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Polymetal International plc

Preliminary results for the year ended 31 December 2022

Polymetal International plc ("Polymetal" or the "Company") announces the Group's preliminary results for the year ended 31 December 2022.

"In 2022, the Company was subject to extraordinary and unprecedented external challenges. Despite these adverse circumstances, Polymetal managed to maintain operational stability and achieve excellent safety performance. Nonetheless, international sanctions against Russia have had a huge impact on domestic inflation, supply chains and sales channels. As a result, costs have risen and working capital requirements ballooned with cash flow plummeting. We start 2023 from a position of relative strength and expect the resumption of free cash flows and a reduction in net debt over the course of the coming year", said Vitaly Nesis, Group CEO, commenting on the results.

FINANCIAL HIGHLIGHTS

- In 2022, revenue decreased by 3%, totalling US$ 2,801 million (2021: US$ 2,890 million), of which US$ 933 million (33%) was generated from operations in Kazakhstan and US$ 1,868 million (67%) from operations in the Russian Federation. Average realised gold price decreased by 2% while silver price decreased by 12%, both almost tracking market dynamics. Gold equivalent (GE) production was 1,712 Koz, a 2% increase year-on-year (y-o-y). Gold sales decreased by 1% y-o-y to 1,376 Koz, while silver sales increased by 6% to 18.5 Moz. Disruption in sales channels resulted in a huge gap between production and sales in Q2-Q3 2022, but was largely eliminated in Q4 2022. The remaining gap is expected to close during the course of 1H 2023.
- Group Total Cash Costs (TCC)[1] for 2022 were US$ 942/GE oz and within the Group's guidance of US$ 900-1,000/GE oz, although representing an increase of 29% y-o-y, which was predominantly due to double-digit domestic inflation and the appreciation of Rouble/USD exchange rate. Escalation of logistical costs and sharp increases in the price of consumables caused by the imposition of sanctions (explosives, equipment spares, cyanide) also impacted the Group's TCC.
- All-in Sustaining Cash Costs (AISC)[1] amounted to US$ 1,344/GE oz, up 31% y-o-y, which was within the Group's guidance of US$ 1,300-1,400/GE and also driven by the same factors as above.
- Adjusted EBITDA[1] was US$ 1,017 million, 31% lower than in 2021, as costs rose and metals prices declined. US$ 478 million (47%) of Group EBITDA originated in Kazakhstan and US$ 539 million (53%) in the Russian Federation. The Adjusted EBITDA margin decreased by 15 percentage points to 36% (2021: 51%).
- Underlying net earnings[2] were US$ 440 million (2021: US$ 913 million). As a result of a lower Group EBITDA and non-cash impairment charges (a post-tax amount of US$ 653 million), the Group recorded a net loss for the period of US$ 288 million in 2022, compared to profits of US$ 904 million in 2021.
- Capital expenditure was US$ 794 million[3], up 5% compared with US$ 759 million in 2021 and 2% above the guidance range of US$ 725-775 million, reflecting accelerated purchases and contractor advances for ongoing projects (most notably, Amursk POX-2), combined with inflationary and logistical pressures on imported equipment, materials and services.
- Net operating cash inflow was US$ 206 million (2021: US$ 1,195 million), on the back of inventories build-up of US$ 473 million. This includes positive cash flow of US$ 337 million from operations in Kazakhstan and negative cash flow of US$ 131 million from operations in the Russian Federation. The Group reported negative free cash flow[1] of US$ 445 million in 2022 (2021: positive US$ 418 million).
- Net debt[1] increased to US$ 2,393 million during the period (31 December 2021: US$ 1,647 million), representing 2.35x of the Adjusted EBITDA (2021: 1.13x). The increase in net debt was driven by the decline in profitability, the persistently high capital intensity of the business and a very significant expansion in working capital.

[1] The financial performance reported by the Group contains certain Alternative Performance Measures (APMs) disclosed to complement measures that are defined or specified under International Financial Reporting Standards (IFRS). For more information on the APMs used by the Group, including justification for their use, please refer to the "Alternative performance measures" section 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.

DIVIDENDS

- The Board has carefully evaluated the liquidity and solvency of the business in light of multiple external uncertainties. Taking into account the Group's leverage (2.35x Net debt/EBITDA, materially above the level of 1.5x target leverage ratio and the significant level of uncertainty regarding external factors, the Board has decided not to propose any dividend for 2022 in order to allow the Group to maintain strategic and operating flexibility in a highly volatile and uncertain external environment.

FINANCIAL HIGHLIGHTS [1]	2022	2021	Change
Revenue, US$m	2,801	2,890	-3%
Total cash cost[2], US$ /GE oz	942	730	+29%
All-in sustaining cash cost[2], US$ /GE oz	1,344	1,030	+31%
Adjusted EBITDA[2], US$m	1,017	1,464	-31%
Average realised gold price[3], US$ /oz	1,764	1,792	-2%
Average realised silver price[3], US$ /oz	21.9	24.8	-12%
Net (loss)/earnings, US$m	(288)	904	n/a
Underlying net earnings[2], US$m	440	913	-52%
Return on assets (underlying)[2], %	9%	26%	-65%
Return on equity (underlying)[2], %	11%	23%	-52%
Basic (loss)/earnings per share, US$	(0.61)	1.91	n/a
Underlying EPS[2], US$	0.93	1.93	-52%
Dividend declared during the period[4], US$ /share	-	1.34	-100%
Dividend proposed for the period[5], US$ /share	-	0.97	-100%
Net debt[2], US$m	2,393	1,647	+45%
Net debt/Adjusted EBITDA	2.35	1.13	+109%
Net operating cash flow, US$m	206	1,195	-83%
Capital expenditure, US$m	794	759	+5%
Free cash flow before acquisitions/ disposals[2], US$m	(445)	418	n/a
Free cash flow post-M&A, US$m	(473)	407	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] FY 2021: final dividend for FY 2020 paid in 2021 and interim dividend for the 1H 2021 paid in September 2021.
[5] FY 2021: interim and final dividend for FY2021.

OPERATING HIGHLIGHTS

- No fatal accidents among the Group's employees and contractors occurred in 2022. Lost time injury frequency rate (LTIFR) among the Company's workforce for the full year decreased by 17% y-o-y to 0.10. Days lost due to work-related injuries (DIS) fell by 42% y-o-y to 877.
- The Company's FY 2022 GE production amounted to 1,712 Koz, a y-o-y increase of 2% and in line with the original production guidance of 1.7 Moz. The first full year of operations at Nezhda and initial production at Kutyn (Albazino hub) compensated for declining grades at mature assets.
- Amursk POX-2 and other development projects progressed in line with schedules revised after the introduction of international sanctions against Russia in Q1 and Q2 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") HIGHLIGHTS

- Varvara Mine in Kazakhstan was certified for full compliance under the International Cyanide Management Code by the International Cyanide Management Institute (ICMI).
- In 2022, Polymetal continued to receive external recognition of its ESG efforts with high ratings and scores by Sustainalytics, Vigeo Eiris and ISS ESG Corporate Rating.
- In January 2023, the Group published its second green loan allocation report under the corporate green financing framework, which confirmed spending of US$ 125 million loan given by Société Générale for environmentally friendly projects at the Company's sites. Our total green and sustainability-linked loan portfolio is now US$ 592 million, amounting to 20% of the total outstanding debt of the Group.
- Greenhouse gas emissions intensity (scopes 1 and 2) was 15% lower in 2022 compared to 2019 (Scope 1 and 2), attributed to increasing our renewable electricity consumption (30% of total), as well as energy efficiency initiatives, such as improving heat utilization systems and the implementation of solar power generation.
- In 2022, the share of water reused and recycled amounted to 91% of the total water consumption at our sites (compared to 90% in 2021). In 2022, fresh water intensity for ore processing[1] decreased by 49% (as compared to the 2019 baseline), to 138 m^3/1000 t of ore processed.
- We continue to promote equal-opportunity culture through training and communications, empowering more women to take leadership roles: in 2022, the share of female participants of our Talent Pool development program increased to 35% (compared to 30% in 2021).

2023 OUTLOOK

- The Group reiterates its current production guidance of 1.7 Moz of GE for FY 2023. Production will be weighted towards 2H 2023 due to traditional seasonality at several production sites.
- Polymetal expects its costs to be in the ranges of US$ 950-1,000/GE oz for TCC and US$ 1,300-1,400/GE oz for AISC[2]. A minor y-o-y increase is mostly due to expected domestic inflation and royalty increase in Kazakhstan.
- Capital expenditures are expected to be in the range of US$ 700-750 million. Major investment projects include Amursk POX-2, Albazino power line, Voro flotation (completion expected Q2), Prognoz (completion expected Q4), and Mayskoye backfill plant.

[1] Hereinafter this indicator excludes water used for non-technological purposes.
[2] Based on 65 RUB/USD, 450 KZT/USD rates, 7% inflation in Russia and 9% in Kazakhstan.

PRESERVING SHAREHOLDER VALUE

- The Group continues to evaluate all available options to modify the Group's asset-holding structure in order to maximise shareholder value.
- The Group's preferred option is the potential re-domiciliation of the parent company, Polymetal International plc, into the Astana International Financial Centre (AIFC), a financial hub in Astana, Kazakhstan, taking into account the Group's significant operations and presence in the region, the AIFC legal system, tax regime and the ability to execute such a re-domiciliation.
- The key objective of any re-domiciliation will be to preserve shareholder value, restore our ability to pay dividends and increase the strategic flexibility to conduct our operations, as well enabling us to pursue different strategic developments for the Russian and Kazakhstan businesses.
- No decision has been made and there can therefore be no certainty that the Company will proceed with, or ultimately complete a re-domiciliation.
- The Company has attempted to secure the services of a depository interest provider in order to continue trading on the London Stock Exchange, should the re-domiciliation proceed. However, as at the date of this announcement, the Company has not yet been able to secure such services due to the depository interest providers approached by the Company being unable or unwilling to provide such arrangements, while Euroclear, as the CREST system operator, has not confirmed the availability of this kind of services for the AIFC jurisdiction. The Company is continuing its efforts to secure such services.
- The Company confirms that any actions will be compliant with all applicable international sanctions, counter-sanctions and regulatory requirements and the Company will continue to take into consideration the interests of its stakeholders prior to making a decision.
- Further announcements in relation to the Group's efforts to restore shareholder value and modify the Group's asset-holding structure will be made when appropriate.

CONFERENCE CALL AND WEBCAST

The Company will hold a conference call and webcast on Thursday, 16 March 2023 at 12:00 London time (15:00 Moscow time).

Please complete the registration form using the link to participate in the call. Dial-in details will be sent to you via email after registration. Participants from Russia may use the webcast link below or a dial-out option which will be provided after registration.

To participate in the webcast follow the link: https://edge.media-server.com/mmc/p/ez66tpiw.

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SINED'S STATEMENT

2022 was a year that can only be described as unparalleled in the challenges that it brought for the Company and its operating environment. The Russia-Ukraine conflict created geopolitical instability and disruptions in supply chains with the reverberations felt around the globe. Taken together, these factors piled pressure on capital markets and significantly increased volatility and uncertainty for business and financial markets worldwide, but was particularly felt by the metals and mining sector. In the light of these unprecedented challenges, I am pleased to report that Polymetal was able to continue its operations and sales without interruption. The Board and management remain vigilant to addressing any new issues should they emerge.

Strictest compliance

Last year was also unprecedented in terms of the number and range of sanctions that were imposed by various jurisdictions against the Russian Federation and counter-sanctions imposed by the Russian Federation in return. The Company's approach to these impositions have not been taken lightly and has prompted the introduction of additional compliance controls and procedures. The Group complies rigorously with all relevant legislation and has implemented comprehensive measures to observe all applicable sanctions. Notwithstanding the Group's ongoing compliance, the restraints that the sanctions and counter-sanctions measures have placed on the day-to-day functioning of the Group, not only on its interaction with commercial and financing partners but also among its Shareholders and its own subsidiaries, have been, and continue to be, increasingly challenging. The effects of these external measures are to the detriment of the Group's ability to grow, develop and therefore, represent shareholder value. The continuing geopolitical situation and ensuing economic pressure are undoubtedly beyond the Company's control but we are totally committed to meeting all international regulatory requirements and continued compliance with all applicable sanctions and counter-sanctions.

Preserving shareholder value

Against this backdrop, our ultimate goal is still to retain the trust of all our stakeholders by preserving the fundamental value of the business. This intention, however, may not currently seem to be reflected in the Polymetal share price, which remains severely depressed and only a small fraction of where it stood before the start of the conflict.

We continue to evaluate all available options to modify the Group's asset-holding structure in order to maximise shareholder value. As previously announced, this includes, as the preferred option, the potential re-domiciliation of the parent company, Polymetal International plc, into the Astana International Financial Centre (AIFC), a financial hub in Astana, Kazakhstan, taking into account the Group's significant operations and presence in the region, the AIFC legal system, tax regime and the ability to execute such a re-domiciliation. The key objective of any re-domiciliation will be to preserve shareholder value, restore our ability to pay dividends and increase the strategic flexibility to conduct our operations, as well as enabling us to pursue different strategic developments for the Russian and Kazakhstan businesses.

The evaluation process is ongoing and management continue to make progress on preparing for such a corporate action. The evaluation of the re-domiciliation process continues and will, in any event, be subject to a number of conditions. No decision has been made and there can therefore be no certainty that the Company will proceed with, or ultimately complete a re-domiciliation.The Company confirms that any actions will be compliant with all applicable international sanctions, counter-sanctions and regulatory requirements and the Company will continue to take into consideration the interests of its stakeholders prior to making a decision.

Further announcements in relation to the Group's efforts to restore shareholder value and modify the Group's asset-holding structure will be made when appropriate.

Decision on dividend

The Board has carefully evaluated the liquidity and solvency of the business in light of multiple external uncertainties. Net debt increased to $2,393 million during the year (31 December 2021: $1,647 million), representing a Net debt/Adjusted EBITDA ratio of 2.35x (2021: 1.13x), significantly above the Group's target leverage ratio of 1.5x. Free cash flow was negative at $445 million.

Taking into account the significant decline in operating cash flows, material limitations on access to capital and the current liquidity and operational challenges facing the business, the Board has decided not to propose 2022 full-year dividend. This will allow the Group to strengthen its balance sheet position and enhance its resilience in a highly uncertain and challenging environment. The Board understands the importance of dividend payments to shareholders and hope that deleveraging and a return to positive free cash flow generation in 2023 will put us in a position to consider resuming dividend payments.

Board composition

Polymetal successfully replaced those members who left the Board during 2022. The Board now consists of eight members, six of whom are Independent Non-Executive Directors. We believe that the Board and its Committees have the appropriate balance of skills, experience, independence and knowledge of the business to make a valuable contribution to the Company's development and corporate governance. We are also pleased to have retained a high level of diversity within the Board.

Considering the ongoing evaluation of the available options to modify the Group's asset-holding structure in order to maximise shareholder value, the Board will look to appoint a new chair once the ongoing work and execution of restoring shareholder value is finalised. This will ensure the forward looking focus of such an appointment will enable us to pursue different strategic developments for the Russian and Kazakhstan businesses.

Wellbeing of our employees and local communities

We are committed to protecting the health and well-being of our employees and local communities.

We believe that it is important, whatever activities we undertake, that we mine responsibly, minimise the inevitable environmental footprint and make a positive contribution to employees, local communities, national and regional governments, and supply chains in the areas where we operate.

I would like to take this opportunity to formally say thank you to all our employees for their resilience and hard work, to local communities for their goodwill, to investors for their continued backing and to my Board colleagues for their unwavering support. 2022 has been a difficult and challenging year for everyone and I look forward to the year ahead with the hope of more settled and certain times.

Senior Independent Non-Executive Director

Evgueni Konovalenko

GROUP CEO STATEMENT

2022 unexpectedly placed extraordinary and unprecedented external challenges on Polymetal's operations. In the conditions of unrelenting stress and dramatic volatility, the team demonstrated the resilience of our business by meeting our original production guidance, pushing on with the majority of development projects, and maintaining a solid safety performance.

Operational resilience

The Russia-Ukraine conflict uprooted traditional relationships and ways of doing business for Polymetal, yet we managed to adapt to the new reality.

Many industry participants, suppliers and contractors withdrew from the Russian market. In response, we sourced sufficient inventories and secured both operational consumables and equipment from alternative supply routes, largely in Asia. We also completely reshaped the sales channels for our Russian assets, while ensuring full compliance and delivering near-full reduction in accumulated product stockpiles by the year end.

So far, we have addressed all issues of critical importance for our operations and development projects. Unless there is further substantial tightening of the sanctions regime, supply chain issues are unlikely to affect our production guidance.

Our performance against a challenging backdrop

The Company's gold equivalent production amounted to 1,712 Koz, a y-o-y increase of 2%, and above our pre-conflict production guidance of 1.7 Moz. The first full-year of operations at Nezhda and initial production at Kutyn compensated for declining grades at our mature assets.

Revenue decreased by 3%, mostly due to lower metal prices. Despite the initial gap between production and sales mid-year, caused by the disruption in sales channels, we almost completely closed this gap in Q4 by establishing commercial relationships with new non-sanctioned counterparties. We expect to eliminate any remaining difference during the first half of 2023.

Given accelerated inflationary pressures in the global economy, we are satisfied that the total cash costs at $942/GE oz were within the cost guidance of $900-1,000/GE oz. The (y-o-y) increase of 29% has obviously left a negative impact on our profitability for 2022. All-in sustaining costs (AISC) were $1,344/GE oz, also within the guidance range of $1,300-1,400/GE oz.

Capital expenditure experienced even greater pressure from the disruptions in the global supply chains and, as a result, total spend for the full year was $794 million, just 2% above the upper end of the guidance range ($725-775 million). Our net debt stood at $2.4 billion, driven mainly by working capital requirements in a difficult sales and procurement environment and inflationary pressures, both in operational and capital expenditure. The net debt/Adjusted EBITDA ratio by the end of the year was 2.35x. We have accrued a very strong cash position of $633 million, which more than covers our short-term refinancing needs.

Despite the challenging backdrop, underlying net earnings were $440 million (2021: $913 million). As a result of a lower Group EBITDA and the increase in real discount rate increase for Russian assets from 8% in 2021 to 14.1% in 2022 driven by increased country risk premium, a total pre-tax impairment charge of $801 million (equivalent to a post-tax amount of $653 million), the Group recorded a net loss for the period of $288 million in 2022, compared to profits of $904 million in 2021.

Safety is our No. 1 priority at all times

We are responsible for the safety at work of more than 14,000 employees and expect the same approach and standards to be upheld by our contractors. Importantly, for the third year in a row, we had no fatalities among Group employees; in 2022, there were also no fatalities among contractors (2021: 1 fatality). The attention and resources that the Polymetal team has committed to industrial safety is also demonstrated in the improvement in work-related injuries: in 2022, LTIFR decreased by 17% from 0.12 to 0.10, as reported in 2021.

Progress with development projects

Amursk POX-2, currently the key project in our pipeline, saw significant negative impact from sectoral sanctions on imports of specific equipment and materials. Nevertheless, we progressed construction while delaying the target start-up date by six months to Q2 2024. As of 1 January 2023, the overall project completion rate is 83%, engineering and contracting has been completed and the vast majority of equipment is already on site.

The Amursk POX-2 facility will enable us to both confirm our global leadership in pressure-oxidation technology and enable us to treat more than 90% of our refractory flotation material in-house. The resulting decline in operating costs and reduction in working capital requirements are expected to result in significant cash flow tailwinds in both 2024 and 2025.

The POX-3 project, in the feasibility study stage, was mostly targeted at providing adequate capacity to process material from Veduga and to treat refractory concentrates from third parties. Given the reality of sanctions, the Company made the decision to re-site the project to Kazakhstan to cater mostly for concentrate produced at Kyzyl. A prefeasibility study for the facility at the new location will be completed in Q2 2024. Veduga was also delayed with first production now expected in the first half of 2027.

In Q3 2022, 24 months after the Board approved the project and six months ahead of the initial plan, we successfully completed construction and commissioning activities at the Kutyn heap leach facility. Total production by the year end amounted to 52 Koz of gold.

In 2023, we plan to commission and start production at the Voro flotation plant in Q2 and to produce first ore at Prognoz in Q4.

Creating value for stakeholders and contributing to a safer environment remain key priorities. We reduced our GHG emissions intensity by 15% during 2022, compared with our 2019 baseline, and remain on track to achieve our goal of a 30% reduction in GHG emissions intensity by 2030.

Belief in our capabilities

We are living in the world where changes are more rapid than ever and uncertainty is unprecedented. In 2022, once again, the Polymetal team has shown that by working together we are capable of overcoming novel challenges. I want to assure all people who have ties with our company that we will make every effort to continue delivering on our plans and aspirations.

Group Chief Executive Officer

Vitaly Nesis

OPERATING REVIEW

Solid performance despite severe external pressures

In 2022, despite significant logistical and supply chain challenges, operations continued undisrupted. The Company's gold equivalent (GE) production for the year amounted to 1,712 Koz, an increase of 2% over 2021 and in line with the original production guidance of 1.7 Moz. Kazakhstan's GE production declined by 3%, driven by a planned grade decline at Kyzyl. Russian GE production grew by 5%, on the back of the first full year of operations at Nezhda and initial production at Kutyn, compensating for declining grades at mature assets.

Amursk POX-2 and other development projects progressed in line with revised schedules. 2023 will be marked by the launch of Voro flotation plant, the start of mining at Prognoz and the commissioning of the active cyanidation section at Amursk POX-2.

Gold production for the full year was up 2%, while silver output increased by 3%. Gold sales of 1,376 Koz were stable y-o-y, while silver sales were up 6% at 18.5 Moz. The bulk of the accumulated bullion stockpile was successfully sold down in the Middle East and China. Revenue for Q4 2022 was up by 30% y-o-y, the highest quarterly revenue since the Company started. The Company hit the $1 billion mark as Polymetal sold down the metal and concentrate inventory accumulated in the previous quarters. We expect to close the remaining gap between production and sales during the first half of 2023.

No fatal accidents occurred among the Group's employees and contractors in 2022 (2021: Group 0; contractors 1). LTIFR among the Group's employees decreased by 17% y-o-y to 0.10. DIS fell by 42% y-o-y to 877. Wherever possible, Polymetal applies digital technologies to improve the safety of workplaces.

	2022	2021	Change
Waste moved, Mt	211.1	205.9	+3%
Underground development, km	98.0	95.5	+3%
Ore mined, Mt	19.5	15.6	+24%
Open-pit	15.4	11.7	+32%
Underground	4.1	4.0	+2%
Ore processed, Mt	18.3	15.8	+16%
Average grade processed, GE g/t	3.6	3.8	-4%
Production			
Gold, Koz	1,450	1,422	+2%
Silver, Moz	21.0	20.4	+3%
Gold equivalent, Koz[1]	1,712	1,677	+2%
Sales			
Gold, Koz	1,376	1,386	-1%
Silver, Moz	18.5	17.5	+6%
Gold equivalent, Koz[2]	1,622	1,640	-1%
Health and safety			
LTIFR[3]	0.10	0.12	-17%
DIS[4]	877	1,516	-42%
Fatalities			
Employees	-	-	n/a
Contractors	-	1	n/a

[1] Based on 80:1 Au/Ag conversion ratio and excluding base metals.
[2] Based on actual realised prices.
[3] LTIFR = lost time injury frequency rate per 200,000 hours worked. Company employees only are taken into account.
[4] DIS – days lost due to work-related injuries. Company employees only are taken into account.

Analysis of production results

Mining

Stripping volumes in 2022 grew by 3% to 211.1 Mt of rock moved, driven mostly by stripping at Albazino and accelerated stripping activities at Omolon. At Albazino, the waste increase was driven by the Farida pit and Kutyn development. At Omolon, waste jumped due to stripping at Burgali open-pit. Open-pit mining commenced at River pit (Varvara). At Mayskoye, open-pit mining has been completed.

Underground development increased by 3% to 98 km (2021: 96 km), mainly due to ramping-up the Ekaterina and Anfisa underground mines at Albazino, as well as underground development at Primorskoye (Dukat hub). Underground mining at Burgali commenced and will replace ore tonnage from the Burgali open-pit.

Total ore mined increased by 24% y-o-y to 19.5 Mt (2021: 15.6 Mt), mainly on the back of ramp up at Nezhda, supported by the Kutyn and Farida development at Albazino, as well as the ongoing Emmy pit development at Svetloye.

Processing

The Group's volume of ore processed increased by 16%, compared with the previous year, to 18.3 Mt (2021: 15.8 Mt), driven mostly by the newly launched Nezhda and Kutyn. Other mines operated at a stable pace.

The average GE grade in ore processed decreased by 4% y-o-y to 3.6 GE g/t (2021: 3.8 GE g/t), mostly attributable to the planned grade decline towards a reserve average at Kyzyl (GE decreased from 6.2 g/t to 5.5 g/t, but recoveries remained stable despite this), at Dukat (silver grade decrease in ore processed at both flotation and Merrill-Crow circuits) and at Albazino (gold grade in ore processed decreased as the high-grade Anfisa open-pit was fully depleted).

Production and sales

In 2022, Polymetal continued to deliver a solid set of operating results. Production grew by 2% y-o-y to 1,712 Koz GE, in line with the original production guidance of 1.7 Moz.

Kyzyl continues as the largest individual contributor to the Group's overall output: full-year gold production was 330 Koz, an 8% decrease y-o-y on the back of the planned grade decline towards a reserve average. Varvara GE output grew by 7% to reach 211 Koz, driven by higher Komar ore grade and better recoveries. In total, Kazakh operations delivered 541 GE koz (32% of the Group's production).

GE production at Dukat remained unchanged at 292 Koz, positively impacted by direct high-grade ore shipments from Primorskoye, compensating for grade declines at other mining areas. At Albazino, the total GE output was down 8% y-o-y to 230 Koz due to the planned depletion of Anfisa open-pit and negative recovery rate dynamics attributable to the increase of share of oxidised ore from Ekaterina mine. This was partially compensated by the contribution from the recently launched Kutyn heap leach, which delivered 52 Koz of gold. At Omolon, GE production was down 8% y-o-y to 199 Koz on the back of a planned grade decline; the Merrill-Crowe circuit at the Kubaka mill remains idle. Gold production at Mayskoye was 14% lower y-o-y at 120 Koz, due to a decrease in grade and recovery stemming from low-grade and highly carbonaceous open-pit ore. In the first full year of operation, Nezhda reached its nameplate capacity and recovery, and delivered total annual production of 133 GE Koz. GE production at Svetloye decreased by 5% to 104 Koz, mostly due to the negative grade dynamics but partially compensated by Emmy pit development, which drove increases in ore mined and grade processed. Voro GE production was stable at 93 Koz on the back of processing high-grade third-party and Pesherny feedstocks.

Metal sales in 2022 were at 1,622 Koz of GE, a decrease of 1% compared with 2021. The remaining gap between production and sales is expected to close during the first half of 2023. While most of the sales comprised refined metals, we continued to sell concentrates from Dukat (gold/silver), Varvara (gold/copper), Mayskoye (refractory gold), Kyzyl (double refractory gold), Albazino (gold) and Nezhda (gold/silver) to offtakers. Offtake is one of our core competencies: it allows us to maximise our margins and achieve an optimal combination of transportation costs and treatment charges/recoveries.

	2022	2021	Change
GOLD EQ. PRODUCTION (KOZ)[1]			
Kazakhstan	**541**	**558**	**-3%**
Kyzyl	330	360	-8%
Varvara	211	198	+7%
Russia	**1,170**	**1,120**	**+5%**
Dukat	292	291	+0%
Albazino	230	249	-8%
Omolon	199	217	-8%
Nezhda	133	21	+518%
Mayskoye	120	139	-14%
Svetloye	104	109	-5%
Voro	93	93	+0%
TOTAL	**1,712**	**1,677**	**+2%**

Reserves and resources

In 2022, Group Ore Reserves ("OR") decreased by 9% y-o-y to 27.3 Moz of gold equivalent (GE) mostly due to mining depletion. This was partially offset by the successful exploration results at Omolon hub (Burgali and Nevenrekan) and initial reserve estimates at Galka and Tamunier (Voro hub). The average grade in OR increased by 5% y-o-y and stood at 3.6 g/t of GE. The average life-of-mine stands at 13 years.

Share of ore reserves for open-pit mining remained unchanged compared to the previous year at 52%. The share of refractory reserves grew by 3 p.p. y-o-y to 74%.

Mineral Resources (additional to Ore Reserves) grew by 5% y-o-y to 25.8 Moz of GE due to positive revaluation at Kyzyl, Omolon, and Nezhda, as well as initial resource estimates at Kegali and Tumanin (Omolon hub). The average GE grade in Mineral Resources was up 10% y-o-y to 4.5 g/t.

In 2023, Polymetal will continue to invest in both near-mine and greenfield exploration projects. The key objectives are:

- Re-evaluate Ore Reserves at Kyzyl;
- Prepare an initial Ore Reserve estimate at Talgiy (Albazino);
- Prepare an initial Ore Reserve estimate at Pavlov (Voro hub).

Ore Reserves and Mineral Resources summary[1 2]

	1 January 2023	1 January 2022	Change
Ore Reserves (Proved+Probable), GE Moz	**27.3**	**29.9**	**-9%**
Gold, Moz	24.7	27.1	-9%
Silver, Moz	211.3	240.2	-12%
Average reserve grade, g/t	**3.6**	**3.5**	**+5%**
Ore Reserves per share, GE oz/per share	**0.058**	**0.063**	**-9%**
Mineral Resources (Measured+Indicated+Inferred), GE Moz	**25.8**	**24.6**	**+5%**
Gold, Moz	23.1	22.3	+4%
Silver, Moz	212.9	195.7	+9%
Average resource grade, g/t	**4.5**	**4.1**	**+10%**

[1] Ore Reserves and Mineral Resources from continuing operations. Base metal are not included in GE calculation as they are insignificant. Ore Reserves of rare earths metals are given separately and not included in GE calculation.
[2] Mineral Resources are additional to Ore Reserves. Mineral Resources of platinum group metals and rare earth metals are given separately and are not included in the calculation of GE. Discrepancies in calculations are due to rounding.

Ore Reserves reconciliation, GE Moz

Ore Reserves, as at 1 January 2022	Depletion	Revaluation	Initial Ore Reserves estimate	Change of GE conversion ratio	Ore Reserves, as at 1 January 2023
29.9	-2.1	-0.8	+0.2	+0.2	27.3

In 2022, 314.2 km (including joint ventures) of exploration drilling were completed. As a result of the sanctions imposed on Russia, import of drilling spare parts and materials was restricted, leading to a substantial decrease in drilling activities. Furthermore, as a part of budget optimisation, joint-venture grassroots exploration in Russia was reduced, contributing to an overall drop in drilling volumes.

Health and safety

There were no fatal accidents in 2022. However, lost-time incidents still took place among Polymetal's workforce and contractors. Most were the result of slipping or tripping while walking or being jammed by a rotating mechanism. In 2022, 13 lost-time incidents were recorded among employees and 12 among contractors. LTIFR for 2022 stood at 0.10 for employees (0.12 in 2021) and 0.21 for contractors (0.09 in 2021). Days lost due to work-related injuries for the full year decreased by 43% y-o-y to 877 (2021: 1,545[1]).

While all of the incidents that took place during the year were classified as minor, Polymetal still took responsive measures for each by updating risk maps for relevant facilities, providing additional instructions to employees and encouraging contractors to carry out the investigation if the accident involved a contractor's worker.

	2022	2021	Change
Polymetal			
Injuries, including:	13	15	-13%
Fatalities	0	0	n/a
Severe injuries	0	2	-100%
LTIFR (per 200,000 hours worked)	0.10	0.12	-15%
Days off work following accidents[1]	877	1,545	-43%
Contractors			
Injuries, including:	12	6	+100%
Fatalities	0	1	-100%
Severe injuries	0	0	n/a
LTIFR (per 200,000 hours worked)	0.21	0.09	+133%

Employees

Our average headcount in 2022 increased by 10% y-o-y to 14,694 employees, with approximately half working on a fly-in/fly-out basis at remote sites. Our voluntary turnover rate slightly increased to 8.4% in 2022, compared to 8.2% in 2021. The voluntary turnover within assets in Russia is 9.4% while in Kazakhstan it accounts for 4.6%. The increased turnover in Russia is mainly driven by that of development projects like Veduga and Kutyn, as the teams are often unstable at early stages of a project.

We continue to observe higher labour market competition and increased demand for mining experts, however Polymetal continues to offer employees competitive salaries and a range of opportunities for professional development, such as succession planning, mentorship and a Talent Pool programme. In 2022, our Talent Pool consisted of 573 employees prepared to take up leadership positions in the future, 108 of which gained promotion during the year.

The share of women in Polymetal's workforce remained stable at 21% in 2022. We continue to promote a culture of equal opportunity through training and communications. In order to eliminate workplace bias, empower diverse teams and attract and retain people with different backgrounds, we have adopted a five-year Diversity and Inclusion Programme, which includes training and engagement activities, diversity metrics and targets, collaboration with educational institutions and ongoing internal communications. Besides managing gender diversity issues, we aim to eliminate discrimination based on age or disability. For example, in 2022 we developed an interactive online course on inclusion practices that informs employees on the risks of possible bias at work and provides advice on efficient communication in diverse teams.

[1] Data for 2021 was restated due to sick leave extension for one of the injured employees.

	2022	2021	Change
Average headcount	14,694	13,392	+10%
Share of female employees	21%	21%	0%
Share of female managers	22%	22%	0%
Share of female participants of the Talent Pool programme	35%	30%	+17%
Voluntary turnover	8.4%	8.2%	+2%
For female employees	7.1%	8.2%	-13%
For male employees	8.7%	8.2%	+6%

Climate Change

Embracing the need to take urgent action to mitigate human-made impacts on climate, we are committed to reducing our own impact and developing an approach to achieving carbon neutrality. When setting carbon reduction goals, we focus on developing a detailed action plan that would allow us to decarbonise our activities while executing our business strategy. We are focused on those projects that comprehensively reduce our GHG emissions and also the net adverse impact on water resources and biodiversity.

In 2022, we continued to pursue our goal for a 30% decrease in our GHG emission intensity[1] and a 35% decrease in absolute GHG emissions by 2030 (2019 baseline). In 2022, we reduced our emission intensity by 15% compared to 2019, achieved by increasing our renewable generation (mostly due to our new solar power plant at Omolon), a shift to green grid energy, and implementing energy efficiency initiatives, such as improvements made to heat utilization systems (including new heat recovery system at Kutyn).

Our 2022 Scope 1 absolute emissions increased compared to 2021 mainly due to the full ramp-up of Nezhda and commissioning of the first elements of Amursk POX-2 project, while Scope 2 absolute emissions decreased as the share of green energy consumption grew after we switched to renewable energy suppliers. We continuously improve the accuracy and transparency of our climate data, and in 2022 continue reporting under the TCFD recommendations and submit our energy and GHG profile to CDP (which is available now at the CDP platform for all subscribers).

To build resilience over the 2030–2050 time horizon, we are developing a corporate strategy for carbon neutrality. We had planned to complete this work by the beginning of 2023; however, in 2022, significant changes in economic and political conditions had to be taken into account in our decarbonisation strategy. The Board of Directors therefore decided to postpone the goal for developing a net-zero approach. We now plan to finalise our approach to net zero and publish our long-term climate target in 2023.

We continue to reforest territories equal to those that had been disturbed in the last three years. In 2022, we planted 1.8 million saplings of pine, larch and cedar on almost 900 hectares of land in five regions of Russia. We adjusted our corporate reforestation program and expanded it to Kazakhstan: by 2025, we expect to plant at least 2,000 ha of new forests in the Far East of Russia and 750 ha in Kazakhstan with potential absorption capacity up to 25,000 t CO2 per year.

In 2022, we also started designing new solar power plants with a total capacity of up to 40 MW in Kazakhstan. This project, as a part of our Climate Action Plan, will be the next step towards carbon neutrality and will reduce our carbon emissions in Kazakhstan by 20%.

	2022	2021	Change
Energy			
Total energy consumed (GJ)	10,756,881	9,953,476	+8%
Energy intensity (GJ per Koz of GE produced)	6,283	5,934	+6%
Greenhouse gas (GHG) emissions			
Scope 1 GHG emissions, CO2 eq. Kt	751	683	+10%
Scope 2 GHG emissions, CO2 eq. Kt	331	453	-27%
Scope 1 + Scope 2, CO2 eq. Kt	1,082	1,135	-5%
GHG intensity of Scope 1 and Scope 2 emissions (kg of CO2e per oz of GE)	632	677	-7%

[1] Measured as Scope 1 and Scope 2 emissions by oz of gold equivalent produced.

Environment

Our Environmental Management System (EMS) is the cornerstone of our approach and most of production sites are certified to the ISO 14001 global standard. Our EMS is supported by specific systems for cyanide and tailings management, as well as internal and external auditing.

Approximately half of our operating assets are located in areas with water stress classified as low or low-to-medium, while the others are located in high and medium-to-high areas[1]. To minimise the impact of water stress on our business, as well as our impact on local ecosystems, we reduce fresh water withdrawals by using water in a closed cycle at flotation plants and capturing waste water that has naturally seeped into our mines and rainwater. Overall, 91% of our on-site water consumption is via a closed cycle of treated waste water (compared to 90% in 2021). Our water programme is underpinned by an ambitious target to reduce fresh water use for processing per unit of production by 55% by 2030, compared with the 2019[2]. In 2022, we decreased our fresh water intensity for ore processing by 49%, compared with 2019, to 138 m3/1,000 t.

We operate eight tailings dams and four dry stacking facilities in Russia and Kazakhstan. To further improve tailings safety and minimise the risk of the possibility of dam failure, we are shifting towards dry stack storage methods. In 2022, we completed the transition from wet tailings disposal to dry stacking at Omolon that began in 2021. Dry stacking is also in place at Amursk POX, Voro and Nezhda – overall, 28% of our tailings waste is dry-stacked. Our target is for 50% of all our tailings to be stored in this way by 2030.

Polymetal is a signatory of the International Cyanide Management Code. In 2022, our Varvara mine in Kazakhstan was certified for full compliance under the Code by the International Cyanide Management Institute.

	2022	2021	Change
Water			
Fresh water withdrawn, th. m^3	3,344	3,480	-4%
Water reused and recycled, th. m^3	34,442	31,636	+9%
Total water consumed, th. m^3	37,786	35,116	+8%
Share of water recycled and reused	91%	90%	+1%
Fresh water use for processing intensity, m^3/ Kt of processed ore*[3]	138	155	-11%
Waste			
Share of waste recycled (including overburden)	23%	23%	0%
Share of dry stacking in tailings disposal*[4]	28%	14%	+100%

Communities

We aim to maintain open dialogue with neighboring communities, ensuring transparent feedback mechanisms in all regions where we operate. In 2022, we responded to all of the 839 enquiries received from locals, surveyed 1,200 community representatives and held 80 stakeholder engagement events. We started measuring female participation in our community events and surveys (where gender data is available), and revealed that in 2022 women represented 63% of community event attendees and survey participants. The outcomes of such engagement inform our social investment programmes. Polymetal's social investments amounted to US$ 23.2 million in 2022 (compared to US$ 20 million in 2021) and were targeted to projects in education, local infrastructure, sports, culture and Indigenous Minorities of the North. No cases of human rights violations connected to Polymetal's employees or contractors were reported in 2022.

	2022	2021	Change
Total community investment (US$ million)	23.2	20.0	+16%
Enquiries from communities received and responded to	839	613	+37%
Stakeholder meetings and events	80	59	+36%
Number of respondents to community polls	1,200	1,304	-8%

[1] According to the World Resources Institute (WRI) Aqueduct tool.
[2] Our water target includes only water used for technological purposes such as ore processing at plants and dust suppression in mines.
[3] Water use for processing does not include water used for non-technological purposes.
[4] Data for 2021 was restated due to the improvements of waste accounting procedures

Outlook for 2023

Safety remains a top priority for Polymetal. We will continue to focus on further improvements in health and safety metrics and maintaining zero fatalities across our operations and among off-site contractors conducting business on behalf of the Group.

In 2023, we expect a stable operating performance. The Company reiterates its current production guidance of 1.7 Moz of GE in 2023. Production will be traditionally skewed towards the second half of the year due to seasonality.

We expect a strong contribution from Kutyn, Nezhda and the Voro flotation plant, compensating for grade-driven decrease in production at Dukat, Albazino and Varvara. We also expect the planned grade decline towards a reserve average at Kyzyl and sustained contributions from other mines.

At the same time, we will focus on advancing our long-term project pipeline. At Amursk POX-2, we plan to commission the intensive cyanidation section, complete the infrastructure, start the cryogenic oxygen plant, complete the installation of processing equipment and pipelines and begin commissioning activities. The project remains on track to be fully commissioned in Q2 2024. Voro flotation plant is nearing completion (above 90% completion rate). Start-up is scheduled for Q2 2023. At Prognoz, conventional open-pit mining will commence with the first ore mined in Q4 2023.

We plan to complete several investment projects at existing operations in 2023, which will help drive cost levels down in 2024. At Mayskoye, the backfill plant construction project will enter full-scale construction in 2023. Commissioning, which will help reduce dilution and thus optimise costs, is scheduled for 2024. Optimisation projects also include implementation of measures aimed at increasing plant capacity at Kyzyl from 2.2 Mtpa to 2.4 Mtpa (water pumps upgrade, automated dispatching system), as well as Hot Cure circuit expansion at Amursk POX for further increase in recovery.

FINANCIAL REVIEW

MARKET SUMMARY

Precious metals

Throughout 2022, a combination of geopolitical tensions, inflationary fears and the zero Covid policy in China contributed towards substantial market volatility.

In the first half of 2022, the conflict escalation in Ukraine upended markets. Gold reached an annual high of $2,039/oz, while the silver price hit $26.2/oz. Subsequent sanctions and counter-sanctions caused fuel market disruptions, partially contributing to inflationary pressures. In the second half of the year, various central banks' aggressive monetary tightening pushed back the prices for metals. Gold slumped to US$ 1,618/oz, as silver reached the bottom at $17.8/oz. The average LBMA gold price for the year was US$ 1,802/oz, a marginal increase compared to prior year.

Nevertheless, the demand for gold was the strongest in over a decade. Accumulation by central banks and strong investment demand resulted in an 18% y-o-y increase to 4,741 tonnes[1]. An additional 686 tonnes were added to national vaults, while over 26 tonnes were purchased by investors in the form of bars and coins. ETF holdings fell by a smaller amount, down 110 tonnes, compared to 189 tonnes in 2021.

China's Covid restrictions resulted in constrained demand for gold jewellery. Infection spikes and lockdowns drove jewellery demand down by 3% y-o-y. Deteriorated economic conditions, combined with supply chain disruptions, slashed 22 tonnes from gold demand across the technology sector in comparison with 2021.

Gold demand was met with a conservative 2% y-o-y supply increase to 4,754 tonnes, with net mine production exceeding the previous year by 43 tonnes at 3,612 tonnes.

Although 2022 was a turbulent year for silver, advances in technology, green infrastructure and geopolitical tensions kept demand intact. Moreover, support came from investor fears of high inflation, recessionary concerns, and buying on price dips. Nevertheless, the average LBMA price decreased by 16% from US$ 25.2/oz for 2021 to US$ 21.8/oz for 2022. The average gold/silver price ratio increased from 1/72 in 2021 to 1/83 in 2022.

Foreign exchange

The Group's revenue and over 64% of borrowings are denoted in US Dollars, while the majority of the Group's operational costs are denoted in Russian Rouble and Kazakh Tenge. As a result, changes in exchange rates affected the Company's financial results and performance.

The global economy continued post-pandemic recovery, while a restart of the worldwide supply chain saw soaring demand for commodities, and consumer and industrial goods. In addition to demand-pull factors, ongoing geopolitical tension and sanctions on Russian fuel contributed to elevated energy prices.

Although economic sanctions were implemented against Russia, the average annual Rouble rate stood firm at 68.6 RUB/$ (2021: 73.7 RUB/$) due to contracted demand for the hard currency, with a slight fall to 70.3 RUB/$ at the end of the year. This had a negative impact on the mining sector, resulting in a higher Dollar value for Rouble-denominated operating costs.

Consistent geopolitical tension within the CIS region, the strengthening of the Dollar, and a decline in Kazakhstani oil production contributed to a weak average tenge of 461 KZT/$ (2021: 426 KZT/$), closing the year at 463 KZT/$.

Inflation peaked at 12% in Russia and a record 20% in Kazakhstan, intensifying pressure on costs.

[1] Gold Demand Trends Full Year and Q4 2022 by World Gold Council.

REVENUE

SALES VOLUMES	2022	2021	Change
Gold, Koz	1,376	1,386	-1%
Silver, Moz	18.5	17.5	+6%
Gold equivalent sold[1], Koz	1,622	1,640	-1%

Sales by metal *(US$m unless otherwise stated)*		2022	2021	Change	Volume variance, *US$m*	Price variance, *US$m*
Gold		2,392	2,450	-2%	(17)	(41)
Average realised price[2]	*US$ /oz*	1,764	1,792	-2%		
Average LBMA price	*US$ /oz*	1,802	1,799	+0%		
Share of revenues		85%	85%			
Silver		383	419	-9%	25	(61)
Average realised price	*US$ /oz*	21.9	24.8	-12%		
Average LBMA price	*US$ /oz*	21.8	25.0	-13%		
Share of revenues		14%	14%			
Other metals		26	21	+24%		
Share of revenues		1%	1%			
Total revenue		**2,801**	**2,890**	**-3%**	**(41)**	**(48)**

In 2022, revenue was 3% lower y-o-y at US$ 2,801 million on the back of lower average gold and silver prices. GE sales volume remained almost flat y-o-y, in the face of significant challenges and comprehensive sales restructuring. Gold sales decreased marginally by 1% y-o-y. Silver sales increased by 6% due to the contribution of direct high-grade ore shipments from Primorskoye.

Despite the initial gap between production and sales in Q2-Q3 2022 caused by disruption in sales channels, the Group almost completely sold down accumulated metal inventory in Q4 to a new set of counterparties. The remaining gap is expected to close in 1H 2023.

The Group's average realised gold price was US$ 1,764/oz in 2022, down 2% from US$ 1,792/oz in 2021, and 2% below the average market price of US$ 1,802/oz, as sales were skewed towards 2H 2022 with weaker average prices. The Group's average realised silver price was US$ 21.9/oz, lower by 12% y-o-y, in line with the market price of US$ 21.8/oz.

The share of gold sales as a percentage of total revenue remained stable at 85%.

[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	2022	2021	Change	2022	2021	Change
	KAZAKHSTAN	**933**	**984**	**-5%**	**533**	**561**	**-5%**
Kazakhstan	Kyzyl	554	608	-9%	322	350	-8%
	Varvara	379	376	+1%	212	210	+1%
	RUSSIA	**1,868**	**1,906**	**-2%**	**1,089**	**1,079**	**+1%**
Magadan	**Magadan**	**996**	**1,103**	**-10%**	**584**	**632**	**-8%**
	Dukat	465	476	-2%	22.1	19.7	+12%
	Omolon	340	388	-12%	194	216	-10%
	Mayskoye	191	239	-20%	118	141	-16%
Khabarovsk	**Khabarovsk**	**564**	**640**	**-12%**	**322**	**356**	**-9%**
	Albazino/Amursk	395	447	-12%	223	248	-10%
	Svetloye	170	194	-12%	99	108	-8%
Yakutia	**Nezhda**	130	-	n/a	80	-	n/a
Urals	**Voro**	177	163	+9%	102	91	+12%
	Total revenue	**2,801**	**2,890**	**-3%**	**1,622**	**1,640**	**-1%**

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

Nezhda contributed 80 GE Koz to the total sales, compensating for the decrease at Russian mature mines Omolon, Mayskoye and Amursk.

COST OF SALES

	2022 US$m	2021 US$m	Change
Cash operating costs	**1,513**	**1,181**	**+28%**
On-mine costs	741	516	+44%
Smelting costs	567	383	+48%
Purchase of ore and concentrates from third parties	69	130	-47%
Mining tax	136	152	-11%
Costs of production	**1,836**	**1,412**	**+30%**
Depreciation and depletion of operating assets	324	229	+41%
Rehabilitation expenses	(1)	2	n/a
Total change in metal inventories	**(152)**	**(108)**	**+41%**
Increase in metal inventories	(216)	(132)	+64%
Write-down of metal inventories to net realisable value	65	25	+160%
(Reversal)/Write-down of non-metal inventories to net realisable value	-	(1)	-100%
Idle capacities and abnormal production costs	6	3	+100%
Total cost of sales	**1,690**	**1,307**	**+29%**

CASH OPERATING COST STRUCTURE	2022 US$m	2022 Share	2021 US$m	2021 Share
Services	576	38%	399	34%
Consumables and spare parts	438	29%	290	25%
Labour	285	19%	202	17%
Mining tax	136	9%	152	13%
Purchase of ore and concentrates from third parties	69	5%	130	11%
Other expenses	9	1%	8	1%
Total cash operating cost	**1,513**	**100%**	**1,181**	**100%**

The total cost of sales increased by 29% in 2022 to US$ 1,690 million, reflecting a combination of factors throughout the year:

– domestic inflation (12% and 20% y-o-y in Russia and Kazakstan, respectively);
– significant growth of domestic diesel prices;
– higher cost of services;
– planned decrease of average grade processed;
– increase in depreciation charges at all operating mines, except Varvara and Kyzyl;
– 7% Rouble appreciation impacting Dollar value of Rouble-denominated operating costs.

The cost of services was up 44% y-o-y, caused mostly by higher volume of transportation and drilling and blasting services at Nezhda, Kutyn and Primorskoye, as well as inflation in the sector.

The cost of consumables and spare parts was up 51% compared to 2021, impacted by changes in procurement to maintain supplies of critically important consumables and spares levels as well as significant inflationary pressures, combined with a stronger Rouble.

The cost of labour within cash operating costs was up 41% y-o-y, driven by a 10% increase in average headcount combined with annual salary increases (tracking domestic CPI inflation).

Mining tax decreased by 11% y-o-y to US$ 136 million, mainly impacted by lower silver prices and planned grade decline towards a reserve average at Kyzyl, Albazino and Dukat.

The decrease in purchases of third-party ore and concentrates by 47% was mostly driven by a shift to processing Saum and Peshernoye ore at Voro hub instead of treating third-party material as in 2021.

Depreciation and depletion was US$ 324 million, up 41% y-o-y, with a specific increase attributable to Dukat (expansion of mining at Primorskoye), Nezhda (ramp-up) and Albazino (start of mining at Kutyn). Depreciation costs of US$ 52 million of depreciation cost are included within the total increase in metal inventories (2021: US$ 23 million).

In 2022, a net metal inventory increase of US$ 216 million (2021: US$ 132 million) was recorded (excluding write-downs to net realisable value). The increase was mainly represented by concentrate build-up at Nezhda, Mayskoye, Albazino and Dukat, as well as ore stockpiled at Primorskoye (Dukat), where last shipments of ore in 2022 were canceled due to abnormally cold weather. The Company expects the bulk of this increase to be reversed during the course of 1H 2023.

The Group recognised a US$ 65 million write-down (2021: US$ 25 million) to the net realisable value of heap leach work-in-progress at Omolon, low-grade ore at Albazino and Mayskoye, concentrate and ore at Nezhda (see Note 14 of the condensed financial statements).

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	2022 US$m	2021 US$m	Change
Labour	242	171	+42%
Services	15	10	+50%
Share based compensation	13	16	-19%
Depreciation	10	8	+25%
Other	30	21	+43%
Total general, administrative and selling expenses	**311**	**226**	**+38%**

General, administrative and selling expenses (SGA) increased by 38% y-o-y to US$ 311 million in 2022 (2021: US$ 226 million), mainly due to higher labour costs driven by domestic inflation, Rouble appreciation, and intense competition for qualified personnel, as well as increased headcount at the newly launched Nezhda and Kutyn sites and for Amursk POX-2 and Prognoz development projects.

OTHER OPERATING EXPENSES

	2022 US$m	2021 US$m	Change
Exploration expenses	62	72	-14%
Social payments	44	28	+57%
Provision for investment in Special Economic Zones	14	20	-30%
Taxes, other than income tax	15	11	+36%
Additional tax charges/fines/penalties	2	(1)	n/a
Change in estimate of environmental obligations	(2)	2	n/a
Other expenses	7	17	-58%
Total other operating expenses	**142**	**149**	**-5%**

Other operating expenses decreased to US$ 142 million in 2022 (2021: US$ 149 million) mainly due to the reduction in exploration costs and decrease in provision for investment in Special Economic Zones, partially offset by the increase in social payments, notably to Kazakhstan fund “Qazaqstan halkyna” to address health, education and assistance for socially vulnerable groups.

TOTAL CASH COSTS

In 2022, TCC were US$ 942/GE oz, up 29% y-o-y. A sharp increase in domestic inflation and escalation of logistical costs, combined with the planned grades decline in ore processed at Albazino and Kyzyl, and appreciation in the Rouble/Dollar exchange rate, had an overall negative impact on cost levels.

The table below summarises major factors that have affected the Group’s TCC and AISC dynamics y-o-y:

RECONCILIATION OF TCC AND AISC MOVEMENTS	TCC, US$/oz	Change	AISC, US$/oz	Change
Cost per GE oz 2021	**730**		**1,030**	
Domestic inflation	79	+11%	107	+10%
Change in average grade processed	56	+8%	75	+7%
Sales volume decrease	25	+3%	58	+6%
RUB and KZT rate change	19	+3%	32	+3%
Au/Ag ratio change	16	+2%	24	+2%
Capitalised stripping increase	-	n/a	12	+1%
Other	16	+2%	8	+1%
Cost per GE oz 2022	**942**	**+29%**	**1,344**	**+31%**

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

		Cash cost per GE ounce, US$ /oz			Gold equivalent sold, Koz (silver for Dukat, Moz)		
SEGMENT	OPERATION	2022	2021	Change	2022	2021	Change
Kazakhstan	**KAZAKHSTAN**	**728**	**643**	**+13%**	**533**	**561**	**-5%**
	Kyzyl	602	477	+26%	322	350	-8%
	Varvara	920	920	+0%	212	210	+1%
	RUSSIA	**1,046**	**776**	**+35%**	**1,089**	**1,079**	**+1%**
Magadan	**Magadan**	**1,070**	**819**	**+31%**	**584**	**632**	**-8%**
	Dukat (SE oz)[1]	12.7	10.6	+20%	22.1	19.7	+12%
	Omolon	960	798	+20%	194	216	-10%
	Mayskoye	1,343	969	+38%	118	141	-16%
Khabarovsk	**Khabarovsk**	**1,022**	**707**	**+45%**	**322**	**356**	**-9%**
	Svetloye	893	481	+86%	99	108	-8%
	Albazino/Amursk	1,079	804	+34%	223	248	-10%
Urals	**Voro**	918	747	+23%	102	91	+12%
Yakutia	**Nezhda**	1,138	n/a	n/a	80	n/a	n/a
	Total Group TCC	**942**	**730**	**+29%**	**1,622**	**1,640**	**-1%**

Total cash cost by operation:

Kazakhstan

- Kyzyl's total cash costs were at US$ 602/GE oz, significantly below the Group's average level, albeit up 26% y-o-y, because of a planned gradual grade decline towards the open-pit reserve average (12% decrease in 2022) and an 8% decrease in sales volumes.
- At Varvara, TCC were stable y-o-y at US$ 920/GE oz, on the back of the prevailing share of better quality third-party ore processed at the flotation circuit, while gold recovery at the leaching circuit grew following flowsheet improvements. Inflationary pressures were offset by Kazakhstani Tenge depreciation.

Russia

- Dukat's total cash costs per silver equivalent ounce sold (SE oz) increased by 20% y-o-y to US$ 12.7/SE oz[1]. The cost increase is attributable to the planned decrease in silver grade in ore processed, combined with domestic inflation.
- At Omolon, TCC amounted to US$ 960/GE oz, an increase of 20% y-o-y, on the back of lower sales (10% decrease y-o-y), 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 in line with the mine plan due to the depletion of the Birkachan heap leach ore reserves.
- At Mayskoye, TCC were US$ 1,343/GE oz, a 38% increase y-o-y, on the back of moderate decline of gold grade in ore processed, combined with lower sales. Costs were additionally affected by a significantly stronger Rouble/Dollar exchange rate during the sales period (August-November 2022), with an average rate of 60.5 RUB/USD compared with the FY 2022 level of 68.6 RUB/USD and FY 2021 level of 73.6 RUB/USD.
- At Svetloye, TCC amounted to US$ 893/GE oz, up 86% y-o-y, mostly driven by the end of tax incentives period for mineral extraction tax, combined with the effect of inflationary pressures and stronger Rouble, as the vast majority of sales took place from July to November 2022 (average rate of 60 RUB/USD).
- At Albazino, TCC amounted to US$ 1,079/GE oz, up 34% y-o-y. Mining at the largest high-grade Anfisa open-pit has been completed, which resulted in a planned 29% decline in gold grade processed.
- At Voro, TCC was US$ 918/GE oz, up 23% y-o-y, mainly due to the treatment of high cost Peshernoye ore and higher cost of processing the historical pile at the heap leach facility.

[1] Dukat's TCC per gold equivalent were US$ 1,021/GE oz (2021: US$ 762/GE oz) and were included in the Group TCC calculation.

- TCC at the newly launched Nezhda mine were US$ 1,138/GE oz. The Company expects the output to increase and costs to optimise as soon as the gravity concentrate is processed at the intensive cyanidation section of Amursk POX-2 (launch planned for Q2 2023) and flotation concentrate is processed at Amursk POX-2 after its launch in 1H 2024. Currently low-carbon concentrate is processed at Amursk POX, while high-carbon is mostly stockpiled.

Analysis of 2H 2022 versus 1H 2022 performance:

Total cash costs per GE oz[1]		**Cash cost per GE oz, US$ /oz**			**Gold equivalent sold, Koz** (silver for Dukat, Moz)		
Segment	**Operation**	**2H 2022**	**1H 2022**	**Change**	**2H 2022**	**1H 2022**	**Change**
Kazakhstan	**KAZAKHSTAN**	**742**	**712**	**+4%**	**291**	**242**	**+20%**
	Kyzyl	623	575	+8%	184	138	+33%
	Varvara	945	894	+6%	107	104	+3%
Magadan	**RUSSIA**	**1,086**	**956**	**+14%**	**758**	**330**	**+130%**
	Magadan	**1,117**	**950**	**+18%**	**421**	**163**	**+157%**
	Dukat (SE oz)	14.4	10.8	+33%	11.6	10.5	+10%
	Omolon	952	1,002	-5%	162	32	+402%
	Mayskoye	1,285	n/a	n/a	116	2	n/a
Khabarovsk	**Khabarovsk**	**1,056**	**955**	**+11%**	**215**	**107**	**+100%**
	Albazino/Amursk	1,145	986	+16%	130	93	+41%
	Svetloye	917	757	+21%	85	15	+479%
Yakutia	**Nezhda**	1,158	1,072	+8%	61	19	+225%
Urals	**Voro**	912	927	-2%	60	41	+46%
	Total Group TCC	**991**	**853**	**+16%**	**1,050**	**573**	**+83%**

In 2H 2022, TCC were 16% higher compared to 1H 2022 at US$ 991/GE oz, on the back of 20% Rouble appreciation, with an average rate of 60.9 RUB/USD in 2H 2022 compared to 76.2 RUB/USD in 1H 2022, partially offset by the increase in sales volumes.

Total cash cost by operation:

- At Kyzyl, Varvara, Omolon, Nezhda and Voro TCC changed marginally half-on-half.
- At Dukat, TCC increased by 33% half-on-half to US$ 14.4/SE oz on the back of the effect of accelerated inflation and exchange rate fluctuations.
- At Albazino, cash costs increased by 16% compared to 1H 2022 to US$ 1,145/GE oz as material work-in-progress
- was accumulated at Kutyn in 2H 2022 to be released in 2023.
- At Svetloye, total cash costs in 2H 2022 were at US$ 917/GE oz, up 21% half-on-half, mostly due to the significant Rouble appreciation in the second half of the year.
- At Mayskoye, there were no meaningful sales during 1H 2022, hence the TCC for this period are considered unrepresentative.

[1] TCC comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down of metal and non-metal inventory to net realisable value and certain other adjustments) and general, administrative and selling expenses of the operating assets. Gold equivalent sales volume is calculated based on average realised metal prices in the relevant period. Total cash cost per gold equivalent ounce sold is calculated as Total cash costs divided by total gold equivalent unit ounces sold. For more information refer to the “Alternative performance measures” section below.

ALL-IN SUSTAINING AND ALL-IN CASH COSTS

All-in sustaining cash costs[1] amounted to US$ 1,344/GE oz, up 31% y-o-y, broadly in line with TCC dynamics, coupled with inflationary pressure and accelerated procurement of equipment and critical spare parts to build up safety stocks.

AISC by operations were as follows:

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

SEGMENT	OPERATION	2022	2021	Change
Kazakhstan	**KAZAKHSTAN**	**968**	**817**	**+19%**
	Kyzyl	852	640	+33%
	Varvara	1,144	1,110	+3%
	RUSSIA	**1,387**	**1,024**	**+35%**
Magadan	**Magadan**	**1,376**	**1,073**	**+28%**
	Dukat (SE oz)	15.8	13.6	+16%
	Omolon	1,279	1,053	+21%
	Mayskoye	1,743	1,287	+35%
Khabarovsk	**Khabarovsk**	**1,347**	**963**	**+40%**
	Svetloye	1,091	656	+66%
	Albazino/Amursk	1,461	1,097	+33%
Urals	**Voro**	1,282	925	+39%
Yakutia	**Nezhda**	1,758	n/a	n/a
	Total Group AISC	**1,344**	**1,030**	**+31%**

All-in sustaining cash costs by operation:

- AISC at all operating mines generally followed TCC dynamics, and were additionally affected by the acceleration of capital allocation for sustaining capital expenditure.
- At Voro, AISC were US$ 1,282/GE oz, up 39% y-o-y, on the back of scheduled initial costs of the flotation circuit.
- At Nezhda, AISC were elevated due to high levels of sustaining capital expenditure in the first year of operation, including increased capital stripping and completion of several infrastructural projects in 2022, including successful commissioning of the 110-kV line linking Nezhda mine to the regional grid, powered by a combination of hydro and gas.

RECONCILIATION OF ALL-IN COSTS	Total, US$m			US$ /GE oz		
	2022	2021	Change	2022	2021	Change
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 6 of condensed financial statements)	1,357	1,077	+26%	837	657	+27%
adjusted for:						
Idle capacities	(6)	(3)	+125%	(4)	(2)	+100%
Treatment charges deductions reclassification to cost of sales	60	48	+25%	37	29	+28%

[1] AISC 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.

SGA expenses, excluding depreciation, amortization and share based compensation (Note 6 of condensed financial statements)	133	92	+45%	82	56	+46%
adjusted for:						
SGA expenses of development projects	(16)	(15)	+9%	(10)	(9)	+11%
Total cash costs	**1,528**	**1,198**	**+28%**	**942**	**730**	**+29%**
SGA expenses for Corporate and other segment and other operating expenses	271	217	+25%	167	132	+27%
Capital expenditure excluding development projects	275	188	+46%	170	115	+48%
Exploration expenditure (capitalised)	15	10	+50%	9	6	+50%
Capitalised stripping	92	74	+24%	57	45	+27%
All-in sustaining cash costs	**2,181**	**1,688**	**+29%**	**1,344**	**1,030**	**+30%**
Finance costs (net)	111	59	+88%	68	36	+89%
Capitalised interest	35	13	+181%	22	8	+175%
Income tax (benefit)/expense	(44)	257	n/a	(27)	157	n/a
After-tax all-in cash costs	**2,284**	**2,016**	**+13%**	**1,409**	**1,229**	**+15%**
Capital expenditure for development projects	422	556	-24%	261	339	-23%
SGA and other expenses for development assets	40	42	-5%	25	26	-4%
All-in costs	**2,746**	**2,615**	**+5%**	**1,694**	**1,595**	**+6%**

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 real discount rate increase for Russian assets from 8% in 2021 to 14.1% in 2022 driven by increased country risk premium, a total pre-tax impairment charge of US$ 801 million (equivalent to a post-tax amount of US$ 653 million) has been recorded in the consolidated financial statements at 31 December 2022 as a result of these impairment tests in respect of Nezhda-Prognoz, Veduga and Kutyn, the newest assets in the portfolio with highest carrying values. Investment in associate Tomtor of US$ 24 million was also provided for, as the project was suspended indefinitely. See Note 14 of the condensed financial statements. The other assets in the portfolio have sufficient headroom of their fair values over carrying values and were not impaired.

	Nezhda-Prognoz US$m	Veduga US$m	Kutyn US$m	**Total US$m**
Impairment charge	694	95	12	**801**
Residual value of the asset	650	106	237	**993**

ADJUSTED EBITDA[1] AND EBITDA MARGIN

	2022 US$m	2021 US$m	Change
(Loss)/profit for the year	(288)	904	n/a
Finance cost (net)[2]	111	59	+88%
Income tax (benefit)/expense	(44)	257	n/a
Depreciation and depletion	282	214	+32%
EBITDA	**61**	**1,434**	**-96%**
Net foreign exchange loss/(gain)	32	(5)	n/a
Impairment of non-current assets	801	-	n/a
Impairment of investment in associate	24	-	n/a
Loss/(gain) on disposal of subsidiaries, net	2	(3)	n/a
Share based compensation	13	16	-19%
Change in fair value of contingent consideration liability	20	(4)	n/a
Write-down of metal inventories to net realisable value	65	26	+139%
Adjusted EBITDA	**1,017**	**1,464**	**-31%**
Adjusted EBITDA margin	36%	51%	-15%
Adjusted EBITDA per GE oz	628	893	-30%

Adjusted EBITDA by segment/operation
(US$m)

SEGMENT	OPERATION	2022 US$m	2021 US$m	Change
Kazakhstan	**KAZAKHSTAN**	**539**	**630**	**-14%**
	Kyzyl	361	452	-20%
	Varvara	177	178	-0%
	RUSSIA	**664**	**983**	**-32%**
Magadan	**Magadan**	**353**	**558**	**-37%**
	Dukat	174	253	-31%
	Omolon	138	196	-30%
	Mayskoye	41	109	-63%
Khabarovsk	**Khabarovsk**	**197**	**339**	**-42%**
	Albazino/Amursk	122	202	-40%
	Svetloye	76	137	-45%
Urals	**Voro**	**75**	**86**	**-13%**
Yakutia	**Nezhda**	**38**	**-**	**n/a**
Corporate and other and intersegment operations		(186)	(149)	+25%
	Total Group Adjusted EBITDA	**1,017**	**1,464**	**-31%**

In 2022, Adjusted EBITDA decreased by 31% y-o-y to US$ 1,017 million, with an Adjusted EBITDA margin of 36% (2021: 51%), 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 loss in 2022 of US$ 32 million compared to an exchange gain of US$ 5 million in 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. This was partially offset by a foreign exchange loss on intercompany loans with different functional currencies in 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 2022 was US$ 44 million compared to US$ 257 million expense in 2021, reflecting the increase in deferred income tax credit resulting from a deferred tax benefit of US$ 149 million for the property, plant and equipment impairment. For details refer to Note 13 of the condensed consolidated financial statements.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded a net loss of US$ 288 million in 2022, compared to income of US$ 904 million in 2021, mainly due to the significant impairment recorded in 2022. The underlying net earnings attributable to shareholders of the parent company were US$ 440 million, compared to US$ 913 million in 2021:

Reconciliation of underlying net earnings[1]

	2022 US$m	2021 US$m	Change
(Loss)/profit for the financial period attributable to shareholders of the parent company	(288)	904	n/a
Write-down of inventory to net realisable value	65	25	+161%
Foreign exchange loss/(gain)	32	(5)	n/a
Change in fair value of contingent consideration liability	20	(4)	n/a
Loss on disposal of subsidiaries, net	2	(3)	n/a
Impairment of non-current assets	801	-	n/a
Impairment of investment in associate	24	-	n/a
Tax effect	(216)	(4)	n/a
Underlying net earnings	**440**	**913**	**-52%**

Basic loss per share was US$ 0.61 compared to US$ 1.91 earnings per share in 2021. Underlying basic EPS[2] was US$ 0.93, compared to US$ 1.93 in 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]

	Sustaining US$m	Development US$m	Capital stripping and underground development US$m	Exploration US$m	Total 2022 US$m	Total 2021 US$m
Development projects	**-**	**319**	**12**	**2**	**334**	**283**
Amursk POX-2 (incl. POX-3)	-	207	-	-	207	177
Prognoz	-	55	-	-	55	11
Voro flotation	-	42	-	-	42	52
Veduga	-	14	12	2	28	43
Operating assets	**343**	**-**	**103**	**15**	**461**	**475**
Kutyn	67	-	11	-	78	83
Kyzyl	28	-	34	-	62	50
Nezhda	38	-	13	-	51	129
Albazino/Amursk	35	-	2	4	41	51
Omolon	21	-	18	1	41	28
Voro	22	-	17	2	41	10
Dukat	42	-	(1)	-	41	38
Mayskoye	41	-	-	-	41	36
Varvara	36	-	3	-	39	35
Svetloye	11	-	5	-	16	13
Corporate and other	2	-	-	7	9	2
Total capital expenditure	**343**	**319**	**115**	**17**	**794**	**759**

In 2022, total capital expenditure was US$ 794 million[2], up 5% y-o-y, and 2% above the guidance range of US$ 725-775 million, reflecting accelerated purchases and contractor advances for ongoing projects (most notably, Amursk POX-2) in order to secure the project completion, combined with inflationary and logistical pressures on the sustaining capital expenditure. This was partially offset by the shrinking investment scope and revision of the execution timeline for Veduga, as well as a number of other smaller scale projects. Capital expenditure excluding capitalised stripping costs was US$ 679 million in 2022 (2021: US$ 619 million).

The major capital expenditure items in 2022 were as follows:

Development projects

- Capital expenditure at the Amursk POX-2 development project was US$ 207 million. This mainly covered costs of completion of concentrates pulp blending vessels, intensive cyanidation reactor, slurry cooling section, CIL thermal circuit and steam conditioning section. Significant prepayments were made to equipment suppliers and key contractors to ensure project completion according to plan. The plant start-up is expected in Q2 2024 according to the revised schedule.
- Capital expenditure at Prognoz of US$ 55 million was mainly related to mining fleet purchases, spare parts and consumables purchases as well as a significant infrastructure upgrade. Conventional open-pit mining will commence with the first ore mined in Q4 2023.
- The Voro flotation plant construction (capital expenditure of US$ 42 million) is above 90% complete. Start-up is targeted for Q2 2023.

Sustaining capital expenditure at operating assets

- Kutyn heap leach project (US$ 67 million invested in 2022) successfully started production six months ahead of the initial plan.

[1] On a cash basis.
[2] On accrual basis, capital expenditure was US$ 883 million in 2022 (2021: US$ 870 million).

- At Dukat, capital expenditure of US$ 42 million mainly related to the mining fleet upgrade, engineering and procurement for the transition of the Omsukchan concentrator to dry-stack tailings as well as full renovation of wastewater treatment facilities at Dukat and Lunnoye mines.
- Capital expenditure at Mayskoye of US$ 41 million, mainly related to construction of infrastructure, needed to commission the ore transportation conveyor and backfill plant. The conveyor has been fully ramped up.
- An investment of $38 million was made at Nezhda, which includes the construction of boiler house and water collection facilities. The 110-kV line linking Nezhda mine to the regional grid, powered by a combination of hydro and gas, has been successfully commissioned.
- At Varvara, capital expenditure of US$ 36 million mainly related to the second stage of tailings storage facility and the pilot railveyor project to transport incoming ore from the railway spur to the crusher, reducing greenhouse gas emissions and ore transportation costs, as well as two electric excavators at Komar mine.
- Capital expenditure at Albazino of US$ 35 million mostly related to mining fleet replacement, decarbonisation of the heat supply and construction of roads to satellite deposits. Construction of the power line linking Albazino to the grid commenced and commissioning is expected in Q2 2025.
- At Kyzyl, capital expenditure in 2022 comprised US$ 28 million, mainly related to fleet renewal, improvements in the flowsheet and renovation and expansion of tailings storage facility. Additional conditioning slurry tanks were implemented into the flowsheet. The recently launched cleaner flotation circuit allowed for a twofold decrease in gold losses to carbon tailings.
- At Voro and Omolon, capital expenditure of US$ 22 million and US$ 21 million respectively, mainly related to mining fleet purchases and the construction of wastewater treatment facilities.

Exploration and stripping

- The Group continues to invest in standalone exploration projects. Capital expenditure for exploration in 2022 was US$ 17 million (2021: US$ 12 million).
- Capitalised stripping and underground development costs totalled US$ 115 million in 2022 (2021: US$ 140 million). These are attributable to operations where 2022 stripping ratios exceeded their life-of-mine averages during the period, in particular: Kyzyl (US$ 34 million), Omolon (US$ 18 million), Voro (US$ 17 million), Nezhda (US$ 13 million), Veduga (US$ 12 million) and Kutyn (US$ 11 million).

CASH FLOWS

	2022 US$m	2021 US$m	Change
Operating cash flows before changes in working capital	679	1,192	-43%
Changes in working capital	(473)	3	n/a
Total operating cash flows	**206**	**1,195**	**-83%**
Capital expenditure	(794)	(759)	+5%
Net cash inflow on asset acquisitions	123	(5)	n/a
Other	(8)	(24)	-67%
Investing cash flows	**(679)**	**(788)**	**-14%**
Financing cash flows			
Net changes in borrowings	838	276	+204%
Dividends paid	-	(635)	-100%
Acquisition of non-controlling interest	(24)	-	n/a
Proceeds from royalty arrangement	-	20	n/a
Contingent consideration paid	(27)	(33)	-18%
Total financing cash flows	**787**	**(372)**	**n/a**
Net increase in cash and cash equivalents	**314**	**35**	**+797%**
Cash and cash equivalents at the beginning of the year	417	386	+8%
Effect of foreign exchange rate changes on cash and cash equivalents	(98)	(4)	n/a
Cash and cash equivalents at the end of the year	**633**	**417**	**+52%**

Total operating cash flows in 2022 decreased sharply y-o-y. Operating cash flows before changes in working capital dropped by 43% y-o-y to US$ 679 million, as a result of a decrease in adjusted EBITDA, additionally impacted by the twofold increase in interest paid in the period. Net operating cash inflow was US$ 206 million, compared to US$ 1,195 million inflow in 2021, affected by a surge in working capital.

Investment cash outflows totalling US$ 679 million, down 14% y-o-y, were mainly represented by capital expenditure (up 5% y-o-yr at US$ 794 million) offset by cash inflows on acquisitions. Cash inflows on acquisitions comprise a cash consideration of US$ 27 million paid for the Galka deposit and cash acquired as a result of consolidation of 100% interest in the Albazino power line. As a result of the latter 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$ 838 million is mostly driven by financing of the Group's short-term working capital requirements.

The Group has US$ 633 million in cash deposited with non-sanctioned financial institutions, up 52% compared to 2021.

BALANCE SHEET, LIQUIDITY AND FUNDING

NET DEBT	As at 31 December 2022 $m	As at 31 December 2021 $m	Change
Short-term debt and current portion of long-term debt	514	446	+15%
Long-term debt	2,512	1,618	+55%
Gross debt	**3,026**	**2,064**	**+47%**
Less: cash and cash equivalents	633	417	+52%
Net debt	**2,393**	**1,647**	**+45%**
Net debt / Adjusted EBITDA	**2.35x**	**1.13x**	**+109%**

The Group's net debt increased to US$ 2,393 million as of 31 December 2022, representing a Net debt/Adjusted EBITDA ratio of 2.35x. The increase in net debt was driven by a surge in working capital and upward Dollar re-valuation of Rouble-denominated debt driven by significant Rouble strengthening at 31 December 2022 compared with the prior period.

The proportion of long-term borrowings of total borrowings was 83% as at 31 December 2022 (78% as at 31 December 2021). All of the 2023 debt repayments are well covered by available cash balances of US$ 633 million.

The average cost of debt increased, but remained relatively low at 5.08% in 2022 (2021: 2.9%) supported by our ability to negotiate competitive margins given the excellent credit history of the Group. Lending in Russia is available in Roubles, Renminbi and Dollar, although the availability of Dollar loans has decreased significantly due to sanctions and Central Bank pressure on financial institutions.

2023 OUTLOOK

- The Group reiterates its current production guidance of 1.7 Moz of GE for FY 2023. Production will be weighted towards 2H 2023 due to seasonality.
- Polymetal expects its costs to be in the ranges of US$ 950-1,000/GE oz for TCC and US$ 1,300-1,400/GE oz for AISC[1]. A minor y-o-y increase is mostly due to domestic inflation, stronger Rouble and royalty increase in Kazakhstan.
- Capital expenditure is expected to be approximately US$ 700-750 million. Major investment projects include Amursk POX-2, Albazino power line, Voro flotation and Prognoz.
- The Group currently forecasts positive free cash flow in 2023.

[1] Based on 65 RUB/USD, 450 KZT/USD rates, 7% inflation in Russia and 9% in Kazakhstan.

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 2021 Annual Report, and following sanctions imposed on Russia and counter-sanctions imposed by Russia in response 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 a 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 debt increase at 31 December 2022. The Group has secured enough liquidity to refinance its short-term debt, including US$ 0.35 bn of undrawn credit facilities in non-sanctioned banks and US$ 0.6 bn of cash, and will also utilize free cash flow for 2023 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 2022 financial year.

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. In the going concern assessment, the Group also considered the restrictions for moving cash between jurisdictions and assessed the ability to meet liabilities within each of the individual jurisdictions, whilst maintaining compliance with sanctions and counter sanctions.

At the reporting date, the Group holds US$ 350 million of undrawn credit facilities with non-sanctioned banks and US$ 633 million of cash, which is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months (US$ 514 million of short-term borrowings is due for repayment in the next 12 months). All of the 2023 repayments are well covered by available cash balances. No borrowing covenant requirements are forecast to be breached.

As referred to in Note 24 at the reporting date the cash balances include US$ 118 million of cash and cash equivalents held in Russia, that are subject to certain legal restrictions and are therefore not available for general use of the Company (but fully available for use by its Russian subsidiaries). The Group determined that these restrictions would not have any material effect on the Group's liquidity position and its ability to finance its obligations.

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, 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 year-end financial statements.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted for use in the United Kingdom (IFRS). The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991. International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue in operation and meet its liabilities as they fall due over the reasonably reliable lookout period of three years.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK and Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the Companies (Jersey) Law 1991 and International Financial Reporting Standards as adopted for use in the United Kingdom, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- the management report, which is incorporated into the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board,

Evgueni Konovalenko

Senior Independent Director

Vitaly Nesis

Group Chief Executive Officer

15 March 2023

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Revenue	5	2,801	2,890
Cost of sales	6	(1,690)	(1,307)
Gross profit		**1,111**	**1,583**
General, administrative and selling expenses	10	(311)	(226)
Other operating expenses, net	11	(142)	(149)
Impairment of non-current assets	14	(801)	-
Impairment of investment in associate	17	(24)	-
Operating (loss)/profit		**(167)**	**1,208**
Foreign exchange (loss)/gain, net		(32)	5
(Loss)/gain on disposal of subsidiaries, net	3	(2)	3
Change in fair value of financial instruments	21	(20)	4
Finance expenses	12	(119)	(66)
Finance income		8	7
(Loss)/profit before income tax		**(332)**	**1,161**
Income tax	13	44	(257)
(Loss)/profit for the year		**(288)**	**904**
(Loss)/profit for the financial year attributable to:			
Equity shareholders of the Parent		(288)	904
		(288)	**904**
(Loss)/earnings per share (US$)			
Basic	22	(0.61)	1.91
Diluted	22	(0.61)	1.88

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
(Loss)/profit for the year		**(288)**	**904**
Other comprehensive income, net of income tax		**338**	**(42)**
Items that may be reclassified to profit or loss			
Fair value gain arising on hedging instruments during the year	21	16	-
Exchange differences on translating foreign operations		365	(36)
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax		(43)	(6)
Total comprehensive income for the year		**50**	**862**
Total comprehensive income for the year attributable to:			
Equity shareholders of the Parent		50	862
		50	**862**

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Note	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Property, plant and equipment	15	3,392	3,314
Right-of-use assets	16	131	33
Goodwill		14	14
Investments in associates and joint ventures	17	13	28
Non-current accounts receivable		31	28
Other non-current financial assets		24	29
Deferred tax asset	13	142	67
Non-current inventories	18	133	96
Total non-current assets		**3,880**	**3,609**
Current inventories	18	1,057	781
Prepayments to suppliers		185	119
Income tax prepaid		64	11
VAT receivable		148	123
Trade and other receivables		103	79
Other financial assets at FVTPL		10	12
Cash and cash equivalents	24	633	417
Total current assets		**2,200**	**1,542**
Total assets		**6,080**	**5,151**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities		(264)	(223)
Current borrowings	19	(514)	(446)
Advances received		(6)	(134)
Income tax payable		(11)	(21)
Other taxes payable		(68)	(54)
Current portion of contingent consideration liability	24	(9)	(31)
Current lease liabilities	24	(25)	(7)
Total current liabilities		**(897)**	**(916)**
Non-current borrowings	19	(2,512)	(1,618)
Contingent and deferred consideration liabilities	24	(112)	(111)
Deferred tax liability	13	(107)	(206)
Environmental obligations		(76)	(50)
Non-current lease liabilities	24	(106)	(29)
Other non-current liabilities		(28)	(18)
Total non-current liabilities		**(2,941)**	**(2,032)**
Total liabilities		**(3,838)**	**(2,948)**
NET ASSETS		**2,242**	**2,203**
Stated capital account	22	2,450	2,450
Share-based compensation reserve		35	31
Cash flow hedging reserve	21	16	-
Translation reserve		(1,543)	(1,865)
Retained earnings		1,284	1,587
Total equity		**2,242**	**2,203**
Total liabilities and shareholders' equity		**(6,080)**	**(5,151)**

Notes on pages 40 to 67 form part of these financial statements. These financial statements are approved and authorised for issue by the Board of Directors on 15 March 2023 and signed on its behalf by:

Vitaly Nesis
Group Chief Executive

Evgueni Konovalenko
Senior Independent Non-Executive Director

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Net cash generated by operating activities	24	**206**	**1 195**
Cash flows from investing activities			
Purchases of property, plant and equipment	15	(794)	(759)
Net cash inflow/(outflow) on asset acquisitions[1]	3	123	(5)
Proceeds from disposal of subsidiaries	3	5	2
Investments in associates	17	(7)	(3)
Acquisition of shares held at FVTPL		-	(5)
Loans advanced		(12)	(36)
Repayment of loans provided		3	18
Contingent consideration received		3	-
Net cash used in investing activities		**(679)**	**(788)**
Cash flows from financing activities			
Borrowings obtained	24	3,885	3 360
Repayments of borrowings	24	(3,029)	(3 080)
Repayments of principal under lease liabilities	24	(18)	(4)
Dividends paid	22	-	(635)
Acquisition of non-controlling interest	3	(24)	-
Proceeds from royalty arrangement	24	-	20
Contingent consideration paid	24	(27)	(33)
Net cash from/(used in) financing activities		**787**	**(372)**
Net increase in cash and cash equivalents		314	35
Cash and cash equivalents at the beginning of the year	24	417	386
Effect of foreign exchange rate changes on cash and cash equivalents		(98)	(4)
Cash and cash equivalents at the end of the financial year	24	**633**	**417**

[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 4). As a result of later transaction the Group assumed debt of US$ 161 million and acquired corresponding cash balances of US$ 150 million.

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital account	Share-based compensation reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Total equity
		US$m	US$m	US$m	US$m	US$m	US$m
Balance at 1 January 2021		**2,434**	**31**	**-**	**(1,823)**	**1,318**	**1,960**
Profit for the year		-	-	-	-	904	904
Other comprehensive income, net of income tax		-	-		(42)	-	(42)
Total comprehensive income		**-**	**-**	**-**	**(42)**	**904**	**862**
Share-based compensation		-	16	-	-	-	16
Shares allotted to employees		16	(16)	-	-	-	-
Dividends	22	-	-	-	-	(635)	(635)
Balance at 31 December 2021		**2,450**	**31**	**-**	**(1,865)**	**1,587**	**2,203**
Loss for the year		-	-	-	-	(288)	(288)
Other comprehensive income, net of income tax		-	-	16	322	-	338
Total comprehensive income		**-**	**-**	**16**	**322**	**(288)**	**50**
Share-based compensation		-	13	-	-	-	13
Own share exchanged in the year	22	-	-	-	-	-	-
Transfer to retained earnings		-	(9)	-	-	9	-
Consolidation of non-controlling interest	3	-	-	-	-	(24)	(24)
Balance at 31 December 2022		**2,450**	**35**	**16**	**(1,543)**	**1,284**	**2,242**

1. GENERAL

Corporate information

Polymetal Group (the Group) is a leading gold and silver mining group with operations in Russia and Kazakhstan.

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

Significant subsidiaries

As of 31 December 2022 the Company held the following significant mining and production subsidiaries:

Name of subsidiary	Deposits and production facilities	Segment	Country of incorporation	Effective interest held, % 31 December 2022	Effective interest held, % 31 December 2021
Bakyrchik Mining Venture LLC	Kyzyl	Kazakhstan	Kazakhstan	100	100
Varvarinskoye JSC	Varvara	Kazakhstan	Kazakhstan	100	100
Komarovskoye Mining Company LLC	Komar	Kazakhstan	Kazakhstan	100	100
Gold of Northern Urals JSC	Voro Pesherny	Ural	Russia	100	100
Svetloye LLC	Svetloye	Khabarovsk	Russia	100	100
Magadan Silver JSC	Dukat Lunnoe Perevalnoye	Magadan	Russia	100	100
Mayskoye Gold Mining Company LLC	Mayskoye	Magadan	Russia	100	100
Omolon Gold Mining Company LLC	Birkachan Tsokol Burgali	Magadan	Russia	100	100
Albazino Resources Ltd	Albazino	Khabarovsk	Russia	100	100
Amur Hydrometallurgical Plant LLC	Amursk POX	Khabarovsk	Russia	100	100
South-Verkhoyansk Mining Company JSC	Nezhda	Yakutia	Russia	100	100
Prognoz Silver LLC	Prognoz	Yakutia	Russia	100	100
GRK Amikan LLC	Veduga	Khabarovsk	Russia	100	100

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. In the going concern assessment, the Group also considered the restrictions for moving cash between jurisdictions and assessed the ability to meet liabilities within each of the individual jurisdictions, whilst maintaining compliance with sanctions and counter sanctions.

At the reporting date, the Group holds US$ 350 million of undrawn credit facilities with non-sanctioned banks and US$ 633 million of cash, which is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months (US$ 514 million of short-term borrowings is due for repayment in the next 12 months). All of the 2023 repayments are well covered by available cash balances. No borrowing covenant requirements are forecast to be breached.

As referred to in note 33 at the reporting date the cash balances include US$ 118 million of cash and cash equivalents held in Russia, that are subject to certain legal restrictions and are therefore not available for general use of the Company (but fully available for use by its Russian subsidiaries). The Group determined that these restrictions would not have any material effect on the Group's liquidity position and its ability to finance its obligations.

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, 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 year-end financial statements.

Basis of presentation

The Group's annual condensed consolidated financial statements for the year ended 31 December 2022 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom ('UK'), provisions of the Companies (Jersey) Law 1991, and the Disclosure and Transparency Rules of the Financial Conduct Authority. The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value as of end of the reporting period and share-based payments which are recognised at fair value as of the measurement date.

The following accounting policies have been applied in preparing the condensed consolidated financial statements for the year ended 31 December 2022.

New standards adopted by the Group

- Amendments to IFRS 9 *Financial Instruments*, IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IFRS 16 *Leases,* resulting from Annual Improvements to IFRS Standards 2018–2020, effective for annual periods beginning on or after 1 January 2022.
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* resulting the costs to include when assessing whether a contract is onerous, effective for annual periods beginning on or after 1 January 2022.
- Reference to the Conceptual Framework (Amendments to IFRS 3 *Business Combinations*), effective for annual periods beginning on or after 1 January 2022. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The Group has early adopted for the annual period beginning 1 January 2021 the amendments to IAS 16 *Property, Plant and Equipment*. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use, effective for annual periods beginning on or after 1 January 2022 with early application permitted. These amendments did not have a material impact on these condensed consolidated financial statements.

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 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; and
- 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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the course of preparing the financial statements, management necessarily makes judgements and estimates that can have a significant impact on those financial statements. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in the future periods affected. The judgements involving a higher degree of estimation or complexity are set out below.

Critical accounting judgements

The following are the critical accounting judgements (apart from judgements involving estimation which are dealt with separately below), made during the year that had the most significant effect on the amounts recognised in the financial statements.

Determination of CGUs and Indicators of Impairment

The Group considers both external and internal sources of information in assessing whether there are any indications that CGUs are impaired. The external sources of information the Group considers include changes in the market, economic and legal environment in which the Group operates, that are usually not within its control, and are expected to affect the recoverable amount of CGUs. Internal sources of information include the manner in which mining properties, plant and equipment are being used or are expected to be used; and indicators of the economic performance of the assets, historical exploration and operating results. The primary external factors considered are changes in spot and forecast metal prices, market rates of returns that inform discount rates, and changes in laws and regulations. The primary internal factors considered are the Group's current mine performance against expectations, changes in mineral reserves and resources, life of mine plans and exploration results.

Impairment charges are assessed at the CGU level. Significant management judgement is applied in determining the Group's CGUs, particularly when assets relate to integrated operations, and where changes in CGU determinations could impact the impairment recorded.

CGUs identified by the Group generally represent production facilities with the related satellite deposits. Nezhda and Prognoz represent relatively adjacent mining operations in Yakutia, Russia (noting the 675km distance between the mines), which are now planned to share the existing Nezhda concentrator processing facilities. Management judge the Nezhda and Prognoz mines are interdependent, such that the lowest level of identifiable cash inflows that are largely independent of other assets is both mines on a combined basis. The two operations are therefore assessed for impairment as a single CGU.

Accounting for acquisitions

To determine the appropriate accounting approach to be followed for an acquisition transaction, the Group applies judgement to assess whether the acquisition is of a business, and therefore within scope of IFRS 3 *Business Combinations*, or is of a group of assets that do not constitute a business and is therefore outside scope of IFRS 3. In making this determination, management evaluates the inputs, processes and outputs of the asset or entity acquired. Judgement is used to determine whether an integrated set of activities and assets is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. The acquisitions of subsidiaries during the reporting year have been assessed as asset acquisitions.

Use of estimates

The preparation of financial statements requires the Group to make estimates and assumptions that affect the amounts of the assets and liabilities recognised, amounts of revenue and expenses reported, and contingent liabilities disclosed, as of the reporting date. The determination of estimates is based on current and expected economic conditions, as well as historical data and statistical and mathematical methods as appropriate.

Key sources of estimation uncertainty

Key sources of estimation uncertainty reflect those sources of estimation uncertainty which may have a possible material impact of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. They include: cash flow projections for impairment testing and impairment reversal, valuation of contingent consideration assets and liabilities and calculation of net realisable value of stockpiles and work-in progress, mineral reserves and resources assessment and life of mine plans, useful lives of production and other assets, environmental provision and recoverability of deferred tax assets.

DCF models are developed for the purposes of impairment testing, valuation of contingent consideration assets and liabilities and calculation of net realisable value of metal inventories. Expected future cash flows used in DCF models are inherently uncertain and could change over time. They are affected by a number of factors including ore reserves, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure.

- Ore reserves and mineral resources - Recoverable reserves and resources are based on the proven and probable reserves and resources in existence. Reserves and resources are incorporated in projected cash flows based on ore reserve statements and exploration and evaluation work undertaken by appropriately qualified persons (see below). Mineral resources, adjusted by certain conversion ratios, are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the required confidence to convert to ore reserves.

- Commodity prices - Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. Polymetal currently uses flat real long-term gold and silver prices of US$ 1,800 per ounce for 2023, US$ 1,700 per ounce from 2024 (2021: US$ 1,800 for 2022 and US$ 1,500 from 2023) and US$ 20 per ounce for 2023, US$ 21 per ounce from 2024 (2021: US$ 22 for 2022 and US$ 20 from 2023), respectively.

- Foreign exchange rates – foreign exchange rates are based on observable spot rates, or on latest internal forecasts, benchmarked with external sources of information for relevant countries of operation, as appropriate. The RUB/US$ exchange rates are estimated at 65 RUB/US$ for 2023, at 73 RUB/US$ for 2024 and 75 RUB/US$ from 2025 (2021: flat long-term rate of 72 RUB/US$). The KZT/US$ exchange rate are estimated at 495 KZT/US$ for 2023, at 502 KZT/US$ from 2024 (2021: 420 KZT/US$), respectively.

- Discount rates – The Group used a post-tax real discount rate of 14.1% for Russia assets and 9% for Kazakhstan (2021: 8.0% both for Russian and Kazakhstan). Post-tax cash flow projections used in value in use impairment models are discounted based on this rate. In 2022 the separate discount rates were estimated to avoid averaging, as Kazakhstan and Russia are expected to have different country risks, considering the sharp drop in Russian credit rating and the effect of the sanctions in place.

- Operating costs, capital expenditure and other operating factors - Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith. Underlying input cost assumptions are consistent with related output price assumptions. Other operating factors, such as the timelines of granting licences and permits are based on management's best estimate of the outcome of uncertain future events at the balance sheet date.

Sensitivity analysis

Impairment charges of US$ 801 million for property, plant and equipment was recognised during the year ended 31 December 2022 (Note 14). The recoverable amounts were estimated based on a value in use calculation.

The Group has two CGUs to which goodwill was allocated, being Mayskoye (US$ 11 million) and Dukat (US$ 3 million). No impairment charge for goodwill was recognised during the year ended 31 December 2022.

The impairment assessment is inherently sensitive to plausible changes in certain economic and operational key input assumptions within the next financial year, which could increase or reduce the CGU's recoverable value estimate.

The management has performed an analysis as to whether a reasonably possible adverse change to any of the key assumptions would lead to impairment.

The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

- 10% simultaneous decrease in gold and silver prices over the life of mine;
- 10% appreciation in RUB/US$ exchange rates;
- 10% increase in operating expenses over the life of mine; and
- 1% increase in the discount rate applied.

Each of the sensitivities above has been determined by assuming that the relevant key assumption moves in isolation, and without regard to potential mine plan changes and other management decisions which would be taken to respond to adverse changes in existing management projections.

The table below summarises the outcomes of the isolated scenarios described above. As a result if each isolated scenario the Group would recognise an additional impairment for each CGU as specified by the table below. Certain scenarios would result in impairment of goodwill, allocated to Dukat, and further impairment of non-current assets.

Scenario	Nezhda-Prognoz	Veduga	Dukat
	US$m	US$m	US$m
Decrease in gold and silver prices	258	101	76
Appreciation of RUB/US$ exchange rate	159	54	50
Increase in operating expenses	136	46	43
Increase in discount rate	41	35	-

No additional charges would be recognised for Kutyn CGU under all scenarios. No scenarios would result in impairment of Mayskoye CGU, including goodwill.

No sensitivity analysis was performed for investments in associates, as investment in Tomtor was fully provided for, due to suspension (Note 17) and the remaining investments are not considered material.

The sensitivities of contingent consideration liabilities measured at FVTPL (US$ 36 million at 31 December 2022; US$ 63 million at 31 December 2021) and inventories held at net realisable value (US$ 95 million at 31 December 2022; US$ 49 million at 31 December 2021) to a reasonably possible change in key assumptions described above are not considered material.

Climate change

We have assessed and set out the Group's climate risks and opportunities as part of our commitment to climate disclosure within the Strategic Report. Mitigation and adaptation measures that may be required in the future to combat the physical and transition risks of climate change could also have potential implications for the Group's financial statements. This would be the case where assets and liabilities are measured based on an estimate of future cash flows.

In preparing the Group's financial statements, climate-related strategic decisions have impacted the following:

- Our decarbonisation and clean energy initiatives considered and approved by the Board were included in future cash flow projections, underpinned by estimates for recoverable amounts of property, plant and equipment, as deemed relevant.
- The provision for mine closure costs impacted by climate risks and opportunities is set out in the financial statements.

We have adopted both mitigation and adaptation measures within our climate management system. We focus on renewable energy, carbon-intensive fuel replacement and innovative technologies to both mitigate climate change impacts and to reduce our carbon footprint. The adaptation measures we use are based on climate models, which inform the design, construction, operation and closure of our mining assets.

Significant judgements and key estimates made by the Group may be impacted in the future by changes to our climate change strategy or in global commitments to decarbonisation. This could, in turn, result in material changes to the financial results and the carrying values of certain assets and liabilities in future reporting periods. As at the reporting date, the Group believes that there is no material impact on balance sheet carrying values of assets or liabilities.

Environmental obligations

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group's provision for future decommissioning and land restoration cost (US$ 76 million at 31 December 2022; US$ 54 million at 31 December 2021) represents management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows; and the applicable interest rate for discounting the future cash outflows. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

3. ACQUISITIONS AND DISPOSALS

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 the 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 thousand RUR (approximating USD$ 177), 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 did not 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

On 22 March 2022, following completion 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$ 24 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.

Disposal of Tarutinskoye

In December 2022, the Group sold its 100% interest in a minor subsidiary Tatutinskoye to the third party for total cash consideration US$ 7 million. Assets and liabilities disposed of comprised mineral rights of US$ 9 million and the intercompany debt of US$ 10 million, which was assigned to the buyer as a part of transaction. As a result the Group recognised loss on disposal of subsidiary of US$ 2 million. Cash consideration of US$ 5 million was received in December 2022, which the remaining amount payable in equal installments on first and second anniversary of the disposal.

4. SEGMENT INFORMATION

The Group has identified five reportable segments:

- Kazakhstan (Varvara, Komar, Kyzyl);
- Magadan (Omolon, Dukat, Mayskoye);
- Ural (Voro);
- Khabarovsk (Amursk POX, Albazino, Svetloye, Veduga, Kutyn);
- Yakutia (Nezhda, Prognoz).

Reportable segments are determined based on the Group's internal management reports, which are separated based on the Group's geographical structure. Minor companies and activities (management, purchasing and other companies) which do not meet the reportable segment criteria are disclosed within «Corporate and other» segment. Each segment is engaged in gold, silver or copper mining and related activities, including exploration, extraction, processing and reclamation. The Group's reportable segments are based in the Russian Federation and Kazakhstan.

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 68.

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 recognises Revenue and related Cost of sales in the segment where the source ore was mined, regardless of whether it was processed on behalf of that segment at production facilities related to 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, as well as intercompany smelting services, as this presentation is more meaningful from a management and forecasting perspective.

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:

4. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022 (US$m)	KAZAKHSTAN	RUSSIA					Total reportable segments	Corporate and other	Total
		MAGADAN	KHABAROVSK	URAL	YAKUTIA	Total			
Revenue from external customers	933	996	565	177	130	1,868	2,801	-	2,801
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	340	549	306	85	75	1,015	1,355	-	1,355
Cost of sales	415	690	380	93	112	1,275	1,690	-	1,690
Depreciation included in Cost of sales	(75)	(103)	(62)	(9)	(23)	(197)	(272)	-	(272)
Write-down of metal inventory to net realisable value	-	(38)	(13)	-	(14)	(65)	(65)	-	(65)
Reversal of previous write-down of non-metal inventory to net realisable value	-	1	-	-	-	1	1	-	1
Rehabilitation expenses	-	(1)	1	1	-	1	1	-	1
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	27	44	38	11	16	109	136	152	288
General, administrative and selling expenses	29	45	39	12	16	112	141	170	311
Depreciation included in SGA	(2)	(1)	(1)	(1)	-	(3)	(5)	(5)	(10)
Share-based compensation	-	-	-	-	-	-	-	(13)	(13)
Other operating expenses excluding additional tax charges	26	48	23	6	8	85	111	30	141
Other operating expenses, net	28	48	22	6	8	84	112	30	142
Bad debt and expected credit loss allowance	-	-	-	1	-	1	1	-	1
Additional tax charges/fines/penalties	(2)	-	1	(1)	-	-	(2)	-	(2)
Share of loss of associates and joint ventures	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**540**	**355**	**198**	**75**	**31**	**659**	**1,199**	**(182)**	**1,017**
Depreciation expense	77	104	63	10	23	200	277	5	282
Rehabilitation expenses	-	1	(1)	(1)	-	(1)	(1)	-	(1)
Write-down of non-metal inventory to net realisable value	-	(1)	-	-	-	(1)	(1)	-	(1)
Write-down of metal inventory to net realisable value	-	38	13	-	14	65	65	-	65
Impairment of non-current assets	-	-	106	-	695	801	801	-	801
Impairment of investment in associate	-	-	-	-	-	-	-	24	24
Share-based compensation	-	-	-	-	-	-	-	13	13
Bad debt and expected credit loss allowance	-	-	-	(1)	-	(1)	(1)	-	(1)
Additional tax charges/fines/penalties	2	-	(1)	1	-	-	2	-	2
Operating loss	**461**	**213**	**18**	**66**	**(701)**	**(404)**	**57**	**(224)**	**(167)**
Foreign exchange gain/(loss), net									(32)
Loss on disposal of subsidiaries, net									(2)
Change in fair value of financial instruments									(20)
Finance expenses									(119)
Finance income									8
Loss before tax									**(332)**
Income tax									**44**
Loss for the year									**(288)**
Current metal inventories	111	264	182	25	123	594	705	-	705
Current non-metal inventories	46	132	90	14	28	264	310	42	352
Non-current segment assets:									
Property, plant and equipment, net	696	413	1,358	306	540	2,617	3,313	79	3,392
Goodwill	-	14	-	-	-	14	14	-	14
Non-current inventory	34	33	52	3	11	99	133	-	133
Investments in associates	-	-	-	-	-	-	-	13	13
Total segment assets	**887**	**856**	**1,682**	**348**	**702**	**3,588**	**4,475**	**134**	**4,609**
Additions to non-current assets:									
Property, plant and equipment	108	135	436	86	107	764	872	11	883
Acquisition of subsidiaries	-	-	19	29	-	48	48	1	49

4. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021 (US$m)	KAZAKHSTAN	RUSSIA					Total reportable segments	Corporate and other	Total
		MAGADAN	KHABAROVSK	URAL	YAKUTIA	Total			
Revenue from external customers	983	1,103	641	163	-	1,907	2,890	-	2,890
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	318	456	238	63	-	757	1,075	-	1,075
Cost of sales	396	550	292	69	-	911	1,307	-	1,307
Depreciation included in Cost of sales	(78)	(74)	(48)	(6)	-	(128)	(206)	-	(206)
Write-down of metal inventory to net realisable value	-	(20)	(5)	-	-	(25)	(25)	-	(25)
Reversal of previous write-down of non-metal inventory to net realisable value	-	-	1	-	-	1	1	-	1
Rehabilitation expenses	-	-	(2)	-	-	(2)	(2)	-	(2)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	23	33	29	7	11	80	103	99	202
General, administrative and selling expenses	25	34	30	7	11	82	107	119	226
Depreciation included in SGA	(2)	(1)	(1)	-	-	(2)	(4)	(4)	(8)
Share-based compensation	-	-	-	-	-	-	-	(16)	(16)
Other operating expenses excluding additional tax charges	12	56	35	7	7	105	117	32	149
Other operating expenses, net	13	57	33	7	7	104	117	32	149
Bad debt and expected credit loss allowance	-	(1)	-	-	-	(1)	(1)	-	(1)
Additional tax charges/fines/penalties	(1)	-	2	-	-	2	1	-	1
Share of loss of associates and joint ventures	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**630**	**558**	**339**	**86**	**(18)**	**965**	**1,595**	**(131)**	**1,464**
Depreciation expense	80	75	49	6	-	130	210	4	214
Rehabilitation expenses	-	-	2	-	-	2	2	-	2
Write-down of non-metal inventory to net realisable value	-	-	(1)	-	-	(1)	(1)	-	(1)
Write-down of metal inventory to net realisable value	-	20	5	-	-	25	25	-	25
Share-based compensation	-	-	-	-	-	-	-	16	16
Bad debt and expected credit loss allowance	-	1	-	-	-	1	1	-	1
Additional tax charges/fines/penalties	1	-	(2)	-	-	(2)	(1)	-	(1)
Operating profit	**549**	**462**	**286**	**80**	**(18)**	**810**	**1,359**	**(151)**	**1,208**
Foreign exchange gain/(loss), net									5
Gain on disposal of subsidiaries, net									3
Change in fair value of financial instruments									4
Finance expenses									(66)
Finance income									7
Profit before tax									**1,161**
Income tax									**(257)**
Profit for the year									**904**
Current metal inventories	108	228	117	50	50	445	553	-	553
Current non-metal inventories	35	92	50	8	17	167	202	26	228
Non-current segment assets:									
Property, plant and equipment, net	728	376	1,045	126	938	2,485	3,213	101	3,314
Goodwill	-	14	-	-	-	14	14	-	14
Non-current inventory	30	25	38	2	1	66	96	-	96
Investments in associates	-	-	-	-	-	-	-	28	28
Total segment assets	**901**	**735**	**1,250**	**186**	**1,006**	**3,177**	**4,078**	**155**	**4,233**
Additions to non-current assets:									
Property, plant and equipment	93	117	437	67	152	773	866	5	871
Acquisition of subsidiaries	-	-	-	-	-	-	-	16	16

5. REVENUE

	Year ended 31 December 2022			
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price ($ per oz/t payable) (unaudited)	US$m
Gold (thousand ounces)	1,408	1,376	1,738	2,392
Silver (thousand ounces)	18,973	18,542	20.7	383
Copper (tonnes)	3,810	3,399	7,650	26
Total				**2,801**

	Year ended 31 December 2021			
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price ($ per oz/t payable) (unaudited)	US$m
Gold (thousand ounces)	1,421	1,386	1,768	2,450
Silver (thousand ounces)	17,860	17,482	24.0	419
Copper (tonnes)	2,403	2,093	10,032	21
Total				**2,890**

Geographical analysis of revenue by destination is presented below:

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Sales to Kazakhstan	1,205	1,008
Sales to Asia	1,284	490
Sales within the Russian Federation	296	1,271
Sales to Europe	16	121
Total	**2,801**	**2,890**

Included in revenues for the year ended 31 December 2021 are revenues which arose from the sales to the Group's largest customers, whose contribution to the Group's revenue presented 10% or more of the total revenue. In 2022 revenues from such customers amounted to US$ 754 million, US$ 446 million, US$ 452 million and US$ 233 million respectively (2021: US$ 833 million, US$ 638 million, US$ 369 million and US$ 279, respectively).

Presented below is an analysis per revenue streams:

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Bullions	1,104	1,341
Concentrate	915	897
Dore	754	652
Ore	28	-
Total	**2,801**	**2,890**

6. COST OF SALES

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Cash operating costs		
On-mine costs (Note 7)	741	516
Smelting costs (Note 8)	567	383
Purchase of ore and concentrates from third parties	69	130
Mining tax	136	152
Total cash operating costs	**1,513**	**1,181**
Depreciation and depletion of operating assets (Note 9)	324	229
Rehabilitation expenses	(1)	2
Total costs of production	**1,836**	**1,412**
Increase in metal inventories	(216)	(132)
Write-down of inventories to net realisable value (Note 18)	64	24
Idle capacities and abnormal production costs	6	3
Total	**1,690**	**1,307**

7. ON-MINE COSTS

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Services	363	254
Labour	175	130
Consumables and spare parts	196	126
Other expenses	7	6
Total (Note 6)	**741**	**516**

8. SMELTING COSTS

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Consumables and spare parts	242	164
Services	213	145
Labour	110	72
Other expenses	2	2
Total (Note 6)	**567**	**383**

9. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
On-mine	228	161
Smelting	96	68
Total in cost of production (Note 6)	**324**	**229**
Less: absorbed into metal inventories	(52)	(23)
Depreciation included in cost of sales	**272**	**206**

Depreciation of operating assets excludes depreciation relating to non-operating assets (included in general, administrative and selling expenses) and depreciation related to assets employed in development projects where the charge is capitalised. Depreciation expense, which is excluded from the Group's calculation of Adjusted EBITDA (see Note 4), also excludes amounts absorbed into unsold metal inventory balances.

10. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Labour	243	171
Share-based compensation	13	16
Depreciation	10	8
Services	15	10
Other	30	21
Total	**311**	**226**
including		
Mine site expenses	141	107
Corporate head office expenses	170	119
Total	**311**	**226**

11. OTHER OPERATING EXPENSES, NET

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Exploration expenses	62	72
Social payments	44	28
Expenses related to the investment in Special Economic Zone	14	20
Taxes, other than income tax	15	11
Additional tax charges/fines/penalties	2	(1)
Change in estimate of environmental obligations	(2)	2
Other expenses	7	17
Total	**142**	**149**

For the operations held in the Special Economic Zone of the Russian Far East, Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17%, as well as decreased mining tax rate (paying 60% of standard mining tax rates). In return for obtaining this tax relief the members of the regional free Economic Zone are obliged to invest 50% of their tax savings each year in the Special Economic Zone Development Programme, amounting to US$ 14 million in 2022 (2021: US$ 20 million).

Operating cash flow spent on exploration activities amounts to US$ 61 million (2021: US$ 71 million).

12. FINANCE EXPENSES

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Interest expense on borrowings	94	51
Unwinding of discount on lease liabilities (Note 6, 24)	7	3
Unwinding of discount on environmental obligations	8	4
Unwinding of discount on contingent consideration liability (Note 24)	10	8
Total	**119**	**66**

During the year ended 31 December 2022 interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$ 35 million (2021: US$ 13 million). These amounts were calculated based on the Group's general borrowing pool and by applying an effective interest rate of 4.53% (2021: 2.91%) to cumulative expenditure on such assets.

13. INCOME TAX

The amount of income tax expense for the years ended 31 December 2022 and 31 December 2021 recognised in profit and loss was as follows:

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Current income taxes	164	261
Deferred income taxes	(208)	(4)
Total	**(44)**	**257**

Increased deferred income tax credit resulted from deferred tax benefit of US$ 149 million related to impairment of non-current assets (Note 14).

A reconciliation between the reported amounts of income tax expense attributable to income before income tax is as follows:

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Profit before income tax	**(332)**	**1 161**
Theoretical income tax expense at the tax rate of 20%	(66)	232
Effect of Special Economic Zone and Regional Investment project decreased tax rates	19	(33)
Tax effect of WHT on intercompany dividends	(15)	33
Non-taxable net foreign exchange gains	(25)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(9)	5
Change in unrecognised deferred taxes	14	3
Non-deductible interest expense	6	10
Other non-taxable income and non-deductible expenses	27	10
Adjustments in respect of prior periods	5	(3)
Total income tax expense	**(44)**	**257**

The actual tax expense differs from the amount which would have been determined by applying the statutory rate of 20% for the Russian Federation and Kazakhstan to profit before income tax as a result of the application of relevant jurisdictional tax regulations, which disallow certain deductions which are included in the determination of accounting profit. These deductions include social related expenditures and other non-production costs, certain general and administrative expenses, financing expenses, foreign exchange related and other costs.

Additionally, the Group has a number of tax concessions, the most significant of which are detailed below.

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% in 2022, a tax rate of 13% during 2023-2027. South-Verkhoyansk Mining Company JSC received tax relief as a Regional Investment Project and is entitled to the statutory income tax rate of 10% for 5 first years and 13.5% for 2 years from the date of eligibility.

Following an agreement reached by the Finance Ministers from the G7 in July 2021 backing the creation of a global minimum corporate tax rate of least 15%, over 140 countries and jurisdictions have agreed to the OECD/G20 Inclusive Framework on BEPS, also referred to as BEPS 2.0, including Russia and Kazakhstan. The new framework aims to ensure that large multinational enterprises pay a fair share of tax wherever they operate and to set a global minimum tax rate. Earliest possible implementation is on 1 January 2023 and it is expected that implementation in key countries will commence soon. Neither Russia or Kazakhstan have yet announced any details regarding the adjustment of their local tax legislation. We are monitoring information in this regard.

Based on the current understanding of the anticipated changes to the global tax landscape as a result of implementation of BEPS 2.0 rules, the Group is assessing the impact of these rules on its future tax obligations once adjustments are made to relevant local tax legislation. The Group's future effective tax rate is expected to continue to exceed the minimum rate of 15% and not significantly increase by virtue of these new rules.

Tax exposures related to the income tax

In 2022 and 2021 no individual material exposures were identified as probable and therefore provided for. Management has identified a total exposure in respect of contingent liabilities (Note 20) (covering taxes and related interest and penalties) of approximately US$ 122 million being uncertain tax positions (31 December 2021: US$ 157 million) which relate to income tax. This is connected largely to the more assertive position of the Russian tax authorities in their interpretation of tax legislation in several recent court cases for other 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. In case of Regional Investment Project in Russian Federation fiscal period remains open to review for five years as well. 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.

Management does not anticipate a significant risk of material changes in estimates in these matters in the next financial year.

Income tax amounts included in other comprehensive income

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

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Net foreign exchange gains/(losses) on net investment in foreign operation		
Current tax expense	5	2
Deferred tax expense	-	-
Total income tax recognised in other comprehensive income	**5**	**2**

Current and deferred tax assets recognised within other comprehensive income relate to the tax losses originated by foreign currency exchange 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 losses are recognised in the condensed consolidated financial statements within the foreign currency translation reserve.

Deferred taxation

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the reporting period.

	Mineral rights	Exploration in progress	Borrowings and other liabilities	Environmental obligation	Tax losses	Unremmited earnings	Other	Total
	US$m	US$m	US$m	US$m	US$m		US$m	US$m
At 1 January 2021	**(189)**	**(42)**	**18**	**8**	**81**	**(15)**	**(7)**	**(146)**
Charge to income statement	2	(24)	-	3	19	(7)	11	**4**
Exchange differences	3	-	-	-	-	-	-	**3**
At 31 December 2021	**(184)**	**(66)**	**18**	**11**	**100**	**(22)**	**4**	**(139)**
Charge to income statement	88	12	(40)	1	103	22	22	**208**
Exchange differences	(22)	(9)	2	-	3	-	(8)	**(34)**
At 31 December 2022	**(118)**	**(63)**	**(20)**	**12**	**206**	**-**	**18**	**35**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following analysis shows deferred tax balances presented for financial reporting purposes:

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Deferred tax liabilities	(107)	(206)
Deferred tax assets	142	67
Total	**35**	**(139)**

The Group believes that recoverability of the recognised deferred tax asset (DTA) of US$ 206 million at 31 December 2022 (2021: US$ 100 million), which is related to the tax losses carried forward, is more likely than not based upon expectations of future taxable income in the Russian Federation and Kazakhstan.

In accordance with Russian Federation tax law regarding loss carryforwards, loss carryforwards are limited to 50% of taxable profit in tax years through to 2024. From 2025 the limitation will expire and it will be possible to fully utilise loss carryforwards against the corporate tax base in a given year and losses incurred from 2007 can be carried forward for an indefinite period until fully utilised.

Tax losses carried forward represent amounts available for offset against future taxable income generated predominantly by Polymetal JSC and JSC South-Verkhoyansk Mining Company. Each legal entity within the Group represents a separate tax-paying component for income tax purposes. The tax losses of one entity cannot be used to reduce taxable income of other entities of the Group.

Losses incurred in certain taxable entities in recent years have created a history of losses as of 31 December 2022. The Group has concluded that there is sufficient evidence to overcome the recent history of losses based on forecasts of sufficient taxable income in the carry-forward period.

The Group's estimate of future taxable income is based on established proven and probable reserves which can be economically developed. The related detailed mine plans and forecasts provide sufficient supporting evidence that the Group will generate taxable earnings to be able to fully realise its net DTA even under various stressed scenarios. The amount of the DTA considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced due to delays in production start dates, decreases in ore reserve estimates, increases in environmental obligations, or reductions in precious metal prices.

No deferred tax asset has been recognised in respect of US$ 95 million (2021: US$ 84 million) of losses as it is not considered probable that there will be future taxable profits against which the losses can be utilised.

In 2022 the Group paid withholding income tax of US$ 7 million (2021: US$ 25 million) related to intercompany dividends, which were remitted during the year. As of 31 December 2022 the Group did not recognise any deferred tax liability (31 December 2021: US$ 22 million) for the undistributed retained earnings of certain of the Group subsidiaries, which are expected to be remitted from these subsidiaries in foreseeable future (judged to be one year). No deferred tax liabilities for taxes that would be payable on the unremitted earnings of the Group subsidiaries is recognised where the Group determines that the undistributed profit of its subsidiaries will not be distributed in the foreseeable future (judged to be one year). The temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognised, amount to US$ 4.1 billion (2021: US$ 3.2 billion).

14. IMPAIRMENT OF NON-CURRENT ASSETS

During the year ended 31 December 2022, due to the appreciation of Russian Rouble against US Dollar resulting in the increased carrying value of non-current assets, as well as a post tax real discount rate increase, the Group carried out an impairment review of its property, plant and equipment. As a result of this review, total impairment loss of US$ 801 million was recognised, which comprised the following:

	Nezhda-Prognoz	Kutyn	Veduga	Total
	US$m	US$m	US$m	US$m
Property, plant and equipment				
Development assets	315	2	13	**330**
Mining assets	341	7	64	**412**
Capital construction in-progress	36	3	18	**57**
Non-mining assets	2	-	-	**2**
Total PPE	**694**	**12**	**95**	**801**

Nezhda-Prognoz CGU relates to Yakutia reporting segment, while Kutyn and Veduga CGUs are included in Khabarovsk reporting segment (Note 4).

After the related tax credit of US$ 149 million, the post-tax impairment charge amounts to US$ 652 million.

The recoverable amount of the relevant cash-generating units is determined based on a value in use calculation. The impairment testing procedure, related assumptions and sensitivities are described in detail in Note 2 “Use of estimates” section above.

15. PROPERTY, PLANT AND EQUIPMENT

	Development assets	Exploration and evaluation assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Cost						
Balance at 1 January 2021	**418**	**62**	**2,801**	**65**	**543**	**3,889**
Additions	65	14	305	10	477	871
Transfers	(98)	(11)	343	1	(235)	-
Change in environmental obligations	-	-	2	-	1	3
Acquisitions	-	16	-	-	-	16
Eliminated on disposal of subsidiaries	-	(6)	-	-	-	(6)
Disposals and write-offs including fully depreciated mines	-	-	(64)	(1)	-	(65)
Translation to presentation currency	(1)	(1)	(44)	(1)	(3)	(50)
Balance at 31 December 2021	**384**	**74**	**3,343**	**74**	**783**	**4,658**
Additions	65	19	255	11	533	883
Transfers	(13)	-	245	2	(234)	-
Change in environmental obligations	-	-	12	-	8	20
Acquisitions (Note 3)	29	1	-	-	19	49
Eliminated on disposal of subsidiaries (Note 3)	-	(8)	(10)	-	-	(18)
Disposals and write-offs including fully depreciated mines	-	-	(152)	-	(1)	(153)
Translation to presentation currency	35	(1)	50	6	39	129
Balance at 31 December 2022	**500**	**85**	**3,743**	**93**	**1,147**	**5,568**

	Development assets	Exploration and evaluation assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Accumulated depreciation, amortisation						
Balance at 1 January 2021	**-**	**-**	**(1,118)**	**(33)**	**-**	**(1,151)**
Charge for the period	-	-	(260)	(7)	-	(267)
Disposals and write-offs including fully depreciated mines	-	-	59	-	-	59
Translation to presentation currency	-	-	15	-	-	15
Balance at 31 December 2021	**-**	**-**	**(1,304)**	**(40)**	**-**	**(1,344)**
Charge for the period	-	-	(345)	(9)	-	(354)
Eliminated on disposal of subsidiaries (Note 3)	-	-	10	-	-	10
Impairment recognised during period (Note 14)	(334)	(2)	(418)	(4)	(43)	(801)
Disposals and write-offs including fully depreciated mines	-	-	148	-	-	148
Translation to presentation currency	82	-	75	-	8	165
Balance at 31 December 2022	**(252)**	**(2)**	**(1,834)**	**(53)**	**(35)**	**(2,176)**
Net book value						
31 December 2021	**384**	**74**	**2,039**	**34**	**783**	**3,314**
31 December 2022	**248**	**83**	**1,909**	**40**	**1,112**	**3,392**

Mining assets, exploration and development assets at 31 December 2022 included mineral rights with a net book value which amounted to US$ 713 million (31 December 2021: US$ 1,016 million) and capitalised stripping costs with a net book value of US$ 277 million (31 December 2021: US$ 249 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries. As of 31 December 2022 capital construction in progress includes prepayments made for equipment and construction works amounting to US$ 210 million (2021: US$ 162 million).

Included within the US$ 153 million of assets disposed of and written off were fully depreciated items of US$ 121 million (year ended 31 December 2021: US$ 65 million and US$ 19 million, respectively).

No property, plant and equipment was pledged as collateral at 31 December 2022 or at 31 December 2021.

16. LEASES

Movements of the right-of-use assets for the year ended 31 December 2022 are as follow:

	Year ended	
	31 December 2022	31 December 2021
Right-of-use assets	US$m	US$m
At 1 January	**33**	**32**
Additions	122	9
Depreciation charge for the period	(8)	(6)
Disposals	(1)	(4)
Accumulated depreciation of assets disposed	1	1
Translation to presentation currency	(16)	1
At 31 December	**131**	**33**

The leases of the Group are represented by the office leases and the lease of the overhead power line, supplying electricity to the Nezhda production site, which commenced in July 2022. The Group has a right to acquire the power line after the end of the lease term.

Movements of the lease liabilities for the year ended 31 December 2022 are detailed in Note 24. The Group's lease commitments related to the variable lease payments are disclosed in Note 20.

The Group excluded the following lease agreements from the right-of-use assets and lease liabilities and recognises the lease payments associated with those leases as expenses on a straight-line basis over the lease term:

- Lease agreements with variable payments;
- Lease agreements of land plots to explore for or use minerals and similar non-generative resources;
- Short-term lease agreements that expire within 12 months from the date of initial application;
- Lease agreements of low value assets (of US$ 5,000 or less).

Amounts recognised in profit and loss for the year ended 31 December 2022 are as follows:

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Expenses related to lease exemptions	(5)	(3)
Unwinding of discount on lease liabilities	(7)	(3)
Depreciation of right-of-use assets	(8)	(6)
Total lease expenses	**(20)**	**(12)**

17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2022		31 December 2021	
	Voting power %	Carrying Value	Voting power %	Carrying Value
		US$m		US$m
Interests in associates and joint ventures				
Tomtor (ThreeArc Mining Ltd)	9.1	-	9.1	20
Individually immaterial investments		6		4
Total		**6**		**24**
Loans forming part of net investment in joint ventures				
Individually immaterial investments		7		4
Total		**7**		**4**
Total investments in associates and joint ventures		**13**		**28**

Movement during the reporting periods was as follows:

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
At 1 January	**28**	**24**
Impairment recognised	(24)	-
Acquisitions	3	1
Consolidated as subsidiaries	-	(1)
Loans advanced forming part of net investment	4	4
Currency translation adjustment	2	-
Total at 31 December	**13**	**28**

Tomtor (ThreeArc Mining Ltd)

ThreeArc owns 100% Tomtor niobium and rare-earth metals exploration project (Tomtor). The project is comprised of the Tomtor open-pit deposit and the Krasnokamensk Hydrometallurgical Facility which was planned to be built near the town of Krasnokamensk.

The Group determined that it exercised significant influence over the investee through participation in policy and decision-making processes, and therefore ThreeArc constituted an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment was accounted for using the equity method.

During the year ended 31 December 2022 the project was suspended at an early development stage, and, therefore the investment in Tomtor was fully provided for, resulting in impairment loss of US$ 24 million recognised within income statement. During the year ended 31 December 2021, no significant share of profit/(loss) from Tomtor was recognised by the Group.

Summarised financial position of the investments

The Group holds a number of individually immaterial investments in joint arrangements to explore and develop several deposit in Russia and Kazakhstan. The following table summarises the aggregate financial position of the investments on a 100% basis. The summarised financial information below represents amounts in the associate's consolidated financial statements prepared in accordance with IFRS, adjusted for fair value adjustments at acquisition and differences in accounting policies. As of 31 December 2022, consistent with as of 31 December 2021, none of the entities held any significant cash balances and did not record any significant amounts of revenue or expenses, depreciation and amortisation, interest income and expenses, income tax.

	31 December 2022	31 December 2021	
	Non-significant investments	Tomtor	Non-significant investments
	US$m	US$m	US$m
Non-current assets	13	307	10
Current assets	5	3	3
Non-current liabilities	(5)	(91)	(5)
Current liabilities	(1)	(1)	-
Net assets	12	218	8

18. INVENTORIES

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Inventories expected to be recovered after twelve months		
Ore stock piles	89	70
Copper, gold and silver concentrate	10	-
Consumables and spare parts	34	26
Total non-current inventories	**133**	**96**
Inventories expected to be recovered in the next twelve months		
Copper, gold and silver concentrate	287	182
Ore stock piles	229	221
Work in-process	111	115
Doré	55	26
Metal for refining	20	9
Refined metals	3	-
Total current metal inventories	**705**	**553**
Consumables and spare parts	352	228
Total current inventories	**1,057**	**781**

Write-downs of metal inventories to net realisable value

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

	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Ore stock piles	(28)	(28)
Ore in heap leach piles	(31)	3
Copper, gold and silver concentrate	(6)	-
Total	**(65)**	**(25)**

The key assumptions used as of 31 December 2022 in determining net realisable value of inventories (including the commodity price assumptions for long-term stockpiles) are described in Note 3 "Use of estimates" section. For short-term metal inventories, applicable quoted forward prices as of 31 December 2022 were used: gold and silver prices of US$ 1,874 per ounce (2021: US$ $ 1,836) and US$ 24.6 per ounce (2021: US$ 23.5), respectively.

During the year ended 31 December 2022 the Group recognised a reversal of previous write-down of consumables and spare parts inventory of US$ 1 million (year ended 31 December 2021: reversal of US$ 1 million).

The amount of inventories held at net realisable value at 31 December 2022 is US$ 95 million (31 December 2021: US$ 49 million).

19. BORROWINGS

	Type of rate	Actual interest rate at 31 Dec 2022	Actual interest rate at 31 Dec 2021	31 December 2022 Current	31 December 2022 Non-current	31 December 2022 Total	31 December 2021 Current	31 December 2021 Non-current	31 December 2021 Total
Secured loans from third parties				US$m	US$m	US$m	US$m	US$m	US$m
US Dollar denominated	fixed	2.68%	3.04%	33	158	191	100	191	291
Total secured loans from third parties				**33**	**158**	**191**	**100**	**191**	**291**
Unsecured loans from third parties									
US Dollar denominated	floating	5.69%	1.35%	149	339	488	298	378	676
US Dollar denominated	fixed	3.75%	3.52%	43	1,206	1,249	2	948	950
Euro denominated	floating	0.98%	0.45%	2	19	21	-	24	24
Euro denominated	fixed	n/a	0.60%	-	-	-	2	-	2
RUB denominated	floating	9.35%	n/a	132	518	650			-
RUB denominated	fixed	8.03%	6.67%	3	202	205	44	77	121
CNY denominated	fixed	5.99%	n/a	83	-	83	-	-	-
CNY denominated	floating	3.50%	n/a	69	70	139	-	-	-
Total unsecured loans from third parties				**481**	**2,354**	**2,835**	**346**	**1,427**	**1,773**
Total loans from third parties				**514**	**2,512**	**3,026**	**446**	**1,618**	**2,064**

Bank loans

The Group has a number of borrowing arrangements with various lenders. These borrowings consist of unsecured and secured loans and credit facilities as detailed above. Where security is provided it is in form of a pledge of revenue from certain sales agreements.

Movements in borrowings are presented in Note 24. The Group complied with its debt covenants throughout 2022 and 2021.

The table below summarises maturities of borrowings:

	Year ended	
	31 December 2022	**31 December 2021**
	US$m	**US$m**
31 December 2022	-	446
31 December 2023	514	177
31 December 2024	737	372
31 December 2025	561	220
31 December 2026	411	390
31 December 2027	459	170
31 December 2028	164	139
31 December 2029	168	139
31 December 2030	8	8
31 December 2031	2	3
31 December 2032	2	-
Total	**3,026**	**2,064**

20. COMMITMENTS AND CONTINGENCIES

Commitments

Capital commitments

The Group's contractual expenditure commitments as of 31 December 2022 amounted to US$ 279 million (2021: US$ 270 million).

Nezhda power line

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. Construction was completed and state registration was completed in July 2022, which was determined as a commencement date of the lease (Note 16).

The Group's lease commitments related to the variable lease payments, representing reimbursement of maintenance costs are estimated at US$ 36 million (undiscounted), which will be expensed as incurred.

Forward sale commitments

The Group has certain physical gold and silver forward sale commitments which are priced at the prevailing market price, calculated with reference to the LBMA or LME gold and silver price, which are accounted for as executory contracts as the Group expects to, and has historically, physically delivered into these contracts.

Contingent liabilities

Taxation

Russian and Kazakhstan tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transaction and activity of the companies of the Group may be challenged by the relevant regional and federal authorities and as a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the tax authorities in respect of taxes for three and five calendar years preceding the year of review for Russia and Kazakhstan respectively. Under certain circumstances reviews may cover longer periods.

Management has identified a total exposure (covering taxes and related interest and penalties) of US$ 125 million in respect of contingent liabilities (2021: US$ 157 million), mainly related to income tax as described in Note 13.

21. FINANCIAL INSTRUMENTS

Major categories of financial instruments

	Year ended	
	31 December 2022	**31 December 2021**
	US$m	**US$m**
Financial assets		
Derivatives designated in hedge relationships		
Interest rate swaps	16	-
Financial assets at FVTPL		
Receivables from provisional copper, gold and silver concentrate sales	54	44
Contingent consideration receivable	17	36
Shares held at FVTPL	1	5
Financial assets at amortised cost, including cash and cash equivalents		
Cash and cash equivalents (Note 24)	633	417
Other receivables	49	35
Non-current loans and receivables	15	12
Total financial assets	**785**	**549**
Financial liabilities		
Financial liabilities at FVTPL		
Contingent consideration liability (Note 24)	36	63
Royalty payable (Note 24)	24	21
Financial liabilities at amortised cost		
Borrowings (Note 19)	3,026	2,064
Deferred consideration (Note 24)	85	79
Trade and other payables	171	147
Total financial liabilities	**3,342**	**2,374**

The Group's principal financial liabilities comprise borrowings, derivatives, trade and other payables. The Group has various financial assets such as accounts receivable, loans advanced and cash and cash equivalents.

Trade and other payables exclude employee benefits and social security.

Interest expense, calculated using effective interest method, arising on financial liabilities at amortised costs is disclosed in Note 24.

The main risks arising from the Group's financial instruments are foreign currency and commodity price risk, interest rate, credit and liquidity risks.

At the end of the reporting period, there are no significant concentrations of credit risk for receivables at FVTPL. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such receivables.

Presented below is a summary of the Group's accounts receivable with embedded derivative recorded on the condensed consolidated balance sheet at fair value.

As of 31 December 2022, accounts receivable with embedded derivatives recognised at fair value amounted to US$ 53 million (31 December 2021: US$ 44 million) and represented receivables from provisional metal concentrate sales. In 2021 gain recognised on revaluation of these instruments approximates to US$ 17 million (2021: nil) and is recorded within revenue.

Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2022 and 31 December 2021, the Group held the following financial instruments:

	31 December 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	-	54	-	**54**
Contingent consideration receivable	-	-	17	**17**
Shares held at FVTPL	1	-	-	**1**
Royalty liabilities payable (Note 24)			(24)	**(24)**
Contingent consideration liability (Note 24)	-	-	(36)	**(36)**
Total	**1**	**54**	**(43)**	**12**

	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 (Note 24)			(21)	**(21)**
Contingent consideration liability (Note 24)	-	-	(63)	**(63)**
Total	**5**	**44**	**(55)**	**(6)**

During the reporting year, there were no transfers between Level 1 and Level 2.

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

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Gain on contingent consideration receivable revaluation	17	1
Gain/(loss) on contingent consideration payable revaluation (Note 24)	(3)	4
Change in fair value of shares held at FVTPL	4	-
Gain/(loss) on royalty payable revaluation (Note 24)	2	(1)
Total change in fair value of financial instruments	**20**	**4**

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 of 31 December 2022, is US$ 2,615 million (2021: US$ 1,849 million), and the carrying value as of 31 December 2022 is US$ 3,027 million (2021: US$ 2,064 million) (see Note 19).

As of 31 December 2022 the Group held several interest rate swap contracts, recognised within non-current accounts receivables and other financial instruments in the amount of US$ 16 million (31 December 2021: US$ 1 million). All interest rate swap contracts to pay fixed and receive floating interest payments 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 31 December 2022 it was determined that there is no hedge ineffectiveness identified and therefore change of fair value was recognised within other comprehensive income.

Receivables from provisional copper, gold and silver concentrate sales

The fair value of receivables arising from copper, gold and silver concentrate sales contracts that contain provisional pricing mechanisms is determined using the appropriate quoted forward price from the exchange that is the principal active market for the particular metal. As such, these receivables are classified within Level 2 of the fair value hierarchy.

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 3.
- Discount rates – The Group used a post-tax real discount rate of 14.1% (2021: 8.0%). For the Monte-Carlo modelling, where inflation is incorporated into volatility estimation, a nominal discount rate of 16% (2021: 10.7%) is applied.
- Where the percentage of net smelter return (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 Prognoz (NSR) contingent considerations payable and all contingent considerations receivable.

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

	Price as of valuation date per ounce/tonne, $US	Volatility, %%	Constant correlation to gold, %%
Gold	1,812	13.65%-14.58%	n/a
Silver	23.945	27.18%-28.25%	80.43%
Copper	8,387	24.97%	62.77%
Zinc	3,025	29.73%	54.09%
RUB rate	70.3375	19%-20.98%	50.8%-63.69%

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 receivables and payable.

22. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

The movements in the Stated Capital account in the year were as follows:

	Stated capital account	**Stated capital account**	**Treasury shares**
	no. of shares	**US$m**	**no. of shares**
Balance at 31 December 2020	**471,818,000**	**2,434**	**-**
Issue of shares in accordance with DSA and LTIP plans	1,808,239	16	-
Balance at 31 December 2021	**473,626,239**	**2,450**	**-**
Own shares exchanged during period	(39,070,838)	-	39,070,838
Own certificated shares issued in exchange	39,070,838	-	-
Balance at 31 December 2022	**473,626,239**	**2,450**	**39,070,838**

On 3 June 2022, the EU imposed sanctions on the National Settlement Depository ("NSD"), which effectively blocked the operations between Euroclear and NSD. Euroclear is the operator of CREST, the relevant system for paperless settlement of share transfers and the holding of shares in uncertificated form. As a result of the sanctions, shareholders who hold their shares through NSD (which the Company estimates to be, in aggregate, approximately 22% of the Company's issued share capital), had been unable to receive dividends and/or take part in any corporate actions of the Company.

On 22 September 2022, the Board announced its intention to conduct an exchange offer. The exchange offer invited 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.

Eligible shareholders who successfully participated in the exchange offer regained the enjoyment of their rights in the Company, albeit where such rights are evidenced in certificated form. The certificated shares have the same rights and ISIN as, and are fungible with, the Ordinary Shares in all respects.

As of 31 December 2022, 39,070,838 Ordinary Shares (the "First Exchanged Shares") have been repurchased by the Company in connection with the Exchange Offer, in consideration for the issuance of 39,070,838 Ordinary Shares (the "First Certificated Shares")

The transaction represents an exchange of Ordinary Shares in the Company for Certificated Shares in connection with the Company's Exchange Offer. The exchange of shares did not give rise to any cash settlement and hence does not give rise to any financial liability. The shares were exchanged at par, on a one-for-one basis and does not affect the Company's net asset and resources position or capital structure.

As of 31 December 2022 the total number of voting rights in the Company is 473,626,239 Ordinary Shares of no par value, each carrying one vote (31 December 2021: 473,626,239). As of 31 December 2022 the Company holds the First Exchanged Shares in treasury and such shares do not enjoy any voting or economic rights (31 December 2021: none).

The shares exchanged during the year ended 31 December 2022 relate to the significant shareholder of the Group and therefore an exchange of 39,070,838 ordinary shares represents a transaction with the related party.

Weighted average number of shares: Diluted earnings per share

Both basic and diluted earnings per share were calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of outstanding common shares before/after dilution respectively. The calculation of the weighted average number of outstanding common shares after dilution is as follows:

	Year ended	
	31 December 2022	**31 December 2021**
Weighted average number of outstanding common shares	473,626,239	473,048,821
Dilutive effect of share appreciation plan	-	6,809,043
Weighted average number of outstanding common shares after dilution	**473,626,239**	**479,857,864**

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share during the year ended 31 December 2022 (year ended 31 December 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 (31 December: 2019 – 2021 tranches were dilutive).

Dividends

During the year ended 31 December 2022 the Group did not recognise or pay any dividends (2021: dividends of US$ 635 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 deducted from equity during reporting period. No final dividend was proposed in relation to the reporting period.

23. 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 31 December 2022 transactions with the related parties represented by equity method investments comprise by miscellaneous purchases of US$ 1.7 million (period ended 31 December 2021: US$ 1.4 million) and various sales to the related parties of US$ 0.5 million (period ended 31 December 2021: US$ 0.7 million).

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

Loans provided to equity method investments, classified as loans forming part of net investment in joint ventures, are presented in Note 17.

The remuneration of directors and other members of key management personnel during the periods was as follows:

	Year ended	
	31 December 2022	31 December 2021
	US$m	US$m
Share-based payments	1	2
Short-term benefits of board members	3	2
Short-term employee benefits	6	3
Total	**10**	**7**

24. SUPPLEMENTARY CASH FLOW INFORMATION

	Note	Year ended 31 December 2022 US$m	Year ended 31 December 2021 US$m
Profit before tax		(332)	1,161
Adjustments for:			
Depreciation and depletion recognised in the statement of comprehensive income	4	7	214
Write-down of inventories to net realisable value	18	64	24
Share-based compensation	10	13	16
Finance expenses	12	119	66
Finance income		(8)	(7)
Change in fair value of financial instruments	21	20	(4)
Foreign exchange (loss)/gain, net		32	(5)
Impairment of non-current assets	14	801	-
Impairment of investment in associate	17	24	-
(Loss)/gain on disposal of subsidiaries, net	3	2	(3)
Other non-cash expenses		12	10
		1,029	**1,472**
Movements in working capital			
Change in inventories		(269)	(123)
Change in VAT receivable		(15)	3
Change in trade and other receivables		(18)	(10)
Change in prepayments to suppliers		(31)	(15)
Change in trade and other payables		(29)	1
Change in prepayments received		(134)	127
Change in other taxes payable		23	20
Cash generated from operations		**556**	**1,475**
Interest paid		(123)	(60)
Interest received		7	6
Income tax paid		(234)	(226)
Net cash generated by operating activities		**206**	**1,195**

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.

There were no significant non-cash transactions during the year ended 31 December 2022, other than in respect of share-based payments and exchange of the ordinary shares under the exchange offer (Note 22) (2021: drawdowns under factoring arrangements of US$ 48 million and share-based compensation of US$ 16 million).

Cash outflows related to capitalised exploration amounted to US$ 15 million for the year ended 31 December 2021 (2021: US$12 million). During the year ended 31 December 2022, the capital expenditure related to the new projects, increasing the Group's operating capacity amounts to US$ 208 million (2021: US$ 556 million).

Cash and cash equivalents

		31 December 2022 US$m	31 December 2021 US$m
Bank deposits	-USD	468	224
	- other currencies	90	58
Current bank accounts	- USD	68	131
	- other currencies	7	4
Total		**633**	**417**

At the reporting date the cash balances include US$ 118 million of cash and cash equivalents held in Russia, that are subject to certain legal restrictions and are therefore not available for general use of the Company (but fully available for use by its Russian subsidiaries). The Group determined that these restrictions would not have any material effect on the Group’s liquidity position and its ability to finance its obligations.

Bank deposits as of 31 December 2022 are mainly presented by the US Dollar deposits, bearing an average interest rate of 3.9% per annum (2021: US Dollar deposits, bearing an average interest rate of 0.2% per annum).

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 condensed consolidated cash flow statements as cash flows from financing activities.

	31 December 2022				
	Borrowings	**Contingent consideration payable at fair value**	**Deferred consideration payable at amortised cost**	**Royalty payable**	**Lease liabilities**
1 January	2,064	63	79	21	36
Cash inflow	3,885	-	-	-	-
Cash outlow	(3,029)	(27)	-	-	(18)
Changes from financing cash flows	**856**	**(27)**	**-**	**-**	**(18)**
Additions as a result of acquisitions	161	-	-	-	-
Change in fair value, included in profit or loss	-	(3)	-	3	-
Unwind of discount	-	3	6	-	7
Arrangement fee amortisation	1	-	-	-	-
New leases	-	-	-	-	123
Lease termination	-	-	-	-	(1)
Net foreign exchange losses	(19)	-	-	(2)	-
Exchange differences on translating foreign operations	(37)	-	-	2	(16)
Other changes	**106**	**-**	**6**	**3**	**113**
31 December	**3,026**	**36**	**85**	**24**	**131**
Less current portion	(33)	(9)	-	(5)	(25)
Total non-current liabilities at 31 December	**2,993**	**27**	**85**	**19**	**106**

	31 December 2021				
	Borrowings	Contingent consideration payable at fair value	Deferred consideration payable at amortised cost	Royalty payable	Lease liabilities
1 January	1,737	87	74	-	33
Cash inflow	3,360	-	-	20	-
Cash outlow	(3,080)	(33)	-	-	(7)
Changes from financing cash flows	**280**	**(33)**	**-**	**20**	**(7)**
Additions as a result of acquisitions	-	10	-	-	-
Factoring arrangement	48	-	-	-	-
Change in fair value, included in profit or loss	-	(4)	-	1	-
Unwind of discount	-	3	5	-	3
Arrangement fee amortisation	-	-	-	-	-
New leases	-	-	-	-	9
Lease termination	-	-	-	-	(3)
Net foreign exchange losses	6	-	-	-	-
Exchange differences on translating foreign operations	(7)	-	-	-	1
Other changes	**47**	**9**	**5**	**1**	**10**
31 December	**2,064**	**63**	**79**	**21**	**36**
Less current portion	(446)	(31)	-	(5)	(7)
Total non-current liabilities	**1,618**	**32**	**79**	**16**	**29**

25. SUBSEQUENT EVENTS

There were no subsequent events.

ALTERNATIVE PERFORMANCE MEASURES

Introduction

The financial performance reported by the Group contains certain Alternative Performance Measures (APMs) disclosed to complement measures that are defined or specified under International Financial Reporting Standards (IFRS). APMs should be considered in addition to, and not as a substitute for, measures of financial performance, financial position or cash flows reported in accordance with IFRS.

The 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.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
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.
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.
Underlying 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.

[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
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.
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.