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Date	02 March 2022	

Polymetal International plc

Preliminary results for the year ended 31 December 2021

Polymetal is pleased to announce the Group's preliminary results for the year ended 31 December 2021.

"We are reporting strong net earnings for the year amidst a variety of macroeconomic and pandemic-related challenges. Excellent financial results were supported by robust operating performance, successful launch and ramp-up of Nezhda, as well as advancement of our POX-2 project and Veduga investment decision. Crucially – for the second year in a row – we had no fatalities among Group employees. Polymetal also continues to generate significant free cash flows and pay substantial dividends.

We are shocked and appalled by the events going on in Ukraine. The conflict in Ukraine and related economic and political developments are likely to require a lot of management efforts to maintain company performance. However, despite a wide range of uncertainties we will be working under in 2022, it is our current intention to operate as normally as possible", said Vitaly Nesis, Group CEO, commenting on the results.

FINANCIAL HIGHLIGHTS

- In 2021, revenue increased by 1%, totalling US$ 2,890 million (2020: US$ 2,865 million). Average realised gold and silver prices tracked market dynamics: gold price remained flat year-on-year while silver price was higher by 19%. Gold equivalent ("GE") production was 1,677 Koz, a 2% increase year-on-year. Gold sales were stable year-on-year at 1,386 Koz, while silver sales were down 9% to 17.5 Moz and lagged production by 2.9 Moz due to the strong December production at Dukat, the gap is expected be closed in 1H 2022.
- Group Total Cash Costs ("TCC")[1] for the full year were US$ 730/GE oz, within the Group's guidance of US$ 700-750/GE oz, and up 15% year-on-year, predominantly due to above-CPI inflation in the mining industry and planned decline in grades processed at Kyzyl, Svetloye and Mayskoye.
- All-in Sustaining Cash Costs ("AISC")[1] amounted to US$ 1,030/GE oz, up 18% year-on-year, 6% above the upper end of the guidance range of US$ 925-975/GE, reflecting higher inflationary pressures on capital expenditure.
- Adjusted EBITDA[1] was US$ 1,464 million, 12% lower than in 2020, mainly driven by higher costs against the backdrop of relatively stable sales volumes and revenue. The Adjusted EBITDA margin decreased by 7 percentage points. to 51% (2020: 58%).
- Net earnings[2] were US$ 904 million (2020: US$ 1,066 million), with basic EPS of US$ 1.91 per share (2020: US$ 2.25 per share), reflecting the decrease in operating profit as a result of the higher costs described above.
- Capital expenditure was US$ 759 million[3], up 36% compared to US$ 558 million in 2020 and 5% above the upper end of the guidance range of US$ 675-725 million. This was due to continuing macroeconomic pressures and significant materials and wage inflation, and reflects peak capital spending, including construction works at POX-2 and Nezhda, acceleration of the Kutyn and Veduga projects, the start of the feasibility study for the Pacific POX and, combined with higher stripping at Nezhda, Veduga and Kyzyl.
- Net debt[1] increased to US$ 1,647 million during the year (31 December 2020: US$ 1,351 million), representing a Net debt/Adjusted EBITDA ratio of 1.13x (2020: 0.81x), which remains significantly and favourably below the Group's target leverage ratio of 1.5x. The increase in net debt was mainly driven by US$ 635 million of dividend payments (2020: US$ 481 million) combined with accelerated capital expenditures.
- The Group generated significant free cash flow[1] which amounted to US$ 418 million (2020: US$ 610 million), supported by a net operating cash inflow of US$ 1,195 million (up 2% compared to US$ 1,166 million in 2020, and almost unaffected by changes in working capital despite an increase in production volumes and the scope of operations).

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

- In light of the strong balance sheet position and underlying business performance in 2021, the Board has proposed a final dividend of US$ 0.52 per share (approx. US$ 246 million), representing 50% of underlying net earnings for the 2H 2021, in accordance with Polymetal's dividend policy. This will bring the total dividend declared for FY 2021 to US$ 459 million (2020: US$ 608 million), which represents US$ 0.97 per share, compared to US$ 1.29 per share in 2020.

FINANCIAL HIGHLIGHTS [1]	**2021**	**2020[2]**	**Change, %**
Revenue, US$m	2,890	2,865	+1%
Total cash cost[3], US$ /GE oz	730	638	+15%
All-in sustaining cash cost[3], US$ /GE oz	1,030	874	+18%
Adjusted EBITDA[3], US$m	1,464	1,661	-12%
Average realised gold price[4], US$ /oz	1,792	1,797	0%
Average realised silver price[4], US$ /oz	24.8	20.9	+19%
Net earnings, US$m	904	1,066	-15%
Underlying net earnings[3], US$m	913	1,052	-13%
Return on Assets[3], %	26%	34%	-8%
Return on Equity (underlying) [3], %	23%	30%	-7%
Basic EPS, US$ /share	1.91	2.25	-15%
Underlying EPS [3], US$ /share	1.93	2.23	-13%
Dividend declared during the period[5], US$ /share	1.34	1.02	+31%
Dividend proposed for the period[6], US$ /share	0.97	1.29	-25%
Net debt[3], US$m	1,647	1,351	+22%
Net debt/Adjusted EBITDA	1.13	0.81	+38%
Net operating cash flow, US$m	1,195	1,166	+2%
Capital expenditure, US$m	759	558	+36%
Free cash flow[3], US$m	418	610	-31%

OPERATING HIGHLIGHTS

- No fatal accidents among the Group's employees occurred in 2021 (nor any in 2020). Sadly, a contract driller lost his life in July 2021 at Saum, part of the Voro hub (there were no fatalities among contractors in 2020). The lost time injury frequency rate (LTIFR) among the Group's employees was stable at 0.12. Days lost due to work-related injuries (DIS) for the full year decreased by 10% y-o-y to 1,516.
- The Covid-19 related epidemiological situation in the Group remains under control. Operations and development projects continue undisrupted.

[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] Restated due to a voluntary change in accounting policy. Starting from 1 January 2021, exploration and evaluation (E&E) expenses costs are capitalised into assets only when mineral resources are published; and before that are expensed as incurred. Previously capitalised E&E assets with no mineral resource estimates were written off via retrospective adjustments to the 2020 income statement and balance sheet amounts brought forward. This note applies to all comparative data for 2020 in this release.
[3] Defined in the "Alternative performance measures" section below.
[4] 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.
[5] FY 2021: final dividend for FY 2020 paid in 2021 and interim dividend for the 1H 2021 paid in September 2021. FY 2020: special and final dividend for FY 2019 paid in 2020 and interim dividend for the 1H 2020 paid in September 2020.
[6] FY 2021: interim and final dividend for FY2021. FY 2020: interim, final and special dividend for FY2020.

- The Group's 2021 gold equivalent ("GE") production amounted to 1,677[1] Koz, a 2% increase y-o-y and 5% above the original production guidance of 1.6 Moz. Strong performances at Varvara and Dukat offset planned grade declines at Kyzyl, Albazino and Svetloye.
- Nezhda ramped up smoothly to full design throughput and recovery within three months of the first concentrate production in the 2H 2021. Following that, the Board approved a US$ 447 million investment in the 4 Moz Veduga project which is forecast to produce 200 Koz of gold per year on average over a 21-year mine-life. Construction will commence in Q3 2022, with the start of production scheduled for Q2 2025.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") HIGHLIGHTS

- In 2021, Polymetal received further external recognition of its ESG efforts with improved ratings and scores by MSCI ESG Ratings, Sustainalytics, CDP, Vigeo Eiris and ISS ESG Corporate Rating.
- The Group announced a new target to cut Greenhouse Gas ("GHG") emission intensity by 30% and reduce absolute emissions by 35% by 2030, and is developing a detailed plan to achieve longer-term carbon neutrality (to be announced in Q4 2022).
- During 2021, the Group raised US$ 400 million of new sustainability-linked financing with interest rates linked to the GHG emission intensity reduction targets. Our total green and sustainability-linked loan portfolio is now US$ 648 million, 30% of the total outstanding debt.
- Greenhouse gas emissions intensity reduced by 9% in 2021 compared to 2019, attributed to increasing our renewable generating capacity (including the new solar power plant at Omolon), as well as energy efficiency initiatives, such as improving heat utilization systems and the implementation of small local renewable energy sources.
- In 2021, the share of water we reused and recycled amounted to 90% of the total water consumption at our sites (compared to 89% in 2020). In 2021, fresh water intensity for ore processing[2] decreased by 42% (as compared to the 2019 baseline), to 155 m3/1000 t of ore processed. We aim to reduce fresh water withdrawal intensity by 55% by 2030 (as compared to the 2019 baseline), to 120 m3/1000 t of ore processed.
- In 2021, in accordance with the Initial Guidance for Business published by the Science Based Targets for Nature initiative, we assessed our impacts on ecosystems and identified land use change from mining and related infrastructure to be the main pressure on biodiversity. In 2022, we plan to design measures to reduce land use change and set a relevant target.
- In 2021, we developed a reforestation program. By 2025, we expect to plant at least 4,400 ha (8.8 million trees) of new forests, predominantly in the Far East of Russia. In 2021, we planted 993 ha with larch and spruce as part of this programme. The US$ 7 million programme will allow us to restore the multiple eco-services that forests provide, including homes and food for species, a natural water cycle and carbon capture.

CORPORATE UPDATE

- There were no material transactions during 2021.

2022 OUTLOOK

- The current devastating conflict in Ukraine and related economic and political developments are likely to require a lot of management efforts to maintain Company performance. However, despite a wide range of uncertainties we will be working under in 2022, it is our current intention to operate as normally as possible, but remain agile to evolving circumstances.
- The Group reiterates its current production guidance of 1.7 Moz of GE for FY 2022. Production will be weighted towards 2H 2022 due to seasonality.
- The scope of operational activities and capital project advancement is not expected to change materially in the light of recent developments, however in light of substantial changes in the macro landscape our cost and capital expenditure guidance for 2022 is suspended. Further updates will be provided as the circumstances change.
- In 2022, Polymetal plans to develop long-term GHG reduction goals until 2050, develop a plan to achieve carbon neutrality across the Group, as well as set Scope 3 targets.

[1] Based on 80:1 Au/Ag conversion ratio and excluding base metals. Comparative data for 2020 and guidance for 2021 restated accordingly (120:1 Au/Ag conversion ratio was used previously).
[2] Hereinafter this indicator excludes water used for non-technological purposes.

CONFERENCE CALL AND WEBCAST

The Company will hold a conference call and webcast on Wednesday, 2 March 2022 at 11:00 London time (14:00 Moscow time).

To participate in the call, please dial:

From the UK:
+44 (0) 330 336 9601 (local access)
0800 279 6877 (toll free)

From the US:
+1 646 828 8073 (local access)
800 289 0720 (toll free)

From Russia:
+7 495 646 5137 (local access)
8 10 8002 8655011 (toll free)

To participate from other countries, please dial any of the local access numbers listed above.

Conference code: 3330104

RU (Simultaneous Interpreting) – 5773182

Webcast and reply link: https://www.webcast-eqs.com/polymetal20220302.

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

About Polymetal

Polymetal International plc (together with its subsidiaries – "Polymetal", the "Company", or the "Group") is a top-10 global gold and silver producer with assets in Russia and Kazakhstan. The Company combines strong growth with a robust dividend yield.

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Forward-looking statements

DUE TO THE RECENT MASSIVE DDOS ATTACKS, OUR WEBSITE MAY BE TEMPORARILY UNAVAILABLE, THOUGH WE WILL CONTINUE DISTRIBUTION AND PUBLISHING ALL OUR ANNOUNCEMENTS THERE. THEY WILL BE FULLY AVAILABLE WHEN THE SITE RETURNS TO NORMAL OPERATION.

This release may include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements speak only as at the date of this release. These forward-looking statements can be identified by the use of forward-looking terminology, including the words “targets”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “would”, “could” or “should” or similar expressions or, in each case their negative or other variations or by discussion of strategies, plans, objectives, goals, future events or intentions. These forward-looking statements all include matters that are not historical facts. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the company’s control that could cause the actual results, performance or achievements of the company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the company’s present and future business strategies and the environment in which the company will operate in the future. Forward-looking statements are not guarantees of future performance. There are many factors that could cause the company’s actual results, performance or achievements to differ materially from those expressed in such forward-looking statements. The company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

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CHAIRMAN'S STATEMENT

Post year end events

At the time of writing this annual review on 1 March 2022, the devastating conflict in Ukraine has created a wide range of uncertainty and our thoughts go out to everyone that has been impacted. Understandably, management is deeply concerned about the potential consequences of current and possible future sanctions on our business, either directly or indirectly. Polymetal has reviewed all of its activities in detail against the backdrop of current sanctions to assess their possible impact on our business. This analysis, together with rigorous stress testing, has identified actual or potential areas of impact, including gold bullion sales, currency controls and liquidity. It is management's belief that we will be able to continue operations, although the volatile nature of the current situation means management will need to remain vigilant and address any new issues as they emerge. It is our intention to continue with operations as normal wherever possible but we will rapidly adapt to any new circumstances that may develop.

Nowithstanding the challenges that have emerged after the year-end, I am pleased to report the Company made solid progress in 2021.

Proud of another decade of progress

2021 was another challenging year for business. As waves of Covid continued worldwide, the situation was exacerbated by accelerating inflation and various supply and logistics constraints. Quite naturally, Polymetal was not immune from these pressures but we continued to protect the health and wellbeing of our workforce, local communities around our mines and sustained shareholder value with a solid set of safety, operational and financial results, resulting in a substantial dividend payout, confirming our commitment to providing investors with quality, sustainable earnings.

There have been significant share price falls in the days prior to this announcement reflecting market reaction to the conflict in Ukraine. The underlying strengths of the business remain and the board remain confident in the long term value of the business and are proud of the progress of the past ten years.

A spectacular ten-year journey

In 2021, we celebrated the tenth anniversary of our listing on the London Stock Exchange, where we are now firmly positioned as a premium-listed company. This is a clear manifestation of the progress we have made, from a junior Russian miner, created from scratch in 1998, into a globally significant top-10 gold and silver producer today.

Since 2011, we have built 25 new mines, achieved a 142% production growth to over 1.6 GE Moz per annum, more than doubled our reserve base to 29.9 Moz GE, doubled our annual revenue to US$ 2.9 billion and paid out a total of US$ 2.6 billion in dividends. This level of financial payout, exercised at the same time as reinvesting in the future of the business, clearly differentiates Polymetal from its peer group, of which we are immensely proud of.

In this past year, we continued the story of securing our future having brought Nezhda mine into production, progressed with the construction of our second POX facility (POX-2) at Amursk and commenced development of the high grade Veduga mine. POX-2 will further cement our global leadership in the treatment of refractory ores, in-house, negate the need for costly transport of concentrates to cross-border facilities and create capacity for the treatment of third-party refractory material.

Sustainable shareholder returns

We do have a unique equity proposition, namely a regular and sustainable dividend being the primary focus of the Group. This can only be achieved through a combination of rational capital allocation into top quality, long-life assets, and exemplary governance. As mentioned previously, this focus on free cash flow enables us not only to pay substantial dividends but importantly allows us to reinvest into securing our future operations.

In 2021, we paid out a record US$ 635 million in dividends or the equivalent of approximately US$ 388 per ounce of production. This year, the Board proposes a final dividend of US$ 0.52 per share, making total dividend proposed for 2021 equal to US$ 0.97 per share, a yield of 4.7%, definitely well in excess of our peer group and the FTSE Gold Mines Index.

Business as a force for good

It is important that across all our mining activities we act responsibly, minimise our environmental footprint and support those people who live in and around our operations, our employees, the communities and local authorities. It should

be our goal that, when we finally leave an area, we don't just leave a hole in the ground but have successfully upgraded and enriched the community, providing them with skills and opportunities to develop further independently, without the underpin of a mining operation.

We are proud to be recognised as an ESG leader in our sector, even on a global basis. In 2021, Polymetal was reaffirmed in the Dow Jones Sustainability and FTSE4Good Indices, at 96th and 97th percentiles, respectively. The Company also received Bronze Class Sustainability Award from S&P Global. We announced our ambitious 10-year GHG reduction targets: by 2030, we will have invested approximately US$ 1.1 billion in green projects to reduce our GHG intensity by 30%, compared with 2019. Detailed studies will continue in the year ahead enabling us to also publish our Scope 3 emissions targets by the year end. We also became the fourth company in the global mining sector to commit to the international Science Based Targets initiative.

Vote of thanks

Finally, none of what has been achieved this past year would have been possible without the unwavering support of management, ably led by Vitaly, our employees, shareholders and my Board colleagues. I would like to thank all of them for their collective hard work and dedication under very trying circumstances and congratulate them on a job well done.

Ian Cockerill
Chairman

GROUP CEO STATEMENT

Putting safety first

In 2021, crucially – for the second year in a row – we had no fatalities among Group employees. Regrettably, one contractor died following an accident at the Voro hub, highlighting the need for further improvement in how we manage broader safety risks. Our LTIFR at 0.12 was broadly stable year-on-year, demonstrating Polymetal's commitment to achieving our strategic goal of zero harm.

Robust production

2021 was a successful year for Polymetal despite global and national macroeconomic factors. Our GE production increased to 1,677 Koz (2020: 1,637 Koz), approximately 5% above our original production guidance. This is an excellent result and evidence of the robustness and transparency of our production plans.

Revenue for 2021 was relatively stable at US$ 2.9 billion. Total cash costs increased 15% from last year's US$ 638/GE oz to US$ 730/GE oz for 2021 on the back of relentless inflationary pressures. Still, this level is competitive, placing Polymetal in the second quintile of the global cash-cost curve and within the original cost guidance of US$ 700-750/GE oz.

Disruptions in global supply chains and epidemiological restrictions in Russia put intense pressures on prices for capital goods and services in particular. As a result, capital expenditure for the full year increased by 36% to US$ 759 million (2020: US$ 558 million), which is 5% above the upper end of the previous guidance range (US$ 675-725 million). As a consequence, AISC also increased by 18% from US$ 875/GE oz in 2020 to US$ 1,030/GE oz, 6% above the guidance range of US$ 925-975/GE oz.

Nevertheless, Polymetal generated a strong free cash flow of US$ 418 million. Net debt/Adjusted EBITDA ratio at the year end remained at a comfortable level of 1.13x, just above 1x. On the back of significant capital investments, net debt increased year-on-year to US$ 1.65 billion (2020: US$ 1.35 billion). Polymetal paid US$ 635 million in dividends in 2021 maintaining our strong track record as a stable and responsible dividend payer.

Securing further growth

In October, we successfully launched our newest mine on time in the face of tremendous challenges to the project schedule posed by Covid-19. Nezhda smoothly ramped up to full design throughput and recovery before the end of the year; a demonstration of the extent of Polymetal's technical competence within its in-house engineering, project management and construction teams. JORC-compliant ore reserves at Nezhda are estimated at 5.1 GE Moz at a grade of 3.4 g/t with a 23 years' life of mine. The operation will create more than 1,000 permanent jobs and, alongside this, we are investing in a number of social projects in the region.

We also continued pursuing a range of other investment projects that should ensure that the Company remains on track with its long-term ambitions of generating consistent growth and cash returns for its shareholders. At POX-2, the largest of these projects, overall construction is 65% complete and on schedule to launch and produce its first gold in the second half of 2023. We believe that, in addition to creating greater value for the business, this project has the potential to provide local career opportunities for technical staff and leverage young talent.

In Q4 2021, the Board approved Polymetal's investment plans for another new mine. First production at Veduga – a large high-grade 4.0 Moz asset – is expected in Q2 2025. This will enable us to maintain the momentum of our growth pipeline for the medium-term, while at the same time supporting our practice of having no more than two major investment projects (currently Veduga and POX-2) simultaneously in active execution phase.

We have made good progress in advancing our long-term growth pipeline through our investment in junior exploration projects. Polymetal announced an initial JORC-compliant mineral resource estimate for the Novopet polymetallic deposit of 2.4 GE Moz at an average grade of 8.0 g/t GE. Novopet is the first convincing validation of Polymetal's strategy of teaming up with junior exploration companies as it more than doubles the Company's exposure to copper.

This year, despite the depletion of mature mines, we not only replaced but also grew our ore reserve base by 2.0 GE Moz or 7% to 29.9 GE Moz as at 1 January 2022. This is the result of increased financial and organisational investment in both brownfield and greenfield exploration, fully in line with Polymetal's strategy of organically driven growth.

Major commitments to the future

We believe we can contribute to making the world more robust and more resilient by shifting towards greener sources of energy and reducing the energy intensity. In 2021, we made major commitments to reduce our carbon emissions, by joining the global Science Based Targets initiative (SBTi) and announcing a formal target of cutting our GHG emission intensity by 30% by 2030. Our GHG intensity decreased by 9% across the business in 2021. In November 2022, we plan to announce a detailed, science-based plan to achieve carbon neutrality and set GHG Scope 3 targets for indirect emissions within the Company's supply chain.

As described above by the Chairman, we live in a time of exceptional economic and geopolitical challenges, however we continue to do our best to contribute to the long-term sustainable growth of the business. Our roles as a responsible miner and good corporate citizen are fundamental to how we run our business and retain the trust of all our stakeholders, even against the backdrop of the recent conflict in Ukraine.

Vitaly Nesis
Group CEO

OPERATING REVIEW

Resilience and growth

In 2021, despite several relatively small Covid-19 outbreaks at our remote sites, operations and projects continued undisrupted. The Group's GE production for the year amounted to 1,677 Koz, an increase of 2% over 2020 and 5% above the original production guidance of 1.6 Moz. Strong performances at Varvara and Dukat offset planned grade declines at Kyzyl, Albazino and Svetloye. In Q4 2021, Nezhda was successfully launched and ramped up smoothly to full design throughput and recovery within three months of its first concentrate production, contributing 21[1] GE Koz to the Group's total production.

Gold production for the full year was up 1%, while silver output increased by 8%. Gold sales of 1,386 Koz were stable year-on-year, while silver sales were down 10% at 17.5 Moz. The lag between silver production and sales originating from very strong production at Dukat in December is forecast to be closed in 1H 2022.

Key operating highlights

	2021	2020	Change
Stripping, Mt	205.9	166.8	+23%
Underground development, km	95.5	90.0	+6%
Ore mined, Mt	**15.6**	**15.4**	**+2%**
Open-pit	11.7	11.2	+4%
Underground	4.0	4.2	-5%
Ore processed, Mt	**15.8**	**15.4**	+2%
Average grade in ore processed (gold equivalent, g/t)	**3.8**	**4.1**	-8%
Production			
Gold, Koz	1,422	1,402	+1%
Silver, Moz	20.4	18.8	+8%
Gold equivalent, Koz[2]	**1,677**	**1,637**	**+2%**
Sales			
Gold, Koz	1,386	1,392	0%
Silver, Moz	17.5	19.3	-10%
Gold equivalent, Koz[3]	**1,640**	**1,622**	**+1%**
Average headcount	13,392	12,065	+11%
Health and safety			
Fatalities			
Employees	0	0	NA
Contractors	1	0	NA
LTIFR[4] (Employees)	0.12	0.12	0%
DIS[5] (Employees)	1,516	1,679	-10%

Analysis of production results

Mining

Stripping volumes in 2021 grew by 23% to 205.9 Mt of rock moved, driven mostly by stripping at Kyzyl, as well as accelerated stripping activities at Nezhda. Open-pit mining has commenced at Peshernoye (Voro) and Burgali (Omolon). At Albazino, waste was higher throughout the year driven by the Farida and Kutyn open-pit development.

Underground development increased by 6% to 96 km (2020: 90 km), mainly due to ramping-up the Ekaterina and Anfisa underground mines at Albazino, as well as underground development at Primorskoye (Dukat hub) and Veduga.

Total ore mined increased by 2% year-on-year to 15.6 Mt (2020: 15.4 Mt), mainly due to the increase at Nezhda and Varvara.

[1] Includes concentrate produced and stockpiled for future sale, and excludes low-grade material. Expected 90% gold payable ratio is applied.
[2] Based on 80:1 Au/Ag conversion ratio and excluding base metals. Comparative data for 2020 and guidance for 2021 restated accordingly (120:1 Au/Ag conversion ratio was used previously).
[3] Based on actual realised prices.
[4] LTIFR = Lost Time Injury Frequency rate per 200,000 hours worked.
[5] DIS – days lost due to work-related injuries.

Processing

The Group's volume of ore processed increased 2% compared to the previous year to 15.8 Mt (2020: 15.4 Mt), driven mostly by the newly launched Nezhda mine, as well as throughput increases at Kyzyl and Varvara, which was partly offset by lower heap-leach output at Birkachan (Omolon hub). Other mines operated at a stable pace.

The average gold equivalent grade in ore processed decreased by 8% year-on-year to 3.8 GE g/t (2020: 4.1 GE g/t), mostly attributable to the planned grade decline towards a reserve average at Kyzyl (gold grade decreased from 7.9 g/t to 6.2 g/t, but recoveries and concentrate quality remained stable despite of this).

Production and sales

In 2021, Polymetal continued to deliver a solid set of operating results. Production grew by 2% year-on-year to 1,677 Koz GE, 5% above the original production guidance of 1.6 Moz.

Kyzyl was the largest individual contributor to the Group's overall output, full-year gold production was 360 Koz, a 6% decrease year-on-year, due to the planned grade decline towards a reserve average, which was partially offset by an increase in throughput to 2.2 Mtpa. At Albazino/Amursk, total gold output was down 5% year-on-year to 248 Koz due to a planned grade decline but was partially compensated by improved recoveries. At Omolon, GE production was up 2% year-on-year to 217 Koz, as the Merrill-Crowe circuit of the Kubaka mill processed higher grade silver. GE production at Dukat totalled 291 Koz, up 6% year-on-year on the back of the first batches of high-grade direct-shipment ore from Primorskoye. Varvara GE output grew by 24% to reach 197 Koz driven by higher processing volumes, higher grades in the Komar ore and better recoveries after flowsheet improvements. Gold production at Mayskoye remained unchanged at 139 Koz, positively impacted by the production at POX compensating for the lower gold in concentrate stemming from low-grade and highly carbonaceous open-pit ore. Gold production at Svetloye decreased by 9% to 109 Koz, mostly due to the planned decline in grade. Voro GE production increased by 5% to 93 Koz due to processing significant volumes of very high-grades from third-party and Pescherny feedstocks. In Q4, the Nezhda concentrator was ramped up fully, significantly faster than planned, contributing 21 GE Koz.

Metal sales in 2021, at a GE of 1,640 Koz, remained stable compared with 2020. The lag between silver production and sales originating from very strong production in December at Dukat is forecast to be closed in 1H 2022. While most of the sales comprised refined metals, we continue to sell concentrates from Dukat (gold/silver), Varvara (gold/copper), Mayskoye (refractory gold), Kyzyl (double refractory gold) and Nezhda (gold) to third party 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.

Gold equivalent production by mine (Koz)

	2021	2020	Change
Kyzyl	360	382	-6%
Dukat	291	275	+6%
Albazino/Amursk	249	261	-5%
Omolon	217	213	+2%
Varvara	198	159	+24%
Mayskoye	139	139	0%
Svetloye	109	120	-9%
Voro	93	89	+5%
Nezhda	21	-	NA
TOTAL	**1,677**	**1,637**	**+2%**

Exploration

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

Our key exploration objectives in 2021 were:

- Prepare an initial ore reserve estimate at Elevator (Varvara hub);
- Complete an initial ore reserve estimate at Tomtor rare-earth minerals (REM) project;

- Significantly step up activity levels in greenfield exploration, including commencing of drilling campaigns at several joint ventures with juniors.

Key 2021 achievements

In 2021, Polymetal succeeded in extending the life-of-mines at producing assets and continued to invest in the next generation of assets. Exploration activities were carried out at 97 licensed properties. 45 new licences were obtained for geological studies, exploration and the production of gold, silver, platinum group metals (PGMs) and copper. In total, 325 km of drilling was completed, a 72% increase over 2020. The total expenditure on exploration was US$ 84 million, of which US$ 12 million was capitalised (2020: total US$ 61 million, of which US$ 9 million was capitalised).

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

- An initial JORC-compliant mineral resource estimate for the Novopet[1] polymetallic deposit of 2.4 Moz of gold equivalent at an average grade of 8.0 g/t GE. It comprises 9.2 Mt of mineralised material. The resource estimate is based on data from 87 drill holes with a total length of 50.5 km.
- An initial JORC-compliant mineral resource estimate for the Pavlov property (Voro hub) comprised 9.7 Mt of mineralised material with an average gold grade of 2.3 g/t containing 0.7 Moz of gold. The deposit is represented by free-milling ore which can be processed at Polymetal's Voro and Varvara mills, delivering a six-year life-of-mine extension for Voro.
- The updated ore reserve estimate at Veduga comprised 31.9 Mt of ore with an average gold grade of 3.9 g/t containing 4.0 Moz of gold. This is a 50% or 1.3 Moz increase compared with the previous estimate. Mineral resources additional to ore reserves stand at 8.7 Mt of ore with an average grade of 4.5 g/t containing 1.3 Moz of gold, representing an opportunity for significant conversion into reserves.
- An increase in ore reserves at Nezhda by 0.7 Moz to 5.1 Moz of gold with an average grade of 3.4 g/t. Mineral resources additional to ore reserves increased by 0.5 Moz of gold to 8.6 Moz with an average grade of 4.8 g/t.
- Initial ore reserves estimate at Elevator (Varvara hub) of 421 Koz of gold with an average grade of 1.2 g/t. Mineral resources additional to ore reserves comprised 240 Koz of gold with an average grade of 1.6 g/t.
- An increase in ore reserves at Kutyn by 325 Koz to 1.1 Moz of gold with an average grade of 2.9 g/t. Mineral resources additional to ore reserves comprised 414 Koz of gold with an average grade of 5.1 g/t.
- An increase in ore reserves at Mayskoye by 103 Koz to 1.9 Moz of gold with an average grade of 7.4 g/t. Mineral resources additional to ore reserves increased by 382 Koz of gold with an average grade of 9.3 g/t.
- At Omolon hub, an increase of ore reserves at Burgali by 110 GE Koz and initial ore reserves estimate at Nevenrekan of 170 GE Koz with an average grade of 10.2 g/t.
- An increase of additional mineral resources at Albazino by 342 Koz to 2.2 Moz of gold with an average grade of 4.2 g/t and Talgiy (Albazino hub) by 576 koz to 1.1 Moz of gold with an average grade of 3.0 g/t.

In 2021, Polymetal's associate ThreeArc[2] completed an initial JORC-compliant ore reserves estimate for the Buranny area of the Tomtor niobium and REM project. The initial ore reserves comprise 11.4 Mt of ore available for open-pit mining. Tomtor confirmed its scale and grade as one of the premier niobium and REM deposits globally. The project team will now focus on completion of a bankable feasibility study, paving the way for an investment decision.

2022 targets

In 2022, Polymetal will continue to invest in both near-mine (brownfield) and greenfield exploration projects.

The key objectives are:

- Complete an updated Ore Reserve estimate at Veduga;
- Prepare an initial Ore Reserve estimate at Talgiy (Albazino); and
- Prepare an initial Mineral Resource estimate at Doroninskaya area (Dukat).

[1] Joint venture with a 75% ownership.
[2] Polymetal owns 9.1%.

Exploration areas and volumes (mine site exploration excluded)

	Drilling, km	
	2021	**2020**
Brownfield		
Kyzyl	3.5	2.4
Albazino hub	59.0	51.7
Omolon hub	29.8	8.0
Varvara hub	34.7	13.7
Dukat hub	45.0	3.3
Svetloye	27.8	3.6
Voro hub	34.0	12.6
Mayskoye	3.6	-
Subtotal	**237.4**	**95.2**
Greenfield		
Yakutia	27.2	12.7
Nezhda	9.5	4.9
Prognoz	17.7	7.8
Kutyn	28.6	25.5
Veduga	10.6	27.0
Bashkiria	6.5	-
Urals	-	5.1
Karelia	14.5	-
Viksha	-	22.2
Other	-	0.7
Subtotal	**87.3**	**93.3**
Total	**324.7**	**188.5**
Junior joint ventures	**71.3**	**-**
Total including joint ventures	**396.0**	**188.5**

Reserves and resources

In 2021, Group Ore Reserves increased by 7% or 2 Moz year-on-year to 29.9 Moz of gold equivalent (GE) on the back of successful near-mine exploration at Nezhda, Veduga and Kutyn (Albazino hub), as well as initial reserve estimates at Elevator (Varvara hub), Saum (Voro hub), and Nevenrekan (Omolon hub). As a results, GE Ore Reserves per share grew by 7%.

The reserve replacement ratio amounted to 208%[1]. Average mine life increased by 11% y-o-y to reach 16 years.

The average grade in Ore Reserves was down 7% year-on-year and stood at 3.5 g/t of GE primarily due to high-grade reserve depletion at Kyzyl, Omolon and Mayskoye. At the same time, Polymetal GE grades continue to be one of the highest within the sector globally.

Share of Ore Reserves for open-pit mining stood at 53%, almost same as a year ago. Share of refractory reserves amounted to 71%, stable year-on-year. Share of silver in Ore Reserves decreased by 2 p.p. to 9%.

Mineral Resources (additional to Ore Reserves) grew by 13% or 2.8 Moz year-on-year to 24.6 Moz of GE due to initial resource estimates at Novopet (joint venture with Rosgeo), Voro hub (Pavlov) as well as resource increases at Albazino, Mayskoye and Nezhda.

At the end of 2021, the Board of Directors made the decision to align price assumptions used for Ore Reserve and Mineral Resource estimates with short-term price assumptions used for current mine planning. Starting from this report, Polymetal uses US$ 1,500/oz for gold and US$ 20/oz for silver in both cases.

[1] Reserves additions from revaluation and initial estimates / reserve depletion

Ore Reserves and Mineral Resources summary[1][2]

	1 January 2022	1 January 2021	Change
Ore Reserves (Proved + Probable), gold equivalent Moz	**29.9**	**27.9**	**+7%**
Gold, Moz	27.1	24.9	+9%
Silver, Moz	240.2	246.3	-2%
Average reserve grade, g/t GE	**3.5**	**3.8**	**-7%**
Ore Reserves per share, GE oz/per share	**0.063**	**0.059**	**+7%**
Mineral Resources (Measured + Indicated + Inferred), gold equivalent Moz	**24.6**	**21.8**	**+13%**
Gold, Moz	22.3	19.5	+15%
Silver, Moz	195.7	191.9	+2%
Average resource grade, g/t GE	**4.1**	**4.7**	**-11%**

Ore Reserves reconciliation, GE Moz

Ore Reserves, as at 1 January 2021	Depletion	Revaluation	Initial Ore Reserves estimate	Ore Reserves, as at 1 January 2022
27.9	-1.8	+2.9	+0.9	29.9

Health and safety

In 2021, lost-time injury frequency rate (LTIFR) for Polymetal employees was unchanged at 0.12, with 15 cases of lost-time injuries (2020: 13). Days lost due to work-related injuries for the full year decreased by 10% y-o-y to 1,516. Most of these injuries were classified as minor, except for two severe injuries: one the result of an employee being hit by a spare part during maintenance at a mill; and the second arising from a trip and fall while walking. Following these incidents, we updated the risk maps for the relevant facilities and ensured employees received further instructions to eliminate such risks.

Contractor LTIFR decreased by 63% to 0.09 (2020: 0.24), with six cases of lost-time injuries. Tragically, one of these injuries led to a fatality when a drilling contractor lost his life while carrying out works at the Saum open-pit mine, part of the Voro hub. Following this event, we have completed a comprehensive review of safety risk management among contractors and introduced an additional set of preventative and contractor-screening measures.

	2021	2020	Change, %
Polymetal			
Injuries, including:	15	13	15%
Fatalities	0	0	-
Severe injuries	2	2	0%
LTIFR (per 200,000 hours worked)	0.12	0.12	0%
Contractors			
Injuries, including:	6	12	-50%
Fatalities	1	0	-
Severe injuries	0	0	-
LTIFR (per 200,000 hours worked)	0.09	0.24	-63%

We remain committed to our strategic objective of zero fatalities and have approved a comprehensive action plan for 2022 focused on further minimising safety risks, equally targeting both employees and contractor workers.

[1] Ore Reserves and Mineral Resources from continuing operations. Base metals are not included.
[2] Mineral Resources are additional to Ore Reserves. Total Ore Reserves and Mineral Resources numbers include base metals (copper, zinc and lead). PGM Mineral Resources are presented separately and are not included in the calculation of the gold equivalent. Any discrepancies in calculations are due to rounding.

Employees

Our average headcount in 2021 increased by 11% year-on-year to 13,392 employees, with more than half working on a fly-in/fly-out basis at remote sites. Our voluntary turnover rate increased to 8.2% in 2021, compared to 6.5% in 2020. This is explained by the staffing processes at our development projects such as POX-2, Kutyn (part of the Albazino hub), Maminskoye (part of the Voro hub) and others. As teams are often unstable at early stages of a project, this has influenced the overall turnover across the Group. In addition, we continue to observe higher labour market competition and increased demand for mining experts.

The Covid-19 pandemic highlighted the importance of employee engagement and in 2021 we carried out a wide-scale employee survey with more than 8,000 respondents. We observed an employee engagement index of 69% (moderately engaged), which benchmarks well for a complex mining company with rotating shift schedules. Following the survey, we implemented an action plan across all employees' areas of concern.

The share of women in Polymetal's workforce remained stable at 21% in 2021. We continue to promote a culture of equal opportunity through training and communications. In 2021, we approved a five-year Diversity and Inclusion Programme to eliminate workplace bias, empower diverse teams and attract and retain people with different backgrounds. The programme sets gender diversity targets for our existing talent development programmes and introduces new initiatives to inspire women into leadership roles. In particular, we aim to reach a 33% female representation in our Talent Pool in 2022 (2021: 30%). Besides managing gender diversity issues, we have planned for a set of measures to eliminate discrimination based on age and disability.

	2021	2020	Change, %
Average headcount	13,392	12,065	+11%
Share of female employees (% of total)	21	21	0%
Share of female managers (% of total)	22	22	0%
Share of female qualified personnel (% of total)	40	40	0%
Turnover	8.2	6.5	+26%
Turnover of female employees	8.2	5.8	+41%
Turnover of male employees	8.2	6.7	+22%

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. However, we believe that decarbonisation is not a goal in itself - it is only one of the tools for limiting climate change. Therefore, in our 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 2021, we have set a goal for a 30% decrease in our GHG emission intensity[1] and a 35% decrease in absolute GHG emissions by 2030 (2019 baseline). In 2021, we reduced our emission intensity by 9% compared to 2019, achieved by increasing our renewable generating capacity (a 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 and developing small local renewable energy sources.

Our 2021 Scope 1 emissions increased compared to 2020 mainly due to the launch of Nezhda, while Scope 2 emissions decreased as we increased our share of green energy consumption by switching to renewable energy suppliers. We continuously improve the accuracy of our GHG data, and in 2021 we reassessed our intensity and absolute metrics due to the new gold/silver ratio for the gold equivalent calculation and improved the transparency of our Scope 2 disclosure.

We strongly support global initiatives to tackle climate change and in 2021 we joined the Science Based Targets initiative (SBTi). This reaffirms our commitment to work with more than 2,200 world-leading companies to achieve the goals of the Paris Agreement.

We report under the TCFD recommendations and submit our energy and GHG profile to CDP (formerly the Carbon Disclosure Project), having achieved a rating of B for our 2021 CDP disclosure (up from B- in 2020).

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

	2021	2020	Change, %
Energy[1]			
Total energy consumed (GJ)	9,953,476	9,210,433	+8%
Energy intensity (GJ per Koz of GE produced)	5,934	5,702	+4%
Greenhouse gas (GHG) emissions			
Scope 1 GHG emissions, CO2 eq. Kt	683	613	+11%
Scope 2 GHG emissions, CO2 eq. Kt	453	566	-20%
Scope 1 + Scope 2, CO2 eq. Kt	1,136	1,179	-4%
GHG intensity of Scope 1 and Scope 2 emissions (kg of CO2e per Oz of GE)	677	730	-7%

Environment

Our Environmental Management System (EMS) is the cornerstone of our approach and all 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.

Most of our sites are located in low water stress risk areas according to the World Resources Institute (WRI) Aqueduct tool, however, we continue to minimise our fresh water withdrawal. In 2021, the share of water we reused and recycled amounted to 90% of total water consumption at our sites (compared to 89% in 2020). As a result of our comprehensive water programme, which included a water balance schemes update, infrastructure renovation and improved water accounting, in 2021 our fresh water intensity for ore processing[2] decreased by 42% as compared to the 2019 baseline (9% decrease y-o-y), to 155 m3/1000 t of ore processed. We aim to reduce fresh water withdrawal intensity by 55% by 2030 (2019 baseline) to 120 m3/1000 t of ore processed, with an interim target of 48% reduction by 2025.

We operate eight tailings dams in Russia and Kazakhstan, each is rigorously monitored daily. We are confident that any emergency dam failure would have no impact on local communities and employees. In addition to state authorities' inspections, we engaged an independent third-party audit of our Varvara tailings site, which was carried out by SRK Consulting experts. To further improve tailings safety and minimise the risk of the possibility of dam failure, we are shifting towards dry stack storage methods. In 2021, the technology was adopted at Omolon and Nezhda mines. We plan to extend it to POX-2 (2023) and Dukat (2024), and build an additional dry stacking facility at Voro (2023). Our target is for 50% of all our tailings to be stored in this way by 2030.

We aim to reduce mineral waste disposal by backfilling overburden in developed chambers and using it for the construction and maintenance of roads and operating sites. In 2021, we managed to raise the share of waste recycled and reused to 23% (2020: 17%).

In 2021, in accordance with the Initial Guidance for Business published by the Science Based Targets for Nature initiative, we assessed our dependencies and impacts on nature to estimate our environmental footprint. We identified land use change from mining and related infrastructure as the main pressure on biodiversity. This issue reduces habitats for species and also impacts water bodies and natural carbon sinks, predominantly in the Boreal Forests biome. We also planted 993 ha with larch and spruce as part of our reforestation program in 2021. In 2022, we plan to design measures to reduce land use change and set a relevant target.

	2021	2020	Change, %
Water			
Fresh water withdrawn, th. m3	3,480	3,484	0%
Water reused and recycled, th. m3	31,636	29,606	+7%
Total water consumed, th. m3	35,116	33,090	+6%
Share of water recycled and reused, %	90%	89%	+1%
Fresh water use for processing intensity, m3/ Kt of processed ore	155	171	-9%
Waste			
Share of waste recycled (including overburden)	23%	17%	+35%
Share of dry stacking in tailings disposal	11%	11%	+0%

Communities

We aim to maintain open dialogue with neighboring communities, ensuring transparent feedback mechanisms in all regions where we operate. In 2021, we responded to all of the 613 enquiries received from locals, surveyed 1,304

[1] The new methodology has been applied since 2021 for more precise disclosure of emissions, data for 2020 has been restated accordingly for comparative purposes.
[2] Hereinafter this indicator excludes water used for non-technological purposes

community representatives and held 59 stakeholder engagement events (some of them held remotely due to pandemic-related restrictions). The outcomes of such engagement inform our social investment programmes. Polymetal's social investments amounted to almost US$ 20 million in 2021 and were targeted to projects in education, local infrastructure, sports, culture and Indigenous Minorities of the North support. Our investments also include US$ 1.3 million of Covid-related support to local healthcare institutions, such as the supply of medical and personal protection equipment.

In 2021, we conducted our second Group-wide human rights risk assessment, having enlarged the questionnaire and more than doubled the number of employees surveyed. Overall, none of the risks identified were high or extreme, with the majority showing as low. No cases of human rights violations connected to Polymetal's employees or contractors were reported in 2021.

	2021	2020	Change, %
Total community investment (US$ thousand)	19,966	17,897	+12%
Enquiries from communities received and responded to	613	572	+7%
Number of respondents to community polls	1,304	1,614	-19%

Outlook for 2022

The current devastating conflict in Ukraine and related economic and political developments are likely to require a lot of management efforts to maintain Company performance. However, despite a wide range of uncertainties we will be working under in 2022, it is our current intention to operate as normally as possible, but remain agile to evolving circumstances.

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

In 2022, we expect a stable operating performance will ensure steady financial results, while the launch of the Kutyn heap leach and the Voro flotation plant will enable production growth. The Group reiterates its current production guidance of 1.7 Moz of GE in 2022. Production will be weighted towards the second half of the year due to seasonality.

We expect a strong contribution from Nezhda, as well as slight increase in production at Dukat and Mayskoye. At Dukat, high-grade direct-shipment ore from Primorskoye is expected to more than compensate for the planned grade decline. We also expect a planned grade decline towards a reserve average at Kyzyl and sustained contributions from Omolon, Albazino, Voro and Varvara. Production at Svetloye will continue to decline gradually due to the planned depletion of sources of high-grade ore.

At the same time, we will focus on advancing our long-term project pipeline. At POX-2, we plan the full mechanical completion, installation of the main equipment for all processing flows, completion of construction and installation of the water and energy supply complex and storage facilities. POX-2 is on track to launch in 2H 2023. At Veduga, construction is scheduled to start in Q3 2022 with the first production and full ramp-up expected in Q2 and Q3 2025 respectively. In 2022, the Group will focus on detailed engineering, contracting major equipment and continued pre-stripping activities. Accelerated construction works at the Kutyn and Voro flotation projects will bring forward commissioning and first production in 2H 2022. At Prognoz, conventional open-pit mining is forecast to commence with pre-stripping in Q3 2022 and the first ore mined in Q1 2023.

We plan to complete several investment projects at existing operations in 2022, which will help drive cost levels down in 2023. At Mayskoye, we will continue construction of the infrastructure needed to commission the ore transportation conveyor; the project is on track for launch in Q3 2022. Optimisation projects also include implementation of measures aimed at increasing plant capacity at Kyzyl (water pumps upgrade, automated dispatching system), Hot Cure circuit launch at Amursk POX, as well as increasing the throughput of the Albazino concentrator. We anticipate a further decarbonisation of the on-site power supply by reducing our reliance on diesel power and investing in renewable energy projects at remote sites.

FINANCIAL REVIEW

MARKET SUMMARY

Precious metals

Throughout 2021, four global trends prevailed in the market that resulted in volatility: economic recovery, inflationary pressures, new waves of COVID-19 and concerns of rising interest rates.

The continued relatively high gold price in 2021 reflected the opposite forces from these factors, but ultimately resulted in a gold price decline of 4% to US$ 1,806/oz by the year-end. Nevertheless, the annual average price of US$ 1,799/oz exceeded the previous year by a marginal 2%.

Full year 2021 gold physical demand bounced back from COVID-19 induced losses in 2020, reaching 4,021[1] tonnes. Exchange traded fund ("ETF") holdings recorded a decrease amidst more negative sentiment for gold versus 2020, however, total gold demand increased by 10% year-on-year driven by exceptional demand for jewellery on the back of general consumption recovery, and through significant purchases of bars and coins. Central banks were also impacted positively and accumulated 463[1] tonnes of gold in 2021, 82% higher than the 2020 total and lifting global reserves to a near 30-year high.

Total gold supply decreased marginally in 2021 to 4,666[1] tonnes, its lowest level since 2017. Mine production recovered 2% over the year but this growth was offset by a sharp drop in recycling.

Silver started 2021 with a sharp price increase and reached its 5-year record of US$ 29.1/oz in February 2021 due to retail investors activism, also known as "silver squeeze". However, the price did not hold long at its peak and gradually returned to its long-term correlation with gold. It reached US$ 23.3/oz by the year end, representing a 14% decline year-on-year. The average annual price for 2021 stood at US$ 25.1/oz, a 22% year-on-year increase.

Foreign exchange

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

As the economy reopened and started to recover in 2021, demand both for consumer and industrial goods as well as inflation rates have risen. Steel and oil were among the consumables that experienced drastic price increases in 2021. Brent crude oil was up 55% y-o-y to US$ 77 per barrel at the end of 2021, while steel (FOB Black sea) jumped by 83% to US$ 860/t.

The Rouble, along with other emerging currencies, had a volatile year. It reached as high as 78 RUB/US$ at one point in April and strengthened to 70 RUB/US$ in October. Overall, the full-year average exchange rate weakened by 2% from 72.3 RUB/US$ in 2020 to 73.7 RUB/US$ in 2021. This had a minor positive impact on the mining sector, resulting in a lower Dollar value for Rouble-denominated operating costs, which were offset by the 8.7% domestic inflation rate in Russia, the highest since 2016.

In Kazakhstan, 2021 inflation also surged to its five-year highest recorded level, driven mostly by prolonged disruptions in global supply chains. The Kazakh Tenge depreciated by 3% to 435 KZT/US$, with an annual average of 427 KZT/US$ (413 KZT/US$ in 2020).

[1] Gold Demand Trends Full Year and Q4 2021 by World Gold Council.

REVENUE

		2021	2020	Change, %
Sales volumes				
Gold	Koz	1,386	1,392	0%
Silver	Moz	17.5	19.3	-9%
Gold equivalent sold[1]	**Koz**	**1,640**	**1,622**	**+1%**

Sales by metal *(US$m unless otherwise stated)*		2021	2020	Change, %	Volume variance, US$m	Price variance, US$m
Gold		**2,450**	**2,467**	**-1%**	**(10)**	**(7)**
Average realised price[2]	*US$ /oz*	1,792	1,797	0%		
Average LBMA price	*US$ /oz*	1,799	1,771	+2%		
Share of revenues	*%*	85%	86%			
Silver		**419**	**389**	**+8%**	**(37)**	**67**
Average realised price	*US$ /oz*	24.8	20.9	+19%		
Average LBMA price	*US$ /oz*	25.0	20.5	+22%		
Share of revenues	*%*	14%	14%			
Other metals		**21**	**9**	**+133%**		
Share of revenues	*%*	1%	0%			
Total revenue		**2,890**	**2,865**	**+1%**	**33**	**(8)**

In 2021, revenue was stable year-on-year at US$ 2,890 million. Gold sales volume remained flat year-on-year. Silver sales volume decreased by 9% year-on-year, while silver production was up 8% as silver concentrate sales lagged production.

The Group's average realised price for gold was US$ 1,792/oz in 2021, almost unchanged from US$ 1,797/oz in 2020, and almost in line with the average market price of US$ 1,799/oz. The Group's average realised silver price was US$ 24.8/oz, up 19% year-on-year and just 1% below market price of US$ 25.0/oz.

The share of gold sales as a percentage of total revenue decreased from 86% in 2020 to 85% in 2021, driven by a significant uplift in silver price and larger volume of copper sold at Varvara.

Analysis by segment/operation		**Revenue,** *US$m*			**Gold equivalent sold, Koz** *(silver equivalent for Dukat, Moz)*		
Segment	**Operation**	**2021**	**2020**	**Change, %**	**2021**	**2020**	**Change, %**
Magadan	Dukat	476	464	+3%	19.7	22.9	-14%
	Omolon	388	389	0%	216	217	0%
	Mayskoye	239	243	-2%	141	136	+4%
	Total Magadan	**1,103**	**1,096**	**+1%**	**632**	**622**	**+2%**
Khabarovsk	Albazino/Amursk	447	464	-4%	248	262	-5%
	Svetloye	194	217	-11%	108	120	-10%
	Total Khabarovsk	**640**	**681**	**-6%**	**356**	**382**	**-7%**
Kazakhstan	Kyzyl	608	649	-6%	350	371	-5%
	Varvara	376	291	+29%	210	164	+28%
	Total Kazakhstan	**984**	**940**	**+5%**	**561**	**535**	**+5%**
Urals	Voro	163	148	+10%	91	84	+9%
	Total	**2,890**	**2,865**	**+1%**	**1,640**	**1,622**	**+1%**

At Dukat, higher silver prices compensated for a temporary lag between production and sales, which is expected to be eliminated in 1H 2022. Among all other operating mines, physical sales volumes broadly followed the production dynamics. At Mayskoye, revenues were affected by a lower average gold price in 2H 2021 compared to 2H 2020, as the bulk of gold production was again recorded in the second half of the year once the summer navigation period had been started.

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

COST OF SALES

Cost of sales *(US$m)*	**2021**	**2020**	**Change, %**
On-mine costs	516	437	+18%
Smelting costs	383	350	+9%
Purchase of ore and concentrates from third and related parties	130	106	+23%
Mining tax	152	142	+7%
Total cash operating costs	**1,181**	**1,035**	**+14%**
Depreciation and depletion of operating assets	229	206	+11%
Rehabilitation expenses	2	(1)	n/a
Total costs of production	**1,412**	**1,240**	**+14%**
Increase in metal inventories	(132)	(127)	+4%
Write-down of metal inventories to net realisable value	24	6	+300%
Total change in metal inventories	**(108)**	**(121)**	**-11%**
Reversal/(write-down) of non-metal inventories to net realisable value	-	8	n/a
Idle capacities and abnormal production costs	3	2	+50%
Total cost of sales	**1,307**	**1,129**	**+16%**

Cash operating cost structure	**2021, US$m**	**2021, % of total**	**2020, US$m**	**2020, % of total**
Services	399	34%	341	33%
Consumables and spare parts	290	25%	261	25%
Labour	202	17%	181	17%
Mining tax	152	13%	142	14%
Purchase of ore and concentrates from third and related parties	130	11%	106	10%
Other expenses	8	1%	4	0%
Total	**1,181**	**100%**	**1,035**	**100%**

In 2021, the total cost of sales increased by 16% to US$ 1,307 million, reflecting domestic inflation (8.4% year-on-year), as well as higher costs of services and an increase in the purchase of third-party ore and concentrates.

The cost of services was up 17% year-on-year, caused mostly by a higher volume of transportation services (notably at Omolon, ore transportation from the Olcha mine to Kubaka mill), drilling and blasting services at Nezhda (ramp-up of mining activities), the start of mining at Primorskoye (Dukat), Peschernoye (Voro), and Lyudmila (Svetloye), and the ramp-up of mining activities at Saum (Voro), Perevalnoye (Dukat), and Emmy (Svetloye).

The cost of consumables and spare parts was up 11% compared to 2020, mainly impacted by higher domestic inflation and higher steel and diesel prices.

The total cost of labour within cash operating costs in 2021 was US$ 202 million, a 12% increase over 2020, mainly stemming from an 11% increase in average headcount combined with annual salary increases (tracking domestic CPI inflation).

The increase in purchases of third-party ore and concentrates by 23% year-on-year was driven by larger volumes of high-grade third-party ore and concentrate processed at Varvara and Voro.

Mining tax increased by 6% year-on-year to US$ 152 million, compared to a 2% production volume increase, mainly impacted by the increase in average realised silver prices.

Depreciation and depletion was US$ 229 million, up 11% year-on-year, with a specific increase attributable to Dukat (start of mining at Primorskoye), Nezhda (full year of mining related depreciation charge) and Svetloye (full depreciation of the Elena pit). US$ 23 million of depreciation cost is included within the increase in metal inventories.

In 2021, a net metal inventory increase of US$ 132 million (2020: US$ 127 million) was recorded (excluding write-downs to net realisable value) mainly attributable to concentrate build-up at Dukat, as well as ore mined at Nezhda

and heap leach work-in-progress at Svetloye. The Group recognised a US$ 25 million (2020: US$ 6 million) write-down to the net realisable value of its lower grade metal inventories (see Note 14 of the condensed financial statements).

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US$m)	2021	2020	Change, %
Labour	171	139	+23%
Share based compensation	16	15	+7%
Services	10	5	+100%
Depreciation	8	7	+14%
Other	21	18	+17%
Total	**226**	**184**	**+23%**

General, administrative and selling expenses ("SGA") increased by 23% year-on-year from US$ 184 million in 2020 to US$ 226 million in 2021, mainly driven by the intense competition for qualified administrative personnel, as well as increased headcount due to the Nezhda, Veduga, Kutyn, Primorskoye and POX-2 development projects and regular salary reviews.

OTHER OPERATING EXPENSES

(US$m)	2021	2020	Change, %
Exploration expenses	72	52	+38%
Social payments	28	28	0%
Provision for investment in Special economic zone	20	18	+11%
Taxes, other than income tax	11	15	-27%
Change in estimate of environmental obligations	2	(3)	n/a
Additional tax charges/fines/penalties	(1)	(2)	-50%
Other expenses	17	17	-2%
Total	**149**	**124**	**+19%**

Other operating expenses increased to US$ 149 million in 2021 compared to US$ 124 million in 2020. Starting from 1 January 2021, the Group has voluntary changed its accounting policy related to exploration and evaluation costs in accordance with IFRS 6 "Exploration for and evaluation of mineral resources". As a result of this change exploration and evaluation costs are expensed as incurred until such time as the Group determines that reasonable prospects exist for eventual economic extraction of minerals, which is supported by management's decision to prepare a JORC mineral resource estimation for a certain field once the project has progressed. Previously, the Group capitalised mineral exploration and evaluation costs into exploration assets if management concluded that future economic benefits were likely to be realised, and no IFRS 6 impairment indicators were present, based on the latest internal assessment of exploration results. The retrospective adjustment for the change in accounting policy resulted in an increase to exploration expenses for 2020 by US$ 26 million. For details refer to Note 1 of the condensed consolidated financial statements.

Other expenses are mainly represented by housing and COVID-19-related expenses, including providing isolation facilities for employees and contractors arriving for shifts, purchasing test kits, supporting long-term rehabilitation of employees, free taxis for the office employees and supplying PPE, medical and specialised diagnostic equipment to medical facilities.

TOTAL CASH COSTS

In 2021, total cash costs per gold equivalent ounce sold ("TCC") were US$ 730/GE oz, up 15% year-on-year. Accelerated domestic inflation, above-CPI inflation in the mining industry, combined with the planned grade decline, had an overall negative impact on cost levels, which was partially offset by mild depreciation of the Russian Rouble and Kazakh Tenge against the US dollar and change in gold-to-silver price ratio.

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

Reconciliation of TCC and AISC movements	TCC, US$ / oz	Change, %	AISC, US$ / oz	Change, %
Cost per gold equivalent ounce – 2020	**638**		**874**	
Au/Ag ratio change	(19)	-3%	(27)	-3%
USD and KZT rate change	(13)	-2%	(18)	-2%
Domestic inflation	49	+8%	65	+7%
Change in average grade processed	42	+7%	55	+6%
Change in sales structure including purchase of ore and concentrates from third parties	14	+2%	17	+2%
Mining tax change	5	+1%	5	+1%
SGA and other expenses increase	3	+0%	33	+4%
Capitalised stripping increase	-	0%	18	+2%
Other[1]	13	+2%	93	+1%
Cost per gold equivalent ounce – 2021	**730**	**+15%**	**1,030**	**+18%**

Total cash costs per gold equivalent ounce [2]		**Cash cost per GE ounce, US$ /oz**			**Gold equivalent sold, Koz** (silver for Dukat, Moz)		
Segment	**Operation**	**2021**	**2020**	**Change, %**	**2021**	**2020**	**Change, %**
Magadan	Dukat (SE oz) [3]	10.6	9.8	+8%	19.7	22.9	-14%
	Omolon	798	560	+42%	216	217	0%
	Mayskoye	969	819	+18%	141	136	+4%
	Total Magadan	**819**	**735**	**+11%**	**632**	**622**	**+2%**
Khabarovsk	Svetloye	481	375	+28%	108	120	-10%
	Albazino/Amursk	804	719	+12%	248	262	-5%
	Total Khabarovsk	**707**	**611**	**+16%**	**356**	**382**	**-7%**
Kazakhstan	Kyzyl	477	401	+19%	350	372	-6%
	Varvara	920	941	-2%	210	164	+28%
	Total Kazakhstan	**643**	**566**	**+14%**	**561**	**536**	**+5%**
Urals	Voro	747	487	+53%	91	84	+9%
Total Group		**730**	**638**	**+15%**	**1,640**	**1,622**	**+1%**

Total cash cost by operation:

- Dukat's total cash cost per silver equivalent ounce sold ("SE oz") increased by 8% year-on-year to US$ 10.6/SE oz[2], mostly attributable to the change in gold-to-silver price ratio and corresponding decrease of SE oz sold, combined with domestic inflation.
- At Omolon, TCC amounted to US$ 798/GE oz, an increase of 42% year-on-year, as the Kubaka mill processed higher-cost ore from Olcha, as well as higher-cost ore from the Birkachan and Tsokol underground mines, which was combined with lower gold grade at the heap leach facility due to re-handling of the stockpiles.
- At Mayskoye, TCC were US$ 969/GE oz, a 18% increase year-on-year, mostly driven by decline in average grade processed.
- At Svetloye, TCC amounted to US$ 481/GE oz, up 28% year-on-year, mostly driven by planned 25% decline in gold grade, as well as higher road maintenance costs.
- At Albazino/Amursk, TCC was US$ 804/GE oz, up 12% year-on-year. The cost increase is mostly attributable to planned moderate grade decline, as the Anfisa high-grade open pit is nearing full depletion, as well as higher underground mining costs due to complex geotechnical conditions and higher steel and cement prices.

[1] Including COVID-19 costs.
[2] Total cash costs comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down of metal and non-metal inventory to net realisable value and certain other adjustments) and general, administrative and selling expenses of the operating assets. Gold equivalent sales volume is calculated based on average realised metal prices in the relevant period. Total cash cost per gold equivalent ounce sold is calculated as Total cash costs divided by total gold equivalent unit ounces sold. For more information refer to the "Alternative performance measures" section below.
[3] Dukat's total cash cost per gold equivalent was US$ 762/GE oz (2020: US$ 833/GE oz) and was included in the Group TCC calculation.

- Kyzyl's total cash costs were at US$ 477/GE oz, significantly below the Group's average level, albeit up 19% year-on-year, because of a planned gradual grade decline towards the open-pit reserve average.
- At Varvara, TCC was US$ 920/GE oz, down 2% year-on-year, driven by higher grade in the Komar ore, the main source of feed, and better recoveries after flowsheet improvements.
- At Voro, TCC was US$ 747/GE oz, up 53% year-on-year, mainly stemmed from treatment of additional volumes of higher cost third-party concentrates and Saum ore.

Analysis of 2H 2021 versus 1H 2021 performance:

Total cash costs per gold equivalent ounce [1]		Cash cost per GE ounce, US$ /oz			Gold equivalent sold, Koz (silver for Dukat)		
Segment	**Operation**	**2H 2021**	**1H 2021**	**Change, %**	**2H 2021**	**1H 2021**	**Change, %**
Magadan	Dukat (SE oz)	10.4	10.8	-4%	10.3	9.3	+11%
	Omolon	771	837	-8%	127	90	+41%
	Mayskoye	942	n/a	n/a	130	12	n/a
	Total Magadan	**834**	**794**	**+5%**	**392**	**240**	**+63%**
Khabarovsk	Svetloye	525	433	+21%	56	52	+7%
	Albazino/Amursk	798	812	-2%	133	115	+16%
	Total Khabarovsk	**718**	**694**	**+3%**	**189**	**167**	**+13%**
Kazakhstan	Kyzyl	476	478	0%	189	161	+17%
	Varvara	914	925	-1%	98	113	-13%
	Total Kazakhstan	**625**	**662**	**-6%**	**287**	**274**	**+5%**
Urals	Voro	829	641	+29%	51	40	+28%
Total Group		**745**	**712**	**+5%**	**919**	**721**	**+28%**

In 2H 2021, total cash costs were 5% higher compared to 1H 2021 at US$ 7458/GE oz, on the back of planned grade declines at Svetloye and treatment of additional volumes of higher cost third-party concentrates and Saum ore at Voro.

Total cash cost by operation:

- At Dukat, Omolon, Albazino, Kyzyl and Varvara total cash costs changed marginally half-on-half.
- At Svetloye, TCC increased by 21% half-on-half to US$ 525/GE oz on driven by the planned decline in grade.
- At Voro, total cash costs in 2H 2021 were at US$ 829/GE oz, up 29% half-on-half, due to the processing of significant volumes of higher cost third-party feedstock.

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

ALL-IN SUSTAINING AND ALL-IN CASH COSTS

All-in sustaining cash costs[1] amounted to US$ 1,030/GE oz, up 18% year-on-year. AISC by operations were as follows:

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

Segment	Operation	2021	2020	Change, %
Magadan	Dukat (SE oz)	13.6	11.5	+19%
	Omolon	1,053	773	+36%
	Mayskoye	1,287	1,020	+26%
	Total Magadan	**1,073**	**917**	**+17%**
Khabarovsk	Svetloye	656	484	+35%
	Albazino/Amursk	1,097	946	+16%
	Total Khabarovsk	**963**	**801**	**+20%**
Kazakhstan	Kyzyl	640	554	+16%
	Varvara	1,110	1,179	-6%
	Total Kazakhstan	**817**	**745**	**+10%**
Urals	Voro	925	679	+36%
Total Group		**1,030**	**874**	**+18%**

All-in sustaining cash costs at Omolon, Kyzyl, Varvara and Voro generally followed total cash cost dynamics, and were additionally affected by the acceleration of capital allocation for stay-in-business improvement initiatives.

At Dukat, AISC increased by 19% to US$ 13.6/GE oz. This was mostly driven by the development of the Primorskoye satellite mine and mining fleet purchases.

At Mayskoye, AISC increased by 26% to US$ 1,287/GE oz mainly due to the construction of the conveyor ore transportation system, underground mine electrification project, investments in the backfill plant and commissioning of the fourth stage of tailings dam.

At Svetloye, AISC were US$ 656/GE oz, up 35% year-on-year, driven by mining fleet purchases and development of the Emmy and Ludmila deposits.

At Albazino/Amursk, AISC were US$ 1,097/GE oz, a 16% increase year-on-year, following scheduled technical upgrades of the underground mining fleet, development of the Ekaterina and Anfisa underground mines, and the Farida open pit development.

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

Reconciliation of all-in costs	Total, US$m			US$ /GE oz		
	2021	2020	Change, %	2021	2020	Change, %
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 4 of condensed financial statements)	**1,077**	**927**	**+16%**	**657**	**572**	**+15%**
adjusted for:						
Idle capacities	(3)	(2)	+14%	(2)	(2)	0%
Inter-segment unrealised profit on metal inventory	0	(11)	-100%	0	(7)	-100%
Treatment charges deductions reclassification to cost of sales	48	49	-3%	29	29	0%
SGA expenses, excluding depreciation, amortization and share based compensation (Note 4 of condensed financial statements)	**92**	**80**	**+15%**	**56**	**49**	**+14%**
adjusted for:						
SGA expenses of development projects	(15)	(8)	+88%	(9)	(5)	+80%
Total cash costs	**1,198**	**1,034**	**+16%**	**730**	**638**	**+14%**
SGA expenses for Corporate and Other segment and other operating expenses	217	166	+31%	132	102	+29%
Capital expenditure excluding development projects	188	164	+15%	115	101	+14%
Exploration expenditure (capitalised)	10	9	+12%	6	6	0%
Capitalised stripping	74	44	+68%	45	27	+67%
All-in sustaining cash costs[1]	**1,688**	**1,417**	**+19%**	**1,030**	**874**	**+18%**
Finance costs (net)	59	67	-12%	36	41	-12%
Capitalised interest	13	10	+22%	8	6	+33%
Income tax expense	257	314	-18%	157	194	-19%
After-tax all-in cash costs	**2,016**	**1,808**	**+11%**	**1,229**	**1,103**	**+11%**
Capital expenditure for development projects	556	377	+48%	339	232	+46%
SGA and other expenses for development assets	42	32	+34%	26	20	+30%
All-in costs	**2,615**	**2,217**	**+18%**	**1,595**	**1,352**	**+18%**

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

ADJUSTED EBITDA[1] AND EBITDA MARGIN

Reconciliation of Adjusted EBITDA *(US$m)*	**2021**	**2020**	**Change, %**
Profit for the period	904	1,066	-15%
Finance cost (net)[2]	59	67	-12%
Income tax expense	257	314	-18%
Depreciation and depletion	214	207	+3%
EBITDA	**1,434**	**1,653**	**-13%**
Net foreign exchange gain	(5)	(23)	-78%
Gain on disposal of subsidiaries, net	(3)	(13)	-77%
Share based compensation	16	15	+7%
Change in fair value of contingent consideration liability	(4)	23	n/a
Write-down of metal inventory to net realisable value	25	6	+320%
Other non-cash items	2	(1)	n/a
Adjusted EBITDA	**1,464**	**1,661**	**-12%**
Adjusted EBITDA margin	**51%**	**58%**	**-7 p.p.**

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

Segment	**Operation**	**2021**	**2020**	**Change, %**
Khabarovsk	Albazino/Amursk	202	256	-21%
	Svetloye	137	167	-18%
	Total Khabarovsk	**339**	**423**	**-20%**
Magadan	Dukat	253	231	+10%
	Omolon	196	251	-22%
	Mayskoye	109	141	-23%
	Total Magadan	**558**	**623**	**-10%**
Kazakhstan	Varvara	178	128	+39%
	Kyzyl	452	507	-11%
	Total Kazakhstan	**630**	**635**	**-1%**
Urals	Voro	86	99	-13%
Corporate and other and intersegment operations		(149)	(119)	+25%
Total		**1,464**	**1,661**	**-12%**

In 2021, Adjusted EBITDA decreased by 12% year-on-year to US$ 1,464 million, with an Adjusted EBITDA margin of 51%, driven by the cost dynamics described above against the backdrop of stable sales volumes and revenue.

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange gain in 2021 of US$ 5 million compared to an exchange gain of US$ 23 million in 2020, mostly attributable to intercompany loans with different functional currencies in the lending and borrowing subsidiaries, offset by the revaluation of the US Dollar-denominated borrowings of Russian operating companies, the functional currency of which is the Russian Rouble.

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 expense for 2021 was US$ 257 million compared to US$ 314 million in 2020, charged at an effective tax rate of 23% (2020: 23%). For details refer to Note 11 of the condensed consolidated financial statements.

[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.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded net income of US$ 904 million in 2021 versus US$ 1,066 million in 2020. The underlying net earnings attributable to the shareholders of the parent were US$ 913 million, compared to US$ 1,052 million in 2020:

Reconciliation of underlying net earnings[1] *(US$m)*	**2021**	**2020**	**Change, %**
Profit for the financial period attributable to the shareholders of the Parent	904	1,066	-15%
Write-down of metal inventory to net realisable value	25	6	+317%
Tax effect on write-down of metal inventory to net realisable value	(5)	(1)	+400%
Foreign exchange gain	(5)	(23)	-78%
Tax effect on foreign exchange gain	-	5	-100%
Change in fair value of contingent consideration liability	(4)	23	n/a
Tax effect on change in fair value of contingent consideration	1	(5)	n/a
Loss on disposal of subsidiaries, net	(3)	(13)	-77%
Reversal of previously recognised impairment	-	(8)	n/a
Tax effect on reversal of previously recognised impairment	-	2	n/a
Underlying net earnings	**913**	**1,052**	**-13%**

Basic earnings were US$ 1.91 per share compared to US$ 2.25 per share in 2020. Underlying basic EPS[2] was US$ 1.93, compared to US$ 2.23 in 2020.

In accordance with the Group's dividend policy, the Board has proposed a final dividend of US$ 0.52 per share (delivering a total expected dividend of US$ 246 million), representing 50% of the Group's underlying net earnings for the 2H 2021. During 2021, Polymetal paid a total of US$ 635 million in dividends, representing a final dividend for FY 2020 and an interim dividend for the 1H 2021.

CAPITAL EXPENDITURE[3]

(US$m)	**Sustaining**	**Development**	**Stripping and UG development**	**Exploration**	**Total 2021**	**Total 2020**
Development projects						
POX-2	-	157	-	-	157	125
Kutyn	-	83	-	-	83	42
Voro flotation	-	52	-	-	52	18
Veduga	-	25	16	2	43	17
Pacific POX	-	20	-	-	20	-
Prognoz	-	11	-	-	11	5
Total development projects	**-**	**349**	**16**	**2**	**367**	**206**
Operating assets						
Nezhda	10	70	50	-	129	124
Albazino/Amursk	32	-	11	7	51	46
Kyzyl	26	-	24	-	50	43
Dukat	31	-	7	-	38	33
Mayskoye	33	-	3	-	36	26
Varvara	26	-	9	1	35	29
Omolon	21	-	7	1	28	23
Svetloye	9	-	4	-	13	9
Voro	-	-	9	1	10	16
Corporate and other	1	-	-	1	2	3
Total operating assets	**188**	**70**	**124**	**10**	**392**	**352**
Total capital expenditure	**188**	**418**	**140**	**12**	**759**	**558**

[1] Underlying net earnings represent net profit for the year excluding the impact of key items that can mask underlying changes in core performance.
[2] Underlying basic EPS are calculated based on underlying net earnings.
[3] On a cash basis.

In 2021, total capital expenditure was US$ 759[1] million, up 36% year-on-year mainly due to accelerated spending across the development projects portfolio, notably, POX-2, Kutyn, Voro flotation and Veduga.

Capital expenditure excluding capitalised stripping costs was US$ 619 million in 2021 (2020: US$ 482 million).

The major capital expenditure items in 2021 were as follows:

Development projects

- Capital expenditure at the POX-2 development project of US$ 157 million mainly included purchases of large-sized equipment, including the power substation equipment, stainless steel tankage, the oxygen plant, as well as construction of chemicals storage and foundation works for thickener, downstream circuit equipment and boiler-house.
- The Merrill-Crowe and ore crusher buildings construction at the Kutyn heap leach project (US$ 83 million invested in 2021) is in progress, the key equipment has been installed.
- The Voro flotation plant construction (capital expenditure of US$ 52 million) proceeded ahead of schedule. Major processing equipment has been installed and the concentrator building has been fully winterized.
- US$ 129 million was invested at Nezhda. This includes the mechanical completion of all key equipment, construction of the dry-stack tailings storage facility, as well as capitalised stripping costs. The concentrator was ramped up fully within 3 months of first concentrate production, significantly faster than planned, and achieved 100% of design throughput.
- Capital expenditure at Veduga of US$ 43 million has mainly related to capitalised stripping, exploration, evaluation and engineering activities, as well as a significant infrastructure upgrade.

Stay-in-business capex at operating assets

- Capital expenditure at Albazino of US$ 51 million was mostly related to the development of the Ekaterina-2, Farida and Anfisa pits, scheduled technical upgrades and the purchase of an underground mining fleet.
- At Kyzyl, capital expenditure in 2021 comprised US$ 50 million, mainly related to the material scheduled renewal of the mining fleet commissioned in 2016, stripping activities and the concentrator debottlenecking, resulting in increase in throughput to 2.2 Mtpa.
- At Dukat, capital expenditure of US$ 38 million was mainly related to the mining fleet upgrades, the Primorskoye satellite mine development, as well as the commencement of engineering and procurement for the transition of the Omsukchan concentrator to dry-stack tailings.
- Capital expenditure at Mayskoye of US$ 36 million was mainly related to construction of infrastructure needed to commission the ore transportation conveyor, as well as backfill construction.
- At Omolon, capital expenditure of US$ 28 million was mainly related to the construction of the dry tailings storage facility and a solar power plant.

Exploration and stripping

- The Group continues to invest in standalone exploration projects. Capital expenditure for exploration in 2021 was US$ 12 million (2020: US$ 9 million). Starting from 2021, the Group has voluntarily changed the accounting policy for exploration and evaluation expenditures. For details refer to Note 1 of the condensed consolidated financial statements.
- Capitalised stripping and underground development costs totalled US$ 140 million in 2021 (2020: US$ 76 million) and are attributable to operations with 2021 stripping ratios exceeding their life-of-mine averages during the year, particularly Nezhda (US$ 50 million), Kyzyl (US$ 24 million), Veduga (US$ 16 million), Omolon (US$ 7 million) and Voro (US$ 9 million).

[1] On accrual basis, capital expenditure was US$ 870 million in 2021 (2020: US$ 608 million).

CASH FLOWS

(US$m)	2021	2020	Change, %
Operating cash flows before changes in working capital	1,192	1,326	-10%
Changes in working capital	3	(160)	n/a
Total operating cash flows	**1,195**	**1,167**	**+2%**
Capital expenditure	(759)	(558)	+36%
Acquisition costs in business combinations and investments in associates and joint ventures	(13)	(31)	-58%
Proceeds from disposal of subsidiaries	2	23	-91%
Other	(18)	2	n/a
Investing cash flows	**(788)**	**(564)**	**+40%**
Financing cash flows			
Net changes in borrowings	276	(1)	n/a
Dividends paid	(635)	(481)	+32%
Veduga VTB investment	-	35	-100%
Proceeds from royalty arrangement	20	-	n/a
Contingent consideration paid	(33)	(23)	+43%
Total financing cash flows	**(372)**	**(470)**	**-21%**
Net increase in cash and cash equivalents	**35**	**133**	**-74%**
Cash and cash equivalents at the beginning of the year	386	253	+53%
Effect of foreign exchange rate changes on cash and cash equivalents	(4)	-	n/a
Cash and cash equivalents at the end of the year	**417**	**386**	**+8%**

Total operating cash flows in 2021 remained stable year-on-year. Operating cash flows before changes in working capital decreased by 10% year-on-year to US$ 1,192 million, as a result of a decrease in adjusted EBITDA. Net operating cash flows were US$ 1,195 million, up 2% compared to US$ 1,167 million in 2020, and almost unaffected by changes in working capital (2020: increase in working capital of US$ 160 million) despite an increase in production volumes and the scope of operations.

Total cash and cash equivalents increased by 8% year-on-year and were US$ 417 million at year-end, with the following items affecting the cash position of the Group:

- Operating cash flows of US$ 1,195 million;
- Investment cash outflows totalling US$ 788 million, up 40% year-on-year mainly represented by capital expenditure (up 36% year-on-year to US$ 759 million);
- Payment of a final dividend for 2020 in May 2021 and an interim dividend for 1H 2021 in September 2021, amounting to US$ 635 million;
- A gross borrowings increase of US$ 276 million;
- Contingent consideration payments (royalties payable to sellers of Komar and Omolon) of US$ 33 million and proceeds from a new royalty arrangement of US$ 20 million.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	31-Dec-21	31-Dec-20	Change, %
Short-term debt and current portion of long-term debt	446	334	+34%
Long-term debt	1,618	1,403	+15%
Gross debt	**2,064**	**1,737**	**+19%**
Less: cash and cash equivalents	417	386	+8%
Net debt	**1,647**	**1,351**	**+22%**
Net debt / Adjusted EBITDA	**1.13**	**0.81**	**+38%**

The Group's net debt increased to US$ 1,647 million as of 31 December 2021, representing a Net debt / Adjusted EBITDA ratio of 1.13x, well below the Group's target ratio of 1.5x.

The proportion of long-term borrowings of total borrowings was 78% as at 31 December 2021 (81% as at 31 December 2020). In addition, as at 31 December 2021 the Group had US$ 2.3 billion (31 December 2020: US$ 2.3 billion) of available undrawn facilities, of which US$ 1.35 billion is committed[1], from a wide range of lenders that allows the Group to maintain its operational flexibility in the current environment.

The average cost of debt remained relatively low at 2.9% in 2021 (2020: 3.4%) supported by lower benchmark interest rates and our ability to negotiate competitive margins given the solid financial position of the Group and its excellent credit history. In 2022, the Group expects a sharp increase in interest rates which will effect the average cost of debt. The Group is confident in its ability to repay its existing borrowings as they fall due.

2022 OUTLOOK

- The current devastating conflict in Ukraine and related economic and political developments are likely to require a lot of management efforts to maintain Company performance. However, despite a wide range of uncertainties we will be working under in 2022, it is our current intention to operate as normally as possible, but remain agile to evolving circumstances.
- The Group reiterates its current production guidance of 1.7 Moz of GE for FY 2022. Production will be weighted towards 2H 2022 due to seasonality.
- The scope of operational activities and capital project advancement is not expected to change materially in the light of recent developments, however in light of substantial changes in the macro landscape our cost and capital expenditure guidance for 2022 is suspended. Further updates will be provided as the circumstances change.
- The Group currently forecasts to continue to deliver positive free cash flow.

[1] As at 1 March 2022, $0.8 billion of committed facilities are available to be drawn down because $0.5bn was from banks who are now on the SDN list

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:

- 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 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 90 to 97 of the 2020 annual report which is available at www.polymetalinternational.com. Further updates will be presented in the full annual financial report for 2021.

Subsequent to the publication of the 2020 Annual Report, and following the logistical challenges triggered by the pandemic restrictions and its potential impact on our operations, the Group has included a new principal risk within operational category: supply chain risk, incorporating implications for operational procurement, concentrate transportation and planned delivery of construction and development projects.

The rapid deterioration of the conflict in Ukraine has led to additional and more severe sanctions on Russia imposed by the global community, as well as to the possibility of further sanctions in the future. The sanctions announced to date will not materially affect Polymetal. The scope and impact of any new potential sanctions (and any counter-sanctions) is yet unknown, however they might further affect key Russian financial institutions as well as mining companies. Polymetal believes that targeted sanctions on the company remain unlikely, but cannot be completely disregarded. Contingency planning has been initiated proactively to maintain business continuity, including selection of key equipment suppliers, liquidity management, debt portfolio diversification and securing sales channels.

GOING CONCERN

In assessing its going concern status, the Group has taken account of its principal risks and uncertainties, financial position, sources of cash generation, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings, and its capital expenditure commitments and plans.

To assess the resilience of the Group's going concern assessment in light of the additional sanctions imposed on certain Russian institutions and individuals by the global community in February 2022, in addition to the potential for further sanctions and Russian counter-sanctions that could impact the Group further, management performed the following "severe sanctions" downside scenarios that are considered plausible over the next 12 months from the date of approval of the financial statements. As such these do not represent the Group's 'best estimate' forecast, but were considered in the Group's assessment of going concern, reflecting the current evolving circumstances and the most significant and plausible potential risks identified at the date of approving the Press-release.

The Group has already taken precautionary measures to draw down on its facilities in relevant jurisdictions to manage Group liquidity and provide optionality for the future. In addition, it has been assumed that the Kazakhstan operations will continue unaffected and the net cash flows generated will be available for use within the Group. Accordingly, the following downside scenarios were focussed on the Russian-based operations.

Scenario one: The Group's income and profits are materially reduced due to restrictions on metal sales arising from operations in Russia, including to relevant customers (such as Russian based financial institutions) who are impacted by recent sanctions and therefore the Group may no longer transact with. The Group would seek to mitigate this by reducing production volumes and variable mining costs where possible, reducing and deferring non-essential and non-committed capital expenditure, reducing or cancelling dividend payments and drawing down further from the $0.8 bn of currently available undrawn committed facilities agreed with Russian and non-Russian banks.

Scenario two: Consistent with scenario one above, with the exception of assuming that a lower amount of $0.5 bn, rather than the entire currently agreed and available $0.8 bn of committed borrowing facilities can be drawn down. This reflects the possibility that additional future sanctions could further restrict the Group's available committed borrowing facilities, and the ability of the lenders to service the contracted facility may decline.

Scenario three: Additional future sanctions and macro-economic impacts further restrict the Group's available committed borrowing facilities and reduce those to nil, but the Group continues to sell the majority of its metal production within Russia via alternative sales routes to permitted Russian banks, albeit in this scenario sales are settled in Rouble currency. The Group would also seek to reduce and defer non-essential and non-committed capital expenditure, and reduce or cancel dividends as reasonable mitigations.

The Group currently holds $0.5 bn of cash, which when combined with the forecast net cashflows under each of the severe sanctions downside scenarios above, is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months. This includes $0.7 bn of short-term borrowings due for repayment in the next 12 months. No borrowing covenant requirements are forecast to be breached in each of the downside scenarios above. The Group expects to retain the ability to move funds between the jurisdictions in which the Group operates to settle obligations as they fall due but also has mitigating actions available if moving funds to or from operations in Russia becomes more difficult.

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 severe sanctions downside scenarios above, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the year ended 31 December 2021.

DIRECTORS' RESPONSIBILITY STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted for use in the 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 International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board,

Ian Cockerill

Chairman of the Board of Directors

Vitaly Nesis

Group Chief Executive Officer

1 March 2022

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2021 US$m	Year ended 31 December 2020 (restated)[1] US$m
Revenue	3	2,890	2,865
Cost of sales	4	(1,307)	(1,129)
Gross profit		**1,583**	**1,736**
General, administrative and selling expenses	8	(226)	(184)
Other operating expenses, net	9	(149)	(124)
Reversal of previously recognised impairment	14	-	8
Share of loss of associates and joint ventures		-	(2)
Operating profit		**1,208**	**1,434**
Foreign exchange gain, net		5	23
Gain on disposal of subsidiaries, net	13	3	13
Change in fair value of financial instruments	18	4	(23)
Finance expenses, net	10	(59)	(67)
Profit before income tax		**1,161**	**1,380**
Income tax expense	11	(257)	(314)
Profit for the year		**904**	**1,066**
Profit for the financial year attributable to:			
Equity shareholders of the Parent		904	1,066
		904	**1,066**
Earnings per share (US$)			
Basic	19	1.91	2.25
Diluted	19	1.88	2.22

[1] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result other operating expenses, net, profit before income tax, income tax expense and profit for the year line items were restated. Refer to Note 1 and Note 22.*

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2021 US$m	Year ended 31 December 2020 (restated)[1] US$m
Profit for the year	**904**	**1,066**
Items that may be reclassified to profit and loss		
Exchange differences on translating foreign operations, net of income tax	(36)	(566)
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	(6)	34
Total comprehensive income for the year	**862**	**534**
Total comprehensive income for the year attributable to:		
Equity shareholders of the Parent	862	537
Non-controlling interest	-	(3)
	862	**534**

[1] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result profit and total comprehensive income for year ended 31 December 2020 were restated as described in Note 1 and Note 22.*

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	31 December 2021	31 December 2020 (restated)[1]	1 January 2020 (restated)
Assets		**US$m**	**US$m**	**US$m**
Property, plant and equipment	13	3,314	2,738	2,783
Right-of-use assets		33	32	31
Goodwill		14	14	16
Investments in associates and joint ventures		28	24	2
Non-current VAT receivable		-	19	-
Non-current accounts receivable and other financial instruments		57	38	10
Deferred tax asset	11	67	56	73
Non-current inventories	14	96	95	114
Total non-current assets		**3,609**	**3,016**	**3,029**
Assets held for sale		-	-	14
Current inventories	14	781	662	644
Prepayments to suppliers		119	90	149
Income tax prepaid		11	33	48
VAT receivable		123	129	62
Trade receivables and other financial instruments		91	75	18
Cash and cash equivalents	23	417	386	253
Total current assets		**1,542**	**1,375**	**1,188**
Total assets		**5,151**	**4,391**	**4,217**
Liabilities and shareholders' equity				
Accounts payable and accrued liabilities	16	(223)	(180)	(153)
Current borrowings	15	(446)	(334)	(214)
Advances received	3	(134)	(7)	(5)
Income tax payable		(21)	(13)	(7)
Other taxes payable		(54)	(51)	(41)
Current portion of contingent consideration liability	23	(31)	(41)	(7)
Current lease liabilities	23	(7)	(6)	(3)
Liabilities associated with assets classified as held for sale		-	-	(1)
Total current liabilities		**(916)**	**(632)**	**(431)**
Non-current borrowings	15	(1,618)	(1,403)	(1,518)
Contingent and deferred consideration liabilities	23	(111)	(120)	(59)
Deferred tax liability	11	(206)	(202)	(192)
Environmental obligations		(50)	(44)	(57)
Non-current lease liabilities	23	(29)	(27)	(29)
Other non-current liabilities	16	(18)	(3)	(3)
Total non-current liabilities		**(2,032)**	**(1,799)**	**(1,858)**
Total liabilities		**(2,948)**	**(2,431)**	**(2,289)**
Net assets		**2,203**	**1,960**	**1,928**
Stated capital account	19	2,450	2,434	2,424
Share-based compensation reserve	20	31	31	26
Translation reserve		(1,865)	(1,823)	(1,294)
Retained earnings		1,587	1,318	749
Shareholders' equity		**2,203**	**1,960**	**1,905**
Non-controlling interest		-	-	23
Total equity		**2,203**	**1,960**	**1,928**
Total liabilities and shareholders' equity		**(5,151)**	**(4,391)**	**(4,217)**

Notes on pages 40 to 63 form part of these financial statements. These financial statements are approved and authorised for issue by the Board of Directors on 1 March 2022 and signed on its behalf by:

Vitaly Nesis
Group Chief Executive

Ian Cockerill
Chairman of the Board of Directors

[1] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result, property, plant and equipment, deferred tax liability, translation reserve and retained earnings line items were restated as described in Note 1 and Note 22.*

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2021 US$m	Year ended 31 December 2020 (restated)[1] US$m
Net cash generated by operating activities	23	**1,195**	**1,167**
Cash flows from investing activities			
Purchases of property, plant and equipment	13	(759)	(558)
Acquisitions of joint venture and associate		(5)	(24)
Proceeds from disposal of subsidiaries	13	2	23
Net cash outflow on acquisitions	13	(3)	(7)
Acquisition of shares held at FVTPL		(5)	-
Loans advanced		(36)	(9)
Repayment of loans provided		18	11
Net cash used in investing activities		**(788)**	**(564)**
Cash flows from financing activities			
Borrowings obtained	23	3,360	2,369
Repayments of borrowings	23	(3,080)	(2,366)
Repayments of principal under lease liabilities	23	(4)	(4)
Dividends paid	12	(635)	(481)
Proceeds from shares issued by subsidiary		-	35
Proceeds from royalty arrangement	16	20	-
Contingent consideration paid	23	(33)	(23)
Net cash used in financing activities		**(372)**	**(470)**
Net increase in cash and cash equivalents		35	133
Cash and cash equivalents at the beginning of the period	23	386	253
Effect of foreign exchange rate changes on cash and cash equivalents		(4)	-
Cash and cash equivalents at the end of the financial period	23	**417**	**386**

[1] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result net cash generated by operating activities and purchases of property, plant and equipment (cash flows from investing activities) were restated as described in Note 1 and Note 22.*

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Number of shares outstanding	Stated capital account	Share-based compensation reserve	Translation reserve	Retained earnings	Total equity attributable to the parent	Non-controlling interest	Total equity
			US$m	US$m	US$m	US$m	US$m	US$m	US$m
Balance at 1 January 2020 (restated)[1]		**470,188,201**	**2,424**	**26**	**(1,294)**	**749**	**1,905**	**23**	**1,928**
Profit for the year		-	-	-	-	1,066	1,066	-	1,066
Other comprehensive income, net of income tax		-	-	-	(529)	-	(529)	(3)	(532)
Total comprehensive income		**-**	**-**	**-**	**(529)**	**1,066**	**537**	**(3)**	**534**
Share-based compensation	20	-	-	15	-	-	15	-	15
Shares allotted to employees	20	1,629,799	10	(10)	-	-	-	-	-
Consolidation of non-controlling interest						(16)	(16)	(20)	(36)
Dividends	12	-	-	-	-	(481)	(481)	-	(481)
Balance at 31 December 2020 (restated)[1]		**471,818,000**	**2,434**	**31**	**(1,823)**	**1,318**	**1,960**	**-**	**1,960**
Profit for the year		-	-	-	-	904	904	-	904
Other comprehensive loss, net of income tax		-	-	-	(42)	-	(42)	-	(42)
Total comprehensive income		**-**	**-**	**-**	**(42)**	**904**	**862**	**-**	**862**
Share-based compensation	20	-	-	16	-	-	16	-	16
Shares allotted to employees	20	1,808,239	16	(16)	-	-	-	-	-
Dividends	12	-	-	-	-	(635)	(635)	-	(635)
Balance at 31 December 2021		**473,626,239**	**2,450**	**31**	**(1,865)**	**1,587**	**2,203**	**-**	**2,203**

[1] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result retained earnings and translation reserves column items and total comprehensive income balances as at 1 January 2020 and 31 December 2020 were restated. Refer to Note 1 and Note 22.*

1. GENERAL

Corporate information

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

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

Significant subsidiaries

As of 31 December 2021 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 2021	31 December 2020
Gold of Northern Urals JSC	Voro	Ural	Russia	100	100
Svetloye LLC	Svetloye	Khabarovsk	Russia	100	100
Magadan Silver JSC	Dukat Lunnoe Arylakh	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
Varvarinskoye JSC	Varvara	Kazakhstan	Kazakhstan	100	100
Bakyrchik Mining Venture LLC	Kyzyl	Kazakhstan	Kazakhstan	100	100
Komarovskoye Mining Company LLC	Komar	Kazakhstan	Kazakhstan	100	100
South-Verkhoyansk Mining Company JSC	Nezhda	Yakutia	Russia	100	100
Prognoz Silver LLC	Prognoz	Yakutia	Russia	100	100
GRK Amikan LLC	Veduga	Khabarovsk	Russia	100[1]	100[1]

Going concern

In assessing its going concern status, the Group has taken account of its principal risks and uncertainties, financial position, sources of cash generation, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings, and its capital expenditure commitments and plans.

To assess the resilience of the Group's going concern assessment in light of the additional sanctions imposed on certain Russian institutions and individuals by the global community in February 2022, in addition to the potential for further sanctions and Russian counter-sanctions that could impact the Group further, management performed the following "severe sanctions" downside scenarios that are considered plausible over the next 12 months from the date of approval of the financial statements. As such these do not represent the Group's 'best estimate' forecast, but were considered in the Group's assessment of going concern, reflecting the current evolving circumstances and the most significant and plausible potential risks identified at the date of approving the Press-release.

The Group has already taken precautionary measures to draw down on its facilities in relevant jurisdictions to manage Group liquidity and provide optionality for the future. In addition, it has been assumed that the Kazakhstan operations will continue unaffected and the net cash flows generated will be available for use within the Group. Accordingly, the following downside scenarios were focussed on the Russian-based operations.

[1] *As of 31 December 2021 and 2020, a 40.6% interest in GRK Amikan LLC is held by VTB Bank (VTB). The Group consolidates 100% of GRK Amikan in accordance with IFRS 10 Consolidated financial statements as Polymetal's call option to acquire the 40.6% interest from VTB represents a derivative containing potential voting rights, that currently gives the Group access to the returns associated with the related ownership interest.*

Scenario one: The Group's income and profits are materially reduced due to restrictions on metal sales arising from operations in Russia, including to relevant customers (such as Russian based financial institutions) who are impacted by recent sanctions and therefore the Group may no longer transact with. The Group would seek to mitigate this by reducing production volumes and variable mining costs where possible, reducing and deferring non-essential and non-committed capital expenditure, reducing or cancelling dividend payments and drawing down further from the $0.8 bn of currently available undrawn committed facilities agreed with Russian and non-Russian banks.

Scenario two: Consistent with scenario one above, with the exception of assuming that a lower amount of $0.5 bn, rather than the entire currently agreed and available $0.8 bn of committed borrowing facilities can be drawn down. This reflects the possibility that additional future sanctions could further restrict the Group's available committed borrowing facilities, and the ability of the lenders to service the contracted facility may decline.

Scenario three: Additional future sanctions and macro-economic impacts further restrict the Group's available committed borrowing facilities and reduce those to nil, but the Group continues to sell the majority of its metal production within Russia via alternative sales routes to permitted Russian banks, albeit in this scenario sales are settled in Rouble currency. The Group would also seek to reduce and defer non-essential and non-committed capital expenditure, and reduce or cancel dividends as reasonable mitigations.

The Group currently holds $0.5 bn of cash, which when combined with the forecast net cashflows under each of the severe sanctions downside scenarios above, is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months. This includes $0.7 bn of short-term borrowings due for repayment in the next 12 months. No borrowing covenant requirements are forecast to be breached in each of the downside scenarios above. The Group expects to retain the ability to move funds between the jurisdictions in which the Group operates to settle obligations as they fall due but also has mitigating actions available if moving funds to or from operations in Russia becomes more difficult.

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 severe sanctions downside scenarios above, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the year ended 31 December 2021.

Basis of presentation

The Group's annual condensed consolidated financial statements for the year ended 31 December 2021 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom ('UK') and as issued by the IASB, 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 2021.

Change in accounting policy

The condensed consolidated financial statements have been prepared on the basis of the retrospective application of a voluntary change in accounting policy related to exploration and evaluation costs, which are a category of the balance sheet property, plant and equipment line item, in accordance with IFRS *6 Exploration for and evaluation of mineral resources*.

Previously, the Group capitalised mineral exploration and evaluation costs, including geophysical, topographical, geological and similar types of costs, into exploration assets if management concluded that future economic benefits were likely to be realised based on current internal assessment of exploration results and identified mineral resources. Costs were subsequently written off if there was an IFRS 6 impairment indicator present.

As a result of this change in accounting policy the Group's exploration and evaluation costs are expensed as incurred, via the Other operating expenses, net line item, until such time as the Group determines that reasonable prospects exist for eventual economic extraction of minerals, which is supported by management's decision to prepare the mineral resource estimation for a certain field. Mineral resource estimation prepared in accordance with JORC is subsequently published on our website.

Exploration assets representing mineral rights which were acquired as a result of a business combination or an asset acquisition in accordance with IFRS 3 *Business Combinations,* are recognised as a result of the purchase price allocation where appropriate; and are carried at deemed cost, being fair value as at the date of acquisition or at cost where a transaction is classified as an asset acquisition. No changes were made in this part of the policy.

Management has determined that this change in accounting policy will result in more relevant and more reliable information as the policy introduces more formalised and less subjective criteria for capitalisation, which is overall more consistent with existing industry and peer group practice.

The voluntary change in the accounting policy has also resulted in a change in presentation of the condensed consolidated statement of cash flows with exploration expenditure included in purchases of property, plant and equipment being reclassified from investing to operating activities. For those exploration and evaluation (E&E) and Development assets capitalised under the historical policy as at 1 January 2020 the retrospective adjustment was calculated as if the new policy had been applied from day one whereas it is not practicable to calculate an adjustment in respect of the E&E and Development assets that were transferred to Mining assets prior to 1 January 2020.

The accumulated effect on E&E and Development assets balances for periods prior to those presented is US$27 million with the corresponding decrease in retained earnings of US$ 31 million. For further detail of the restatement effect on the Group financial statements refer to Note 22.

New standards adopted by the Group

There were no new accounting standards that became applicable for annual reporting periods commencing on or after 1 January 2021. There is no material impact on the Group, related to the *Interest Rate Benchmark Reform (*amendments to IFRS 9 *Financial Instruments)* and impact of the initial application of COVID-19-Rent Concessions beyond 30 June 2021 (amendment to IFRS 16 *Leases*), as these amendments are not applicable to the Group.

The Group has elected to early adopt the amendments to IAS 16 *Property, Plant and Equipment* prohibiting 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. 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 authorisation of these condensed consolidated financial statements:

- IFRS 9 *Financial Instruments* Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the ‘10 per cent’ test for derecognition of financial liabilities), effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 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;
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* regarding the costs to include when assessing whether a contract is onerous, effective for annual periods beginning on or after 1 January 2022;
- IFRS 17 *Insurance Contracts*, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 1 and IFRS Practice Statement 2 requiring that an entity discloses its material accounting policies, instead of its significant accounting policies, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 8 replacing the definition of a change in accounting estimates with a definition of accounting estimates, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 12 clarifying that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* regarding the sale or contribution of assets between an investor and its associate or joint venture, the effective date of the amendments has yet to be set. However, earlier application of the amendments is permitted.

The Group has determined these standards and interpretations are unlikely to have a material impact on its condensed consolidated financial statements or are not applicable to the Group.

2. SEGMENT INFORMATION

The Group has identified five reportable segments:

- Magadan (Omolon, Dukat, Mayskoye);
- Ural (Voro);
- Khabarovsk (Amursk POX, Albazino, Svetloye, Veduga, Kutyn);
- Kazakhstan (Varvara, Komar, Kyzyl);
- 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 64.

The accounting policies of the reportable segments are consistent with those of the Group's accounting policies under IFRS. From 1 January 2021, the segmental amounts of segmental cost of sales and adjusted EBITDA are presented net of unrealised profit, as this presentation is more meaningful from a management perspective. During the year ended 31 December 2021 the Group reclassified several development projects from «Corporate and other» to «Magadan», «Ural» and «Khabarovsk» segments as this presentation is more meaningful from a management perspective. The comparative information was restated accordingly.

Revenue shown as «Corporate and other» comprises, principally, intersegment revenue relating to the supply of inventories, spare parts and fixed assets, and rendering management services to the Group's production entities. The Group 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:

2. SEGMENT INFORMATION (CONTINUED)

Period ended 31 December 2021 (US$m)	KAZAKHSTAN	MAGADAN	KHABAROVSK	URAL	YAKUTIA	Total operating segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	983	1,103	641	163	-	2,890	-	-	2,890
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	318	456	238	63	-	1,075	-	-	1,075
Cost of sales	396	550	292	69	-	1,307	-	-	1,307
Depreciation included in Cost of sales	(78)	(74)	(48)	(6)	-	(206)	-	-	(206)
Write-down of metal inventory to net realisable value	-	(20)	(5)	-	-	(25)	-	-	(25)
Write-down of non-metal inventory to net realisable value	-	-	1	-	-	1	-	-	1
Rehabilitation expenses	-	-	(2)	-	-	(2)	-	-	(2)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	23	33	29	7	11	103	128	(29)	202
General, administrative and selling expenses	25	34	30	7	11	107	148	(29)	226
Depreciation included in SGA	(2)	(1)	(1)	-	-	(4)	(4)	-	(8)
Share-based compensation	-	-	-	-	-	-	(16)	-	(16)
Other operating expenses excluding additional tax charges, bad debt and expected credit loss allowance	12	56	35	7	7	117	35	(3)	149
Other operating expenses, net	13	57	33	7	7	117	35	(3)	149
Bad debt and expected credit loss allowance	-	(1)	-	-	-	(1)	-	-	(1)
Additional tax charges/fines/penalties	(1)	-	2	-	-	1	-	-	1
Share of loss of associates and joint ventures	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**630**	**558**	**339**	**86**	**(18)**	**1,595**	**(163)**	**32**	**1,464**
Depreciation expense	80	75	49	6	-	210	4	-	214
Rehabilitation expenses	-	-	2	-	-	2	-	-	2
Write-down of non-metal inventory to net realisable value	-	-	(1)	-	-	(1)	-	-	(1)
Write-down of metal inventory to net realisable value	-	20	5	-	-	25	-	-	25
Share-based compensation	-	-	-	-	-	-	16	-	16
Bad debt and expected credit loss allowance	-	1	-	-	-	1	-	-	1
Additional tax charges/fines/penalties	1	-	(2)	-	-	(1)	-	-	(1)
Operating profit	**549**	**462**	**286**	**80**	**(18)**	**1,359**	**(183)**	**32**	**1,208**
Foreign exchange gain/(loss), net									5
Gain on disposal of subsidiaries, net									3
Change in fair value of contingent consideration liability									4
Finance expenses, net									(59)
Profit before tax									**1,161**
Income tax expense									**(257)**
Profit for the financial period									**904**
Current metal inventories	108	228	117	50	50	553	-	-	553
Current non-metal inventories	35	92	50	8	17	202	26	-	228
Non-current segment assets:						-			
Property, plant and equipment, net	728	376	1,045	126	938	3,213	101	-	3,314
Goodwill	-	14	-	-	-	14	-	-	14
Non-current inventory	30	25	38	2	1	96	-	-	96
Investments in associates	-	-	-	-	-	-	28	-	28
Total segment assets	**901**	**735**	**1,250**	**186**	**1,006**	**4,078**	**155**	**-**	**4,233**
Additions to non-current assets:									
Property, plant and equipment	93	117	437	67	152	866	5	-	871
Acquistion of subsidiaries	-	-	-	-	-	-	16	-	16

2. SEGMENT INFORMATION (CONTINUED)

Period ended 31 December 2020 (restated)[1] (US$m)	KAZAKHSTAN	MAGADAN	KHABAROVSK	URAL	YAKUTIA	Total operating segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	940	1,096	681	148	-	2,865	-	-	2,865
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	265	399	218	34	-	916	-	-	916
Cost of sales	338	482	271	38	-	1,129	-	-	1,129
Depreciation included in Cost of sales	(73)	(72)	(49)	(6)	-	(200)	-	-	(200)
Write-down of metal inventory to net realisable value	-	(8)	-	2	-	(6)	-	-	(6)
Write-down of non-metal inventory to net realisable value	-	(4)	(4)	-	-	(8)	-	-	(8)
Rehabilitation expenses	-	1	-	-	-	1	-	-	1
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	18	31	17	6	8	80	110	(28)	162
General, administrative and selling expenses	20	31	18	6	8	83	129	(28)	184
Depreciation included in SGA	(2)	-	(1)	-	-	(3)	(4)	-	(7)
Share-based compensation	-	-	-	-	-	-	(15)	-	(15)
Other operating expenses excluding additional tax charges, bad debt and expected credit loss allowance	22	43	23	9	17	114	12	(2)	124
Other operating expenses	22	43	23	9	17	114	12	(2)	124
Bad debt and expected credit loss allowance	-	-	(2)	-	-	(2)	-	-	(2)
Additional tax charges/fines/penalties	-	-	2	-	-	2	-	-	2
Share of loss of associates and joint ventures	-	-	-	-	-	-	2	-	2
Adjusted EBITDA	**635**	**623**	**423**	**99**	**(25)**	**1,755**	**(124)**	**30**	**1,661**
Depreciation expense	75	72	50	6	-	203	4	-	207
Rehabilitation expenses	-	(1)	-	-	-	(1)	-	-	(1)
Write-down of non-metal inventory to net realisable value	-	4	4	-	-	8	-	-	8
Write-down of metal inventory to net realisable value	-	8	-	(2)	-	6	-	-	6
Reversal of previously recognised impairment	(5)	(3)	-	-	-	(8)	-	-	(8)
Share-based compensation	-	-	-	-	-	-	15	-	15
Bad debt and expected credit loss allowance	-	-	2	-	-	2	-	-	2
Additional tax charges/fines/penalties	-	-	(2)	-	-	(2)	-	-	(2)
Operating profit	**565**	**543**	**369**	**95**	**(25)**	**1,547**	**(143)**	**30**	**1,434**
Foreign exchange gain/(loss), net									23
Gain on disposal of subsidiaries, net									13
Change in fair value of contingent consideration liability									(23)
Finance expenses, net									(67)
Profit before tax									**1,380**
Income tax expense									**(314)**
Profit for the financial period									**1,066**
Current metal inventories	109	221	100	30	12	472	-	-	472
Current non-metal inventories	30	89	39	6	6	170	20	-	190
Non-current segment assets:									
Property, plant and equipment, net	737	344	689	67	812	2,649	89	-	2,738
Goodwill	-	14	-	-	-	14	-	-	14
Non-current inventory	31	26	36	2	-	95	-	-	95
Investments in associates	-	-	-	-	-	-	24	-	24
Total segment assets	**907**	**694**	**864**	**105**	**830**	**3,400**	**133**	**-**	**3,533**
Additions to non-current assets:									
Property, plant and equipment	83	92	244	35	141	595	12	-	607
Acquistion of subsidiaries	-	-	-	-	-	-	7	-	7

[1] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result other operating expenses, net, profit before income tax, income tax expense and profit for the year line items were restated. Refer to Note 1 and Note 22.*

3. REVENUE

	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**

	Year ended 31 December 2020			
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price ($ per oz/t payable) (unaudited)	US$m
Gold (thousand ounces)	1,428	1,392	1,773	2,467
Silver (thousand ounces)	19,668	19,327	20.1	389
Copper (tonnes)	1,529	1,435	6,273	9
Total				**2,865**

Geographical analysis of revenue by destination is presented below:

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
Sales within the Russian Federation	1,271	1,215
Sales to Kazakhstan	1,008	942
Sales to East Asia	490	539
Sales to Europe	121	169
Total	**2,890**	**2,865**

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 exceeded 10% of the total revenue. In 2021 revenues from such customers amounted to US$ 833 million, US$ 638 million, US$ 369 million and US$ 279 million respectively (2020: US$ 1,120 million, US$ 605 million, US$ 337 million and US$ 264 million, respectively).

Presented below is an analysis per revenue streams:

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
Bullions	1,341	1,358
Concentrate	897	902
Dore	652	605
Total	**2,890**	**2,865**

The Group enters into prepaid bullion sales arrangements, which are settled solely through bullion shipments and are priced based on the spot London Bullion Market Association (LBMA) price, prevailing at the date of the respective shipment. The arrangements fall under IFRS 15 *Revenue from Contracts with Customers* and respective advances received represent contract liabilities, which are presented on the face of the balance sheet within Advances received (31 December 2021: US$ 113 million; 31 December 2020: nil). As of 31 December 2021 contract obligations related to the concentrate sales amount to US$ 21 million and were also accounted for as Advances received (31 December 2020: US$ 7 million).

4. COST OF SALES

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
Cash operating costs		
On-mine costs (Note 5)	516	437
Smelting costs (Note 6)	383	350
Purchase of ore and concentrates from third parties	130	106
Mining tax	152	142
Total cash operating costs	**1,181**	**1,035**
Depreciation and depletion of operating assets (Note 7)	229	206
Rehabilitation expenses	2	(1)
Total costs of production	**1,412**	**1,240**
Increase in metal inventories	(132)	(127)
Write-down of inventories to net realisable value (Note 14)	24	14
Idle capacities and abnormal production costs	3	2
Total	**1,307**	**1,129**

5. ON-MINE COSTS

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
Services	254	205
Labour	130	117
Consumables and spare parts	126	112
Other expenses	6	3
Total (Note 4)	**516**	**437**

6. SMELTING COSTS

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
Consumables and spare parts	164	149
Services	145	136
Labour	72	64
Other expenses	2	1
Total (Note 4)	**383**	**350**

7. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
On-mine	161	143
Smelting	68	63
Total in cost of production (Note 4)	**229**	**206**
Less: absorbed into metal inventories	(23)	(6)
Depreciation included in cost of sales	**206**	**200**

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 2), also excludes amounts absorbed into unsold metal inventory balances.

8. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
Labour	171	139
Share-based compensation (Note 20)	16	15
Depreciation	8	7
Services	10	5
Other	21	18
Total	**226**	**184**
including		
Mine site expenses	107	83
Corporate head office expenses	119	101
Total	**226**	**184**

9. OTHER OPERATING EXPENSES, NET

	Year ended	
	31 December 2021	31 December 2020 (restated)[1]
	US$m	US$m
Exploration expenses	72	51
Social payments	28	28
Provision for investment in Special Economic Zone	20	18
Taxes, other than income tax	11	15
Additional tax charges/fines/penalties	(1)	(2)
Change in estimate of environmental obligations	2	(3)
Other expenses	17	17
Total	**149**	**124**

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$ 20 million in 2021 (2020: US$ 18 million).

In 2021 other expenses include US$ 8 million to COVID-19-related expenses, including providing isolation facilities for employees and contractors arriving for shifts, purchasing test kits and other expenses (2020: US$ 7 million).

Operating cash flow spent on exploration activities amounts to US$ 71 million (2020: US$ 52 million).

10. FINANCE EXPENSES, NET

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
Interest expense on borrowings	51	59
Unwinding of discount on lease liabilities (Note 23)	3	3
Unwinding of discount on environmental obligations	4	3
Unwinding of discount on contingent consideration liability (Note 23)	8	5
Finance income	(7)	(3)
Total	**59**	**67**

During the year ended 31 December 2021 interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$ 13 million (2020: US$ 10 million). These amounts were calculated based on the

[1] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result the exploration expenses line and corresponding other operating expenses, net items were restated. Refer to Note 1 and Note 22.*

Group's general borrowing pool and by applying an effective interest rate of 2.91% (2020: 3.39%) to cumulative expenditure on such assets.

11. INCOME TAX

The amount of income tax expense for the years ended 31 December 2021 and 31 December 2020 recognised in profit and loss was as follows:

	Year ended	
	31 December 2021	31 December 2020 (restated)[1]
	US$m	US$m
Current income tax	261	271
Deferred income tax	(4)	43
Total	**257**	**314**

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

	Year ended	
	31 December 2021	31 December 2020 (restated) [1]
	US$m	US$m
Profit before income tax	**1,161**	**1,380**
Theoretical income tax expense at the tax rate of 20%	232	277
Effect of Special Economic Zone and Regional Investment project decreased tax rates	(33)	(42)
Tax effect of WHT on intercompany dividends	33	39
Effect of different tax rates of subsidiaries operating in other jurisdictions	5	9
Change in fair value of contingent consideration liability	-	5
Losses not recognised and written-off	3	5
Non-deductible interest expense	10	7
Non-taxable consolidation adjustments on disposal of subsidiaries	1	3
Other non-taxable income and non-deductible expenses	10	12
Adjustments in respect of prior periods	(4)	(1)
Total income tax expense	**257**	**314**

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

In 2021 Svetloye LLC was subject to tax relief as a Regional Investment Project and was entitled to the statutory income tax rate of 0%, while from 2022 a tax rate of 20% will be applied. Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17% for the operations held in the Special Economic Zone of the Russian Far East, the rate of 17% was used in calculation of income tax provision and deferred tax positions for those entities. Amursk Hydrometallurgical Plant LLC is entitled to an income tax rate of 0% up to 2023, a tax rate of 13% in 2024 and a tax rate of 12% during 2025-2028. South-Verkhoyansk Mining Company JSC received tax relief as a Regional Investment Project and is entitled to the statutory income tax rate of 10% from 2022 to 2026 and 13.5% from 2027 to 2028.

Tax exposures recognised in income tax

In 2021 and 2020 no individual significant exposures were identified as probable and therefore provided for. Management has identified a total exposure in respect of contingent liabilities (Note 17) (covering taxes and related interest and penalties) of approximately US$ 157 million being uncertain tax positions (31 December 2020: 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

[1] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result the deferred income tax line and corresponding total income tax expense resulting line were restated. Refer to Note 1 and Note 22.*

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 2021	31 December 2020
	US$m	US$m
Net foreign exchange gains/(losses) on net investment in foreign operation		
Current tax expense	2	4
Deferred tax expense	-	-
Total income tax recognised in other comprehensive income	**2**	**4**

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	Trade and other payables	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 2020 (restated)[1]	**(237)**	**(38)**	**17**	**9**	**133**	**-**	**(3)**	**(119)**
Charge to income statement	15	(10)	4	-	(33)	(15)	(4)	**(43)**
Exchange differences	33	6	(3)	(1)	(19)	-	-	**16**
At 31 December 2020 (restated)[1]	**(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)**

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 2021	31 December 2020 (restated)[2]
	US$m	US$m
Deferred tax liabilities	(206)	(202)
Deferred tax assets	67	56
	(139)	**(146)**

[1] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result as at 1 January 2020 line, charge to income statement for 2020 line and corresponding resulting line as at 31 December 2020 were restated. Refer to Note 1 and Note 22.*
[2] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result deferred tax liabilities line and corresponding resulting line were restated. Refer to Note 1 and Note 22.*

The Group believes that recoverability of the recognised deferred tax asset (DTA) of US$ 100 million at 31 December 2021 (2020: US$ 81 million), which is related to the tax losses carried forward, is more likely than not based upon expectations of future taxable income in the Russian Federation and Kazakhstan.

From 1 January 2019 in accordance with Russian Federation tax law regarding loss carryforwards, loss carryforwards are limited to 50% of taxable profit in tax years 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.

Losses incurred in certain taxable entities in recent years have created a history of losses as of 31 December 2021. The Group has concluded that there is sufficient evidence to overcome the recent history of losses based on forecasts of sufficient taxable income in the carry-forward period.

Tax losses carried forward represent amounts available for offset against future taxable income generated predominantlyPrognoz LLC, 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.

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$ 84 million (2020: US$ 58 million) of losses as it is not considered probable that there will be future taxable profits against which the losses can be utilised.

In 2021 the Group paid withholding income tax of US$ 25 million (2020: US$ 24 million) related to intercompany dividends, which were remitted during the year. As of 31 December 2021 the Group has recognised a deferred tax liability of US$ 22 million (31 December 2020: US$ 15 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 have been recognised where the Group has determined 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$ 3.2 billion (2020: US$ 2.9 billion).

12. DIVIDENDS

Dividends recognised during the years ended 31 December 2021 and 31 December 2020 are detailed in the below:

	Dividends				
	cents per share	US$m	deducted from the equity during the period	proposed in relation to the period	Paid in
Special dividend 2019	20	94	2020	2019	March 2020
Final dividend 2019	42	198	2020	2019	May 2020
Interim dividend 2020	40	189	2020	2020	September 2020
Final dividend for 2020	89	421	2021	2020	May 2021
Interim dividend 2021	45	214	2021	2021	September 2021
Final dividend for 2021	52	246	n/a	2021	n/a

	Total dividends		
	Deducted from the equity	Proposed for the period	Paid in
	US$m	US$m	US$m
Year ended 31 December 2020	481	610	481
Year ended 31 December 2021	635	456	635

13. PROPERTY, PLANT AND EQUIPMENT

	Development assets	Exploration 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 2020 (restated)[1]	**582**	**368**	**2,653**	**64**	**274**	**3,941**
Additions	67	15	149	11	365	607
Transfers	(147)	(255)	447	3	(48)	-
Change in environmental obligations	-	-	(5)	-	3	(2)
Acquisitions	-	7	-	-	-	7
Eliminated on disposal of subsidiaries	(12)	(2)	-	(2)	-	(16)
Disposals and write-offs including fully depreciated items	-	-	(72)	(1)	(1)	(74)
Translation to presentation currency	(72)	(71)	(371)	(10)	(50)	(574)
Balance at 31 December 2020 (restated)[1]	**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 items	-	-	(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**

	Development assets	Exploration 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 2020 (restated)	**-**	**-**	**(1,125)**	**(33)**	**-**	**(1,158)**
Charge for the period	-	-	(232)	(7)	-	(239)
Impairment reversal	-	-	8	-	-	8
Disposals and write-offs including fully depreciated items	-	-	64	1	-	65
Translation to presentation currency	-	-	167	6	-	173
Balance at 31 December 2020 (restated)	**-**	**-**	**(1,118)**	**(33)**	**-**	**(1,151)**
Charge for the period	-	-	(260)	(7)	-	(267)
Disposals and write-offs including fully depreciated items	-	-	59	-	-	59
Translation to presentation currency	-	-	15	-	-	15
Balance at 31 December 2021	**-**	**-**	**(1,304)**	**(40)**	**-**	**(1,344)**
Net book value						
1 January 2020 (restated)	**582**	**368**	**1,528**	**31**	**274**	**2,783**
31 December 2020 (restated)	**418**	**62**	**1,683**	**32**	**543**	**2,738**
31 December 2021	**384**	**74**	**2,039**	**34**	**783**	**3,314**

Mining assets, exploration and development assets at 31 December 2021 included mineral rights with a net book value which amounted to US$ 1,016 million (31 December 2020: US$ 1,045 million) and capitalised stripping costs with a net book value of US$ 249 million (31 December 2020: US$ 141 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries. As of 31 December 2021 capital construction in progress includes prepayments made for equipment and construction works amounting to US$ 162 million (2020: US$ 154 million).

Included withing the US$ 65 million of assets disposed of and written off were fully depleted items of US$ 19 million (year ended 31 December 2020: US$ 30 million).

No property, plant and equipment was pledged as collateral at 31 December 2021 or at 31 December 2020.

[1] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result the balance as at 1 January 2020, additions for 2020 and the corresponding resulting line items for the balance as at 31 December 2020 were restated. Refer to Note 1 and Note 22.*

Ruskit acquisition

In October 2021, the Group acquired a 100% stake in GPH Ruskit LLC (Ruskit) for a cash consideration of US$ 2 million and deferred consideration valued as of the acquisition date at US$ 10 million. Ruskit owns a license for the Kegali deposit located in the Magadan region. The consideration paid is attributable to the acquired mineral rights of US$ 12 million, classified within property, plant and equipment as an exploration asset.

Other acquisitions of exploration assets during the year ended 31 December 2021 of US$ 4 million in total, relate to consolidation of certain former joint ventures; and the acquisition of an exploration interest in Kazakhstan for cash consideration of US$ 2 million.

Levoberezhnoye disposal

In June 2021, the Group sold its 100% interest in a minor subsidiary, Levoberezhnoye, to the third party for US$ 2 million in cash and a contingent consideration estimated at US$ 7 million as of the date of the agreement. Levoberezhnoye's net assets included an exploration asset of US$ 6 million, and accordingly the Group recognised a pre-tax gain on disposal of US$ 3 million.

14. INVENTORIES

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
Inventories expected to be recovered after twelve months		
Ore stock piles	70	69
Consumables and spare parts	26	26
Total non-current inventories	**96**	**95**
Inventories expected to be recovered in the next twelve months		
Copper, gold and silver concentrate	182	138
Ore stock piles	221	194
Work in-process	115	115
Doré	26	15
Metal for refining	9	10
Total current metal inventories	**553**	**472**
Consumables and spare parts	228	190
Total current inventories	**781**	**662**

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 2021	31 December 2020
	US$m	US$m
Ore stock piles	(28)	(2)
Ore in heap leach piles	3	(4)
Total	**(25)**	**(6)**

Polymetal currently uses flat real long-term gold and silver prices of US$ 1,500 per ounce (2020: US$ 1,500) and US$ 20 per ounce (2020: US$ 20), respectively. For short-term metal inventories, applicable quoted forward prices as of 31 December 2021 were used: gold and silver prices of US$ 1,836 per ounce (2020: US$ 1,906) and US$ 23.5 per ounce (2020: US$ 26.6), respectively.

During the year ended 31 December 2021 the Group recognised a reversal of previous write-down of consumables and spare parts inventory of US$ 1 million (year ended 31 December 2020: write-down of US$ 8 million).

The amount of inventories held at net realisable value at 31 December 2021 is US$ 49 million (31 December 2020: US$ 52 million).

15. BORROWINGS

	Type of rate	Actual interest rate at 31 Dec 2021	Actual interest rate at 31 Dec 2020	31 December 2021 Current	31 December 2021 Non-current	31 December 2021 Total	31 December 2020 Current	31 December 2020 Non-current	31 December 2020 Total
Secured loans from third parties				US$m	US$m	US$m	US$m	US$m	US$m
US Dollar denominated	floating	n/a	1.95%	-	-	-	-	200	200
US Dollar denominated	fixed	3.04%	4.06%	100	191	291	144	92	236
Total				**100**	**191**	**291**	**144**	**292**	**436**
Unsecured loans from third parties									
US Dollar denominated	floating	1.35%	1.86%	298	378	676	80	207	287
US Dollar denominated	fixed	3.52%	3.91%	2	948	950	101	850	951
Euro denominated	floating	0.45%	n/a	-	24	24	-	-	-
Euro denominated	fixed	0.60%	2.85%	2	-	2	9	-	9
RUB denominated	fixed	6.67%	5.00%	44	77	121	-	54	54
Total				**346**	**1,427**	**1,773**	**190**	**1,111**	**1,301**
				446	**1,618**	**2,064**	**334**	**1,403**	**1,737**

Bank loans

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

Factoring arrangements

In 2021 the Group entered into factoring arrangements with several banks, in accordance with the agreements the bank pays the Group's suppliers based on the register of approved invoices provided by the Group to the banks, which includes certain advances to suppliers and payments for the outstanding accounts payable. As of 31 December 2021 the outstanding balance of the factoring liability amounts to US$ 48 million, which have a maturity of 90 days, mainly denominated in Russian Roubles.

The Group determined that the arrangements meet the definition of the borrowings and are presented as loans in the table above. As no cash inflow and cash outflow occur for the Group when an invoice is paid by the banks, the Group does not present those cash flows in its statement of cash flows and presents them as a non-cash transaction (Note 23). Financing cash outflows are recorded by the Group when the Group pays the bank directly.

Movements in borrowings are presented in Note 23.

At 31 December 2021, the Group had undrawn borrowing facilities of US$ 2,254 million (31 December 2020: US$ 2,281 million), of which US$ 1,354 million are considered committed[1] (31 December 2020: US$ 1,392). The Group complied with its debt covenants throughout 2021 and 2020.

The table below summarises maturities of borrowings:

	Year ended 31 December 2021	Year ended 31 December 2020
	US$m	US$m
Year ended, 31 December 2021	-	334
31 December 2022	446	195
31 December 2023	177	255
31 December 2024	372	334
31 December 2025	220	50
31 December 2026	390	164
31 December 2027	170	133
31 December 2028	139	133
31 December 2029	139	133
31 December 2030	8	6
31 December 2031	3	-
31 December 2032	2	-
Total	**2,064**	**1,737**

[1] *As at 1 March 2022, US$ 0.8 billion of committed facilities are available to be drawn down because US$ 0.5 billion was from banks who are now on the SDN list*

16. PAYABLES AND ACCRUED LIABILITIES

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
Non-current liabilities		
Long-term royalties payable	16	-
Other non-current liabilities	2	3
Total	**18**	**3**
Current liabilities		
Trade payables	121	90
Accrued liabilities	50	45
Short-term royalties payable	5	-
Current portion of environmental obligations	4	-
Labour liabilities	17	14
Provision for investment in Special Economic Zone (Note 9)	19	18
Other payables	7	13
Total	**223**	**180**

During year ended 31 December 2021 the Group entered into royalty arrangement with Maverix Metal Inc (Maverix) selling two perpetual payments (royalties) for total consideration of US$ 20 million. The Group's financial liability that originated represents a royalty payable, which results in future payments that may significantly vary over time depending on future production and sales. Such royalty represents a financial liability contract with an embedded derivative and is designated by the Group as at FVTPL on initial recognition and subsequently.

Movements in royalty payable are presented in Note 23.

In 2021 the average credit period for payables was 30 days (2020: 30 days). There was no interest charged on the outstanding trade and other payables balance during the credit period. The Group has financial risk management policies in place, which include budgeting and analysis of cash flows and payment schedules to ensure that all amounts payable are settled within the credit period.

17. COMMITMENTS AND CONTINGENCIES

Commitments

Capital commitments

The Group's contractual expenditure commitments as of 31 December 2021 amounted to US$ 270 million (2020: US$ 250 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. The power line will be built, owned and operated by UVES, an independent grid management company with completion and the commencement date of the lease scheduled for the second quarter of 2022.

The total expected amount of the Group's lease commitments is estimated at US$ 151 million (undiscounted), including variable lease payments, representing reimbursement of maintenance costs of US$ 34 million, which will be expensed as incurred.

Albazino power line

In December 2021, the Group entered into a preliminary lease agreement to lease on pre-agreed terms the single-circuit 110 kV grid power line that is planned to run, once constructed, from Gorin, 590 km north from Khabarovsk, to the Albazino production site. The power line will be built, owned and operated by AEK LLC, an independent grid management company with completion and the commencement date of the lease scheduled for the 2024 year.

The construction will be funded by the Sberbank 8-year senior loan and Sberbank Investment's 8-year subordinated loan facility. Polymetal will provide guarantees to Sberbank in connection to the senior loan and lease payments to AEK.

The Group has determined that there are no indicators of control over the project entity, as it neither has the power to direct activities that significantly affect the entity's return, nor does it have the exposure or rights to the variable returns of the project entity, as the Group does not bear risk of capital expenditure overruns.

The preliminary lease agreement is subject to IFRS 16 *Leases* accounting requirements, as the overhead power line is an identified asset with no substantive substitution rights, while how and for what purposes it will be used is predetermined by the nature of the asset and due to its location. The Group is likely to have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use. The right-of-use assets and corresponding lease liability are to be recognised at the commencement date.

The Group has determined that the guarantee in substance represents a mechanisms of conditional acceleration of Polymetal's lease payments in cases of default and should be accounted for as a single contract with the lease agreement under IFRS 16, therefore not requiring separate valuation and accounting.

The total expected amount of lease commitments is estimated at US$ 235 million (undiscounted), including variable lease payments, representing reimbursement of maintenance costs of US$ 55 million, which will be expensed as incurred.

Social and infrastructure commitments

In accordance with a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government) the Group participates in financing of certain social and infrastructure development project of the region. During the year ended 31 December 2021 the Group paid US$ 5 million (2020: US$ 5 million) under this programme and the total social expense commitment as of 31 December 2021 amounts to US$ 7 million (2020: US$ 12 million), payable in equal installments up to 2023.

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

Management has identified a total exposure (covering taxes and related interest and penalties) of US$ 158 million in respect of contingent liabilities (2020: US$ 157 million), mainly related to income tax as described in Note 11.

18. FINANCIAL INSTRUMENTS

Major categories of financial instruments

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
Financial assets		
Financial assets at FVTPL		
Receivables from provisional copper, gold and silver concentrate sales	44	46
Contingent consideration receivable	36	28
Shares held at FVTPL	5	2
Financial assets at amortised cost, including cash and cash equivalents		
Cash and cash equivalents (Note 23)	417	386
Other receivables	35	24
Non-current loans and receivables	12	4
Total financial assets	**549**	**490**
Financial liabilities		
Financial liabilities at FVTPL		
Contingent consideration liability (Note 23)	63	87
Royalty payable (Note 16, 23)	21	-

Financial liabilities at amortised cost		
Borrowings (Note 15)	2,064	1,737
Deferred consideration (Note 23)	79	74
Trade and other payables (Note 16)	147	121
Total financial liabilities	**2,374**	**2,019**

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.

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

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

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

As of 31 December 2021, accounts receivable with embedded derivatives recognised at fair value amounted to US$ 44 million (31 December 2020: US$ 46 million) and represented receivables from provisional metal concentrate sales. In 2021 gain recognised on revaluation of these instruments approximates to nil (2020: US$ 1 million) 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 2021 and 31 December 2020, the Group held the following financial instruments:

	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 16)			(21)	**(21)**
Contingent consideration liability (Note 23)	-	-	(63)	**(63)**
	5	**44**	**(55)**	**(6)**

	31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$m	**US$m**	**US$m**	**US$m**
Receivables from provisional copper, gold and silver concentrate sales	-	46	-	**46**
Contingent consideration receivable	-	-	25	**25**
Shares held at FVTPL	2	-	-	**2**
Contingent consideration liability (Note 23)	-	-	(87)	**(87)**
	2	**46**	**(62)**	**(14)**

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 2021	31 December 2020
	US$m	US$m
Gain on revaluation of contingent consideration receivable	1	19
Gain/(loss) on revaluation of contingent consideration payable	4	(42)
Loss on revaluation of royalty payable	(1)	-
	4	**(23)**

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 2021, is US$ 1,849 million (2020: US$ 1,546 million), and the carrying value as of 31 December 2021 is US$ 2,064 million (2020: US$ 1,737 million) (see Note 15).

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.

A summary of changes in the fair value of the Group's Level 3 financial assets and liabilities for the year ended 31 December 2020 are detailed in Note 18 respectively.

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.
- Discount rates – The Group used a post-tax real discount rate of 8.0% (2020: 9.0%). For the Monte-Carlo modelling, where inflation is incorporated into volatility estimation, a nominal discount rate of 10.7% (2020: 11.7%) is applied.
- Where the percentage of net NSR or royalty receivable or payable depends on commodity prices or foreign exchange rates reaching certain levels, the Group applies the Monte-Carlo modelling to incorporate the volatility measure into the valuation, which is applied to the prevailing market prices/rates as of the valuation date. The Monte-Carlo modelling is applied to Komar and Prognoz (NSR) contingent considerations payable and all contingent considerations receivable.

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

	Price as of valuation date per ounce/tonne, $US	Average gold price/ounce for preceding quarter as of valuation date, $US	Volatility, %%	Constant correlation to gold, %%
Gold	1,820	1,795	13.29%-16.32%	n/a
Silver	23.085	23	26.4%-32.5%	83.74%
Copper	9,692	n/a	20.91%	53.22%
Zinc	3,630	n/a	22.73%	23.33%
RUB rate	74.2926	n/a	12.14%-13.41%	65.15%-65.79%

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

19. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

As of 31 December 2021, the Company's issued share capital consisted of 473,626,239 ordinary shares (2020: 471,818,000 ordinary shares) of no par value, each carrying one vote. The Company does not hold any shares in treasury (2020: none). The ordinary shares reflect 100% of the total issued share capital of the Company.

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

	Stated capital account no. of shares	Stated capital account US$m
Balance at 31 December 2019	**470,188,201**	**2,424**
Issue of shares in accordance with DSA and LTIP plans	1,629,799	10
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**

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law. The Group has unremitted accumulated retained earnings based on local accounting standards of approximately US$ 3.7 billion (2020: US$ 3.2 billion), which if remitted without restrictions would fund the Group's anticipated dividends for a number of years, after allowing for related tax payments. The directors believe that the Company therefore has access to cash to fund the Group's anticipated dividends for a number of years.

Weighted average number of shares: Diluted earnings per share

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

	Year ended	
	31 December 2021	31 December 2020
Weighted average number of outstanding common shares	473,048,821	471,278,987
Dilutive effect of share appreciation plan	6,809,043	6,708,642
Weighted average number of outstanding common shares after dilution	**479,857,864**	**477,987,629**

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share during the year ended 31 December 2021 (year ended 31 December 2020: nil).

At 31 December 2021 the outstanding LTIP awards issued under 2019-2021 tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are in the money as of reporting date (31 December 2020: the outstanding LTIP awards issued under all outstanding tranches represent dilutive potential ordinary shares).

The awards issued under management bonus deferral award plan are dilutive as of 31 December 2021 and 31 December 2020 being contingently issued shares and are included in the calculation of diluted EPS based on the weighted average number of shares that would be issuable if the end of the reporting period were the end of the contingency period.

20. SHARE-BASED PAYMENTS

For the year ended 31 December 2021, share-based compensation in the amount of US$ 16 million including US$ 2 million of management bonus deferral award (2020: US$ 15 million and US$ 2 million, respectively) was recognised in general, administrative and selling expenses in the condensed consolidated income statement (Note 8). As of 31 December 2021 total accumulated share-based compensation reserve amounts to US$ 31 million (2020: US$ 31 million) with movements presented in statement of changes in equity.

As of the reporting date the unrecognised share-based compensation expense related to non-vested equity-settled stock appreciated rights is detailed as follows:

	31 December 2021			31 December 2020	
	Number of option granted	Expected amortisation period	Unrecognised share-based compensation expense	Expected amortisation period	Unrecognised share-based compensation expense
	shares	years	US$m	years	US$m
Tranche 2017	2,070,002	-	-	0.3	1
Tranche 2018	2,549,754	0.3	1	1.3	3
Tranche 2019	2,831,753	1.3	4	2.3	7
Tranche 2020	2,497,292	2.3	14	3.3	20
Tranche 2021	1,732,722	3.3	12	-	-
			31		**31**

During the year ended 31 December 2021 total amount of 1,808,239 shares were released and issued in accordance with management bonus plan deferral award and the long-term incentive plan (2020: 1,629,799 shares in accordance with management bonus plan deferral award and the long-term incentive plan). The assumptions used in the calculation and fair value of one award, calculated based on those assumptions, are set in the table below:

	Tranche 2017	Tranche 2018	Tranche 2019	Tranche 2020	Tranche 2021
Risk free rate	1.60%	2.49%	2.32%	0.35%	0.61%
Expected volatility	41.65%	34.03%	33.87%	35.59%	35.36%
Constant correlation	34.49%	33.70%	39.54%	44.31%	40.78%
Expected life, years	4	4	4	4	4
Share price at the date of grant (USD)	13.3	10.2	11.0	20.6	19.8
Fair value of one award (USD)	6.9	4.0	4.3	9.4	7.1

Dividend yield is not incorporated into the calculation of the fair value of the awards, as Dividend equivalents will be received on vested shares, reflecting the value of dividends, which have been paid during the period from the grant date to the vesting date.

21. 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 2021 transactions with the related parties are represented by miscellaneous purchases of US$ 1.4 million (period ended 31 December 2020: US$ 0.1 million) and various sales to the related parties of US$ 0.7 million (period ended 31 December 2020: US$ 0.5 million).

Outstanding balances with related parties as of 31 December 2021 are represented by accounts receivable of US$ 0.3 million (31 December 2020: US$ 1.0 million).

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

	Year ended	
	31 December 2021	31 December 2020
	US$m	US$m
Share-based payments	2	2
Short-term benefits of board members	2	2
Short-term employee benefits	3	3
Total	**7**	**7**

22. RESTATEMENT

The following tables summarise the restatements made to the comparative condensed consolidated income statement, condensed consolidated statement of other comprehensive income, the condensed consolidated balance and condensed consolidated statement of cash flows as a result of a voluntary change in accounting policy for exploration and evaluation assets (Note 1). There was no effect on the basic and diluted earnings per share for the comparative period.

Adjustments to the condensed consolidated balance sheet

	1 January 2020	Adjustment for change in accounting policy	1 January 2020 (restated)
	US$m	US$m	US$m
Property, plant and equipment	2,810	(27)	2,783
Deferred tax liability	(196)	4	(192)
Equity shareholders of the Parent	**1,951**	**(23)**	**1,928**
Translation reserve	(1,302)	8	(1,294)
Decrease in retained earnings		**(31)**	

	31 December 2020	Adjustment for change in accounting policy	31 December 2020 (restated)
	US$m	US$m	US$m
Property, plant and equipment	2,787	(49)	2,738
Deferred tax liability	(209)	7	(202)
Equity shareholders of the Parent	**2,002**	**(42)**	**1,960**
Translation reserve	(1,832)	9	(1,823)
Decrease in retained earnings		**(51)**	

Adjustments to the condensed consolidated income statement

	Year ended		
	31 December 2020	Adjustment for change in accounting policy	31 December 2020 (restated)
	US$m	US$m	US$m
Other operating expenses, net	(99)	(25)	(124)
Income tax expense	(319)	5	(314)
Decrease profit for the financial period		**(20)**	

Adjustments to the condensed consolidated statements of comprehensive income

	Year ended		
	31 December 2020	Adjustment for change in accounting policy	31 December 2020 (restated)
	US$m	US$m	US$m
Profit for the period	1,086	(20)	1,066
Translation reserve	(533)	(1)	(532)
Total comprehensive income/(loss) for the period	**553**	**(21)**	**534**

Adjustments to the condensed consolidated statements of cash flows

	Year ended		
	31 December 2020	Adjustment for change in accounting policy	31 December 2020 (restated)
	US$m	US$m	US$m
Profit before income tax	1,405	(25)	1,380
Net cash generated by operating activities	**1,192**	**(25)**	**1,167**

23. SUPPLEMENTARY CASH FLOW INFORMATION

	Note	Year ended 31 December 2021 US$m	Year ended 31 December 2020 (restated)[1] US$m
Profit before tax		1,161	1,380
Adjustments for:			
Depreciation and depletion recognised in the statement of comprehensive income		214	207
Write-down of inventories to net realisable value	14	24	14
Share-based compensation	8, 19	16	15
Finance expenses, net	10	59	67
Change in fair value of financial instruments	18	(4)	23
Foreign exchange gain		(5)	(23)
Reversal of previously recognised impairment		-	(8)
Gain on disposal of subsidiaries, net	13	(3)	(13)
Other non-cash expenses		10	7
		1,472	**1,669**
Movements in working capital			
Increase in inventories		(123)	(127)
Decrease/(Increase) in VAT receivable		3	(26)
Increase in trade and other receivables		(3)	(26)
Increase in prepayments to suppliers		(22)	(43)
Increase in trade and other payables		1	34
Increase in prepayments received		127	-
Increase in other taxes payable		20	28
Cash generated from operations		**1,475**	**1,509**
Interest paid		(60)	(71)
Interest received		6	4
Income tax paid		(226)	(275)
Net cash generated by operating activities		**1,195**	**1,167**

In 2021 significant non-cash transactions include factoring arrangements as described in Note 15 (2020: nil) and share-based compensation of US$ 16 million (Note 20) (2020: share-based compensation of US$ 15 million).

Cash outflows related to exploration amounted to US$ 12 million for the year ended 31 December 2021 (2020: US$ 9 million). During the year ended 31 December 2021, the capital expenditure related to the new projects, increasing the Group's operating capacity amounts to US$ 556 million (2020: US$ 252 million).

Cash and cash equivalents

		31 December 2021 US$m	31 December 2020 US$m
Bank deposits	-USD	224	180
	- other currencies	58	8
Current bank accounts	- USD	131	193
	- other currencies	4	5
Total		**417**	**386**

Bank deposits as of 31 December 2021 are mainly presented by the US Dollar deposits, bearing an average interest rate of 0.2% per annum (2020: US Dollar deposits, bearing an average interest rate of 0.39% 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.

[1] *Restated following a voluntary change in accounting policy for exploration and evaluation expenditures. As a result deferred profit before tax, other non-cash expenses and the corresponding resulting total line items were restated. Refer to Note 1 and Note 22.*

	Year ended 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 (Note 15)	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 non-cash 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 at 31 December	**1,618**	**32**	**79**	**16**	**29**

	31 December 2020			
	Borrowings	**Contingent consideration payable at fair value**	**Deferred consideration payable at amortised cost**	**Lease liabilities**
1 January	1,732	66	-	32
Cash inflow	2,369	-	-	-
Cash outlow	(2,366)	(23)	-	(6)
Changes from financing cash flows	**3**	**(23)**	**-**	**(6)**
Additions as a result of acquisitions	-	-	71	-
Change in fair value, included in profit or loss	-	42	-	
Unwind of discount	-	2	3	3
Arrangement fee amortisation	2	-	-	-
New leases	-	-	-	16
Lease termination	-	-	-	(4)
Net foreign exchange losses	86	-	-	-
Exchange differences on translating foreign operations	(86)	-	-	(8)
Other non-cash changes	**2**	**44**	**74**	**7**
31 December	**1,737**	**87**	**74**	**33**
Less current portion	(334)	(41)	-	(6)
Total non-current liabilities	**1,403**	**46**	**74**	**27**

24. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the rapid and significant developments related to the conflict in Ukraine has led to additional and more severe sanctions imposed by the US, UK, EU and other countries on certain Russian institutions and individuals. These developments may result in reduced access for Russian businesses to international capital and export markets, weakening of the Russian Rouble, decline in capitals markets and other negative economic consequences.

The full impact of sanctions and consequent political and economic developments in Russia on future operations and the financial position of the Group is difficult to determine at this stage, however the Group believes that the level of political risk has increased considerably as of the date of this report.

Polymetal believes that targeted sanctions on the company remain unlikely, but cannot be ruled out. Contingency planning has been initiated proactively to ensure business continuity, including selection of key equipment suppliers, liquidity management, debt portfolio diversification and securing metal sales channels. The Directors have assessed the going concern related impacts for the Group of the currently imposed, and possible further new sanctions, on Russia as at the date of this report.

ALTERNATIVE PERFORMANCE MEASURES

Introduction

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

The Group believes that these measures, together with measures determined in accordance with IFRS, provide the readers with valuable information and an improved understanding of the underlying performance of the business.

APMs are not uniformly defined by all companies, including those within the Group's industry. Therefore, the APMs used by the Group may not be comparable to similar measures and disclosures made by other companies.

Purpose

APMs used by the Group represent financial KPIs for clarifying the financial performance of the Group and measuring it against strategic objectives, given the following background:

- Widely used by the investor and analyst community in the mining sector and, together with IFRS measures, provide a holistic view of the Group;
- Applied by investors to assess earnings quality, facilitate period to period trend analysis and forecasting of future earnings, and understand performance through eyes of management;
- Highlight key value drivers within the business that may not be obvious in the financial statements;
- Ensure comparability of information between reporting periods and operating segments by adjusting for uncontrollable or one-off factors which impact upon IFRS measures;
- Used internally by management to assess the financial performance of the Group and its operating segments;
- Used in the Group's dividend policy;
- Certain APMs are used in setting directors' and management's remuneration.

APMs and justification for their use

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying net earnings	• Profit/(loss) for the financial period attributable to equity shareholders of the Group	• Write-down of metal inventory to net realisable value (post-tax) • Write-down of development and exploration assets (post-tax) • Foreign exchange (gain)/loss (post-tax) • Change in fair value of contingent consideration liability (post-tax) • Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures (post-tax)	• Excludes the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.
Underlying earnings per share	• Earnings per share	• Underlying net earnings (as defined above) • Weighted average number of outstanding common shares	• Excludes the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying return on equity	• No equivalent	• Underlying net earnings (as defined above)[1] • Average equity at the beginning and the end of reporting year, adjusted for translation reserve	• The most important metric for evaluating a company's profitability • Measures the efficiency with which a company generates income using the funds that shareholders have invested.
Return on assets	• No equivalent	• Underlying net earnings (as defined above)[1] before interest and tax • Average total assets at the beginning and the end of reporting year	• A financial ratio that shows the percentage of profit a company earns in relation to its overall resources.
Adjusted EBITDA	• Profit/(loss) before income tax	• Finance cost (net) • Depreciation and depletion • Write-down of metal and non-metal inventory to net realisable value • Write-down of development and exploration assets • Impairment/reversal of previously recognised impairment of operating assets • Share based compensation • Bad debt allowance • Net foreign exchange gain/losses • Change in fair value of contingent consideration liability • Rehabilitation costs • Additional mining taxes, VAT, penalties and accrued interest • Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures	• Excludes the impact of certain non-cash element, either recurring or non-recurring, that can mask underlying changes in core operating performance, to be a proxy for operating cash flow generation.
Net debt	• Net total of current and non-current borrowings[2] • Cash and cash equivalents	• Not applicable	• Measures the Group's net indebtedness that provides an indicator of the overall balance sheet strength. • Used by creditors in bank covenants.
Net debt/EBITDA ratio	• No equivalent	• Not applicable	• Used by creditors, credit rating agencies and other stakeholders.
Free cash flow	• Cash flows from operating activity less cash flow from investing activities	• Excluding acquisition costs in business combinations and investments in associates and joint ventures • Excluding loans forming part of net investment in joint ventures • Excluding proceeds from disposal of subsidiaries	• Reflects cash generating from operations after meeting existing capital expenditure commitments. • Measures the success of the company in turning profit into cash through the strong management of working capital and capital expenditure.

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

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Free cash flow post M&A	• Cash flows from operating activity less cash flow from investing activities	• Not applicable	• Free cash flow including cash used in/received from acquisition/disposal of assets and joint ventures. • Reflects cash generation to finance returns to shareholders after meeting existing capital expenditure commitments and financing growth opportunities.
Total cash costs (TCC)	• Total cash operating costs • General, administrative & selling expenses	• Depreciation expense • Rehabilitation expenses • Write-down of inventory to net realisable value • Intersegment unrealised profit elimination • Idle capacities and abnormal production costs • Exclude Corporate and Other segment and development assets • Treatment charges deductions reclassification to cost of sales	• Calculated according to common mining industry practice using the provisions of Gold Institute Production Cost Standard. • Gives a picture of the company's current ability to extract its resources at a reasonable cost and generate earnings and cash flows for use in investing and other activities.
All-in sustaining cash costs (AISC)	• Total cash operating costs • General, administrative & selling expenses	• AISC is based on total cash costs, and adds items relevant to sustaining production such as other operating expenses, corporate level SG&A, and capital expenditures and exploration at existing operations (excluding growth capital). After tax all-in cash costs includes additional adjustments for net finance cost, capitalised interest and income tax expense. All-in costs include additional adjustments on that for development capital.	• Includes the components identified in World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a non-IFRS financial measure. • Provides investors with better visibility into the true cost of production.