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Polymetal International plc

Half-year report for the six month ended 30 June 2022

"Polymetal continued to maintain operational stability in 1H 2022 despite operating in a persistently challenging external environment. Significant disruption in traditional supply chains and sales channels constrained cash flow generation and led to an increase in net debt. The management team continues to focus on ensuring long-term business viability and value creation", said Vitaly Nesis, Group CEO, commenting on the results.

FINANCIAL HIGHLIGHTS

- In 1H 2022, revenue decreased by 18%, totalling US$ 1,048 million (1H 2021: US$ 1,274 million), of which US$ 443 million (42%) was generated from operations in Kazakhstan and US$ 605 million (58%) from operations in the Russian Federation. Average realised gold and silver prices tracked market dynamics: gold price increased by 4% while silver price decreased by 14%. Gold equivalent ("GE") production was 697 Koz, a 7% decrease year-on-year. Gold sales decreased by 23% year-on-year to 456 Koz, while silver sales increased by 9% to 8.7 Moz. Gold sales lagged production due to the bullion inventory accumulated across the Group's mines located in the Russian Federation. This gap between sales and production is expected to start closing during Q3 as the Company ramps up export sales to various Asian markets.
- Group Total Cash Costs ("TCC")[1] for 1H 2022 were US$ 853/GE oz, at the lower end of the Group's full-year guidance of US$ 850-950/GE oz, while being up 20% year-on-year, predominantly due to the sharp increase in domestic inflation and escalation of logistical costs, combined with the planned grades decline in ore processed at Albazino and Kyzyl. Cost performance was significantly affected by the Rouble/USD exchange rate fluctuations, with average rate of 76.2 RUB/USD versus the current level of 60 RUB/USD. Exchange rate dynamics will drive cost performance for H2 2022, as inflationary pressures in the Russian Federation cool down.
- All-in Sustaining Cash Costs ("AISC")[1] amounted to US$ 1,371/GE oz, up 34% year-on-year, 6% above the upper end of the full-year guidance range of US$ 1,200-1,300/GE. The increase above TCC dynamics reflected the Group's need to shift to suboptimal equipment supply sources, coupled with inflationary pressures and accelerated procurement of equipment and critical spare parts. Year-on-year dynamic was also impacted by capitalised stripping at the newly launched Nezhda mine, as well as accelerated stripping at Omolon (Burgali deposit) and Albazino (Kutyn development).
- Adjusted EBITDA[1] was US$ 426 million, a decrease of 35%, against a backdrop of higher costs and lower sales volumes. Of this, US$ 270 million (63%) was earned from operations in Kazakhstan and US$ 156 million (37%) earned from operations in the Russian Federation.The Adjusted EBITDA margin decreased by 11 percentage points to 41% (1H 2021: 52%).
- Underlying net earnings[2] were US$ 203 million (1H 2021: US$ 422 million). As a result of lower EBITDA and non-cash impairment charges (the post-tax amount of US$ 564 million), the Group recorded a net loss for the period of US$ 321 million in 1H 2022, compared to a US$ 419 million profit in 1H 2021.
- Capital expenditure was US$ 373 million[3], marginally lower compared with US$ 375 million in 1H 2021 but above original expectations, reflecting accelerated purchases and contractor advances for ongoing projects (most notably, POX-2), combined with inflationary and logistical pressures on the sustaining capex (US$ 178 million in 1H 2022 compared with US$ 127 million in 1H 2021). This was partially offset by the shrinking investment scope, suspension of Pacific POX project and revision of execution timeline for Veduga. The Company currently expects its FY2022 capex to be in the range of US$ 725-775 million.
- Net operating cash outflow was US$ 405 million (1H 2021: US$ 358 inflow), on the back of working capital build-up of US$ 624 million. This includes positive cash flow of US$ 140 million from operations in

[1] The financial performance reported by the Group contains certain Alternative Performance Measures (APMs) disclosed to compliment 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 below.
[2] Adjusted for the after-tax amount of impairment charges, write-downs of metal inventory, foreign exchange gain and other change in fair value of contingent consideration.
[3] On a cash basis, representing cash outflow on purchases of property, plant and equipment in the consolidated statement of cash flows.

Kazakhstan and negative cash flow of US$ 545 million from operations in the Russian Federation. The Group reported negative free cash flow[1] of US$ 630 million (1H 2021: US$ 27 million).

- Net debt[1] increased to US$ 2,800 million during the period (31 December 2021: US$ 1,647 million), representing 2.27x of the LTM Adjusted EBITDA (1H 2021: 1.05x). The increase in net debt was driven by unsold metal inventory accumulation, accelerated purchases of equipment and spares, funding of the critically important contractors and suppliers, and upward US$ re-valuation of Rouble-denominated debt.
- Polymetal continues to target its original 2022 production guidance of 1.7 Moz of gold equivalent. The key risk to production guidance is represented by COVID-related lockdowns and logistical constraints in China. On the back of the significant change in exchange rate assumptions (from 70 RUB/USD to 60 RUB/USD for the rest of the year), the Company updates its FY 2022 cost guidance range to US$ 900-1,000/GE oz and US$ 1,300-1,400/GE oz for TCC and AISC, respectively.

DIVIDENDS AND PROPOSED EXCHANGE OFFER

The Board has carefully evaluated the liquidity and solvency of the business in light of multiple external uncertainties. Taking into account significant decline in operating cash flows, challenges in establishing new sales channels and the short-term liquidity headwinds, the Board decided to permanently cancel full-year 2021 dividend. Given the continuing impact of these external uncertainties, the Board does not propose any interim 2022 dividends to allow the Group to strengthen its cash position and enhance its resilience in a highly volatile environment.

Payment of dividends in the future will also depend on the ability to unblock shares which are currently held through the National Settlement Depositary (NSD), which the Company estimates to be, in aggregate, approximately 22% of the Company's issued share capital. Until a solution is found, the Board is not minded to propose any corporate action or dividend in which such a sizeable proportion of the Company's shareholder base cannot participate.

Polymetal has today announced its intention to conduct an exchange offer. The exchange offer invites shareholders whose rights have been affected by the sanctions imposed on NSD, subject to fulfilling eligibility criteria, to tender such shares for exchange, in consideration for the issuance of a certificated share, on a one-for-one basis.

The exchange offer is subject to shareholder approval at a General Meeting which will be held at 10am (BST) on Wednesday 12 October 2022 at etc.venues Fenchurch Street, 8 Fenchurch Place, London.

Further details of the exchange offer can be found in the Company's announcement in connection with the exchange offer, as well as the shareholder circular and notice of General Meeting, which has been published today.

UPDATE ON THE POTENTIAL MODIFICATION OF ASSET HOLDING STRUCTURE

As previously announced, the Company has been considering a potential modification of its asset holding structure which would ensure distinct ownership in the various jurisdictions in which the Company operates.

On 19 July 2022, the Company announced that it was evaluating the potential disposal of the Company's assets located in the Russian Federation (the Potential Transaction), with the primary objective of restoring shareholder value by seeking to allow the market to appropriately value the Company's Kazakhstani assets and de-risk its ongoing operations.

On 5 August 2022, a Decree of the President of the Russian Federation #520 (the Decree) was issued. The Decree imposes a prohibition, unless explicit presidential authorisation is obtained, on the sale of certain Russian assets, including all gold mining companies, if such assets are owned or controlled by residents of countries which the Russian Federation considers "unfriendly". The jurisdiction of Jersey, where Polymetal International plc is incorporated, is currently included in the list of jurisdictions deemed to be "unfriendly" by the Russian Federation.

The Company has taken steps to analyse the impact, including any legal implications, that the Decree may have on the Company's ability to proceed with the Potential Transaction. Following initial discussions with its legal advisers, management believes that the Decree has added significant restrictions on its ability to execute such a transaction.

The Company continues to evaluate all available options to modify its asset holding structure in order to maximise shareholder value. Potential transaction structure include, among others, a potential re-domiciliation of the parent company, Polymetal International plc, to a “friendly” jurisdiction, a move which could unblock the ability to execute further corporate actions. No decision has been made in relation to the various options available to the Company.

The Company confirms that any actions will be compliant with all applicable international sanctions, counter-sanctions and regulatory requirements.

A further announcement will be made as appropriate.

FINANCIAL HIGHLIGHTS[1]	1H 2022	1H 2021	% change
Revenue, US$m	1,048	1,274	-18%
Total cash cost[2], US$ /GE oz	853	712	+20%
All-in sustaining cash cost[2], US$ /GE oz	1,371	1,019	+34%
Adjusted EBITDA[2], US$m	426	660	-35%
Average realised gold price[3], US$ /oz	1,864	1,793	+4%
Average realised silver price[3], US$ /oz	22.9	26.5	-14%
Net (loss)/earnings, US$m	(321)	419	n/a
Underlying net earnings[2], US$m	203	422	-52%
Return on Assets[2], %	7%	24%	-17%
Return on Equity (underlying)[2], %	10%	24%	-14%
Basic (loss)/earnings per share, US$	(0.68)	0.89	NM
Underlying EPS[2], US$	0.43	0.89	-52%
Dividend declared during the period[4], US$ /share	-	0.89	-100%
Dividend proposed for the period[5], US$ /share	-	0.45	-100%
Net debt[2], US$m	2,800	1,647[6]	+70%
Net debt/Adjusted EBITDA	2,27[7]	1,13[6]	+102%
Net operating cash flow, US$m	(405)	358	n/a
Capital expenditure, US$m	373	375	-1%
Free cash flow[2], US$m	(630)	(27)	n/a
Free cash flow post-M&A[2], US$m	(658)	(29)	n/a

[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 due to the same reason. This note applies to all tables in this release.
[2] Defined in the "Alternative performance measures" section below.
[3] In accordance with IFRS, revenue is presented net of treatment charges which are subtracted in calculating the amount to be invoiced. Average realised prices are calculated as revenue divided by gold and silver volumes sold, excluding effect of treatment charges deductions from revenue.
[4] 1H 2021: Final dividend for FY 2020 paid in May 2021.
[5] 1H 2021: Interim dividend for FY2021.
[6] As at 31 December 2021.
[7] On a last twelve months basis. Adjusted EBITDA for 2H 2021 was US$ 805 million.

OPERATING HIGHLIGHTS

- No fatal accidents occurred among Group workforce and contractors during the first half of the year (consistent with 1H 2021). Lost time injury frequency rate (LTIFR) for 1H 2022 decreased by 53% year-on-year (y-o-y) to 0.08 (0.17 in H1 2021).
- The Group's 1H 2022 gold equivalent ("GE") production decreased by 7% year-on-year to 697 Koz. Lower grades and planned long maintenance shutdown at the Amursk POX reduced output from Kyzyl and Albazino, more than offsetting fresh contribution from Nezhda. Stronger production forecast in the 2H 2022 will be driven by seasonal concentrate de-stockpiling at Mayskoye, as well as release of accumulated metal inventory at Omolon, Dukat and Svetloye. The Group remains on track to meet its FY2022 production guidance of 1.7 Moz of gold equivalent.
- At POX-2, installation of concentrates pulp blending vessels, intensive cyanidation reactor and slurry cooling section was complete. Thickener installation continues. The plant start-up is expected Q2 2024 according to the revised schedule.

	1H 2022	1H 2021	% change
Waste mined, Mt	110.0	98.0	+12%
Underground development, km	48.9	46.3	+6%
Ore mined, Mt	9.4	7.5	+26%
Open-pit	7.4	5.6	+33%
Underground	2.0	1.9	+5%
Ore processed, Mt	8.4	7.6	+11%
Average grade processed, GE g/t	3.4	3.8	-11%
Production			
Gold, Koz	587	635	-8%
Silver, Moz	8.8	9.4	-6%
Gold equivalent, Koz[1]	697	753	-7%
Sales			
Gold, Koz	456	595	-23%
Silver, Moz	8.7	8.0	+9%
Gold equivalent, Koz[2]	573	721	-21%
Health and safety			
LTIFR[3]	0.08	0.17	-53%
Fatalities	-	-	n/a

[1] Based on 80:1 Au/Ag conversion ratio and excluding base metals. Comparative data for 2021 restated accordingly (120:1 Au/Ag conversion ratio was used previously).
[2] Based on actual realised prices.
[3] LTIFR = lost time injury frequency rate per 200,000 hours worked.

CONFERENCE CALL AND WEBCAST

The Company will hold a conference call and webcast on Thursday, 22 September 2022 at 12:00 London time (14:00 Moscow time).

To participate in the call, please dial:

From the UK:

+44 330 165 4012 (local access)
0800 279 6877 (toll free)

From the US:

+1 929 477 0324 (local access)
0800 458 4121 (toll free)

If you wish to join the call **from Russia** please use the webcast link below.

To participate in the call from other countries please choose one of the local lines above.

Conference code: 2499630

To participate in the webcast follow the link: https://www.webcast-eqs.com/polymetal2022092212.

Please be prepared to introduce yourself to the moderator or register.

A recording of the call will be available at +44 (0)330 165 3993 (from the UK), +1 719 457 0820 (from the USA), access code 2499630, from 15:00 London time Thursday, 22 September, till 15:00 London time Thursday, 29 September 2022. Webcast replay will be available on Polymetal's website (www.polymetalinternational.com) and at https://www.webcast-eqs.com/polymetal2022092212.

Enquiries

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Precious metals

In 1H 2022, the global macroeconomic backdrop presented both opportunities and challenges for gold. In 1Q 2022, the gold price rallied as investors sought high-quality, liquid safe heaven assets amidst increased geopolitical uncertainty. As a result, gold peaked in March at $2,039/oz. In 2Q 2022, gold gave back some of those early gains, pressured by rising interest rates and the strengthening of the US dollar, as investors shifted their focus to monetary policy and higher yields. Finally, as at 30 June 2022, the LBMA gold price was trading at US$ 1,817/oz, almost flat year-to-date. The average LBMA gold price for the period was US$ 1,875/oz, up 4% year-on-year.

Gold demand for 1H 2022 was up by 12% year-on-year to 2,189[1] tonnes. The positive dynamics stemmed from exchange traded funds (ETFs') strong net inflows of 234[1] tonnes, compared with 127 tonnes of outflows in 1H 2021. The strict zero-COVID policy in China and lockdowns imposed in several key cities and regions had a downward impact on total bar and coin investment and jewellery demand. Jewellery demand dropped to 928[1] tonnes (-2% year-on-year). Bar and coin consumption also saw a drop of 12% to 526[1] tonnes. Central banks continued to buy gold throughout 1H 2022 and added 270[1] tonnes to reserves (Turkey, Egypt and Iraq were the largest buyers in the period). Technology demand was fractionally lower at 159[1] tonnes on weaker demand for consumer electronics. Total 1H 2022 gold supply increased by 5% to 2,357[1] tonnes due to an absence of COVID-related lockdowns at operating mines and was boosted by continued recovery in China following safety stoppages in 2021.

Silver price dynamics generally followed gold, peaking in March at US$ 26.2/oz followed by gradual decline in 2Q 2022. The silver price dropped from US$ 23.1/oz as at 1 January 2022 to US$ 20.4/oz as at 30 June 2022. The average LBMA price decreased by 12% from US$ 26.4/oz for 1H 2021 to US$ 23.3/oz for 1H 2022. The average gold/silver price ratio increased from 1/68 in 1H 2021 to 1/80 in 1H 2022.

Foreign exchange

The Group's revenues are denominated in US Dollars, while about third of its borrowings and the majority of the Group's operating costs are denominated in local currencies (Russian Rouble and Kazakh Tenge). As a result, changes in exchange rates affected our financial results and performance.

In 1H 2022, the Russian Rouble experienced significant volatility. In March, when the geopolitical situation escalated, the Rouble sharply depreciated to 116 RUB/USD, while the average exchange rate in 1Q 2022 was at 86 RUR/USD. In 2Q 2022, the Rouble was strengthening supported by capital controls and mandatory conversion of foreign currency by export-focused companies. Also, there has been weak demand for dollars and euros amid waning imports and restrictions on cross-border transactions while export flows remained strong driven by high fossil fuel prices. As a result, Rouble appreciated by 29% year-to-date to 51.2 RUB/USD as at 30 June 2022 (74.3 RUB/USD as at 31 December 2021), negatively affecting the USD value of Rouble-denominated debt: net debt as of 30 June 2022 at the closing rate was US$ 2.8 bn, while assuming at the current spot rate of 60 RUB/USD it would decrease to US$ 2.6 bn. The average exchange rate in 2Q 2022 was at 67 RUR/USD, also negatively impacting Rouble-denominated costs. However, comparing average semi-annual exchange rates the Russian Rouble recorded a 3% year-on-year depreciation from an average of 74.3 RUB/USD in 1H 2021 to 76.2 RUB/USD in 1H 2022.

In Kazakhstan, the annual inflation rate increased to 14.5 percent in June, the highest inflation rate since September 2016. The Kazakh Tenge depreciated by 9% to 465 KZT/USD, with an average of 449.6 KZT/USD (424 KZT/USD in 1H 2021) and generally decoupled from traditional pattern of following the Rouble.

[1] Gold Demand Trends Q2 2022 published by World Gold Council.

REVENUE

SALES VOLUMES	1H 2022	1H 2021	% change
Gold, Koz	456	595	-23%
Silver , Moz	8.7	8.0	+9%
Gold equivalent sold[1], Koz	573	721	-21%

Sales by metal *(US$m unless otherwise stated)*		1H 2022	1H 2021	% change	Volume variance, *US$m*	Price variance, *US$m*
Gold		841	1,057	-20%	(247)	30
Average realised price[2]	*US$ /oz*	1,864	1,793	+4%		
Average LBMA price	*US$ /oz*	1,875	1,805	+4%		
Share of revenues	*%*	80%	83%			
Silver		191	205	-7%	19	(33)
Average realised price	*US$ /oz*	22.9	26.5	-14%		
Average LBMA price	*US$ /oz*	23.3	26.4	-12%		
Share of revenues	*%*	18%	16%			
Other metals		16	12	+33%		
Share of revenues	*%*	2%	1%			
Total revenue		**1,048**	**1,274**	**-18%**	**(264)**	**38**

In 1H 2022, revenue was 18% lower year-on-year at US$ 1,048 million. The negative dynamics was the result of lower sales volumes on the back of inventory accumulation. Gold sales decreased by 23% year-on-year driven by the following:

- Temporary delays in bullion sales out of Russian sites due to shift from Russian to Asian counterparties resulted in a significant accumulated bullion inventory. Bullion sales were resumed in late June, and the accumulated inventory is expected to be released in 3Q 2022. Now all of the bullion is exported to various Asian markets.
- Continued significant COVID-related restrictions and transportation-related challenges in China slowed down shipments of gold concentrates from Nezhda and Kyzyl, which is also expected to improve in 2H 2022.

Silver sales increased by 9% on the back of large historical sales/production gap in 1H 2021.

The Group's average realised price for gold was US$ 1,864/oz in 1H 2022, up 4% from US$ 1,793/oz in 1H 2021, and in line with the average market price of US$ 1,875/oz. The Group has not suffered any additional discounts on its sales prices due to the ongoing change in the geography of bullion sales. The Group's average realised silver price was US$ 22.9/oz, lower 14% year-on-year and 2% below market price of US$ 23.3/oz.

The share of gold sales as a percentage of total revenue decreased from 83% in 1H 2021 to 80% in 1H 2022.

[1] Based on actual realised prices.
[2] Excluding effect of treatment charges deductions from revenue.

Analysis by segment/operation		Revenue, *US$m*			Gold equivalent sold, Koz *(silver equivalent for Dukat, Moz)*		
SEGMENT	OPERATION	1H 2022	1H 2021	% change	1H 2022	1H 2021	% change
	Kazakhstan	**443**	**479**	**-8%**	**242**	**274**	**-12%**
Kazakhstan	Kyzyl	250	278	-10%	138	161	-15%
	Varvara	193	201	-4%	104	113	-8%
	Russia	**605**	**795**	**-24%**	**331**	**447**	**-26%**
	Magadan	**299**	**424**	**-30%**	**163**	**240**	**-32%**
	Dukat	232	241	-4%	10.5	9.3	+12%
Magadan	Omolon	62	162	-62%	32	90	-64%
	Mayskoye	4	21	-79%	2	12	-81%
	Khabarovsk	**198**	**299**	**-34%**	**107**	**167**	**-36%**
Khabarovsk	Albazino/Amursk	172	206	-17%	93	115	-19%
	Svetloye	26	93	-72%	15	52	-72%
Yakutia	**Nezhda**	34	-	n/a	19	-	n/a
Urals	**Voro**	75	72	+4%	41	40	+4%
	Total revenue	**1,048**	**1,274**	**-18%**	**573**	**721**	**-20%**

The decrease in sales volumes during the period had a negative impact on revenues at all operating mines, except Voro. At Dukat, lower silver prices offset higher sales.

At Mayskoye, there was no meaningful gold production and sales in 1H 2022. With the summer navigation period starting in July, the bulk of gold production at Mayskoye will be recorded in the second half of the year once the stockpiled concentrate is shipped to off-takers.

COST OF SALES

(US$m)	1H 2022	1H 2021	% change
Cash operating costs	**656**	**559**	**+17%**
On-mine costs	317	249	+27%
Smelting costs	233	173	+35%
Purchase of ore and concentrates from third parties	40	63	-37%
Mining tax	66	74	-11%
Costs of production	**794**	**660**	**+20%**
Depreciation and depletion of operating assets	134	100	+34%
Rehabilitation expenses	4	1	+300%
Total change in metal inventories	**(277)**	**(110)**	**+151%**
Increase in metal inventories	(296)	(116)	+155%
Write-down of metal inventories to net realisable value	20	5	+300%
(Reversal)/Write-down of non-metal inventories to net realisable value	(1)	1	n/a
Idle capacities and abnormal production costs	3	1	+200%
Total cost of sales	**520**	**551**	**-6%**

CASH OPERATING COST STRUCTURE	1H 2022, US$m	1H 2022, % of total	1H 2021, US$m	1H 2021, % of total
Services	237	36%	197	35%
Consumables and spare parts	183	28%	127	23%
Labour	127	19%	96	17%
Mining tax	66	10%	74	13%
Purchase of ore and concentrates from third parties	40	6%	63	11%
Other expenses	3	0%	2	0%
Total cash operating cost	**656**	**100%**	**559**	**100%**

The total cost of sales decreased by 6% in 1H 2022 to US$ 520 million, reflecting lower sales volumes partially offset by domestic inflation (more than doubled from 6% to 16% year-on-year) and sharp Rouble appreciation in 2Q 2022.

The cost of services was up 20% year-on-year, caused mostly by higher volume of transportation and drilling and blasting services at Nezhda, Kutyn development, as well as inflation in the sector.

The cost of consumables and spare parts was up 44% compared to 1H 2021, impacted by suboptimal changes in procurement to maintain the critically important consumables and spares levels, significant inflationary pressure, combined with a stronger Rouble in 2Q 2022.

The cost of labour within cash operating costs was up 32% year-on-year, driven by a 9% increase in average headcount combined with annual salary increases (tracking domestic CPI inflation).

The decrease in purchases of third-party ore and concentrates by 37% was mostly driven by a shift to processing Saum and Peschernoye ore at Voro hub comparing to the treatment of third-party material in 1H 2021.

Mining tax decreased by 11% year-on-year to US$ 66 million mainly impacted by a production decrease.

Depreciation and depletion was US$ 134 million, up 34% year-on-year. US$ 54 million of depreciation cost is included within the increase in metal inventories (1H 2021: US$ 11 million).

In 1H 2022, a net metal inventory increase of US$ 296 million (1H 2021: US$ 116 million) was recorded. The increase was mainly represented by traditional seasonal concentrate build-up at Mayskoye ahead of the navigation period, as well as gold and silver concentrate at Nezhda and Dukat and gold bullion accumulated across other Group's Russian mines. The Company expects the bulk of this increase to be reversed by the end of 2022.

The Group recognised a US$ 20 million write-down (1H 2021: US$ 5 million) to the net realisable value of heap leach work-in-progress at Omolon, low-grade ore and concentrate at Nezhda, and low-grade ore at Albazino (see Note 15 of the condensed financial statements).

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US$m)	1H 2022	1H 2021	% change
Labour	123	87	+41%
Share based compensation	8	9	-11%
Services	4	4	-
Depreciation	4	4	-
Other	11	10	+10%
Total general, administrative and selling expenses	**150**	**114**	**+32%**

General, administrative and selling expenses ("SGA") increased by 32% year-on-year from US$ 114 million in 1H 2021 to US$ 150 million in 1H 2022, mainly driven by the intense competition for qualified administrative personnel, as well as increased headcount due to the Nezhda, Kutyn, Voro flotation, Primorskoye and POX-2 development projects and regular salary reviews.

OTHER OPERATING EXPENSES

(US$m)	1H 2022	1H 2021	% change
Exploration expenses	29	21	+38%
Social payments	17	14	+21%
Provision for investment in Special economic zone	7	9	-22%
Taxes, other than income tax	7	4	+75%
Change in estimate of environmental obligations	2	-	n/a
Additional tax charges/fines/penalties	3	(1)	-400%
Other expenses	4	11	-64%
Total other operating expenses	**69**	**58**	**+19%**

Other operating expenses increased to US$ 69 million in 1H 2022 compared to US$ 58 million in 1H 2021 mainly due to exploration costs growth.

TOTAL CASH COSTS

In 1H 2022, total cash costs per gold equivalent ounce sold ("TCC") were US$ 853/GE oz, up 20% year-on-year. Accelerated domestic inflation (16% in 1H 2022 compared to 6% in 1H 2021), combined with lower sales volumes and planned grade decline at Kyzyl, Albazino and Svetloye, had an overall negative impact on cost levels.

The table below summarises major factors that have affected the Group's TCC and AISC dynamics year-on-year:

RECONCILIATION OF TCC AND AISC MOVEMENTS	TCC, US$/oz	% change	AISC, US$/oz	% change
Cost per AuEq ounce 1H 2021	**712**		**1,019**	
Domestic inflation	102	+14%	140	+14%
Change in average grade processed	86	+12%	117	+11%
Sales volume decrease	23	+3%	63	+6%
SGA and other expenses increase	14	+2%	49	+5%
Capitalised stripping increase	-	n/a	57	+6%
Change in sales structure	(25)	-3%	(59)	-6%
RUB and KZT rate change	(23)	-3%	(32)	-3%
Other	(36)	-5%	17	+2%
Cost per AuEq ounce 1H 2022	**853**	**+20%**	**1,371**	**+34%**

Total cash cost by segment/operation, US$/GE oz

SEGMENT	OPERATION	1H 2022	1H 2021	% change	2H 2021	% change
	Kazakhstan	**712**	**662**	**+8%**	**625**	**+14%**
Kazakhstan	Kyzyl	575	478	+20%	476	+21%
	Varvara	894	925	-3%	914	-2%
	Russia	**956**	**743**	**+29%**	**799**	**+20%**
	Magadan	**950**	**794**	**+20%**	**834**	**+14%**
	Dukat (SE oz)[1]	10.8	10.8	-0%	10.4	+4%
Magadan	Omolon	1,002	837	+20%	771	+30%
	Mayskoye	n/a	n/a	n/a	942	n/a
	Khabarovsk	**955**	**694**	**+38%**	**718**	**+33%**
Khabarovsk	Svetloye	757	433	+75%	525	+44%
	Albazino/Amursk	986	812	+21%	798	+30%
Urals	**Voro**	927	641	+45%	829	+12%
Yakutia	**Nezhda**	1,072	n/a	n/a	n/a	n/a
	Total Group TCC	**853**	**712**	**+20%**	**745**	**+15%**

Total cash cost by operation:

- Dukat's total cash costs per silver equivalent ounce sold ("SE oz") were stable year-on-year at US$ 10.8/SE oz[1], mostly attributable to the change in gold-to-silver price ratio and corresponding increase of SE oz sold, offset by domestic inflation.
- At Omolon, TCC amounted to US$ 1,002/GE oz, an increase of 20% year-on-year, on the back of lower sales (64% decrease year-on-year), also impacted by a planned grade decline at the Kubaka mill. At the heap leach facility, stacking volumes decreased due to rehandling of the previously stacked ore, while grade was lower according to the mine plan due to the depletion of the Birckachan heap leach ore reserves.
- At Mayskoye, there were no meaningful sales during 1H 2022 hence the total cash costs for the period are considered unrepresentative of the underlying performance.
- At Svetloye, TCC amounted to US$ 757/GE oz, up 75% year-on-year, mostly driven by a sharp decrease (72% year-on-year) in sales volumes, combined with planned 45% decline in gold grade processed on the back of stacking of stockpiled lower-grade ore from the depleted Lyudmila pit.
- At Albazino, TCC amounted to US$ 986/GE oz, up 21% year-on-year, as mining at the largest high-grade Anfisa open pit has been completed resulted in a planned 21% decline in gold grade processed.
- Kyzyl's total cash costs were at US$ 575/GE oz, significantly below the Group's average level, albeit up 20% year-on-year, because of a planned gradual grade decline towards the open-pit reserve average. Inflationary pressures were offset by KZT depreciation.
- At Varvara, TCC was US$ 894/GE oz, down 3% year-on-year, on the back of prevailing share of better quality third-party ore processed at the flotation circuit, while gold recovery at the leaching circuit grew following the flowsheet improvements.
- At Voro, TCC was US$ 927/GE oz, up 45% year-on-year, mainly stemmed from treatment of high cost Saum ore and higher cost of processing of historical pile at the heap leach facility.
- TCC at the newly launched Nezhda mine were US$ 1,072/GE oz, with the majority of the sales volume came from the payable gold in gravity and silver concentrate. Lower grade and higher cost gold flotation concentrate sales were limited due to China restrictions.

[1] Dukat's total cash cost per gold equivalent was US$ 877/GE oz (1H 2021: US$ 722/GE oz) and was included in the Group TCC calculation.

ALL-IN SUSTAINING AND ALL-IN CASH COSTS

All-in sustaining cash costs[1] amounted to US$ 1,371/GE oz, up 34% year-on-year, reflecting the need to shift to a suboptimal equipment supply sources, coupled with inflationary pressure and accelerated procurement of equipment and critical spare parts to build a safety stock.

AISC by operations were as follows:

All-in sustaining cash cost by segment/operation, US$/GE oz

SEGMENT	OPERATION	1H 2022	1H 2021	% change
Kazakhstan	**Kazakhstan**	**922**	**827**	**+11%**
	Kyzyl	800	686	+17%
	Varvara	1,083	1,028	+5%
Magadan	**Russia**	**1,463**	**1,011**	**+45%**
	Magadan	**1,497**	**1,094**	**+37%**
	Dukat (SE oz)	14.0	13.3	+5%
	Omolon	2,048	1,201	+71%
	Mayskoye	n/a	n/a	n/a
Khabarovsk	**Khabarovsk**	**1,290**	**930**	**+39%**
	Svetloye	1,585	539	+194%
	Albazino/Amursk	1,244	1,107	+12%
Urals	**Voro**	1,282	849	+51%
Yakutia	**Nezhda**	2,546	n/a	n/a
	Total Group AISC	**1,371**	**1,019**	**+34%**

All-in sustaining cash cost by operation:

- All-in sustaining cash costs at Dukat, Albazino-Amursk, Kyzyl, and Voro generally followed total cash cost dynamics, and were additionally affected by the acceleration of capital allocation for stay-in-business capex.
- At Omolon, AISC were US$ 2,048/GE oz, up 71% year-on-year, caused by logistical challenges exerting significant upward pressure on capital expenditures, mining fleet replacement, as well as accelerated stripping at Burgali,
- At Svetloye, AISC were US$ 1,585/GE oz, up 194% year-on-year, driven by replacement of pump equipment, new heap leach pads construction and higher stripping volumes attributable to development of a new pushback at the Emmy pit.
- At Varvara, AISC were US$ 1,083/GE oz, up 5% year-on-year, following scheduled technical upgrades. A pilot rail-veyor project was commissioned to transport incoming ore from the railway spur to the crusher, thus reducing the greenhouse gas emissions and ore transportation cost.
- At Nezhda, AISC of US$ 2,546/GE oz were significantly impacted by capitalised stripping in 1H 2022, as well as constrained sales resulting in spread of sizeable sustaining capex over a limited amount of ounces sold.

[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 SGA), other expenses (excluding write-offs and non-cash items, in line with the methodology used for calculation of Adjusted EBITDA), and current period capex 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 section below.

RECONCILIATION OF ALL-IN COSTS	Total, US$m			US$ /GE oz		
	1H 2022	1H 2021	% change	1H 2022	1H 2021	% change
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 3 of condensed financial statements)	417	455	-9%	728	632	+15%
adjusted for:						
Idle capacities	(3)	(1)	+152%	(5)	(2)	+150%
Treatment charges deductions reclassification to cost of sales	21	18	+12%	36	25	+44%
SGA expenses, excluding depreciation, amortization and share based compensation (Note 3 of condensed financial statements)	61	45	+36%	107	63	+70%
adjusted for:						
SGA expenses of development projects	(8)	(4)	+78%	(13)	(6)	+117%
Total cash costs	**488**	**514**	**-5%**	**853**	**712**	**+20%**
SGA expenses for Corporate and other segment and other operating expenses	119	96	+24%	208	133	+56%
Capital expenditure excluding development projects	115	86	+34%	201	119	+69%
Exploration expenditure (capitalised)	4	8	-49%	7	12	-42%
Capitalised stripping	58	33	+80%	102	45	+127%
All-in sustaining cash costs	**785**	**735**	**+7%**	**1,371**	**1,019**	**+35%**
Finance costs (net)	38	32	+19%	67	44	+52%
Capitalised interest	13	6	+99%	23	9	+156%
Income tax (benefit)/expense	(27)	102	n/a	(47)	142	n/a
After-tax all-in cash costs	**809**	**876**	**-8%**	**1,413**	**1,215**	**+16%**
Capital expenditure for development projects	207	272	-24%	362	377	-4%
SGA and other expenses for development assets	18	19	-5%	31	26	+19%
All-in costs	**1,034**	**1,166**	**-11%**	**1,806**	**1,619**	**+12%**

IMPAIRMENT CHARGES

In accordance with IAS 36 requirements, Polymetal conducts impairment tests for its goodwill, property, plant and equipment, other non-current assets and inventories at each reporting date. Following a significant appreciation of Rouble against US Dollar resulting in the higher carrying values of the cash generating units at 30 June 2022, as well as real discount rate increase driven by increased country risk premium, a total pre-tax impairment charge of US$ 689 million (equivalent to a post-tax amount of US$ 564 million) has been recorded in the consolidated financial statements as a result of these impairment tests in respect of Nezhda, Prognoz and Kutyn, the newest assets in the portfolio with highest carrying values. See Note 14 of the condensed financial statements. All other assets in the portfolio have sufficient headroom of their fair values over carrying values and were not impaired.

(US$m)	Nezhda	Prognoz	Kutyn	Total
Impairment charge	360	317	12	**689**
Residual value of the asset	603	124	285	**1,012**

ADJUSTED EBITDA[1] AND EBITDA MARGIN

(US$m)

	1H 2022	1H 2021	% change
(Loss)/profit for the period	(321)	419	n/a
Finance cost (net)[2]	38	32	+19%
Income tax (benefit)/expense	(27)	102	n/a
Depreciation and depletion	85	93	-9%
EBITDA	**(225)**	**646**	**n/a**
Net foreign exchange (gain)/loss	(92)	1	n/a
Impairment of non-current assets	689	-	n/a
Gain on disposal of subsidiaries, net	-	(3)	-100%
Share based compensation	8	9	-11%
Change in fair value of contingent consideration liability	22	-	n/a
Other non-cash items	26	6	+335%
Adjusted EBITDA	**426**	**660**	**-35%**
Adjusted EBITDA margin	41%	52%	-11%
Adjusted EBITDA per gold equivalent oz	745	914	-19%

Adjusted EBITDA by segment/operation
(*(US$m)*

SEGMENT	OPERATION	1H 2022	1H 2021	% change
Kazakhstan	**Kazakhstan**	**270**	**301**	**-10%**
	Varvara	96	96	0%
	Kyzyl	174	205	-15%
Magadan	**Russia**	**247**	**430**	**-43%**
	Magadan	**125**	**217**	**-43%**
	Dukat	108	134	-20%
	Omolon	25	78	-68%
	Mayskoye	(8)	5	n/a
Khabarovsk	**Khabarovsk**	**77**	**171**	**-55%**
	Albazino/Amursk	64	102	-37%
	Svetloye	13	69	-81%
Urals	**Voro**	34	42	-19%
Yakutia	**Nezhda**	11	-	n/a
Corporate and other and intersegment operations		(91)	(71)	+26%
	Total Group Adjusted EBITDA	**426**	**660**	**-35%**

In 1H 2022, Adjusted EBITDA decreased by 35% year-on-year to US$ 426 million, with an Adjusted EBITDA margin of 41% (1H 2021: 52%), driven by the cost dynamics described above combined with revenue decrease due to lower sales volumes.

[1] Adjusted EBITDA is a key measure of the Group'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 Group 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.

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange gain in 1H 2022 of US$ 92 million compared to an exchange loss of US$ 1 million in 1H 2021, mostly attributable to the revaluation of the US Dollar-denominated borrowings of Russian operating companies, the functional currency of which is the Russian Rouble, which was partially offset by forex loss on intercompany loans with different functional currencies in the lending and borrowing subsidiaries.

The Group 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 US Dollars.

Income tax benefit for 1H 2022 was US$ 27 million compared to US$ 102 million expense in 1H 2021, charged at an effective tax rate of 8% (1H 2021: 20%), reflecting increase of deferred income tax credit resulted from deferred tax benefit of US$ 125 million related to the property, plant and equipment impairment. For details refer to Note 12 of the condensed consolidated financial statements.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded net loss of US$ 321 million in 1H 2022 versus US$ 419 million income in 1H 2021. The underlying net earnings attributable to the shareholders of the parent were US$ 203 million, compared to US$ 422 million in 1H 2021:

Reconciliation of underlying net earnings[1]
(US$m)

	1H 2022	1H 2021	% change
(Loss)/profit for the financial period attributable to the shareholders of the Parent	(321)	419	n/a
Write-down of inventory to net realisable value	19	6	+217%
Foreign exchange (gain)/loss	(92)	1	n/a
Change in fair value of contingent consideration liability	22	-	n/a
Loss on disposal of subsidiaries, net	-	(3)	-100%
Impairment of non-current assets	689	-	n/a
Tax effect	(115)	(1)	n/a
Underlying net earnings	**203**	**422**	**-52%**

Basic loss per share was US$ 0.68 compared to US$ 0.89 earnings per share in 1H 2021. Underlying basic EPS[2] was US$ 0.43, compared to US$ 0.89 in 1H 2021.

[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.

CAPITAL EXPENDITURE[1]

(US$m)	Sustaining	Development	Capital stripping and underground development	Exploration	Total 1H 2022	Total 1H 2021
Development projects	**-**	**180**	**16**	**-**	**195**	**182**
POX-2	-	110	-	-	110	108
Kutyn	-	26	7	-	33	33
Voro flotation	-	23	-	-	23	21
Prognoz	-	20			20	3
Veduga	-	-	9	-	9	17
Operating assets	**115**	**-**	**58**	**4**	**178**	**193**
Nezhda	18	-	10	-	27	66[2]
Omolon	12	-	14	-	26	20
Kyzyl	9	-	16	-	25	28
Amursk-Albazino	19	-	2	1	22	29
Mayskoye	19	-	-	-	19	13
Dukat	16	-	0	-	16	14
Varvara	12	-	2	-	14	10
Svetloye	7	-	5	-	12	3
Voro	-	-	10	1	11	6
Corporate and other	2	-	-	2	4	3
Total capital expenditure	**115**	**180**	**74**	**4**	**373**	**375**

In 1H 2022, total capital expenditure was US$ 373[3] million, down 1% year-on-year, but above original expectations, reflecting accelerated purchases and contractor advances for ongoing projects (most notably, POX-2) in order to secure the project completion, combined inflationary and logistical pressures on the sustaining capex. This was partially offset by the shrinking investment scope, suspension of Pacific POX project and revision of execution timeline for Veduga, as well as a number of other smaller scale projects. Capital expenditure excluding capitalised stripping costs was US$ 299 million in 1H 2022 (1H 2021: US$ 311 million).

The major capital expenditure items in 1H 2022 were as follows:

Development projects

- Capital expenditure at the POX-2 development project of US$ 110 million mainly covered costs of completion of concentrates pulp blending vessels, intensive cyanidation reactor and slurry cooling section. Thickener installation continues. Significant prepayments were made to equipment suppliers and key contractors to ensure project completion according to plan. The plant start-up is expected Q2 2024 according to the revised schedule.
- At Kutyn heap leach project (US$ 26 million invested in 1H 2022), ore crushing commenced. The project completion rate reached 90%. First commercial production scheduled for September.
- The Voro flotation plant construction (capital expenditure of US$ 23 million) is 80% complete. Start-up is targeted for Q1 2023.
- Capital expenditure at Prognoz of US$ 20 million has mainly related to mining fleet purchases, spare parts and consumables purchases as well as a significant infrastructure upgrade.

[1] On a cash basis.
[2] Development asset before October 2021
[3] On accrual basis, capital expenditure was US$ 404 million in 1H 2022 (1H 2021: US$ 417 million).

Stay-in-business capex at operating assets

- US$ 18 million was invested at Nezhda. This includes the construction of boiler house and water collection facilities. The 110-kV line linking Nezhda mine to the regional grid, powered by the combination of hydro and gas, has been successfully commissioned.
- At Omolon, capital expenditure of US$ 12 million was mainly related to mining fleet purchases and wastewater treatment facilities construction.
- At Kyzyl, capital expenditure in 1H 2022 comprised US$ 9 million, mainly related to fleet renewal, improvements in the flowsheet and renovation and expansion of tailings storage facility.
- Capital expenditure at Albazino of US$ 19 million was mostly related to mining fleet modernisation, decarbonization of heat supply and construction of roads to satellite deposits.
- Capital expenditure at Mayskoye of US$ 19 million was mainly related to construction of infrastructure needed to commission ore transportation conveyor. The conveyor was successfully commissioned and now is in the ramp-up period.
- At Dukat, capital expenditure of US$ 16 million was mainly related to the mining fleet upgrade, as well as the engineering and procurement for the transition of the Omsukchan concentrator to dry-stack tailings.
- At Varvara, capital expenditure of US$ 12 million was mainly related to the pilot rail-veyor project to transport incoming ore from the railway spur to the crusher, thus reducing the greenhouse gas emissions and ore transportation cost.

Exploration and stripping

- The Group continues to invest in standalone exploration projects. Capital expenditure for exploration in 1H 2022 was US$ 4 million (1H 2021: US$ 8 million).
- Capitalised stripping and underground development costs totalled US$ 74 million in 1H 2022 (1H 2021: US$ 64 million) and are attributable to operations with 1H 2022 stripping ratios exceeding their life-of-mine averages during the period, particularly Kyzyl (US$ 16 million), Omolon (US$ 14 million), Nezhda (US$ 10 million), Voro (US$ 10 million), Veduga (US$ 9 million) and Kutyn ((US$ 7 million).

CASH FLOWS

(US$m)	1H 2022	1H 2021	% change
Operating cash flows before changes in working capital	219	533	-59%
Changes in working capital	(624)	(175)	+257%
Total operating cash flows	**(405)**	**358**	**n/a**
Capital expenditure	(373)	(375)	-1%
Net cash inflow on acquisitions	123	(2)	n/a
Other	(3)	(11)	-73%
Investing cash flows	**(253)**	**(388)**	**-35%**
Financing cash flows			
Net changes in borrowings	859	369	+133%
Acquisition of non-controlling interest	(23)	-	n/a
Dividends paid	-	(421)	-100%
Contingent consideration paid	(15)	(18)	-17%
Total financing cash flows	**821**	**(70)**	**n/a**
Net increase in cash and cash equivalents	**163**	**(100)**	**n/a**
Cash and cash equivalents at the beginning of the year	417	386	+8%
Effect of foreign exchange rate changes on cash and cash equivalents	(39)	(4)	+875%
Cash and cash equivalents at the end of the period	**541**	**282**	**+92%**

Total operating cash flows in 1H 2022 decreased sharply year-on-year. Operating cash flows before changes in working capital dropped by 59% year-on-year to US$ 219 million, as a result of a decrease in adjusted EBITDA, additionally impacted by the increase in income tax and interest paid in the period. Net operating cash outflows were US$ 405 million, compared to US$ 358 million inflow in 1H 2021, affected by a surge in a working capital.

Investment cash outflows totalling US$ 253 million, down 35% year-on-year mainly represented by capital expenditure (stable year-on-year at US$ 373 million) offset by cash inflows on acquisitions. Cash inflows on acquisitions comprise cash consideration of US$ 27 million paid for Galka deposit and cash acquired as a result of consolidation of 100% interest in Albazino Power Line. As a result of later transaction the Group assumed debt of US$ 161 million and acquired corresponding cash balances of US$ 150 million. Cash acquired is presented within investing activities as net cash inflow on acquisitions, with no effect on the Group's net debt.

A gross borrowings increase of US$ 859 million is mostly driven by financing of the Group's short-term working capital requirements.

The Group has US$ 541 million in cash deposited with non-sanctioned financial institutions, up 91% compared to 1H 2021.

BALANCE SHEET, LIQUIDITY AND FUNDING

NET DEBT	30-Jun-22	31-Dec-21	% change
Short-term debt and current portion of long-term debt	1,189	446	+167%
Long-term debt	2,152	1,618	+33%
Gross debt	**3,341**	**2,064**	**+62%**
Less: cash and cash equivalents	541	417	+30%
Net debt	**2,800**	**1,647**	**+70%**
Net debt / Adjusted EBITDA[1]	**2.27**	**1.13**	**+102%**

The Group's net debt increased to US$ 2,800 million as of 30 June 2022, representing a Net debt / Adjusted EBITDA (over the last 12 months) ratio of 2.27x. The increase in net debt was driven by a surge in working capital and upward US$ re-valuation of Rouble-denominated debt driven by significant Rouble strengthening at 30 June 2022.

The proportion of long-term borrowings of total borrowings was 64% as at 30 June 2022 (78% as at 31 December 2021). The cash balance of US$ 541 million, combined with undrawn credit facilities with non-sanctioned banks of US$ 318 million, covers the expected debt repayments in the next 6 months. The Group has recently secured additional US$ 0.4 billion in new revolving credit line with a non-sanctioned Russian bank.

The average cost of debt increased, but remained relatively low at 6.1% in 1H 2022 (1H 2021: 2.85%) supported by our ability to negotiate competitive margins given the excellent credit history of the Group. Lending in Russia is available in both RUB and USD, although the availability of foreign currency loans has decreased significantly due to sanctions and Central Bank pressure on financial institutions. Polymetal is currently financing its short-term working capital requirements with USD-denominated debt at lower interest rates.

2022 YEAR-END OUTLOOK

- The Group reiterates its current production guidance of 1.7 Moz of GE for FY 2022, however it remains contingent on the lockdowns and logistical constraints in Chinese ports and railway. Production will be weighted towards 2H 2022 due to seasonality.
- On the back of the significant change in exchange rate assumptions (from 70 RUB/USD to 60 RUB/USD for the rest of the year), the Company updates its FY 2022 cost guidance range to US$ 900 -1000/GE oz and US$ 1,300 -1,400/GE oz for TCC and AISC, respectively.

[1] 1H 2022 – on a last twelve months basis.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historical results.

The principal risks and uncertainties facing the Group are categorised as follows:

- Operational risks:
  - Production risk
  - Construction and development risk
  - Supply chain risk
  - Exploration risk
- Sustainability risks:
  - Health and safety risk
  - Environmental risk
  - Human capital risk
- Political and social risks:
  - Legal and compliance risk
  - Political risk
  - Taxation risk
- Financial risks:
  - Market risk
  - Currency risk
  - Liquidity risk

A detailed explanation of these risks and uncertainties can be found on pages 116 to 127 of the 2021 annual report which is available at www.polymetalinternational.com.

Subsequent to the publication of the Annual Report, and following sanctions imposed on Russia by the West in 2022 and its actual or potential impact on our operations, the Group has reassessed the level of the following risks:

- Exploration risk was upgraded from medium to high, as a range of exploration projects have been delayed due to revised financing programme. Exploration for the existing operations remained intact.
- Legal and compliance risk was upgraded from medium to high due to the complex regulation on international sanctions and Russian counter-sanctions.
- Liquidity risk was upgraded from medium to high caused by temporary short-term debt increase at 30 June 2022. The Group has secured enough liquidity to refinance its short-term debt, including US$ 0.5 bn of cash and US$ 0.3 bn of undrawn credit facilities with non-sanctioned banks, and will also utilize free cash flow for 2H 2022 to decrease debt level.

The directors consider that, except for the changes mentioned above, the other principal risks and uncertainties have not changed materially since the publication of the Annual report for the year ended 31 December 2021 and continue to apply to the Group for the remaining six months of the financial year.

Further updates will be presented in the full annual financial report for 2022. Updates on impact of sanctions and counter-sanctions were published in a number of press-releases since March 2022.

GOING CONCERN

In assessing its going concern status, the Group has taken account of its principal risks and uncertainties, financial position (including significant inflationary and logistical pressures), sources of cash generation, anticipated future trading performance, its borrowings and other available credit facilities from non-sanctioned banks, and its forecast compliance with covenants on those borrowings, and its capital expenditure commitments and plans.

The scope and impact of any new potential sanctions (and any counter-sanctions) is yet unknown, however they might further affect key Russian financial institutions as well as mining companies. Geopolitical situation and evolving economic pressure continue to be beyond the Group's control. To assess the resilience of the Group's going concern assessment in light of the macroeconomic volatility and sanctions imposed on Russia by the West in 2022, management performed the stress downside scenario that is considered plausible over the next 12 months from the date of approval of the financial statements. As such these do not represent the Group's 'best estimate' forecast, but were considered in the Group's assessment of going concern, reflecting the current evolving circumstances and the most significant and plausible changes in macro assumptions identified at the date of approving the Press-release.

The Group has already taken precautionary measures to manage liquidity and provide flexibility for the future. In addition, it has been assumed that the Group has adapted its sales routes and supply chain and the net cash flows generated will be available for use within the Group. Under the stress scenario, the Group's income and profits are affected by simultaneous gold and silver price decrease combined with strengthening of Russia Rouble and Kazakh Tenge.

At the reporting date, the Group holds US$ 0.5 bn of cash and US$ 0.3 bn of undrawn credit facilities with non-sanctioned banks, which when combined with the forecast net cashflows under the stress scenario above, is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months. This includes US$ 1.2 bn of short-term borrowings due for repayment in the next 12 months. No borrowing covenant requirements are forecast to be breached in the stress scenario. The Group expects to settle obligations as they fall due but also has mitigating actions available such as reducing production volumes and variable mining costs where possible, reducing and deferring non-essential and noncommitted capital expenditure.

The Group has taken legal advice on the implications of the sanctions to date as part of this assessment. None of the Group's entities, nor its significant shareholders are currently subject to any specific sanctions.

The Board is therefore satisfied that the Group's forecasts and projections, including the stress scenario above, 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 period ended 30 June 2022.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted in the United Kingdom;
- the interim report includes a fair review of the information required by DTR 4.2.7R (being an indication of important events that have occurred during the first six months of the financial year, and their impact on the interim report and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
- the interim report includes a fair review of the information required by DTR 4.2.8R.
- a list of current directors is maintained on the Polymetal International plc website which can be found at https://www.polymetalinternational.com/en/about/corporate-governance/board-of-directors/

By order of the Board,

Riccardo Orcel

Chairman of the Board of Directors

21 September 2022

Vitaly Nesis

Group Chief Executive Officer

21 September 2022

INDEPENDENT REVIEW REPORT TO POLYMETAL INTERNATIONAL PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six-month period ended 30 June 2022 which comprises of 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 21.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard ('IAS') 34 "Interim Financial Reporting", as adopted for use in the United Kingdom and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards adopted for use in the United Kingdom ("UK adopted IFRS"). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard ('IAS') 34 "Interim Financial Reporting", as adopted for use in the United Kingdom.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with International Standard on Review Engagements (UK) 2410, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

This report is made solely to the Company in accordance with guidance contained in ISRE (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

MHA MacIntyre Hudson

MHA MacIntyre Hudson

Recognised Auditor

London

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Five months ended 30 June 2022 (unaudited) US$m	Six months ended 30 June 2021 (unaudited) US$m
Revenue	4	1,048	1,274
Cost of sales	5	(520)	(551)
Gross profit		**528**	**723**
General, administrative and selling expenses	9	(150)	(114)
Other operating expenses, net	10	(69)	(58)
Impairment of non-current assets	14	(689)	-
Operating (loss)/profit		**(380)**	**551**
Foreign exchange gain/(loss), net		92	(1)
Gain on disposal of subsidiaries, net		-	3
Change in fair value of financial instruments	18	(22)	-
Finance expenses, net	11	(38)	(32)
(Loss)/profit before income tax		**(348)**	**521**
Income tax benefit/(expense)	12	27	(102)
(Loss)/profit for the financial period		**(321)**	**419**
(Loss)/profit for the financial period attributable to:			
Equity shareholders of the Parent		**(321)**	**419**
Earnings per share (US$)			
Basic		(0.68)	0.89
Diluted		(0.68)	0.87

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2022 (unaudited) US$m	Six months ended 30 June 2021 (unaudited) US$m
(Loss)/profit for the period	(321)	419
Items that may be reclassified to profit and loss		
Fair value gain arising on hedging instruments during period	12	-
Exchange differences on translating foreign operations, net of income tax[1]	1,540	68
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	(148)	(13)
Total comprehensive income for the period	**1,083**	**474**

[1] *Exchange difference gain on translating foreign operation, resulting from significant appreciation of Russian Rouble (RUB) against US Dollar during first half 2022, is attributable to the entities those functional currency is determined to be RUB as described in Note 2.*

CONDENSED CONSOLIDATED BALANCE SHEET

Assets	Note	30 June 2022 (unaudited) US$m	31 December 2021 (audited) US$m
Property, plant and equipment	14	4,242	3,314
Right-of-use assets		46	33
Goodwill		20	14
Investments in associates and joint ventures		31	28
Non-current accounts receivables and other financial instruments		62	57
Deferred tax asset		121	67
Non-current inventories	15	145	96
Total non-current assets		**4,667**	**3,609**
Current inventories	15	1,534	781
Prepayments to suppliers		287	119
Income tax prepaid		62	11
VAT receivable		195	123
Trade receivables and other financial instruments		150	91
Cash and cash equivalents		541	417
Total current assets		**2,769**	**1,542**
Total assets		**7,436**	**5,151**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities		(279)	(223)
Current borrowings	16	(1,189)	(446)
Advances received		-	(134)
Short-term portion of environmental obligations		(6)	-
Income tax payable		(6)	(21)
Other taxes payable		(74)	(54)
Current portion of contingent consideration liability	18	(17)	(31)
Current lease liabilities		(10)	(7)
Total current liabilities		**(1,581)**	**(916)**
Non-current borrowings	16	(2,152)	(1,618)
Contingent and deferred consideration liabilities	18	(113)	(111)
Deferred tax liability		(148)	(206)
Environmental obligations		(109)	(50)
Non-current lease liabilities		(41)	(29)
Other non-current liabilities		(21)	(18)
Total non-current liabilities		**(2,584)**	**(2,032)**
Total liabilities		**(4,165)**	**(2,948)**
Net assets		**3,271**	**2,203**
Stated capital account		2,450	2,450
Share-based compensation reserve		30	31
Cash flow hedging reserve		12	-
Translation reserve		(473)	(1,865)
Retained earnings		1,252	1,587
Total equity		**3,271**	**2,203**

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 September 2022 and signed on its behalf by

Riccardo Orcel	Vitaly Nesis
Chairman of the Board of Directors	Group Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2022 (unaudited) US$m	Six months ended 30 June 2021 (unaudited) US$m
Net cash used in by operating activities	20	**(405)**	**358**
Cash flows from investing activities			
Purchases of property, plant and equipment		(373)	(375)
Acquisition of subsidiaries		-	(1)
Acquisition of associates		-	(1)
Net cash inflow on acquisitions[1]	2	123	-
Loans advanced		(8)	(28)
Repayment of loans provided		2	17
Contingent consideration received		3	-
Net cash used in investing activities		**(253)**	**(388)**
Cash flows from financing activities			
Borrowings obtained	20	2,711	1,667
Repayments of borrowings	20	(1,850)	(1,296)
Repayments of principal under lease liabilities		(2)	(2)
Acquisition of non-controlling interest	2	(23)	-
Dividends paid		-	(421)
Contingent consideration paid	18,20	(15)	(18)
Net cash generated/(used in) by financing activities		**821**	**(70)**
Net increase/(decrease) in cash and cash equivalents		163	(100)
Cash and cash equivalents at the beginning of the period		417	386
Effect of foreign exchange rate changes on cash and cash equivalents		(39)	(4)
Cash and cash equivalents at the end of the period		**541**	**282**

[1]*Cash inflow on acquisitions comprises cash consideration of US$ 27 million paid for Galka deposit and cash acquired as a result of consolidation of 100% interest in Albazino Power Line (Note 2). As a result of later transaction the Group assumed debt of US$ 161 million and acquired corresponding cash balances of US$ 150 million.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Number of shares outstanding (unaudited)	Stated capital account	Share-based compensation reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Total equity
		no. of shares	**US$m**	**US$m**		**US$m**	**US$m**	**US$m**
Balance at 1 January 2021 (audited)		**471,818,000**	**2,434**	**31**	**-**	**(1,823)**	**1,318**	**1,960**
Profit for the financial period		-	-	-	-	-	419	419
Other comprehensive loss, net of income tax		-	-	-	-	55	-	55
Total comprehensive income		-	-	-	-	**55**	**419**	**474**
Share-based compensation		-	-	9	-	-	-	9
Shares allotted to employees		1,758,257	15	(15)	-	-	-	-
Dividends		-	-	-	-	-	(421)	(421)
Balance at 30 June 2021 (unaudited)		**473,576,257**	**2,449**	**25**	**-**	**(1,768)**	**1,316**	**2,022**
Balance at 1 January 2022 (audited)		**473,626,239**	**2,450**	**31**	**-**	**(1,865)**	1,587	**2,203**
Loss for the financial period		-	-	-	-	-	(321)	(321)
Other comprehensive income, net of income tax		-	-	-	12	1,392[1]	-	1,404
Total comprehensive income		-	-	-	12	**1,392**	**(321)**	**1,083**
Share-based compensation		-	-	8		-	-	8
Transfer to retained earnings	13	-	-	(9)	-	-	9	-
Hedge accounting	18	-	-	-			-	-
Acquisition of non-controlling interest	3	-	-	-	-	-	(23)	(23)
Dividends		-	-	-		-	-	-
Balance at 30 June 2022 (unaudited)		**473,626,239**	**2,450**	**30**	**12**	**(473)**	**1,252**	**3,271**

[1] *Exchange difference gain on translating foreign operation, resulting from significant appreciation of Russian Rouble (RUB) against US Dollar during first half 2022, is attributable to the entities those functional currency is determined to be RUB as described in Note 1.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Polymetal Group is a leading gold and silver mining group, operating in Russia and Kazakhstan.

Polymetal International plc (the Company) is the ultimate parent entity of Polymetal Group. The Company was incorporated on 29 July 2010 as a public limited company under Companies (Jersey) Law 1991 and has its place of business in Cyprus. Its ordinary shares are traded on the London, Moscow stock exchanges and Astana International Exchange.

Basis of presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom ('UK'), and the Disclosure and Transparency Rules of the Financial Conduct Authority effective for the Company's reporting for the six months period ended 30 June 2022. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the 2021 Annual Report of Polymetal International plc and its subsidiaries ("2021 Annual Report") available at www.polymetalinternational.com.

The half-yearly financial report does not constitute the Company's statutory financial statements. The Group's most recent statutory financial statements, which comprise the annual report and audited financial statements for the year ended 31 December 2021, were approved by the directors on 1 March 2022 and have been filed with the Jersey Registrar of Companies. The auditor's report on these full financial statements was unqualified and did not include a reference to any matters to which the auditor drew attention by way of an emphasis of matter.

Accounting policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments are measured at fair value.

The accounting policies and methods of computation applied are consistent with those adopted and disclosed in the Group's consolidated financial statements for the year ended 31 December 2021, except for as described below.

As at 30 June 2022, due to the significant appreciation of Russian Rouble against US Dollar, as well as post tax real discount rate increase, the Group carried out an impairment review of its non-current asset. As a result of the view, the Group recognised the impairment loss of US$ 689 million, attributable to the property, plant and equipment, allocated to Nezhda-Prognoz and Kutyn CGUs. The details of key sources of estimation uncertainty, related to the impairment review, are discussed in the Note 14.

New accounting standards issued but not yet effective

The following amendments to the accounting standards were in issue but not yet effective as of date of authorisation of these condensed consolidated financial statements:

- Amendments to IAS 1 *Presentation of Financial Statements* regarding the classification of liabilities as current and non-current, effective for annual periods beginning on or after 1 January 2023;
- IFRS 17 *Insurance Contracts*, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 1 and IFRS Practice Statement 2 requiring that an entity discloses its material accounting policies, instead of its significant accounting policies, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 8 replacing the definition of a change in accounting estimates with a definition of accounting estimates, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 12 clarifying that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* regarding the 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 material impact on its condensed consolidated financial statements or are not applicable to the Group.

New standards adopted by the Group

The following amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2022. The Group has determined these standards and interpretations are unlikely to have a significant impact on its condensed consolidated financial statements, as are not currently applicable to the Group:

- IFRS 9 *Financial Instruments* Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities), effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* regarding the costs to include when assessing whether a contract is onerous, effective for annual periods beginning on or after 1 January 2022.

Going concern

In assessing its going concern status, the Group has taken account of its principal risks and uncertainties, financial position (including significant inflationary and logistical pressures), sources of cash generation, anticipated future trading performance, its borrowings and other available credit facilities from non-sanctioned banks, and its forecast compliance with covenants on those borrowings, and its capital expenditure commitments and plans.

The scope and impact of any new potential sanctions (and any counter-sanctions) is yet unknown, however they might further affect key Russian financial institutions as well as mining companies. Geopolitical situation and evolving economic pressure continue to be beyond the Group's control. To assess the resilience of the Group's going concern assessment in light of the macroeconomic volatility and sanctions imposed on Russia by the West in 2022, management performed the stress downside scenario that is considered plausible over the next 12 months from the date of approval of the financial statements. As such these do not represent the Group's 'best estimate' forecast, but were considered in the Group's assessment of going concern, reflecting the current evolving circumstances and the most significant and plausible changes in macro assumptions identified at the date of approving the Press-release.

The Group has already taken precautionary measures to manage liquidity and provide flexibility for the future. In addition, it has been assumed that the Group has adapted its sales routes and supply chain and the net cash flows generated will be available for use within the Group. Under the stress scenario, the Group's income and profits are affected by simultaneous gold and silver price decrease combined with strengthening of Russia Rouble and Kazakh Tenge.

At the reporting date, the Group currently holds US$ 0.5 billion of cash and US$ 0.3 bn of undrawn credit facilities with non-sanctioned banks, which when combined with the forecast net cashflows under the stress scenario above, is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months. This includes US$ 1.2 bn of short-term borrowings due for repayment in the next 12 months. No borrowing covenant requirements are forecast to be breached in the stress scenario. The Group expects to settle obligations as they fall due but also has mitigating actions available such as reducing production volumes and variable mining costs where possible, reducing and deferring non-essential and noncommitted capital expenditure.

The Group has taken legal advice on the implications of the sanctions to date as part of this assessment. None of the Group's entities, nor its significant shareholders are currently subject to any specific sanctions.

The Board is therefore satisfied that the Group's forecasts and projections, including the stress scenario above, 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 period ended 30 June 2022.

Functional and presentation currencies

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, Komarovskoye Mining Company LLC, Bakyrchik Mining Venture LLC) is the Kazakh Tenge (KZT). The functional currency of the parent company Polymetal International plc and its intermediate holding companies is US Dollar. There have been no changes to the functional currencies adopted since 2021 year-end.

The Group has chosen to present its condensed consolidated financial statements in US Dollars (US$), as management judges it is the most convenient presentation currency for international users of the condensed consolidated financial statements of the Group as it is a common presentation currency in the mining industry.

The Group translates its income and expenses in presentation currency on a monthly basis. Exchange rates used in the preparation of the condensed consolidated financial statements were as follows:

	Russian Rouble/US Dollar	Kazakh Tenge/US Dollar
As at 30 June 2022	51.16	465.08
As at 31 December 2021	74.29	431.67
January	75.88	433.42
February	77.40	435.84
March	104.08	499.75
April	77.91	453.38
May	64.78	431.82
June	57.27	443.42

2. ACQUISITIONS

Galkinskoye acquisition

On 10 March 2022, the Group acquired 100% of shares of PSU-Holding JSC, a parent company of PSU LLC, which owns the license of Galka gold-sulfide ore deposit. Total cash consideration comprised US$ 27 million.

Transaction represents an asset acquisition in accordance with IFRS 3 *Business Combinations*, as the acquired company did not have any substantive processes that have the ability to contribute to the creation of outputs. The consideration paid was mainly attributable to the acquired mineral rights of US$ 29 million and other current liabilities of US$ 2 million.

Albazino power line acquisition

In December 2021, the Group entered into a preliminary lease agreement to lease on pre-agreed terms the grid power line from Gorin to the Albazino production site. The power line was planned to be built, owned and operated by AEK LLC, an independent grid management company. The construction is funded by the 8-year senior loan and 8-year subordinated loan facility, while Polymetal provided guarantees to the lenders in connection to the senior loan and lease payments to AEK.

In 2022 Polymetal made decision to consolidate 100% of the project entity in order to take full control of the project. The acquisition was completed by 28 June 2022 for total consideration of 10 kRUR (approximating 17 USD), representing the nominal share capital of the entity. The Group determined that it represents an asset acquisition in accordance with IFRS 3 *Business Combinations,* as the acquired company didn't have any substantive processes that have the ability to contribute to the creation of outputs. Assets and liabilities acquired are detailed as follows:

Assets acquired and liabilities recognised at the date of acquisition	**US$m**
Capital construction in progress	19
Cash and cash equivalents	150
Other current assets	(8)
Borrowings	(161)
Fair value of the net assets acquired	-
Cash and cash equivalents acquired	**150**

Acquisition of non-controlling interest in Novopetrovskoye LLC

In March 2022, following completions of the initial JORC-compliant Mineral Resource estimate, the Group increased its interest in Novopetrovskoye LLC from 75% to 100%. The Group purchased the additional 25% from an unrelated party for a consideration of US$ 23 million, payable in cash. The Group has previously determined that Novopetrovskoye LLC meets the definition of a subsidiary and therefore it was consolidated from the date of the 75% share acquisition. The increase in interest in the entity was recognised as an acquisition of the non-controlling interest and recognised within equity. As of 31 December 2021 Novopetrovskoye did not give rise to a significant non-controlling interest to be presented within equity, income statement and statement of comprehensive income.

3. SEGMENT INFORMATION

The Group has five reportable segments:

- Kazakhstan (Varvarinskoye JSC, Komarovskoye Mining Company LLC, Bakyrchik Mining Venture LLC);
- Khabarovsk (Albazino Resources Ltd, Amur Hydrometallurgical Plant LLC, GRK Amikan LLC, Svetloye LLC; Kutyn LLC);
- Magadan (Omolon Gold Mining Company LLC, Magadan Silver JSC, Mayskoye Gold Mining Company LLC);
- Ural (Gold of Northern Urals JSC);
- Yakutia (South-Verkhoyansk Mining Company JSC, Prognoz Silver LLC).

Reportable segments are determined based on the Group's internal management reports and are separated based on the Group's geographical structure. Minor companies and activities (management, purchasing, other companies) which do not meet the reportable segment criteria are disclosed within the 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; and there have been no changes to the segment determination since 2020 year-end.

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 46.

The accounting policies of the reportable segments are consistent with those of the Group's accounting policies under IFRS. During six months ended 30 June 2022 the Group classified several development projects from «Corporate and other» to «Ural» and «Khabarovsk» segments as this presentation is more meaningful from a management perspective. The comparative information was restated accordingly.

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. The Group treats revenue and cost of sales, related to its productions entities, as external where processing is performed on behalf of that segment by another hub. Revenue and cost of sales of the production entities are reported net of any intersegmental revenue and cost of sales, related to the intercompany sales of ore and concentrates.

Business segment current assets and liabilities, other than current inventory, are not reviewed by the CODM and therefore are not disclosed in these condensed consolidated financial statements. The segment adjusted EBITDA reconciles to the profit before income tax as follows:

3. Segment information (continued)

Period ended 30 June 2022 (US$m)	KAZAKHSTAN	MAGADAN	KHABAROVSK	URAL	YAKUTIA	Total continuing segments	Corporate and other	Total
Revenue from external customers	443	298	198	75	34	1,048	-	1,048
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	151	125	95	33	13	417	-	417
Cost of sales	185	152	120	37	26	520	-	520
Depreciation included in Cost of sales	(34)	(20)	(18)	(4)	(4)	(80)	-	(80)
Write-down of metal inventory to net realisable value	-	(7)	(4)	-	(9)	(20)	-	(20)
Reverse of non-metal inventory to net realisable value	-	1	-	-	-	1	-	1
Rehabilitation expenses	-	(1)	(3)	-	-	(4)	-	(4)
General, administrative and selling expenses, excluding depreciation, amortisation and share-based compensation	11	22	16	6	9	64	74	138
General, administrative and selling expenses	12	22	17	6	9	66	84	150
Depreciation included in SGA	(1)	-	(1)	-	-	(2)	(2)	(4)
Share-based compensation	-	-	-	-	-	-	(8)	(8)
Other operating expenses excluding additional tax charges and bad debt allowance	11	26	10	2	3	52	15	67
Other operating expenses, net	13	26	11	-	4	54	15	69
Bad debt allowance	-	-	-	2	(1)	1	-	1
Additional tax charges/fines/penalties	(2)	-	(1)	-	-	(3)	-	(3)
Share of loss of associates and joint ventures	-	-	-	-	-	-	-	-
Adjusted EBITDA	**270**	**125**	**77**	**34**	**9**	**515**	**(89)**	**426**
Depreciation expense	35	20	19	4	4	82	2	84
Rehabilitation expenses	-	1	3	-	-	4	-	4
Reverse of non-metal inventory to net realisable value	-	(1)	-	-	-	(1)	-	(1)
Write-down of metal inventory to net realisable value	-	7	4	-	9	20	-	20
Impairment of non-current assets	-	-	12	-	677	689	-	689
Share-based compensation	-	-	-	-	-	-	8	8
Bad debt and expected credit loss allowance	-	-	-	(2)	1	(1)	-	(1)
Additional tax charges/fines/penalties	2	-	1	-	-	3	-	3
Operating loss	**233**	**98**	**38**	**32**	**(682)**	**(281)**	**(99)**	**(380)**
Foreign exchange gain/(loss), net								92
Gain on disposal of subsidiaries, net								-
Change in fair value of financial instruments								(22)
Finance expenses, net								(38)
Loss before tax								**(348)**
Income tax benefit								**27**
Loss for the financial period								**(321)**
Current metal inventories	132	511	251	65	153	1,112	-	1,112
Current non-metal inventories	44	141	97	17	36	335	87	422
Non-current segment assets:								
Property, plant and equipment, net	665	589	1,791	374	725	4,143	99	4,242
Goodwill	-	20	-	-	-	20	-	20
Non-current inventory	28	45	66	4	2	145	-	145
Investments in associates	-	-	-	-	-	-	31	31
Total segment assets	**869**	**1,306**	**2,205**	**460**	**916**	**5,755**	**217**	**5,972**
Additions to non-current assets:								
Property, plant and equipment	43	65	206	37	49	400	4	404
Acquisition of subsidiaries	-	-	19	29	-	48	-	48

3. Segment information (continued)

Period ended 30 June 2021 (US$m)	KAZAKHSTAN	MAGADAN	KHABAROVSK	URAL	YAKUTIA	Total continuing segments	Corporate and other	Total
Revenue from external customers	479	424	299	72	-	1,274	-	1,274
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	159	168	104	24	-	455	-	455
Cost of sales	197	200	127	27	-	551	-	551
Depreciation included in Cost of sales	(38)	(26)	(22)	(3)	-	(89)	-	(89)
Write-down of metal inventory to net realisable value	-	(5)	-	-	-	(5)	-	(5)
Write-down of non-metal inventory to net realisable value	-	(1)	-	-	-	(1)	-	(1)
Rehabilitation expenses	-	-	(1)	-	-	(1)	-	(1)
General, administrative and selling expenses, excluding depreciation, amortisation and share-based compensation	11	17	14	3	5	50	51	101
General, administrative and selling expenses	13	17	14	3	5	52	62	114
Depreciation included in SGA	(2)	-	-	-	-	(2)	(2)	(4)
Share-based compensation	-	-	-	-	-	-	(9)	(9)
Other operating expenses excluding additional tax charges and bad debt allowance	8	22	10	3	3	46	12	58
Other operating expenses, net	8	23	10	2	3	46	12	58
Bad debt allowance	-	(1)	-	-	-	(1)	-	(1)
Additional tax charges/fines/penalties	-	-	-	1	-	1	-	1
Share of loss from associates and joint ventures	-	-	-	-	-	-	-	-
Adjusted EBITDA	**301**	**217**	**171**	**42**	**(8)**	**723**	**(63)**	**660**
Depreciation expense	40	26	22	3	-	91	2	93
Rehabilitation expenses	-	-	1	-	-	1	-	1
Write-down of non-metal inventory to net realisable value	-	1	-	-	-	1	-	1
Write-down of metal inventory to net realisable value	-	5	-	-	-	5	-	5
Share-based compensation	-	-	-	-	-	-	9	9
Bad debt and expected credit loss allowance	-	1	-	-	-	1	-	1
Additional tax charges/fines/penalties	-	-	-	(1)	-	(1)	-	(1)
Operating profit	**261**	**184**	**148**	**40**	**(8)**	**625**	**(74)**	**551**
Foreign exchange gain/(loss), net								(1)
Gain on disposal of subsidiaries, net								3
Change in fair value of financial instruments								-
Finance expenses, net								(32)
Profit before tax								**521**
Income tax expense								**(102)**
Profit for the financial period								**419**
Current metal inventories	100	307	120	42	25	594	1	595
Current non-metal inventories	34	84	46	7	10	181	31	212
Non-current segment assets:								
Property, plant and equipment, net	725	377	887	140	896	3,025	44	3,069
Goodwill	-	14	-	-	-	14	-	14
Non-current inventory	31	16	38	2	-	87	-	87
Investments in associates	-	-	-	-	-	-	24	24
Total segment assets	**890**	**798**	**1,091**	**146**	**931**	**3,901**	**100**	**4,001**
Additions to non-current assets:								
Property, plant and equipment	41	59	198	28	76	402	15	417
Acquisition of subsidiaries	-	-	-	-	-	-	2	2

4. REVENUE

	Six months ended 30 June 2022 (unaudited)				Six months ended 30 June 2021 (unaudited)			
	Thousand ounces/ tonnes shipped	**Thousand ounces/ tonnes payable**	**Average price (US Dollar per troy ounce/tonne payable)**	**US$m**	**Thousand ounces/ tonnes shipped**	**Thousand ounces/ tonnes payable**	**Average price (US Dollar per troy ounce/tonne payable)**	**US$m**
Gold (Koz)	465	456	1,843	841	607	595	1,776	1,057
Silver (Koz)	8,965	8,745	21.8	191	8,163	8,017	25.6	205
Copper (t)	2,138	1,871	8,553	16	1,351	1,206	9,950	12
Total				**1,048**				**1,274**

Revenue analysed by geographical regions of customers is presented below:

	Six months ended	
	30 June 2022	**30 June 2021**
	US$m	**US$m**
Sales within and to Kazakhstan	649	494
Sales within the Russian Federation	235	596
Sales to Asia	157	159
Sales to Europe	7	25
Total	**1,048**	**1,274**

Included in revenues for the six months ended 30 June 2022 is revenue from customers with a share of total revenue greater than 10%. These were US$ 408 million, US$ 242 million and US$ 153 million, respectively (period ended 30 June 2021: US$ 390 million, US$ 295 million, US$ 198 million and US$ 152 million, respectively).

Presented below is an analysis by revenue streams:

	Six months ended	
	30 June 2022	**30 June 2021**
	US$m	**US$m**
Doré	408	295
Concentrate	376	372
Bullions	252	607
Ore	12	-
Total	**1,048**	**1,274**

5. COST OF SALES

	Six months ended	
	30 June 2022	30 June 2021
	US$m	US$m
Cash operating costs		
On-mine costs (Note 6)	317	249
Smelting costs (Note 7)	233	173
Purchase of ore and concentrates from third parties	40	63
Mining tax	66	74
Total cash operating costs	**656**	**559**
Depreciation and depletion of operating assets (Note 8)	134	100
Rehabilitation expenses	4	1
Total costs of production	**794**	**660**
Increase in metal inventories	(296)	(116)
Write-down of inventories to net realisable value (Note 15)	19	6
Idle capacities and abnormal production costs	3	1
Total	**520**	**551**

6. ON-MINE COSTS

	Six months ended	
	30 June 2022	30 June 2021
	US$m	US$m
Services	156	131
Consumables and spare parts	80	55
Labour	79	62
Other expenses	2	1
Total (Note 5)	**317**	**249**

7. SMELTING COSTS

	Six months ended	
	30 June 2022	30 June 2021
	US$m	US$m
Consumables and spare parts	103	72
Services	81	66
Labour	48	34
Other expenses	1	1
Total (Note 5)	**233**	**173**

8. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Six months ended	
	30 June 2022	30 June 2021
	US$m	US$m
On-mine	94	69
Smelting	40	31
Total (Note 5)	**134**	**100**
Less: absorbed into metal inventories	(54)	(11)
Depreciation included in cost of sales (Note 2)	**80**	**89**

Depletion and 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 in the Group's calculation of Adjusted EBITDA (see Note 3), also excludes amounts absorbed into unsold metal inventory balances.

9. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Six months ended	
	30 June 2022	30 June 2021
	US$m	US$m
Labour	123	87
Share-based compensation	8	9
Services	4	4
Depreciation	4	4
Other	11	10
Total	**150**	**114**
including		
Mine site expenses	104	52
Corporate head office expenses	46	62
Total	**150**	**114**

10. OTHER OPERATING EXPENSES, NET

	Six months ended	
	30 June 2022	30 June 2021
	US$m	US$m
Exploration expenses	29	21
Social payments	17	14
Provision for investment in Special Economic Zone	7	9
Taxes, other than income tax	7	4
Additional tax charges/fines/penalties	3	(1)
Change in estimate of environmental obligations	2	-
Other expenses	4	11
Total	**69**	**58**

11. FINANCE COSTS

	Six months ended	
	30 June 2022	30 June 2021
	US$m	US$m
Interest expense on borrowings	32	28
Unwinding of discount on contingent considerations	4	4
Unwinding of discount on environmental obligations	3	2
Unwinding of discount on lease liabilities	2	1
Finance income	(3)	(3)
Total	**38**	**32**

Interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$ 12 million and US$ 6 million during the six months ended 30 June 2022 and 30 June 2021, respectively. These amounts were calculated based on the Group's general borrowing pool and by applying an effective annualised interests rates of 3.8% and 3.25%, respectively, to cumulative expenditure on such assets.

12. INCOME TAX

	Six months ended	
	30 June 2022	30 June 2021
	US$m	US$m
Current income taxes	107	115
Deferred income taxes	(134)	(13)
Total	**(27)**	**102**

As the Group has a number of tax concessions as detailed below, the effective tax rate is determined for each separate entity, varying from 0% to 20%.

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. Amursk Hydrometallurgical Plant LLC is entitled to an income tax rate of 0% up to 2023, a tax rate of 13% in 2024 and a tax rate of 12% during 2025-2028.

South-Verkhoyansk Mining Company JSC received tax relief as a Regional Investment Project and is entitled to the statutory income tax rate of 10% from 2022 to 2026 and 13.5% from 2027 to 2028. Additionally, several other smaller operating and development projects have obtained tax relief as a Regional Investment Project and are subject to decreased income tax rates.

Increased deferred income tax credit resulted from deferred tax benefit of US$ 125 million related to impairment of property, plant and equipment (Note 14).

Income tax amounts included in other comprehensive income

An analysis of tax presented by individual item in the condensed consolidated statement of comprehensive income is presented below:

	Six months ended	
	30 June 2022	30 June 2021
	US$m	US$m
Net foreign exchange gains/(losses) on net investment in foreign operation		
Current tax expense/(benefit)	(6)	2
Deferred tax expense/(benefit)	-	-
Total income tax recognised in other comprehensive income	**(6)**	**2**

Current and deferred tax recognised within other comprehensive income relate to the tax originated by foreign currency exchange gains/(losses), allowable for tax purposes and generated by monetary items that form part of the intragroup net investment in the foreign operation. These foreign currency exchange gains/(losses) are recognised in the condensed consolidated financial statements within foreign currency translation reserve.

Tax exposures recognised in income tax

During the six months ended 30 June 2022 and 2021 no new individual significant exposures were identified as probable and therefore provided for. Management has estimated possible tax exposure, representing contingent liabilities (Note 17) (covering taxes and related interest and penalties), of approximately US$ 238 million (31 December 2021: US$ 157 million) being uncertain tax positions, which relate to income tax. Change in the amount is mainly attributable to the Russian Rouble appreciation against US Dollar. This is connected largely to more assertive position of the Russian tax authorities in their interpretation of tax legislation in several recent court cases for other third party taxpayers. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three and five calendar years preceding the year of tax review for Russia and Kazakhstan respectively. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group.

13. DIVIDENDS AND EARNINGS PER SHARE

At 30 June 2022, the Company's issued share capital consisted of 473,626,239 ordinary shares of no par value, each carrying one vote (31 December 2021: 473,626,239 ordinary shares). The Company does not hold any ordinary shares in treasury. The ordinary shares reflect 100% of the total issued share capital of the Company.

The calculation of the basic and diluted earnings per share is based on the following data:

Weighted average number of shares: Diluted earnings per share

Both basic and diluted earnings per share were calculated by dividing profit for the period 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:

	Six months ended	
	30 June 2022	30 June 2021
Weighted average number of outstanding common shares	473,626,239	472,503,905
Dilutive effect of LTIP	-	8,377,964
Weighted average number of outstanding common shares after dilution	**473,626,239**	**480,881,869**

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share in the current period (period ended 30 June 2021: nil).

No outstanding Long-Term Incentive Plan (LTIP) awards issued under 2019-2021 tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are out of money as of the reporting date (30 June 2021: 2018 – 2021 tranches were dilutive).

The LTIP tranche, granted in 2018 lapsed during first half 2022 and accordingly, the related balance of US$ 9 million in the share-based payment reserve was transferred into retained earnings.

Dividends

During six months ended 30 June 2022 the Group didn’t recognise or pay any dividends (six months ended 30 June 2021: dividends of US$ 421 million were deducted from equity and paid). Final dividend for 2021, declared in March 2022, was later rescinded by the Board due to changes in operating conditions and therefore was not recognised as a liability as of 30 June 2022. No dividends were proposed in relation to the interim period (six months ended 30 June 2021: US$ 213 million).

14. PROPERTY, PLANT AND EQUIPMENT

	Development assets	Exploration assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
Cost	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**
Balance at 31 December 2021	**384**	**74**	**3,343**	**74**	**783**	**4,658**
Additions	33	6	136	4	225	404
Transfers	(6)	-	82	1	(77)	-
Change in decommissioning liabilities	-	-	13	-	14	27
Assets acquired	29	-	-	-	19	48
Disposals and write-offs including fully depleted mines	-	-	(79)	-	-	(79)
Translation to presentation currency	216	23	1,024	33	430	1,726
Balance at 30 June 2022	**656**	**103**	**4,519**	**112**	**1,394**	**6,784**

	Development assets	Exploration assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
Accumulated depreciation, amortisation	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**
Balance at 31 December 2021	**-**	**-**	**(1,304)**	**(40)**	**-**	**(1,344)**
Charge for the period	**-**	**-**	(146)	(4)	-	**(150)**
Disposals and write-offs including fully depleted mines	-	-	77	-	-	**77**
Impairment of operating assets	(301)	-	(351)	(3)	(34)	**(689)**
Translation to presentation currency	-	-	(420)	(16)	-	**(436)**
Balance at 30 June 2022	**(301)**	**-**	**(2,144)**	**(63)**	**(34)**	**(2,542)**
Net book value						
Balance at 31 December 2021	**384**	**74**	**2,039**	**34**	**783**	**3,314**
Balance at 30 June 2022	**355**	**103**	**2,375**	**49**	**1,360**	**4,242**

Impairment of Property, Plant and Equipment

At 30 June 2022, due to the significant appreciation of Russian Rouble against US Dollar resulting in the increased carrying value of non-current assets, as well as post tax real discount rate increase, the Group carried out an impairment review of its property, plant and equipment, goodwill and other non-current assets. As a result of this review, total impairment loss of US$ 689 million was recognised, which comprised the following:

	Nezhda-Prognoz	Kutyn	TOTAL
	US$m	US$m	US$m
Development assets	299	2	**301**
Mining assets	344	7	**351**
Capital construction in-progress	31	3	**34**
Non-mining assets	3	-	**3**
Total	**677**	**12**	**689**

Nezhda-Prognoz CGU relates to Yakutia reporting segment, while Kutyn CGU is included in Khabarovsk reporting segment (Note 3).

After the related tax credit of US$ 125 million, the post-tax impairment charge amounts to US$ 564 million.

Valuation technique

A CGU is defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The carrying amounts of all the cash-generating units were 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. The DCF method used is based on the following key assumptions:

Discount rate
In the DCF calculations the Group used a post-tax real discount rate of 12% (2021: 8%), applicable to the Russian assets, which is equal to its nominal weighted average cost of capital of 15% (2021: 10.7%) translated into real terms.

Commodity prices
Commodity prices were based on the latest internal forecasts, benchmarked against external sources of information. In the impairment tests performed, the flat real long-term gold, silver and copper prices of US$ 1,800 per ounce and US$ 22 per ounce, respectively, have been used to estimate future revenues.

Foreign exchange rates
Foreign exchange rates were based on the observable spot rates, or on latest internal forecasts, benchmarked with external sources of information for relevant countries of operation, as appropriate. In the impairment tests performed, the long-term rate RUB/US$ rate is estimated at 70 RUB/US$.

Proved and probable reserves and mineral resources
Production volumes were derived from the detailed long-term life of mine plans which are based on the JORC proven and probable reserves and certain mineral resources at the end of the period. Reserves and resources were 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 ratios, were included where management had a high degree of confidence in their economic extraction.

Operating costs, capital expenditure and other operating factors
Cost assumptions incorporated management experience and expectations, as well as the nature and location of the operation and the risks associated therewith.

15. INVENTORIES

	30 June 2022	31 December 2021
	US$m	US$m
Inventories expected to be recovered after twelve months		
Ore stock piles	106	70
Consumables and spare parts	39	26
Total non-current inventories	**145**	**96**
Inventories expected to be recovered in the next twelve months		
Copper, gold and silver concentrate	425	182
Ore stock piles	334	221
Work in-process	154	115
Doré	122	26
Metal for refining	41	9
Refined metals	36	-
Total metal inventories	**1,112**	**553**
Consumables and spare parts	422	228
Total current inventories	**1,534**	**781**

During the six months ended 30 June 2022, a net metal inventory increased by US$ 231 million due to the on-going changes in sales structure. Management expects the majority of these inventories to be sold by the end of 2022, as the Group ramps up export sales Asian markets.

Write-downs and reversals of metal inventories to net realisable value

During the six months ended 30 June 2022, the Group recognised certain write-downs of its lower-grade metal inventories.

Commodity prices used in net realisable value tests were based on latest internal forecasts, benchmarked against external sources of information. For the net realisable value tests performed for the long-term inventories, assumptions consistent with those described in Note 14 above were used, while for the short-term metal inventories forward prices for gold and silver of US$ 1,839 and US$ 21 per ounce respectively were used.

The Group recognised the following write-downs to net realisable value of its metal inventories:

	Six months ended	
	30 June 2022	30 June 2021
	US$m	US$m
Ore stock piles	(7)	-
Ore in heap leach piles	(7)	(5)
Copper, gold and silver concentrate	(6)	-
Total	**(20)**	**(5)**

During the six month period ended 30 June 2022 the Group also recognised a reversal of previous write-down of consumables and spare parts inventory of US$ 1 million (six months ended 30 June 2021: a write-down of consumables and spare parts inventory of US$ 1 million).

Metal inventories held at net realisable value at 30 June 2022 amounted to US$ 126 million (31 December 2021: US$ 49 million).

16. BORROWINGS

The Group has a number of borrowing arrangements with various lenders. These borrowings consist of unsecured and secured loans and credit facilities denominated in US Dollars, Euros and Russian Roubles. Where security is provided, it is in the form of pledges of revenue from certain of the Group's metal sales agreements.

		Actual interest rate at		30 June 2022			31 December 2021		
	Type of rate	30 June 2022	31 Dec 2021	Current	Non-current	Total	Current	Non-current	Total
				US$m	US$m	US$m	US$m	US$m	US$m
Secured loans from third parties									
US Dollar denominated	fixed	2.66%	3.04%	25	175	200	100	191	291
Total secured loans from third parties				**25**	**175**	**200**	**100**	**191**	**291**
Unsecured loans from third parties									
US Dollar denominated	floating	2.88%	1.35%	230	429	659	298	378	676
US Dollar denominated	fixed	3.81%	3.52%	87	1,248	1,335	2	948	950
Euro denominated	floating	0.45%	0.45%	1	20	21	-	24	24
Euro denominated	fixed	n/a	0.60%	-	-	-	2	-	2
RUB denominated	floating	10.71%	n/a	662	-	662	-	-	-
RUB denominated	fixed	12.12%	6.67%	184	280	464	44	77	121
Total unsecured loans from third parties				**1,164**	**1,977**	**3,141**	**346**	**1,427**	**1,773**
Total				**1,189**	**2,152**	**3,341**	**446**	**1,618**	**2,064**

Movements in borrowings are presented in Note 20 below.

The table below summarises maturities of borrowings:

	30 June 2022	31 December 2021
	US$m	US$m
31 December 2022	637	446
Six months, 30 June 2023	552	36
31 December 2023	153	140
31 December 2024	746	372
31 December 2025	250	220
31 December 2026	423	390

31 December 2027	206	170
31 December 2028	178	139
31 December 2029	182	139
31 December 2030	10	8
31 December 2031	2	2
31 December 2032	2	2
Total	**3,341**	**2,064**

17. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group's budgeted capital expenditure commitments as at 30 June 2022 amounted to US$ 346 million, mainly relating to AGMK POX-2 and Kutyn (31 December 2021: US$ 270 million).

Lease commitments

In June 2020, the Group entered into a preliminary lease agreement to lease on pre-agreed terms the single-circuit 110 kV grid power line running from Khandyga to the Nezhda production site and the related substation. The power line will be built, owned and operated by UVES, an independent grid management company with completion and the commencement date of the lease scheduled for the second half 2022.

The Group's lease commitments are estimated at US$ 220 million (undiscounted), including variable lease payments, representing reimbursement of maintenance costs of US$ 49 million, which will be expensed as incurred.

Taxation

Russian and Kazakh 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 transactions and activities 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 and five calendar years preceding the year of review in Russian Federation in Kazakhstan, respectfully. Under certain circumstances reviews may cover longer periods.

Management has identified a total exposure (covering taxes and related interest and penalties) of approximately US$ 242 million in respect of contingent liabilities (31 December 2021: US$ 158 million), mainly related to income tax as described in Note 12.

18. 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 30 June 2022 and 31 December 2021, the Group held the following financial instruments at fair value through profit or loss (FVTPL):

	30 June 2022			
	Level 1	Level 2	Level 3	Total
	US$m	US$m	US$m	US$m
Receivables from provisional copper, gold and silver concentrate sales	-	91	-	**91**
Contingent consideration receivable	-	-	21	**21**
Shares held at FVTPL	1	-	-	**1**
Royalty liabilities payable	-	-	(25)	**(25)**
Contingent consideration liability (Note 20)	-	-	(48)	**(48)**
Total	**1**	**91**	**(52)**	**40**

	31 December 2021			
	Level 1	Level 2	Level 3	Total
	US$m	US$m	US$m	US$m
Receivables from provisional copper, gold and silver concentrate sales	-	44	-	**44**
Contingent consideration receivable	-	-	29	**29**
Shares held at FVTPL	5	-	-	**5**
Royalty liabilities payable	-	-	(21)	**(21)**
Contingent consideration liability (Note 20)	-	-	(63)	**(63)**
Total	**5**	**44**	**(55)**	**(6)**

During both periods, there were no transfers between Level 1 and Level 2.

Additionally, as of 30 June 2022 the Group held several interest rate swap contracts, recognised within non-current accounts receivables and other financial instruments in the amount of US$ 12 million (31 December 2021: US$ 1 million). All interest rate swap contracts exchanging floating rate interest amounts for rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. As of 30 June 2022 it was determined that there is no hedge ineffectiveness identified and therefore change of fair value was recognised within other comprehensive income.

The Group recognised the following gains and loss from revaluation of its Level 3 financial instruments at FVTPL:

	Year ended	
	30 June 2022	30 June 2021
	US$m	US$m
(Loss)/Gain on contingent consideration receivable revaluation	(16)	6
Gain/(loss) on contingent consideration payable revaluation	1	(6)
Change in fair value of shares held at FVTPL	(4)	-
Loss on royalty payable revaluation	(3)	-
Total	**(22)**	**-**

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 30 June 2022 is US$ 2,930 million (31 December 2021: US$ 1,849 million), and the carrying value as at 30 June 2022 is US$ 3,341 million (31 December 2021: US$ 2,064 million).

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.

Valuation methodologies used in the measurement of fair value for Level 3 financial assets and financial liabilities

The main level 3 inputs used by the Group in measuring the fair value of contingent consideration assets and liabilities, represented by various royalties and net smelter returns (NSR), are derived and evaluated as follows:

- The relevant valuation model simulates expected production of metals at respective mines and are based on life of mine models prepared using applicable ore reserves and mineral resource estimations;
- Commodity prices - Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. The prices applied are consistent with those described in Note 14.
- Discount rates – The Group used a post-tax real discount rate of 12.0% (2021: 8.0%). For the Monte-Carlo modelling, where inflation is incorporated into volatility estimation, a nominal discount rate of 15% (2021: 10.7%) is applied.
- Where the percentage of net NSR or royalty receivable or payable depends on commodity prices or foreign exchange rates reaching certain levels, the Group applies the Monte-Carlo modelling to incorporate the volatility measure into the valuation, which is applied to the prevailing market prices/rates as of the valuation date. The Monte-Carlo modelling is applied to Komar and Prognoz (NSR) contingent considerations payable and all contingent considerations receivable.

  The key assumptions used in the Monte-Carlo calculations are set out below:

Metal	Price as of valuation date per ounce/tonne	Volatility, %%	Constant correlation to gold, %%
Gold	1,817	13.71%-15.82%	n/a
Silver	20.415	26.58%-32.15%	85.79%
Copper	8,245	22.27%	27.93%
Zinc	3,252	25.04%	7.65%
RUB rate	51.158	16.78%-20.44%	58.39%-61.88%

The Directors consider that a reasonably possible change in a valuation assumption would not have a material impact on the condensed consolidated financial statements for contingent considerations receivable.

19. 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.

During the period ended 30 June 2022 transactions with related parties, represented mainly by equity method investments, comprise miscellaneous purchases of US$ 0.6 million (period ended 30 June 2021: US$ 0.7) and various sales to related parties of US$ 0.3 million (period ended 30 June 2021: 0.2 million).

Outstanding balances with related parties as of 30 June 2022 are represented by accounts receivable of US$ 1.2 million (31 December 2021: US$ 0.3 million).

20. SUPPLEMENTARY CASH FLOW INFORMATION

	Notes	Six months ended 30 June 2022 US$m	Six months ended 30 June 2021 US$m
Profit before tax		(348)	521
Adjustments for:			
Depreciation and depletion recognised in income statement		85	93
Impairment of non-current assets		689	-
Write-down of inventories to net realisable value	15	19	6
Share-based compensation	9	8	9
Finance costs	11	41	35
Finance income		(3)	(3)
Change in fair value of contingent consideration assets and liabilities	18	22	-
Foreign exchange (gain)/loss, net		(92)	1
Gain on disposal of subsidiaries, net		-	(3)
Other non-cash expenses		8	5

Movements in working capital		
Increase in inventories	(315)	(116)
(Increase)/Decrease in VAT receivable	(16)	9
Increase in trade and other receivables	(42)	(6)
Increase in prepayments to suppliers	(68)	(49)
Decrease in trade and other payables	(58)	(27)
Decrease in prepayments received	(134)	-
Increase in other taxes payable	9	14
Cash generated from operations	**(195)**	**489**
Interest paid	(43)	(30)
Interest received	3	2
Income tax paid	(170)	(103)
Net cash generated by operating activities	**(405)**	**358**

There were no significant non-cash transactions during the six months ended 30 June 2022 and 30 June 2021, other than in respect of share-based payments.

As a result of consolidation of 100% interest in Albazino power line (Note 3) the Group assumed debt of US$ 161 million and acquired corresponding cash balances of US$ 150 million. Cash acquired is presented within investing activities as net cash inflow on acquisitions.

During the period ended 30 June 2022, the capital expenditure related to the new projects, increasing the operating capacity amounts to US$ 209 million (period ended 30 June 2021: US$ 272 million).

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities from financing activities are those for which cash flow were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Year ended 30 June 2022					
	Borrowings	**Contingent consideration payable at fair value**	**Deferred consideration payable at amortised cost**	**Royalty payable**	**Lease liabilities**	**TOTAL**
1 January 2022	**2,064**	**63**	**79**	**21**	**36**	**2,263**
Cash inflow	2,711	-	-	-		2,711
Cash outflow	(1,850)	(15)	-	-	(4)	(1,869)
Changes from financing cash flows	**861**	**(15)**	**-**	**-**	**(4)**	**842**
Additions as a result of acquisitions	161	-	-	-	-	161
Factoring arrangement	-	-	-	-	-	-
Change in fair value, included in profit or loss	-	(1)	-	3	-	2
Unwind of discount	-	1	3	-	2	6
Arrangement fee amortisation	1	-	-	-	-	1
New leases	-	-	-	-	2	2
Lease termination	-	-	-	-	-	-
Net foreign exchange losses	(417)	-	-	-	-	(417)
Exchange differences on translating foreign operations	671	-	-	-	15	686
Other changes	**416**	**-**	**3**	**3**	**19**	**441**
30 June 2022	**3,341**	**48**	**82**	**24**	**51**	**3,546**
Less current portion	(1,189)	(17)	-	-	-	(1,206)
Total non-current liabilities at 30 June	**2,152**	**31**	**82**	**24**	**51**	**2,340**

	Year ended 30 June 2021					
	Borrowings	Contingent consideration payable at fair value	Deferred consideration payable at amortised cost	Royalty payable	Lease liabilities	TOTAL
1 January 2021	**1,737**	**87**	**74**	**-**	**33**	**1,931**
Cash inflow	1,667	-	-	-	-	**1,667**
Cash outflow	(1,296)	(18)	-	-	(3)	**(1,317)**
Changes from financing cash flows	**371**	**(18)**	**-**	**-**	**(3)**	**350**
Additions as a result of acquisitions	-	-	-	-	-	-
Factoring arrangement	-	-	-	-	-	-
Change in fair value, included in profit or loss	-	6	-	-	-	6
Unwind of discount	-	1	3	-	1	5
Arrangement fee amortisation	-	-	-	-	-	-
New leases	-	-	-	-	4	4
Lease termination	-	-	-	-	(2)	(2)
Net foreign exchange losses	-	-	-	-	-	-
Exchange differences on translating foreign operations	1	-	-	-	1	2
Other changes	**1**	**7**	**3**	**-**	**4**	**15**
30 June 2021	**2,109**	**76**	**77**	**-**	**34**	**2,296**
Less current portion	(440)	(37)	-	-	(5)	**(482)**
Total non-current liabilities at 30 June	**1,669**	**39**	**77**	**-**	**29**	**1,814**

21. SUBSEQUENT EVENTS

There were no subsequent events for the period.

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 Group 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 within 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 financial performance of the Group and measuring it against strategic objectives, given the following background:

- Widely used by the investor and analyst community in the mining sector and, together with IFRS measures, provide a holistic view of the Group;
- Applied by investors to assess earnings quality, facilitate period to period trend analysis and forecasting of future earnings, and 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 which impact upon IFRS measures;
- Used internally by management to assess the 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 Group	• 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)	• Excludes 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	• Earnings per share	• Underlying net earnings (as defined above) • Weighted average number of outstanding common shares	• Excludes 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.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying return on equity	• No equivalent	• Underlying net earnings (as defined above)[1] • 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)[1] 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 • Impairment/reversal of previously recognised impairment of operating 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	• Excludes the impact of certain non-cash element, either recurring or non-recurring, that can mask underlying changes in core operating performance, to be a proxy for operating cash flow generation.
Net debt	• Net total of current and non-current borrowings[2] • Cash and cash equivalents	• Not applicable	• Measures the Group's net indebtedness that 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 flows from operating activity less cash flow from investing activities	• Excluding acquisition costs in business combinations and investments in associates and joint ventures • Excluding loans forming part of net investment in joint ventures • Excluding 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.

[1] Annualised basis for half-year results.
[2] Excluding lease liabilities and royalty payments.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Free cash flow post M&A	• Cash flows from operating activity less cash flow from investing activities	• Not applicable	• Free cash flow including cash used in/received from acquisition/disposal of assets and joint ventures. • 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 & selling expenses	• Depreciation expense • Rehabilitation expenses • Write-down of inventory to net realisable value • Intersegment unrealised profit elimination • Idle capacities and abnormal production costs • Exclude Corporate and Other segment and development assets • Treatment charges deductions reclassification to cost of sales	• Calculated according to common mining industry practice using the provisions of 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 & 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 include additional adjustments on that for development capital.	• Includes the components identified in 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.