–	–	103
Komar	1,450	2.4	–	–	–	–	2.4	111	–	–	–	–	111
Elevator[10]	2,760	1.6	–	–	–	–	1.6	145	–	–	–	–	145
Omolon hub	**340**						**13.3**	**132**	**1,199**	**–**	**–**	**–**	**145**
Olcha	60	10.3	41	–	–	–	10.7	19	75	–	–	–	20
Tsokol Kubaka	30	9.2	15	–	–	–	9.3	10	16	–	–	–	10
Burgali	150	15.5	23	–	–	–	15.8	74	110	–	–	–	75
Nevenrekan	100	8.9	299	–	–	–	12.3	30	998	–	–	–	41
Voro hub	**1,030**						**5.4**	**177**	**88**	**–**	**–**	**–**	**178**
Tamunier[11]	480	3.2	4	–	–	–	3.3	50	69	–	–	–	50
Saum[12]	10	1.9	45	–	–	–	2.3	1	20	–	–	–	1
Pescherny[13]	540	7.3	–	–	–	–	7.3	127	–	–	–	–	127
Svetloye hub	**330**						**2.1**	**22**	**–**	**–**	**–**	**–**	**22**
Svetloye	290	2.0	–	–	–	–	2.0	19	–	–	–	–	19
Levoberezhny[14]	40	2.3	–	–	–	–	2.3	3	–	–	–	–	3
Development and exploration projects	**54,980**						**5.4**	**8,003**	**105,502**	**–**	**–**	**77.9**	**9,474**
Nezhda[5]	46,440	5.1	9	–	–	–	5.2	7,552	13,679	–	–	–	7,696
Veduga[6]	980	4.4	–	–	–	–	4.4	139	–	–	–	–	139
Kutyn[7]	3,060	3.2	–	–	–	–	3.2	312	–	–	–	–	312
Prognoz[15]	4,500	–	635	–	–	1.73	9.2	–	91,822	–	–	77.9	1,327
Total Inferred	**91,660**						**5.6**	**14,517**	**148,451**	**2.8**	**14.7**	**92.2**	**16,546**

1 Mineral Resources are reported in accordance with the JORC Code (2012) and are additional to Ore Reserves. Lichkvaz, Oroch, Sopka Kvartsevaya, Dalneye and Irbychan as of 01.01.2020 are classified as discontinued operations and excluded from the estimate. Any discrepancies in calculations are due to rounding.
2 Previous estimate prepared by Polymetal as at 01.01.2019. Revised estimate prepared by Polymetal as at 01.01.2020 (accounts only for depletion).
3 Cu grade estimate is presented for rock and powder ore with high Cu grade only (total Mineral Resources of rock and powder ore with high Cu grade are 5.1 and 5.9 Mt of ore respectively).
4 Estimate prepared by Polymetal as at 01.01.2014. Price: Au = $1,300/oz. Revised estimate was not performed due to lack of material changes.
5 Estimate prepared by CSA as at 01.04.2018. Price: Au= $1,200/oz, Ag = $16/oz. Revised estimate was not performed due to lack of material changes.
6 Previous estimate prepared by Polymetal as at 01.03.2019. Revised estimate prepared by Polymetal as at 01.01.2020 (accounts only for depletion). Mineral Resources are presented in accordance with Company's ownership equal to 74.3%.
7 Previous estimate prepared by Polymetal as at 01.10.2019. Price: Au = $1,300/oz. Revised estimate was not performed due to lack of material changes.
8 Previous estimate of Zone 1 was prepared by Polymetal as at 01.07.2019. Revised estimate prepared by Polymetal as at 01.01.2020 (accounts only for depletion). Previous estimate of Zone 2 (East Bakyrchik) prepared by RPA Inc. as at 01.01.2015. Estimate of Bolshevik section was prepared by Polymetal as at 01.01.2019, revised estimate was not performed due to lack of material changes.
9 Revised estimate prepared by Polymetal as at 01.01.2020. Price: Au= $1,400/oz, Ag = $16/oz.
10 Initial estimate prepared by Polymetal as at 01.01.2020.
11 Estimate prepared by Polymetal as at 01.01.2018. Price: Au = $1,200/oz, Ag = $16/oz. Revised estimate was not performed due to lack of material changes.
12 Initial estimate prepared by Polymetal as at 01.01.2017. Au = $1,200/oz, Ag = $16/oz, Cu = $4,500/t and Zn = $1,900/t. Revised estimate was not performed due to lack of material changes.
13 Estimate prepared by Polymetal as at 01.01.2019. Revised estimate was not performed due to lack of material changes.
14 Estimate prepared by Polymetal as at 01.01.2019. Revised estimate was not performed due to lack of material changes.
15 Estimate prepared by SRK Consulting (Russia) Limited as at 01.08.2018. Price: Ag = $16/oz, Pb = $2,200/t. Revised estimate was not performed due to lack of material changes. Recalculation into gold equivalent was made by Polymetal based on Au= $1,200/oz, Ag = $15/oz.

	Tonnage	Grade						Content					
	Kt	Au, g/t	Ag g/t	Cu %	Zn %	Pb %	GE g/t	Au Koz	Ag Koz	Cu Kt	Zn Kt	Pb Kt	GE Koz
Measured + Indicated + Inferred													
Standalone mines	**39,590**						**6.3**	**8,030**	**–**	**–**	**–**	**–**	**8,030**
Albazino	12,060	4.6	–	–	–	–	4.6	1,798	–	–	–	–	1,798
Mayskoye[2]	7,550	11.4	–	–	–	–	11.4	2,763	–	–	–	–	2,763
Kyzyl (Bakyrchik, Bolshevik)[8]	19,980	5.4	–	–	–	–	5.4	3,470	–	–	–	–	3,470
Dukat hub	**4,780**						**7.0**	**149**	**74,661**	**–**	**16.6**	**15.6**	**1,077**
Dukat	2,620	0.8	471	–	–	–	6.5	71	39,638	–	–	–	548
Lunnoye	990	1.9	396	–	–	–	6.7	59	12,390	–	–	–	208
Goltsovoye	290	–	819	–	–	–	10.2	–	7,645	–	–	–	96
Arylakh	310	0.8	545	–	–	–	7.6	8	5,415	–	–	–	75
Perevalnoye	510	–	420	–	3.25	3.06	6.9	–	6,907	–	16.6	15.6	113
Primorskoye[9]	60	6.1	1,478	–	–	–	20.3	11	2,666	–	–	–	37
Varvara hub	**25,520**						**1.8**	**1,274**	**–**	**30.4**	**–**	**–**	**1,465**
Varvara[3]	11,040	1.1	–	0.42	–	–	1.6	379	–	30.4	–	–	570
Komar	7,360	2.1	–	–	–	–	2.1	493	–	–	–	–	493
Elevator[10]	7,120	1.8	–	–	–	–	1.8	402	–	–	–	–	402
Omolon hub	**1,580**						**10.4**	**433**	**8,637**	**–**	**–**	**–**	**529**
Birkachan	570	5.1	10	–	–	–	5.2	92	185	–	–	–	94
Olcha	270	6.9	23	–	–	–	7.1	58	197	–	–	–	60
Tsokol Kubaka	150	9.2	11	–	–	–	9.3	43	54	–	–	–	44
Burgali	200	13.7	22	–	–	–	13.9	88	142	–	–	–	89
Nevenrekan	390	12.1	644	–	–	–	19.3	151	8,059	–	–	–	242
Voro hub	**8,410**						**4.9**	**1,017**	**2,657**	**26.8**	**42.6**	**–**	**1,325**
Voro	300	2.6	5	–	–	–	2.6	25	52	–	–	–	25
Tamunier[11]	2,670	3.4	9	–	–	–	3.4	292	759	–	–	–	296
Maminskoye[4]	2,130	1.4	–	–	–	–	1.4	99	–	–	–	–	99
Saum[12]	1,270	2.4	45	2.11	3.36	–	9.8	97	1,846	26.8	42.6	–	400
Pescherny[13]	2,040	7.7	–	–	–	–	7.7	505	–	–	–	–	505
Svetloye hub	**5,520**						**3.0**	**537**	**–**	**–**	**–**	**–**	**537**
Svetloye	3,300	2.3	–	–	–	–	2.3	243	–	–	–	–	243
Levoberezhny[14]	2,220	4.1	–	–	–	–	4.1	294	–	–	–	–	294
Development and exploration projects	**67,500**						**5.7**	**8,845**	**251,697**	**–**	**–**	**197.8**	**12,412**
Nezhda[5]	49,430	5.0	10	–	–	–	5.1	7,911	15,164	–	–	–	8,071
Veduga[6]	1,360	3.4	–	–	–	–	3.4	149	–	–	–	–	149
Kutyn[7]	6,640	3.7	–	–	–	–	3.7	785	–	–	–	–	785
Prognoz[15]	10,070	–	731	–	–	1.96	10.5	–	236,533	–	–	197.8	3,408
Total Measured + Indicated + Inferred	**152,900**						**5.2**	**20,285**	**337,651**	**57.2**	**59.2**	**213.4**	**25,376**

See notes on previous page.

Reserves and Resources continued

PGM Mineral Resources as at 1 January 2020[1]

	Tonnage	Grade					Content				
	Mt	Pd, g/t	Pt, g/t	Au, g/t	Cu, %	PdE[2], g/t	Pd, Moz	Pt, Moz	Au, Moz	Cu, Kt	PdE, Moz
Measured											
Viksha project	6.9	0.8	0.3	0.1	0.09	1.1	0.2	0.1	0.03	6.5	0.2
Total Measured	**6.9**	**0.8**	**0.3**	**0.1**	**0.09**	**1.1**	**0.2**	**0.1**	**0.03**	**6.5**	**0.2**
Indicated											
Viksha project	100.5	0.7	0.3	0.1	0.10	1.1	2.4	0.8	0.5	96.2	3.5
Total Indicated	**100.5**	**0.7**	**0.3**	**0.1**	**0.10**	**1.1**	**2.4**	**0.8**	**0.5**	**96.2**	**3.5**
Measured + Indicated											
Viksha project	107.4	0.7	0.3	0.1	0.10	1.1	2.6	0.9	0.5	102.7	3.7
Total Measured + Indicated	**107.4**	**0.7**	**0.3**	**0.1**	**0.10**	**1.1**	**2.6**	**0.9**	**0.5**	**102.7**	**3.7**
Inferred											
Viksha project	57.4	0.7	0.3	0.1	0.10	1.1	1.4	0.5	0.3	58.4	2.0
Total Inferred	**57.4**	**0.7**	**0.3**	**0.1**	**0.10**	**1.1**	**1.4**	**0.5**	**0.3**	**58.4**	**2.0**
Measured + Indicated + Inferred											
Viksha project	164.8	0.7	0.3	0.1	0.10	1.1	3.9	1.4	0.8	161.0	5.7
Total Measured + Indicated + Inferred	**164.8**	**0.7**	**0.3**	**0.1**	**0.10**	**1.1**	**3.9**	**1.4**	**0.8**	**161.0**	**5.7**

1 Mineral Resources are reported in accordance with the JORC Code (2012). Estimate prepared by Polymetal as at 05.09.2019. Price for Pd = $1,500/oz, Pt = $800/oz, Au = $1,200/oz and Cu = $6,000/t. Revised estimate was not performed due to lack of material changes. Discrepancies in calculations are due to rounding.
2 PdE is calculated using the following formula: PdE = Pd (g/t) + Pt (g/t)/2.35 + Au (g/t)/1.46 + Cu (%)/0.76.

This estimate was prepared by employees of JSC Polymetal Management Company and JSC Polymetal Engineering, led by Mr Valery Tsyplakov, who assumes overall responsibility for the Mineral Resources and Ore Reserves Report.

Mr Tsyplakov is employed full-time as the Managing Director of JSC Polymetal Engineering and has more than 19 years' experience in gold, silver and polymetallic mining. He is a Fellow of the Institute of Materials, Minerals & Mining (FIMMM – Fellow of Institute of Materials, Minerals & Mining, London), London, and a Competent Person under the JORC Code.
Listed below are other Competent Persons employed by the Company that are responsible for relevant research on which the Mineral Resources and Ore Reserves estimate is based:

- Geology and Mineral Resources – Roman Govorukha, Head of Geologic Modelling and Monitoring Department, JSC Polymetal Management Company, MIMMM, with 19 years' relevant experience
- Mining and Ore Reserves – Igor Epshteyn, Head of Mining Process Department, JSC Polymetal Engineering, FIMMM, with 38 years' relevant experience
- Concentration and Metals – Igor Agapov, Deputy Director of Science and Technology, JSC Polymetal Engineering, MIMMM, with 22 years' relevant experience.

All the above mentioned Competent Persons have sufficient experience that is relevant to the style of mineralisation and types of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code).

All Competent Persons have given their consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Metals prices used in estimating Mineral Resources and Ore Reserves are listed below (unless otherwise indicated in the footnotes):

Au = $1,200/oz;
Ag = $15.0/oz;
Cu = $5,500/t;
Zn = $2,200/t.
Pb = $2,000/t

Gold equivalent data is based on "Metal equivalent conversion ratios" provided below.

Reporting of Metal Equivalents

Gold equivalent conversion ratio

GE=Me/k
Where Me is the evaluated metal content (silver g/t, copper%, zinc %, lead %)

Where k is the metal to gold equivalent conversion rate that is calculated considering the difference in metals value issuing the following formula:

for silver: k= ((Au price/31.1035 - (Au price /31.1035 – Treatment charge Au)*(Royalty Au)/100 – (Treatment charge Au))*(Recovery Au)/((Ag price/31.1035 – (Ag price/31.1035 – Treatment charge Ag)*(Royalty Ag)/100 – (Treatment charge Ag))*(Recovery Ag))),

for copper or zinc or lead: k = 100*((Au price/31.1035) – (Au price/31.1035 – Treatment charge Au)*(Royalty Au)/100 – (Treatment change Au))*(Recovery Au))/(((Me price) – (Me price - Treatment charge Me)*(Royalty Me)/100 – (Treatment charge Me))*Recovery Me))),

where Royalty is the mineral extraction tax at applicable rate, recovery – the life-of-mine expected recovery of the respective metal in the processing technology applied.

Metal equivalent conversion ratios

		k				
Deposit	**Ore processing technology**	**Ag**	**Cu**	**Zn**	**Pt**	**Pb**
Dukat	Conventional flotation	83				
Lunnoye (Ore Zone 5)	Cyanidation + Merrill Crowe process	94				
Lunnoye (Ore Zones 6,7,9)	Cyanidation + Merrill Crowe process	82				
Arylakh	Cyanidation + Merrill Crowe process	80				
Goltsovoye	Conventional flotation	80				
Perevalnoye	Conventional flotation	80		3.01		5.73
Primorskoye	Concentrate sales	91				
	Cyanidation + Merrill Crowe process (run-of-mine ore)	141				
Varvara	Primary ore with high copper content: Conventional flotation		0.51			
Birkachan	Cyanidation + carbon-in-pulp	101				
	Heap leaching + carbon-in-column	80				
Olcha	Cyanidation + Merrill Crowe process	100				
Tsokol Kubaka	Cyanidation + carbon-in-pulp	100				
Burgali	Cyanidation + Merrill Crowe process	105				
Irbychan	Cyanidation + Merrill Crowe process	89				
Yolochka	Cyanidation + carbon-in-pulp	89				
Nevenrekan	Cyanidation + Merrill Crowe process	89				
Voro North	Cyanidation + carbon-in-pulp	132				
Voro West (oxide ore)	Heap leaching + Merrill Crowe process	155				
	Cyanidation + carbon-in-pulp	138				
North Kaluga	Conventional flotation	91	0.68	7.76		
Tamunier	Conventional flotation	199				
Saum	Oxide ore: Cyanidation + carbon-in-pulp	111				
	Cu-Zn primary ore: Conventional flotation	113	0.54	1.91		
	Cu-Zn loose ore: Conventional flotation	63	0.38	1.38		
	Zn – Conventional flotation	168		0.62		
Prognoz	Conventional flotation (open-pit)	75				3.32
	Conventional flotation (underground)	75				1.91

Group production statistics

Consolidated highlights

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Waste mined, Kt	65,345	82,133	114,008	126,696	**158,560**
Underground development, m	73,079	92,161	115,352	130,000	**105,819**
Ore mined, Kt	12,679	13,380	12,589	13,979	**17,224**
Open-pit	9,626	9,506	8,241	9,319	**13,022**
Underground	3,053	3,874	4,347	4,660	**4,202**
Ore processed, Kt	10,821	11,417	13,037	15,162	**15,024**
Gold grade processed (incl. by-product copper and zinc), g/t	2.8	2.9	3.0	3.2	**3.3**
Silver grade processed, g/t	108	92	74	60	**52**
GE grade processed, g/t	4.2	4.0	3.9	3.9	**4.0**
TOTAL PRODUCTION					
Gold, Koz	861	890	1,075	1,216	**1,316**
Silver, Moz	32.1	29.2	26.8	25.3	**21.6**
Copper, t	827	1,454	2,715	3,875	**2,452**
Zinc, t	–	2,888	4,794	5,381	**1,042**
Gold equivalent, Koz based on 80:1 Ag/Au ratio	**1,267**	**1,269**	**1,433**	**1,562**	**1,614**
Gold equivalent production by mine, GE Koz					
Kyzyl	–	–	–	96	**343**
Dukat	393	369	322	306	**302**
Albazino-Amursk	220	244	269	308	**241**
Omolon	188	170	202	195	**205**
Mayskoye	138	116	124	117	**129**
Varvara	72	85	130	142	**149**
Voro	141	129	120	107	**107**
Svetloye	–	23	106	136	**134**
Okhotsk	114	108	111	104	**–**
Kapan	–	26	50	51	**5**
Total	**1,266**	**1,269**	**1,433**	**1,562**	**1,614**

Financial highlights

		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue, $m		1,441	1,583	1,815	1,882	**2,246**
Adjusted EBITDA, $m		658	759	745	780	**1,075**
Adjusted EBITDA margin, %		46%	48%	41%	41%	**48%**
Average realised gold price, $/oz	1	1,127	1,216	1,247	1,253	**1,411**
Average LBMA closing gold price, $/oz	1	1,160	1,250	1,258	1,269	**1,393**
Average realised silver price, $/oz		14.7	16.3	16.1	14.8	**16.5**
Average LBMA closing silver price, $/oz		15.7	17.1	17.0	15.7	**16.2**
Total cash cost, $/GE oz		538	570	658	649	**655**
All-in sustaining costs, $/GE oz		733	776	893	861	**866**
Net earnings/ (loss), $m		221	395	354	355	**483**
Underlying net earnings, $m	2	291	382	376	447	**586**
Underlying EPS, $/share		0.70	0.90	0.88	1.00	**1.25**
Dividends declared during the period, $/share	3	0.51	0.37	0.32	0.47	**0.51**
Dividend declared for the period, $/share	4	0.51	0.42	0.44	0.48	**0.82**
Operating cash flow, $m		491	530	533	513	**696**
Capital expenditures, $m		205	271	383	344	**436**
Free cash flow (pre M&A), $m	5	263	257	143	176	**256**
Free cash flow (post M&A), $m	6	191	129	56	134	**299**
ROIC		23%	18%	15%	17%	**19%**

1 Excluding effect of treatment charges deductions from revenue.
2 Refer to the Alternative Performance Measures section for definition and details.
3 Based on declaration date.
4 Dividend declared for the FY include interim, final and special dividend paid for the financial year.
5 Free cash flow (pre M&A) is defined as net cash flow from operating activities (including interest received) less cash flows used in investing activities excluding acquisitions of JVs and associates, cash outflow on business combination and put option exercise expenses.
6 Free cash flow (post M&A) is defined as free cash flow including cash used in/received from acquisition/disposal of assets and joint ventures.

Source:
Consolidated audited IFRS financial statements for the years ended 31 December 2019, 2018, 2017, 2016, 2015.

Glossary

Abbreviations and units of measurement

AGM	Annual General Meeting
CIS	Commonwealth of Independent States
E&E	Exploration and evaluation assets
EITI	Extractive Industries Transparency Initiative
GE	gold equivalent
ILO	International Labour Organisation
ISO	International Organisation for Standardisation
IMN	Indigenous Minorities of the North
JORC	Australasian Joint Ore Reserves Committee
JSC	joint stock company
LBMA	London Bullion Market Association
LTIP	Long-Term Incentive Programme
N/A	not applicable
NM	not meaningful
OHSAS	Occupational Health And Safety Assessment Series
PdE	palladium equivalent
PGM	platinum group metal
POX	pressure oxidation
SE	silver equivalent
UDHR	Universal Declaration of Human Rights
g/t	gram per tonne
GJ	gigajoules
km	kilometres
Koz	thousand ounces
Kt	thousand tonnes
Ktpa	thousand tonnes per annum
m	metres
Moz	million ounces
Mt	million tonnes
Mtpa	million tonnes per annum
MWh	megawatt hour
Oz or oz	troy ounce (31.1035 g)
pp	percentage points
t	tonne (1,000 kg)
TJ	terajoule
tpd	tonnes per day

Technical terms

Assay
A chemical test performed on a sample of any material to determine the amount of valuable metals contained in the sample

Ag
Silver

Au
Gold

Carbon-in-leach or CIL
A technological operation in which slurry containing gold and silver is leached by cyanide in the presence of activated carbon. Gold is absorbed onto activated carbon in parallel with leaching

Carbon-in-pulp or CIP
A technological operation in which slurry containing gold and silver is leached by cyanide initially without and subsequently in the presence of activated carbon. Gold absorption onto carbon starts only after preliminary leaching

Compound annual growth rate (CAGR)
The rate of return required for an investment to grow from its opening balance to its ending balance, assuming the reinvestment of profits at the end of each year during this period

Concentrate
A semi-finished product of mineral processing (flotation or gravity separation) containing significantly more value per unit of weight than ore and subject to further processing for the production of metals or other substances in final useful form

Cu
Copper

Cut-off grade
The minimum grade at which mineralised material can be economically mined and processed (used in the calculation of ore reserves)leaching with cyanide as the leaching agent

Debottlenecking
The process of identifying specific areas and/or equipment at our mining facilities that limit production flow and optimising them to increase the overall capacity

Diamond drilling
Recovers mineral samples from depth or from within areas that are harder to drill by cutting a long cylindrical core 2cm or more in diameter

Dilution
The share (percentage) of material below the cut-off grade that is extracted together and irretrievably mixed with ore during mining. All other things being equal, higher dilution leads to lower grade in ore mined

Doré
One of the traditional end-products of a gold/silver mine; an alloy containing 90% in sum of gold and silver as well as 10% of impurities

Dry tailings
A method of tailings storage in a form of a filtered wet (saturated) and dry (unsaturated) cake that can no longer be transported by pipeline due to its low moisture content. Significantly reduces the possibility of dam failure, lowers the potential damage from such accident and eliminates tailings run-off

Exploration
Activity ultimately aimed at discovery of ore reserves for exploitation. Consists of sample collection and analysis, including reconnaissance, geophysical and geochemical surveys, trenching, drilling, etc

Flotation
A technological operation in which ore-bearing minerals are separated from gangue minerals in the slurry based on variance in the interaction of different minerals with water. Particles of valuable concentrate are carried upwards with froth and collected for further processing

Grade
The relative amount of metal in ore, expressed as grams per tonne for precious metals and as a percentage for most other metals

Head grade
The grade of ore coming into a processing plant

Heap leach
A technological operation in which crushed material is laid on a sloping, impervious pad where it is leached by cyanide solution to dissolve gold and/or silver. Metals are subsequently recovered from pregnant leach solution by CIC or the Merrill-Crowe process

Indicated resource
That part of a resource for which tonnage, grade and content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed

Inferred resource
That part of a resource for which tonnage, grade and content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability

In-fill drilling
A conventional method of detailed exploration on an already defined resource or reserve, consisting of drilling on a denser grid to allow more precise estimation of ore body parameters and location

Internal rate of return (IRR)
The interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero and is used to evaluate the attractiveness of a project or investment

JORC-compliant
Exploration results, mineral resources and ore reserves are all reported according to the mining industry's JORC Code, managed by the Australasian Joint Ore Reserves Committee

Leaching
The process of dissolving mineral values from solid into liquid phase of slurry

Life-of-mine (LOM)
The length of time during which it is anticipated ore reserves will be extracted

Measured resource
That part of a resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity

Glossary continued

Merrill-Crowe process
A technological operation for extraction of gold and/or silver after cyanide leaching. In the first step slurry containing gold and/or silver is separated into liquid and solid phases by washing the solids off in countercurrent decantation thickeners. In the second step pregnant leach solution (liquid phase of slurry) is filtered to remove impurities and deaerated. Finally, gold and silver are deposited onto the solid bed of claylike material where they replace zinc particles which pass into a solution. Merrill-Crowe is preferentially used for silver-rich ores

Mill
A mineral processing plant

Mineralisation
A rock containing valuable components, not necessarily in the quantities sufficient for economically justifiable extraction. Consists of ore minerals and gangue

Offtake agreement
A contract between Polymetal and a purchaser to buy a specified amount of future production

Open-pittable
Amenable for economically feasible mining by open-pit methods

Open-pit mine
A mine that is entirely on the surface. Also referred to as open-cut or open-cast mine

Ore
The part of mineralisation that can be mined and processed profitably

Ore body
A spatially compact and geometrically connected location of ore

Ore mined
Ore extracted from the ground for further processing

Ore processed
Ore subjected to treatment in a mineral processing plant

Ore stacked
The ore stacked for heap leach operations

Overburden
This is the material that sits above an ore body, such as the rock and soil, during exploration

Oxidised ore
Ore in which both ore minerals and gangue are fully or partially oxidised thus impacting its physical and chemical properties and influencing the choice of a processing technology

Pd
Palladium

POX or pressure oxidation
A technological operation in which slurry is subjected to high pressure and high temperature in an autoclave with the goal to destroy sulphide particles enveloping gold particles and make slurry amenable to cyanide leaching

Precipitate
The semi-finished product of mineral processing by Merrill-Crowe process, normally containing very high concentrations of silver and/or gold

Preg-robbing
A characteristic of gold-bearing ore denoting the presence of organic carbon matter which may lead to lower recovery in conventional cyanide leaching. Lower recovery is due to losses of gold absorbed into the above-mentioned organic carbon instead of absorbing into man-made carbon introduced to the slurry in CIP or CIL.

Primary ore
Unoxidised ore

Probable reserves
The economically mineable part of an indicated (and in some cases measured) resource, which has a lower level of confidence than proved reserves but is of sufficient quality to serve as the basis for a decision on the development of the deposit

Production
The amount of pure precious metals, measured in thousands of ounces for gold, millions of ounces for silver and tonnes for copper, produced following processing

Proved reserves
The economically mineable part of a measured resource, which represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that proved reserves are not achievable in some deposits

Pt
Platinum

Reclamation
The restoration of a site after mining or exploration activity is completed

Recovery or recovery rate
The percentage of valuable metal in the ore that is recovered by metallurgical treatment in the final or semi-finished product

Refractory
A characteristic of gold-bearing ore denoting impossibility of recovering gold from it by conventional cyanide leaching

Reserves
The economically mineable part of a measured and/or indicated mineral resource. It takes into account mining dilution and losses. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Reserves are subdivided in order of increasing confidence into probable reserves and proved reserves

Resources
A concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of resources are known, estimated or interpreted from specific geological evidence and knowledge. Resources are sub-divided in order of increasing geological confidence, into inferred, indicated and measured categories

SAG mill
A semi-autogenous grinding mill, generally used as a primary or first stage grinding solution

Step-out exploration drilling
Holes drilled to intersect a mineralisation horizon or structure along strike or down dip

Stope
A large underground excavation entirely within an ore body, a unit of ore extraction

Stripping
The mining of waste in an open-pit mine

Tailings
Part of the original feed of a mineral processing plant that is considered devoid of value after processing

Underground development
Excavation which is carried out to access ore and prepare it for extraction (mining)

Waste
Barren rock that must be mined and removed to access ore in a mine

Shareholder information

As at 3 March 2020, the Company's issued share capital consisted of 470,230,200 ordinary shares of no par value. The Company does not hold any ordinary shares in treasury. The ordinary shares reflect 100% of the total issued share capital of the Company.

Substantial shareholdings as at 3 March 2020

In accordance with the FCA's Disclosure and Transparency Rules (DTR 5), as at 3 March 2020 the Company received notification of the following material interests in voting rights over the Company's issued ordinary share capital (including qualifying financial instruments):

Full name of shareholder	Details of person subject to the notification obligation	Total number of voting rights	% of voting rights
ICT Holding Ltd and Powerboom Investments Limited	Alexander Nesis	128,802,676	27.39%
Fodina B.V.	Petr Kellner	30,583,504	6.50%
Public Joint-Stock Company 'Bank Otkritie Financial Corporation'	Public Joint-Stock Company 'Bank Otkritie Financial Corporation'	32,525,673	6.92%
Alexander Mosionzhik	Alexander Mosionzhik	15,000,000	3.19%

Registrar

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