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**AIX, MOEX: POLY**

# Polymetal International plc

## Half-year report for the six month ended 30 June 2023

*“Despite external pressures, we made good progress in the first half of the year while adapting to the logistics constraints. High commodity prices against a weakening Rouble, combined with steady operating performance, drove a healthy growth in the Group’s earnings, adjusted EBITDA and free cash flow. We expect stronger production, stable cash costs within the original guidance, and significant free cash flow generation for the second half of the year, while remaining focused on progressing our development projects on schedule”, said Vitaly Nesis, Group CEO of Polymetal International plc, commenting on the results.*

### FINANCIAL HIGHLIGHTS

- In 1H 2023, revenue increased by 25% year-on-year (y-o-y), totalling US\$ 1,315 million (1H 2022: US\$ 1,048 million), of which US\$ 393 million (30%) was generated from operations in Kazakhstan and US\$ 922 million (70%) from operations in the Russia. Average realised gold and silver prices tracked market dynamics: gold price increased by 3% while silver price remained flat y-o-y. Gold equivalent (“GE”) production was 764 Koz, a 3% increase y-o-y. Gold sales increased by 25% y-o-y to 570 Koz, while silver sales increased by 19% to 10.4 Moz. The Company recorded a sales-production gap, notably for Kyzyl, as a result of persistent railway issues at the eastward direction. This gap is expected to be closed by the year end as the Company is gradually adjusting its transportation routes.
- Group Total Cash Costs (“TCC”)¹ for 1H 2023 were US\$ 944/GE oz, below the lower end of the Group’s full-year guidance of US\$ 950-1,000/GE oz, while being up 11% y-o-y, mostly due to a planned grade decline combined with domestic inflation, which was partially offset by weaker currency as well as increase in sales volumes resulting in spread of fixed costs over a larger amount of ounces sold.
- All-in Sustaining Cash Costs (“AISC”)¹ remained broadly unchanged at US\$ 1,386/GE oz, up 1% y-o-y, and within the full-year guidance range of US\$ 1,300-1,400/GE, reflecting the decrease in capitalised stripping on the back of completed stripping campaigns.
- Adjusted EBITDA¹ was US\$ 559 million, an increase of 31% y-o-y, driven by higher sales volumes. Of this, US\$ 200 million (36%) was earned from operations in Kazakhstan, achieving a margin of 51%, and US\$ 359 million (64%), or a margin of 39%, earned from operations in the Russian Federation. The Adjusted EBITDA margin increased by 2 percentage points to 43% (1H 2022: 41%).
- Underlying net earnings² increased by 28% to US\$ 261 million (1H 2022: US\$ 203 million). Net earnings³ were US\$ 190 million (1H 2022: US\$ 321 million loss due to one-off impairment charges).
- Capital expenditures were US\$ 375 million⁴, largely unchanged compared with US\$ 373 million in 1H 2022. The Company currently expects its FY2023 capex to be in the original guidance range of US\$ 700-750 million.
- Net operating cash inflow was US\$ 35 million (1H 2022: US\$ 405 million outflow). This includes positive cash flow of US\$ 140 million from operations in Kazakhstan and negative cash flow of US\$ 105 million from operations in the Russian Federation. The Group reported negative free cash flow¹ of US\$ 341 million, which is still a significant improvement over 1H 2022 negative FCF of US\$ 630 million, that is made up of US\$ 55 million inflow coming from Kazakhstan and US\$ 396 million outflow attributable to Russian assets. As usual, free cash flow is expected to be stronger in the second half of the year due to seasonally higher production and working capital release.
- Net debt¹ increased to US\$ 2,590 million during the period (31 December 2022: US\$ 2,393 million), representing 2.25x of the LTM Adjusted EBITDA (2022: 2.35x). The increase in net debt was mainly driven by the working capital build-up.

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

² Adjusted for the after-tax amount of impairment charges, write-downs of metal inventory, foreign exchange gains/losses and other change in fair value of contingent consideration.

³ Profit for the period.

⁴ On a cash basis, representing cash outflow on purchases of property, plant and equipment in the consolidated statement of cash flows.

- Polymetal is on track to meet its original 2023 production guidance of 1.7 Moz of gold equivalent. The company maintains its 2023 guidance range of US\$ 950-1,000/GE oz and US\$ 1,300-1,400/GE oz for TCC and AISC, respectively. This guidance remains contingent on the RUB/USD and KZT/USD exchange rates which have a significant effect on the Group's local currency denominated operating costs.

FINANCIAL HIGHLIGHTS <sup>1</sup>	1H 2023	1H 2022	Change
Revenue, US\$m	1,315	1,048	+25%
Total cash cost <sup>2</sup> , US\$ /GE oz	944	853	+11%
All-in sustaining cash cost <sup>2</sup> , US\$ /GE oz	1,386	1,371	+1%
Adjusted EBITDA <sup>2</sup> , US\$m	559	426	+31%
Average realised gold price <sup>3</sup> , US\$ /oz	1,926	1,864	+3%
Average realised silver price <sup>3</sup> , US\$ /oz	22.9	22.9	0%
Net earnings/(loss), US\$m	190	(321)	n/a
Underlying net earnings <sup>2</sup> , US\$m	261	203	+28%
Return on Assets <sup>2</sup> , %	10%	7%	+3%
Return on Equity (underlying) <sup>2</sup> , %	13%	10%	+3%
Basic earnings/(loss) per share, US\$	0.40	(0.68)	n/a
Underlying EPS <sup>2</sup> , US\$	0.55	0.43	+28%
Net debt <sup>2</sup> , US\$m	2,590	2,393 <sup>4</sup>	+8%
Net debt/Adjusted EBITDA	2.25 <sup>5</sup>	2.35 <sup>5</sup>	-4%
Net operating cash flow, US\$m	35	(405)	n/a
Capital expenditure, US\$m	375	373	0%
Free cash flow <sup>2</sup> , US\$m	(341)	(630)	+46%
Free cash flow post-M&A <sup>2</sup> , US\$m	(344)	(658)	+48%

<sup>1</sup> 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.

<sup>2</sup> Defined in the "Alternative performance measures" section below.

<sup>3</sup> 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, without effect of treatment charges deductions from revenue.

<sup>4</sup> As at 31 December 2022.

<sup>5</sup> On a last twelve months basis. Adjusted EBITDA for 2H 2022 was US\$ 591 million.

## OPERATING HIGHLIGHTS

- No fatal accidents occurred among the Group's workforce and contractors in H1 2023 (consistent with H1 2022). Lost time injury frequency rate (LTIFR) among the Group's employees stood at 0.11 (0.08 in H1 2022), as there were seven lost-time accidents, mostly related to falling or being hit by an object. None of the accidents were within Kazakhstan operations.
- GE output for H1 was up by 3% y-o-y to 764 Koz, including 213 Koz in Kazakhstan and 551 Koz in Russia. The Company reiterates its full-year production guidance of 1.7 Moz of GE (1.2 Moz in Russia and 500 Koz in Kazakhstan).

	1H 2023	1H 2022	Change
<b><u>PRODUCTION (Koz of GE<sup>1</sup>)</u></b>			
<b>Kazakhstan</b>	<b>213</b>	<b>244</b>	<b>-13%</b>
Kyzyl	128	135	-5%
Varvara	86	109	-22%
<b>Russia</b>	<b>551</b>	<b>500</b>	<b>+10%</b>
<b>TOTAL</b>	<b>764</b>	<b>744</b>	<b>+3%</b>
<b><u>REVENUE (US\$m)</u></b>			
Kazakhstan	393	443	-11%
Russia	922	605	+52%
<b>TOTAL</b>	<b>1,315</b>	<b>1,048</b>	<b>+25%</b>
<b><u>NET DEBT<sup>2</sup> (US\$m)</u></b>			
Kazakhstan	201	277	-27%
Russia	2,389	2,117	+13%
<b>Total</b>	<b>2,590</b>	<b>2,393</b>	<b>+8%</b>
<b><u>SAFETY</u></b>			
LTIFR <sup>3</sup> (Employees)	0.11	0.08	+36%
Fatalities	0	0	n/a

### Notes:

(1) Based on 80:1 Au/Ag conversion ratio and excluding base metals. Discrepancies in calculations are due to rounding.

(2) Comparative information is presented for 31 December 2022.

(3) LTIFR = lost time injury frequency rate per 200,000 hours worked. Company employees only are taken into account.

## UPDATE ON THE RE-DOMICILATION AND LISTING

On 7 August 2023, the Company successfully completed its re-domiciliation to the AIFC (Kazakhstan). On 10 August, trading resumed on Astana International Exchange, which is now the primary listing venue for Polymetal. Cancellation of the Company's listing from the London Stock Exchange completed on 29 August 2023. On 19 September 2023, trading in Polymetal shares also resumed on the Moscow Exchange.

## CONFERENCE CALL AND WEBCAST

The Company will hold a webcast on Monday, 25 September 2023, at 9:00 London time (14:00 Astana time).

To participate in the webcast, please register using the following link:

<https://event.on24.com/wcc/r/4340529/E960C65B2522657D1D7187BD73EFDBF4>.

Webcast details will be sent to you via email after registration.

## Enquiries

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### Investor Relations

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<b>Polymetal International plc</b>	<a href="mailto:ir@polymetalinternational.com">ir@polymetalinternational.com</a>
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Evgeny Monakhov	+44 20 7887 1475 (UK)
-----------------	-----------------------

Kirill Kuznetsov	+7 7172 476 655 (Kazakhstan)
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### Media

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<b>Polymetal International plc</b>	<a href="mailto:media@polymetal.kz">media@polymetal.kz</a>
------------------------------------	--

Ainur Baigozha	+7 7172 476 655 (Kazakhstan)
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## FORWARD-LOOKING STATEMENTS

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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## FINANCIAL REVIEW

### MARKET SUMMARY

#### *Precious metals*

In Q1 2023, banking sector turmoil, unsettling geopolitical anxiety and an unstable economic environment worldwide continued to drive demand for gold as a safe-haven asset. In Q2 2023, gold continued its upward trend, peaking at US\$ 2,048/oz in April, before reversing direction, following an agreement to raise the US debt ceiling in May. Finally, as at 30 June 2023, the LBMA gold price was trading at US\$ 1,912/oz, a 5% year-to-date increase. The average LBMA gold price for 1H was US\$ 1,933/oz, up 3% y-o-y.

Gold demand (excluding OTC) for 1H 2023 was down by 6% y-o-y to 2,062 tonnes. The negative dynamics stemmed from modest net outflows of 50 tonnes from exchange-traded funds (ETFs), compared with net 127 tonnes of inflows in 1H 2022. Factors driving outflows from ETFs included robust performance from key equity markets and gold price decline in Q2, driven by gradual hikes in interest rates by the global central banks.

Bar and coin investment and jewellery demand has been solid, following the end of COVID prevention restrictions in China as well as soaring inflation and weak monetary policy in Turkey. Jewellery demand increased to 951 tonnes (+2% year-on-year). Bar and coin investment also rose by 9% to 571 tonnes with demand in the Middle East reaching a 10-year high. Central banks continued to accumulate gold throughout 1H 2023 and added 387 tonnes to reserves, reaching the highest first-half demand since 2000. With inflation severely impacting supply chains within the electronics sector, technology demand was weak at 140 tonnes. Total 1H 2023 gold supply increased by 5% to 2,460 tonnes on the back of 3% growth in mine production to a record 1H level.

Silver price dynamics generally followed gold, peaking in April at US\$ 26.0/oz followed by gradual decline thorough the rest of Q2 2023 to US\$ 22.5/oz as at 30 June 2023. The average LBMA price in 1H 2023 stood at US\$ 23.3/oz, almost flat compared to 1H 2022.

#### *Foreign exchange*

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

In 1H 2023, the Kazakhstani Tenge stood at 452 KZT/USD on average and 454 KZT/USD at the end of the period, which was predominantly stable relative to 2022 values. As already seen in 2022, the currency did not follow the pattern of the Russian Rouble dynamics, which saw significant volatility (see below). The annual inflation rate in the country remained high, although decreased relative to a historical maximum of 2022 of 20.3% to 14.6% by June 2023.

The Russian Rouble started to depreciate relative to the 2022 year-end level since February on the back of capital outflow, weaker trade balance and geopolitical escalation. As a result, the Rouble rate recorded a 24% year-to-date decline to 87 RUB/USD. The average rate however was relatively unchanged versus 1H 2022 at 77 RUB/USD. Inflation in Russia significantly moderated after reaching multi-year highs in 2022, with the annualised inflation rate in June 2023 amounting to 3.25%.

## REVENUE

SALES VOLUMES	1H 2023	1H 2022	Change
Gold, Koz	570	456	+25%
Silver, Moz	10.4	8.7	+19%
Gold equivalent sold <sup>1</sup> , Koz	700	573	+22%

**Sales by metal**

(US\$m unless otherwise stated)

		1H 2023	1H 2022	Change	Volume variance, US\$m	Price variance, US\$m
Gold		1,076	841	+28%	209	26
Average realised price <sup>2</sup>	US\$ /oz	1,926	1,864	+3%		
Average LBMA price	US\$ /oz	1,933	1,875	+3%		
Share of revenues	%	82%	80%			
Silver		227	191	+19%	36	0
Average realised price	US\$ /oz	22.9	22.9	0%		
Average LBMA price	US\$ /oz	23.4	23.3	0%		
Share of revenues	%	17%	18%			
Other metals		12	16	-25%		
Share of revenues	%	1%	2%			
<b>Total revenue</b>		<b>1,315</b>	<b>1,048</b>	<b>+25%</b>	<b>235</b>	<b>32</b>

In 1H 2023, revenue grew by 25% y-o-y, driven by the growth of gold and silver sales compared to 1H 2022 when the Company experienced significant delays due to re-routing of sales channels. Gold sales increased by 28%, while gold production moved higher by 13%. Silver sales increased by 19% due to the contribution of Nezhda concentrate.

The Group's average realised price for gold was US\$ 1,926/oz in 1H 2023, up 3% from US\$ 1,864/oz in 1H 2022, and in line with the average market price of US\$ 1,933/oz. The Group's average realised silver price was US\$ 22.9/oz, flat y-o-y and 2% below market price of US\$ 23.4/oz.

The share of gold sales as a percentage of total revenue increased from 80% in 1H 2022 to 82% in 1H 2023, driven by a corresponding shift in production and sales volume by metal.

OPERATION	Revenue, US\$m			Gold equivalent sold, Koz		
	1H 2023	1H 2022	Change	1H 2023	1H 2022	Change
<b>Kazakhstan</b>	<b>393</b>	<b>443</b>	<b>-11%</b>	<b>206</b>	<b>242</b>	<b>-15%</b>
Kyzyl	214	250	-14%	113	138	-18%
Varvara	179	193	-7%	93	104	-10%
<b>Russia</b>	<b>922</b>	<b>605</b>	<b>+52%</b>	<b>494</b>	<b>331</b>	<b>+49%</b>
<b>Total revenue</b>	<b>1,315</b>	<b>1,048</b>	<b>+25%</b>	<b>700</b>	<b>573</b>	<b>+22%</b>

The increase in sales volumes during the period had a positive impact on revenues at operating mines in Russia, while revenue in Kazakhstan was down 11% year-on-year as a result of the decrease in GE volume sold, driven by railway transportation constraints for Kyzyl concentrate. Eastward transportation routes are being readjusted to eliminate the production/sales gap, and a meaningful decline in unsold concentrate volumes is expected in Q3 2023.

<sup>1</sup> Based on actual realised prices.

<sup>2</sup> Without effect of treatment charges deductions from revenue.



## COST OF SALES

(US\$m)	1H 2023	1H 2022	Change
<b>Cash operating costs</b>	<b>711</b>	<b>656</b>	<b>+8%</b>
On-mine costs	322	317	+2%
Smelting costs	276	233	+18%
Purchase of ore and concentrates from third parties	34	40	-15%
Mining tax	79	66	+20%
<b>Costs of production</b>	<b>851</b>	<b>794</b>	<b>+7%</b>
Depreciation and depletion of operating assets	140	134	+4%
Rehabilitation expenses	-	4	-100%
<b>Total change in metal inventories</b>	<b>(155)</b>	<b>(277)</b>	<b>-44%</b>
Increase in metal inventories	(165)	(296)	-44%
Write-down of metal inventories to net realisable value	10	20	-50%
(Reversal) of non-metal inventories to net realisable value	-	(1)	-100%
Idle capacities and abnormal production costs	5	3	+67%
<b>Total cost of sales</b>	<b>701</b>	<b>520</b>	<b>+35%</b>

## CASH OPERATING COST STRUCTURE

	1H 2023		1H 2022	
	US\$m	Share	US\$m	Share
Services	247	35%	237	36%
Consumables and spare parts	213	30%	183	28%
Labour	134	19%	127	19%
Mining tax	79	11%	66	10%
Purchase of ore and concentrates from third parties	34	5%	40	6%
Other expenses	4	1%	3	0%
<b>Total cash operating cost</b>	<b>711</b>	<b>100%</b>	<b>656</b>	<b>100%</b>

The total cost of sales increased by 35% in 1H 2023 to US\$ 701 million, reflecting a volume-based increase in sales (+22% in gold equivalent terms) combined with domestic inflation (15% y-o-y in Kazakhstan and 3% y-o-y in Russia) and an increase in mining tax.

The cost of services was up 4% y-o-y, caused mostly by higher volume of transportation services (notably at Nezhda and Kyzyl).

The cost of consumables and spare parts was up 16% compared to 1H 2022, impacted by changes in procurement to maintain supplies of critically important consumables and spares levels.

The cost of labour within cash operating costs was up 6% y-o-y, mainly stemming from annual salary increases (tracking domestic CPI inflation).

The decrease in purchases of third-party ore and concentrates by 15% was mostly driven by a shift to processing Peshernoye ore at Voro hub, compared to the treatment of third-party material in 1H 2022.

Mining tax increased by 20% y-o-y to US\$ 79 million, mainly driven by an increase in production volume combined with an increase in average realised prices, as well as an increase in gold mining tax rates in Kazakhstan from 5% to 7.5%.

Depreciation and depletion was US\$ 140 million, up 4% y-o-y. US\$ 20 million of depreciation cost is included within the increase in metal inventories (1H 2022: US\$ 54 million).

In 1H 2023, a net metal inventory increase of US\$ 165 million (1H 2022: US\$ 296 million) was recorded. The increase was mainly represented by the traditional seasonal concentrate build-up across the Group's Russian mines. The Company expects the bulk of this increase to be reversed by the end of 2023.

The Group recognised a US\$ 10 million write-down (1H 2022: US\$ 20 million) to the net realisable value of heap leach work-in-progress and low-grade ore at Russian mines (see Note 14 of the condensed financial statements).



## GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US\$m)	1H 2023	1H 2022	Change
Labour	121	123	-2%
Share based compensation	6	8	-25%
Services	7	4	+75%
Depreciation	5	4	+25%
Other	9	11	-18%
<b>Total general, administrative and selling expenses</b>	<b>148</b>	<b>150</b>	<b>-1%</b>

General, administrative and selling expenses (“SGA”) decreased by 1% y-o-y from US\$ 150 million in 1H 2022 to US\$ 148 million in 1H 2023, reflecting a decrease in staff costs in USD terms.

## OTHER OPERATING EXPENSES

(US\$m)	1H 2023	1H 2022	Change
Exploration expenses	15	29	-48%
Social payments	12	17	-29%
Provision for investment in Special economic zone	7	7	0%
Taxes, other than income tax	7	7	0%
Change in estimate of environmental obligations	(2)	2	n/a
Additional tax charges/fines/penalties	-	3	-100%
Other expenses	9	4	+118%
<b>Total other operating expenses</b>	<b>48</b>	<b>69</b>	<b>-31%</b>

Other operating expenses decreased to US\$ 48 million in 1H 2023 compared to US\$ 69 million in 1H 2022 mainly due to a scheduled decrease in social payments in accordance with existing partnership agreements and write-off of exploration expenses of US\$ 12 million at Viksha.

## TOTAL CASH COSTS

In 1H 2023, total cash costs per gold equivalent ounce sold (“TCC”) were US\$ 944/GE oz, up 11% y-o-y and 5% lower compared to 2H 2022. Planned grade decline across the Group’s mines, combined with domestic inflation, had an overall negative impact on cost levels, which was partially offset by increase in sales volumes resulting in spread of mostly fixed SGA and other expenses over a larger amount of ounces sold.

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

RECONCILIATION OF TCC AND AISC MOVEMENTS	TCC, US\$/oz	Change	AISC, US\$/oz	Change
<b>Cost per AuEq ounce 1H 2022</b>	<b>853</b>		<b>1,371</b>	
Change in average grade processed	90	+11%	116	+8%
Domestic inflation	55	+6%	79	+6%
SGA and other expenses decrease	(17)	-2%	(56)	-4%
Capitalised stripping decrease	-	n/a	(58)	-4%
RUB and KZT rate change	(6)	-1%	(9)	-1%
Other	(32)	-2%	(57)	-2%
<b>Cost per AuEq ounce 1H 2023</b>	<b>944</b>	<b>+11%</b>	<b>1,386</b>	<b>+1%</b>

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

OPERATION	1H 2023	1H 2022	Change	2H 2022	Change
<b>Kazakhstan</b>	<b>871</b>	<b>712</b>	<b>+22%</b>	<b>742</b>	<b>+17%</b>
Kyzyl	649	575	+13%	623	+4%
Varvara	1,138	894	+27%	945	+20%
<b>Russia</b>	<b>975</b>	<b>956</b>	<b>+2%</b>	<b>1,086</b>	<b>-10%</b>
<b>Total Group TCC</b>	<b>944</b>	<b>853</b>	<b>+11%</b>	<b>991</b>	<b>-5%</b>

*Kazakhstan*

- Kyzyl's total cash costs were at US\$ 649/GE oz, significantly below the Group's average level, albeit up 13% y-o-y and 4% half-on-half, because of an 18% decrease in sales volumes partially offset by 6% grade increase in 1H 2023. Eastward transportation routes are being readjusted, and a notable decline in unsold concentrate volumes is expected in 2H 2023.
- At Varvara, TCC were up 27% y-o-y and up 20% half-on-half at US\$ 1,138/GE oz on the back of a planned grade decline by 16%, combined with a 10% decrease in sales volumes and inflationary headwinds.

*Russia*

- Across the Group's Russian mines, TCC were at US\$ 975/GE oz, up by 2% year-on-year and down by 10% half-on-half, mostly driven by 49% increase in sales volumes offsetting planned declines in gold grade processed.

**ALL-IN SUSTAINING AND ALL-IN CASH COSTS**

All-in sustaining cash costs<sup>1</sup> amounted to US\$ 1,386/GE oz, up 1% y-o-y and significantly below inflation, reflecting the decrease in capitalised stripping on the back of completed stripping campaigns.

AISC by operations were as follows:

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

OPERATION	1H 2023	1H 2022	Change
<b>Kazakhstan</b>	<b>1,314</b>	<b>922</b>	<b>+43%</b>
Kyzyl	883	800	+10%
Varvara	1,629	1,083	+50%
<b>Russia</b>	<b>1,416</b>	<b>1,463</b>	<b>-3%</b>
<b>Total Group AISC</b>	<b>1,386</b>	<b>1,371</b>	<b>+1%</b>

AISC at all operating mines generally followed TCC dynamics.

In Kazakhstan, AISC were elevated by 43% to US\$ 1,314/oz, which was mostly driven by decrease in sales volume, resulting in the spread of sizeable sustaining capex (including investments in new TSF at Varvara) over a limited amount of ounces sold.

In Russia, AISC decreased by 3% to US\$ 1,416/oz, on the back of sales increase coupled with lower stripping volumes after completion of large stripping campaigns in 2022.

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

RECONCILIATION OF ALL-IN COSTS	Total, US\$m			US\$ /GE oz		
	1H 2023	1H 2022	Change	1H 2023	1H 2022	Change
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 2 of condensed financial statements)	576	417	+38%	822	728	+13%
<i>adjusted for:</i>						
Idle capacities	(5)	(3)	+66%	(7)	(5)	+40%
Treatment charges deductions reclassification to cost of sales	33	21	+63%	47	36	+31%
SGA expenses, excluding depreciation, amortization and share based compensation (Note 2 of condensed financial statements)	62	61	+1%	88	107	-18%
<i>adjusted for:</i>						
SGA expenses of development projects	(5)	(8)	-33%	(7)	(13)	-46%
<b>Total cash costs</b>	<b>661</b>	<b>488</b>	<b>+35%</b>	<b>944</b>	<b>853</b>	<b>+11%</b>
SGA expenses for Corporate and other segment and other operating expenses	111	119	-6%	159	208	-24%
Capital expenditure excluding development projects	167	115	+45%	238	201	+18%
Exploration expenditure (capitalised)	2	4	-57%	3	7	-57%
Capitalised stripping	29	58	-51%	41	102	-60%
<b>All-in sustaining cash costs</b>	<b>970</b>	<b>785</b>	<b>+24%</b>	<b>1,386</b>	<b>1,371</b>	<b>+1%</b>
Finance costs (net)	61	38	+61%	86	67	+28%
Capitalised interest	21	13	+66%	31	23	+35%
Income tax expense/(benefit)	45	(27)	n/a	63	(47)	n/a
<b>After-tax all-in cash costs</b>	<b>1,097</b>	<b>809</b>	<b>+36%</b>	<b>1,566</b>	<b>1,413</b>	<b>+11%</b>
Capital expenditure for development projects	145	207	-30%	206	362	-43%
SGA and other expenses for development assets	22	18	+22%	31	31	0%
<b>All-in costs</b>	<b>1,264</b>	<b>1,034</b>	<b>+22%</b>	<b>1,804</b>	<b>1,806</b>	<b>+0%</b>

## ADJUSTED EBITDA<sup>1</sup> AND EBITDA MARGIN

(US\$m)

	1H 2023	1H 2022	Change
Profit/(loss) for the period	190	(321)	n/a
Finance cost (net) <sup>2</sup>	61	38	+61%
Income tax expense/(benefit)	45	(27)	n/a
Depreciation and depletion	122	85	+45%
<b>EBITDA</b>	<b>418</b>	<b>(225)</b>	<b>n/a</b>
Net foreign exchange loss/(gain)	105	(92)	n/a
Impairment of non-current assets	12	689	-98%
Share based compensation	5	8	-38%
Change in fair value of contingent consideration liability	5	22	-77%
Other non-cash items	14	26	-47%
<b>Adjusted EBITDA</b>	<b>559</b>	<b>426</b>	<b>+31%</b>
Adjusted EBITDA margin	43%	41%	+2%
Adjusted EBITDA per gold equivalent oz	798	745	+7%

## Adjusted EBITDA by segment/operation

(US\$m)

OPERATION	1H 2023	1H 2022	Change
<b>Kazakhstan</b>	<b>200</b>	<b>261</b>	<b>-23%</b>
Varvara	70	96	-27%
Kyzyl	143	174	-18%
Attributable corporate and other	(13)	(9)	-44%
<b>Russia</b>	<b>359</b>	<b>165</b>	<b>+118%</b>
<b>Total Group Adjusted EBITDA</b>	<b>559</b>	<b>426</b>	<b>+31%</b>

In 1H 2023, Adjusted EBITDA was US\$ 559 million, 31% higher year-on-year, with an Adjusted EBITDA margin of 43%, reflecting a 22% increase in gold equivalent sold, combined with 3% increase in gold average realised price against the cost dynamics described above. In 1H 2023, Kyzyl contributed more than a quarter of total Group Adjusted EBITDA.

## OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange loss in 1H 2023 of US\$ 105 million compared to an exchange gain of US\$ 92 million in 1H 2022, mostly attributable to the revaluation of the US Dollar-denominated borrowings of Russian operating companies — the functional currency of which is the Russian Rouble — which was partially offset by forex gain on intercompany loans with different functional currencies in the lending and borrowing subsidiaries.

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

Income tax expense for 1H 2023 was US\$ 45 million compared to US\$ 27 million benefit in 1H 2022, charged at an effective tax rate of 19% (1H 2022: 8%). The increase was mainly attributable to the increased profit before foreign exchange and tax. For details refer to Note 11 of the condensed consolidated financial statements.

<sup>1</sup> 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, impairment/reversal of previously recognised impairment of non-current assets, 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.

<sup>2</sup> Net of finance income.

## NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded net profit of US\$ 190 million in 1H 2023 versus US\$ 321 million loss in 1H 2022 which was largely driven by impairment charges. The underlying net earnings attributable to the shareholders of the parent were US\$ 261 million, compared to US\$ 203 million in 1H 2022:

### Reconciliation of underlying net earnings<sup>1</sup> (US\$m)

	1H 2023	1H 2022	Change
Profit/(loss) for the financial period attributable to the shareholders of the Parent	190	(321)	n/a
Write-down of inventory to net realisable value	10	19	-47%
Foreign exchange loss/(gain)	105	(92)	n/a
Change in fair value of contingent consideration liability	5	22	-77%
Impairment of non-current assets	12	689	-98%
Tax effect	(61)	(115)	-48%
<b>Underlying net earnings</b>	<b>261</b>	<b>203</b>	<b>+28%</b>

Basic earnings per share was US\$ 0.40 compared to US\$ 0.68 loss per share in 1H 2022. Underlying basic EPS<sup>2</sup> was US\$ 0.55, compared to US\$ 0.43 in 1H 2022.

### CAPITAL EXPENDITURE<sup>3</sup>

(US\$m)	Sustaining	Development	Capital stripping and underground development	Exploration	Total 1H 2023	Total 1H 2022
<b>Development projects</b>	-	<b>163</b>	-	<b>1</b>	<b>164</b>	<b>138</b>
Kazakhstan	-	18	-	1	19	-
<i>Ertis POX</i>	-	18	-	-	18	-
<i>Other</i>	-	-	-	1	1	-
Russia	-	145	-	-	145	138
<b>Operating assets</b>	<b>179</b>	-	<b>31</b>	<b>2</b>	<b>212</b>	<b>235</b>
Kazakhstan	48	-	19	-	66	39
<i>Varvara</i>	36	-	6	-	42	14
<i>Kyzyl</i>	12	-	13	-	25	25
Russia	131	-	12	2	146	196 <sup>4</sup>
<b>Total capital expenditure</b>	<b>179</b>	<b>163</b>	<b>31</b>	<b>3</b>	<b>375</b>	<b>373</b>

Total capital expenditure marginally changed y-o-y and stood at US\$ 375<sup>5</sup> million in 1H 2023. Capital expenditure excluding capitalised stripping costs was US\$ 344 million in 1H 2023 (1H 2022: US\$ 299 million).

The major capital expenditure items in 1H 2023 were as follows:

#### Development projects

- In Kazakhstan, capital expenditure of US\$ 18 million was related to initial investments into the Ertis POX facility to fully sever the link between the company's subsidiaries in Kazakhstan and its blocked subsidiaries in the Russian Federation.

<sup>1</sup> Underlying net earnings represent net profit for the year excluding the impact of key items that can mask underlying changes in core performance.

<sup>2</sup> Underlying basic EPS are calculated based on underlying net earnings.

<sup>3</sup> On a cash basis.

<sup>4</sup> Including projects categorised as development in 1H 2022

<sup>5</sup> On accrual basis, capital expenditure was US\$ 408 million in 1H 2023 (1H 2022: US\$ 404 million).

- Capital expenditure at development projects of US\$ 145 million in Russia mainly covered Amursk POX-2 to ensure project completion according to plan in 2H 2024, as well as mining fleet purchases, spare parts and consumables purchases at Veduga.

#### *Stay-in-business capex at operating assets*

- At Varvara, capital expenditure of US\$ 36 million was mainly related to the construction of a tailings storage facility and upgrading the mining fleet.
- At Kyzyl, capital expenditure in 1H 2023 comprised US\$ 12 million, mainly represented by scheduled technical upgrades.
- Across the Group's Russian mines, capital expenditure of US\$ 131 million was mostly related to infrastructure upgrades, regular mining fleet replacements and maintenance capital expenditure at processing facilities.

#### *Exploration and stripping*

- The Group continues to invest in standalone exploration projects. Capital expenditure for exploration in 1H 2023 was US\$ 3 million (1H 2022: US\$ 4 million).
- Capitalised stripping and underground development costs totalled US\$ 31 million in 1H 2023 (1H 2022: US\$ 74 million) and are attributable to operations, with 1H 2023 stripping ratios exceeding their life-of-mine averages during the period, particularly Kyzyl (US\$ 13 million), Varvara (US\$ 6 million) and Russian mines (US\$ 12 million).

## CASH FLOWS

(US\$m)	1H 2023	1H 2022	Change
Operating cash flows before changes in working capital	381	219	+74%
Changes in working capital	(346)	(624)	-45%
<b>Total operating cash flows</b>	<b>35</b>	<b>(405)</b>	<b>n/a</b>
Capital expenditure	(375)	(373)	0%
Net cash flow on acquisitions	-	123	-100%
Investments in associates	(3)	-	n/a
Other	(1)	(3)	-67%
<b>Investing cash flows</b>	<b>(379)</b>	<b>(253)</b>	<b>+50%</b>
<b>Financing cash flows</b>			
Net changes in borrowings	127	859	-85%
Acquisition of non-controlling interest	-	(23)	-100%
Repayments of principal under lease liabilities	(12)	(2)	+500%
Contingent consideration paid	-	(13)	-100%
<b>Total financing cash flows</b>	<b>115</b>	<b>821</b>	<b>-86%</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(229)</b>	<b>163</b>	<b>n/a</b>
Cash and cash equivalents at the beginning of the period	633	417	+52%
Effect of foreign exchange rate changes on cash and cash equivalents	(20)	(39)	-51%
<b>Cash and cash equivalents at the end of the period</b>	<b>384</b>	<b>541</b>	<b>-29%</b>

Total operating cash flows in 1H 2023 strengthened y-o-y. Operating cash flows before changes in working capital grew by 74% year-on-year to US\$ 381 million, as a result of an increase in sales volumes and adjusted EBITDA. Net operating cash flows were US\$ 35 million, compared to US\$ 405 million outflow in 1H 2022, affected by a seasonal increase in working capital in 1H 2023 of US\$ 346 million (1H 2022: US\$ 624 million).

Total cash and cash equivalents decreased by 29% compared to 1H 2022 and comprised US\$ 384 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US\$ 35 million;
- Investment cash outflows totaling US\$ 379 million, up 50% year-on-year, mainly represented by capital expenditure (stable y-o-y at US\$ 375 million) and investment in associates (US\$ 3 million);

- The gross borrowings increase of US\$ 127 million;
- Repayments of principal under lease liabilities of US\$ 12 million.

The Group reported negative free cash flow<sup>1</sup> of US\$ 341 million (which is still a significant improvement over 1H 2022 negative FCF of US\$ 630 million); that is made up of US\$ 55 million inflow coming from Kazakhstan and US\$ 396 million outflow attributable to Russian assets.

(US\$m)	1H 2023	1H 2022	Change
Free cash flow	<b>(341)</b>	<b>(630)</b>	<b>+46%</b>
Kazakhstan	55	101	-45%
Russia	(396)	(731)	+46%

Free cash flow attributable to Kazakhstan assets decreased by US\$ 45 million, mainly affected by working capital build-up on the back of inventory accumulation which is gradually drawing down starting from July.

Free cash flow related to Russian assets is seasonally negative as usual, but lower than in 1H 2022, mostly driven by increase in operating cash flow as the sales channels have been re-adjusted.

## BALANCE SHEET, LIQUIDITY AND FUNDING

NET DEBT	30-Jun-23	31-Dec-22	Change
Short-term debt and current portion of long-term debt	1,024	514	+99%
Long-term debt	1,950	2,512	-22%
<b>Gross debt</b>	<b>2,974</b>	<b>3,026</b>	<b>-2%</b>
Less: cash and cash equivalents	384	633	-39%
<b>Net debt</b>	<b>2,590</b>	<b>2,393</b>	<b>+8%</b>
<b>Net debt / Adjusted EBITDA<sup>1</sup></b>	<b>2.25x</b>	<b>2.35x</b>	<b>-3%</b>

The Group's net debt increased to US\$ 2,590 million as of 30 June 2023, representing a Net debt/Adjusted EBITDA (over the last 12 months) ratio of 2.25x. The increase in net debt was driven by a seasonal and logistics-driven increase in working capital.

The proportion of long-term borrowings to total borrowings was 66% as at 30 June 2023 (83% as at 31 December 2022). As at 30 June 2023, the Group had US\$ 0.5 billion (31 December 2022: US\$ 0.35 billion) of available undrawn facilities, from a wide range of lenders that allows the Group to maintain its operational flexibility in the current environment. The Group has recently secured an additional US\$ 0.3 billion in a new revolving credit line.

Gross debt remained largely unchanged at US\$ 3 billion, of which 73% is denominated in hard currency. Cyprus and Kazakhstan represent 20% of the total debt outstanding, while Russia represents the remaining 80% of the debt.

The average cost of debt remained relatively low at 5.2% in 1H 2023 (1H 2022: 6.1%) supported by the Company's ability to negotiate competitive margins given the Group's excellent credit history. The Group is confident in its ability to repay its existing borrowings as they fall due.

<sup>1</sup> 1H 2023 – on a last twelve months basis.



## INVENTORY

Inventory levels marginally increased by US\$ 10 million to US\$ 1,199 million for the 1H 2023, following US\$ 489 million drawn down in the 2H 2022 after US\$ 802 million seasonal accumulation in 1H 2022 on the back of sales channels restructuring in Russia.

US\$ 267 million of inventory balance relates to Kazakhstan, and US\$ 933 million of inventory comes from Russia.

While Kyzyl was impacted by logistical disruptions in 1H 2023, shipping delays have since been addressed, shipments were resumed in July, and gold produced in Kazakhstan is being shipped and sold on a regular basis. The build-up from 1H 2023 is expected to unwind by the end of the year.

(US\$m)	30 June 2023	Change 1H 2023	31 Dec 2022	Change 2H 2022	30 June 2022	Change 1H 2022	31 Dec 2021
<b>Kazakhstan</b>	<b>267</b>	<b>+76</b>	<b>191</b>	<b>-13</b>	<b>204</b>	<b>+31</b>	<b>173</b>
Copper, gold and silver concentrate	59	+20	39	-3	42	+14	28
Ore stock piles	86	+14	71	+6	66	+3	63
Doré, work in-process, metal for refining and refined metals	54	+26	29	-18	47	+6	41
Non-metal inventories	68	+16	51	+2	49	+8	41
<b>Russia</b>	<b>933</b>	<b>-66</b>	<b>999</b>	<b>-476</b>	<b>1,475</b>	<b>+770</b>	<b>704</b>
Copper, gold and silver concentrate	252	-6	258	-125	383	+229	154
Ore stock piles	192	-55	247	-128	375	+146	229
Doré, work in-process, metal for refining and refined metals	167	+7	160	-146	306	+197	109
Non-metal inventories	323	-12	335	-77	412	+199	213
<b>Total inventory</b>	<b>1,199</b>	<b>+10</b>	<b>1,189</b>	<b>-489</b>	<b>1,679</b>	<b>+802</b>	<b>877</b>

Payable metals in inventory accumulated at 30 June 2023 were as follows:

(GE Koz)	Kazakhstan	Russia	Total Group
Concentrate and precipitate	81	297	377
Bullions	-	165	165
Doré	10	23	32
<b>Total payable metals</b>	<b>90</b>	<b>484</b>	<b>574</b>

## 2023 YEAR-END OUTLOOK

Polymetal maintains a positive outlook for the second half of the year, both in terms of earnings and free cash flow, with the following factors expected to drive the operating and financial performance towards the year-end:

- The Company remains on track to meet its FY2023 production guidance of 1.7 Moz of gold equivalent at TCC of US\$ 950-1,000/GE oz and AISC of US\$ 1,300-1,400/GE oz.
- The cost guidance remains contingent on the RUB/USD and KZT/USD exchange rates that have a significant effect on the Group's local currency-denominated operating costs.
- Free cash flow generation will be significantly stronger in the second half of the year, driven by higher production and working capital drawdown.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

A detailed explanation of these risks and uncertainties can be found on pages 100 to 109 of the 2022 annual report which is available at [www.polymetalinternational.com](http://www.polymetalinternational.com).

The directors consider that these principal risks and uncertainties have not changed materially since the publication of the annual report for the year ended 31 December 2022 and continue to apply to the Group for the remaining six months of the financial year.

Further updates will be presented in the full annual financial report for 2023.

## 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.

In the going concern assessment, the Group also considered the implications of sanctions imposed by U.S. Department of State on JSC Polymetal, the Company's subsidiary in the Russian Federation. The Group determined that these implications would not have any material effect on the Group's liquidity position and its ability to finance its obligations.

To assess the resilience of the Group's going concern assessment in light of the macroeconomic volatility and sanctions imposed on Russia, management performed the stress downside scenario that is considered plausible over the next 12 months from the date of approval of the financial statements. As such, these do not represent the Group's 'best estimate' forecast, but were considered in the Group's assessment of going concern, reflecting the current evolving circumstances and the most significant severe but plausible changes in macro assumptions identified at the date of approving the press-release.

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

At the reporting date, the Group holds US\$ 0.4 bn of cash and US\$ 0.5 bn of undrawn credit facilities, which when combined with the forecast net cashflows under the stress scenario above, is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months. No borrowing covenant requirements are forecast to be breached in the stress scenario. The Group expects to settle obligations as they fall due but also has mitigating actions available such as reducing production volumes and variable mining costs where possible, reducing and deferring non-essential and non-committed capital expenditure.

The Board is therefore satisfied that the Group's forecasts and projections, including the stress scenario above, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report, and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the period ended 30 June 2023.

## DIRECTORS' RESPONSIBILITY STATEMENT

Directors are responsible for the preparation of the condensed consolidated financial statements of Polymetal International plc (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2023, in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

In preparing the condensed consolidated financial statements, directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing 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 Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Directors also are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed consolidated financial statements of the Group comply with IAS 34;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 September 2023 and signed on its behalf by

Evgueni Konovalenko

Senior Independent Non-Executive Director

Vitaly Nesis

Group Chief Executive Officer

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of Polymetal International plc:

### Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Polymetal International plc and its subsidiaries (the “Group”) as of 30 June 2023 and the related condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Natalia Golovkina

Audit partner

AO “Business Solutions and Technologies”  
(ORNZ № 12006020384)

22 September 2023

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2023 (unaudited) US\$m	Six months ended 30 June 2022 (unaudited) US\$m
Revenue	3	1,315	1,048
Cost of sales	4	(701)	(520)
<b>Gross profit</b>		<b>614</b>	<b>528</b>
General, administrative and selling expenses	8	(148)	(150)
Other operating expenses, net	9	(48)	(69)
Impairment of non-current assets		(12)	(689)
<b>Operating profit/(loss)</b>		<b>406</b>	<b>(380)</b>
Foreign exchange (loss)/gain, net		(105)	92
Change in fair value of financial instruments	17	(5)	(22)
Finance expenses	10	(69)	(41)
Finance income		8	3
<b>Profit/(loss) before income tax</b>		<b>235</b>	<b>(348)</b>
Income tax	11	(45)	27
<b>Profit/(loss) for the period</b>		<b>190</b>	<b>(321)</b>
Profit/(loss) for the financial period attributable to: Equity shareholders of the Parent		190	(321)
		<b>190</b>	<b>(321)</b>
Earnings/(loss) per share (US\$)			
Basic	12	0.40	(0.68)
Diluted	12	0.40	(0.68)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June 2023 (unaudited) US\$m	Six months ended 30 June 2022 (unaudited) US\$m
Note			
	<b>Profit/(loss) for the period</b>	<b>190</b>	<b>(321)</b>
	<b>Other comprehensive (loss)/income, net of income tax</b>	<b>(499)</b>	<b>1,404</b>
	<i>Items that may be reclassified to profit or loss</i>		
	Fair value (loss)/gain arising on hedging instruments	(4)	12
17	Exchange differences on translating foreign operations	(545)	1,540
	Currency exchange differences on intercompany loans forming net investment in foreign operations	50	(148)
	<b>Total comprehensive (loss)/income for the period</b>	<b>(309)</b>	<b>1,083</b>
	Total comprehensive (loss)/gain for the period attributable to:		
	Equity shareholders of the Parent	(309)	1,083
		<b>(309)</b>	<b>1,083</b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2023 (unaudited) US\$m	31 December 2022 (audited) US\$m
<b>Assets</b>			
Property, plant and equipment	13	3,104	3,392
Right-of-use assets		88	131
Goodwill		12	14
Investments in associates and joint ventures		16	13
Non-current accounts receivable		34	31
Other non-current financial assets		13	24
Deferred tax asset		182	142
Non-current inventories	14	128	133
<b>Total non-current assets</b>		<b>3,577</b>	<b>3,880</b>
Current inventories	14	1,071	1,057
Prepayments to suppliers		164	185
Income tax prepaid		30	64
VAT receivable		128	148
Trade and other receivables		231	103
Other financial assets at FVTPL		7	10
Cash and cash equivalents	19	384	633
<b>Total current assets</b>		<b>2,015</b>	<b>2,200</b>
<b>Total assets</b>		<b>5,592</b>	<b>6,080</b>
<b>Liabilities and shareholders' equity</b>			
Accounts payable and accrued liabilities		(205)	(270)
Current borrowings	15	(1,024)	(514)
Income tax payable		(15)	(11)
Other taxes payable		(67)	(68)
Current portion of contingent consideration liability	19	(11)	(9)
Current lease liabilities	19	(19)	(25)
<b>Total current liabilities</b>		<b>(1,341)</b>	<b>(897)</b>
Non-current borrowings	15	(1,950)	(2,512)
Contingent and deferred consideration liabilities	19	(115)	(112)
Deferred tax liability		(89)	(107)
Environmental obligations		(63)	(76)
Non-current lease liabilities	19	(65)	(106)
Other non-current liabilities		(30)	(28)
<b>Total non-current liabilities</b>		<b>(2,312)</b>	<b>(2,941)</b>
<b>Total liabilities</b>		<b>(3,653)</b>	<b>(3,838)</b>
<b>NET ASSETS</b>		<b>1,939</b>	<b>2,242</b>
Stated capital account	12	2,450	2,450
Share-based compensation reserve		28	35
Cash flow hedging reserve		12	16
Translation reserve		(2,038)	(1,543)
Retained earnings		1,487	1,284
<b>Total equity</b>		<b>1,939</b>	<b>2,242</b>
<b>Total liabilities and shareholders' equity</b>		<b>(5,592)</b>	<b>(6,080)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June 2023 (unaudited) US\$m	Six months ended 30 June 2022 (unaudited) US\$m
	Note		
<b>Net cash generated by/(used in) operating activities</b>	19	<b>35</b>	<b>(405)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(375)	(373)
Net cash inflow on asset acquisitions		-	123
Investments in associates		(3)	-
Loans advanced		(14)	(8)
Repayment of loans provided		8	2
Contingent consideration received		5	3
<b>Net cash used in investing activities</b>		<b>(379)</b>	<b>(253)</b>
<b>Cash flows from financing activities</b>			
Borrowings obtained	19	582	2,711
Repayments of borrowings	19	(455)	(1,850)
Repayments of principal under lease liabilities		(12)	(2)
Acquisition of non-controlling interest		-	(23)
Contingent consideration paid		-	(15)
<b>Net cash from financing activities</b>		<b>115</b>	<b>821</b>
Net (decrease)/increase in cash and cash equivalents		(229)	163
Cash and cash equivalents at the beginning of the period		633	417
Effect of foreign exchange rate changes on cash and cash equivalents		(20)	(39)
<b>Cash and cash equivalents at the end of the period</b>		<b>384</b>	<b>541</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital account US\$m	Share-based compensation reserve US\$m	Cash flow hedging reserve US\$m	Translation reserve US\$m	Retained earnings US\$m	Total equity US\$m
<b>Balance at 1 January 2022 (audited)</b>		<b>2,450</b>	<b>31</b>	<b>-</b>	<b>(1,865)</b>	<b>1,587</b>	<b>2,203</b>
Loss for the period		-	-	-	-	(321)	(321)
Other comprehensive income, net of income tax		-	-	12	1,392	-	1,404
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>-</b>	<b>12</b>	<b>1,392</b>	<b>(321)</b>	<b>1,083</b>
Share-based compensation	8	-	8	-	-	-	8
Acquisition of non-controlling interest		-	-	-	-	(23)	(23)
Transfer to retained earnings	12	-	(9)	-	-	9	-
<b>Balance at 30 June 2022 (unaudited)</b>		<b>2,450</b>	<b>30</b>	<b>12</b>	<b>(473)</b>	<b>1,252</b>	<b>3,271</b>
<b>Balance at 1 January 2023 (audited)</b>		<b>2,450</b>	<b>35</b>	<b>16</b>	<b>(1,543)</b>	<b>1,284</b>	<b>2,242</b>
Profit for the period		-	-	-	-	190	190
Other comprehensive loss, net of income tax		-	-	(4)	(495)	-	(499)
<b>Total comprehensive (loss)/income</b>		<b>-</b>	<b>-</b>	<b>(4)</b>	<b>(495)</b>	<b>190</b>	<b>(309)</b>
Share-based compensation	8	-	6	-	-	-	6
Transfer to retained earnings	12	-	(13)	-	-	13	-
<b>Balance at 30 June 2023 (unaudited)</b>		<b>2,450</b>	<b>28</b>	<b>12</b>	<b>(2,038)</b>	<b>1,487</b>	<b>1,939</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

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

Polymetal International plc (the "Company") is the ultimate parent entity of Polymetal Group. The Company was incorporated on 29 July 2010 as a public limited company under Companies (Jersey) Law 1991 and as of reporting date has its place of business in Cyprus. As of 30 June 2023 its ordinary shares were traded on the London and, Moscow stock exchanges and Astana International Exchange (AIX).

On 7 August 2023, the Group completed the re-domiciliation of the Company from Jersey to the Astana International Financial Centre ("AIFC") in Kazakhstan. The Company remains listed on the AIX, which has become the Company's primary stock exchange, while its listing on London stock exchange was cancelled on 29 August 2023.

On 19 May 2023, JSC Polymetal, the holding company for the Group's assets located in the Russian Federation, and its subsidiaries were designated by the U.S. Department of State pursuant to Executive Order 14024 for operating in the metals and mining sector of the Russian economy. Following the designation the Board of Directors of the Company (the "Board") set up a special committee of independent non-executive directors (the "Special Committee") to ensure full and comprehensive compliance with U.S. sanctions.

In the light of these developments, and in the interests of preserving shareholder value, the Board and the Special Committee have decided to consider all possible options available for divestment of JSC Polymetal and its subsidiaries. Any potential transaction will be subject to receipt of any required corporate, governmental, and regulatory approvals, in all applicable jurisdictions, as necessary. Based on circumstances existing as of 30 June 2023, the Group has determined that JSC Polymetal and its subsidiaries did not meet the definition of the disposal group in accordance IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

#### Basis of presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. They should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the 2022 Annual Report of Polymetal International plc and its subsidiaries ("2022 Annual Report") available at [www.polymetalinternational.com](http://www.polymetalinternational.com).

#### Accounting policies

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

The accounting policies and methods of computation applied are consistent with those adopted and disclosed in the Group's consolidated financial statements for the year ended 31 December 2022, except as described below.

#### New accounting standards issued but not yet effective

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

- Amendments to 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;
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* regarding supplier finance arrangements, effective for annual period beginning on or after 1 January 2024 with earlier application permitted;
- 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 2024; and
- Amendments to IFRS 16 *Leases* regarding lease liabilities in sale and leaseback transactions, effective for annual period beginning on or after 1 January 2024 with earlier application permitted.

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

## New standards adopted by the Group

The following amendments to accounting standards become applicable for annual reporting periods commencing on or after 1 January 2023. The Group has determined these standards and interpretations are unlikely to have a significant impact on its condensed consolidated financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* regarding the classification of liabilities as current and non-current, effective for annual periods beginning on or after 1 January 2024;
- Amendments to IAS 12 regarding international tax reform (Pillar Two model rules) effective for annual period beginning on or after January 2023;
- IFRS 17 *Insurance Contracts*, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 1 and IFRS Practice Statement 2 requiring that an entity discloses its material accounting policies, instead of its significant accounting policies, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 8 replacing the definition of a change in accounting estimates with a definition of accounting estimates, effective for annual period beginning on or after 1 January 2023 with earlier application permitted; and
- 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.

## 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.

In the going concern assessment, the Group also considered the implications of sanctions imposed by U.S. Department of State on JSC Polymetal, the Company's subsidiary in the Russian Federation. The Group determined that these implications would not have any material effect on the Group's liquidity position and its ability to finance its obligations.

To assess the resilience of the Group's going concern assessment in light of the macroeconomic volatility and sanctions imposed on Russia, management performed a stress downside scenario that is considered plausible over the next 12 months from the date of approval of the financial statements. As such these do not represent the Group's 'best estimate' forecast, but were considered in the Group's assessment of going concern, reflecting the current evolving circumstances and the most significant severe but plausible changes in macro assumptions identified at the date of approving the press-release.

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

At the reporting date, the Group holds US\$ 0.4 bn of cash and US\$ 0.5 bn of undrawn credit facilities, which when combined with the forecast net cashflows under the stress scenario above, is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months. No borrowing covenant requirements are forecast to be breached in the stress scenario. The Group expects to settle obligations as they fall due but also has mitigating actions available such as reducing production volumes and variable mining costs where possible, reducing and deferring non-essential and non-committed capital expenditure.

The Board is therefore satisfied that the Group's forecasts and projections, including the stress scenario above, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the period ended 30 June 2023.

## Exchange rates

Exchange rates used in the preparation of the condensed consolidated financial statements were as follows:

	Russian Rouble/US Dollar	Kazakh Tenge/US Dollar
As at 30 June 2023	87.03	454.13
As at 31 December 2022	70.34	462.65
January	69.23	462.49
February	73.03	451.49
March	76.09	450.51
April	80.89	451.42
May	78.95	446.66
June	83.16	448.43

## 2. SEGMENT INFORMATION

The Group's operating segments are aligned to those businesses that are evaluated regularly by the chief operating decision maker (the CODM) in deciding how to allocate resources and in assessing performance. Operating segments with similar economic characteristics are aggregated into reportable segments.

In May 2023, following the designation of JSC Polymetal by the U.S. Department of State pursuant to Executive Order 14024, the governance and management structure of the Group was changed. As a part of ring-fencing the Group's Russian subsidiaries to ensure sanctions compliance, the management of the Russian operations has been delegated to the executives of JSC Polymetal, while the Company's Board and management focused on the operations of the Group's assets located in Kazakhstan, as well as separation of the Group's assets by jurisdiction, as described in Note 1.

As a result of these changes management of the Company has re-assessed the presentation of financial information required to assess performance and allocate resources. It was concluded that a jurisdiction-based reporting format is more meaningful from management and forecasting perspective, as well as better aligned to the new management structure, internal reporting and processes.

As at 30 June 2023 the Group has identified two reportable segments:

- Kazakhstan (Varvarinskoye JSC, Komarovskoye Mining Company LLC, Bakyrchik Mining Venture LLC); and
- Russian Federation (aggregating Khabarovsk, Magadan, Ural and Yakutia operating segments).

The measure which management and the CODM use to evaluate the performance of the Group is a 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 41.

The accounting policies of the reportable segments are consistent with those of the Group's accounting policies under IFRS. Revenue and cost of sales of the production entities are reported net of any intersegmental revenue and cost of sales, related to the intercompany sales of ore and concentrates.

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

**2. Segment information (continued)**

	Period ended 30 June 2023 (US\$m)			Period ended 30 June 2022 (US\$m)		
	KAZAKHSTAN	RUSSIA	Total reportable segments	KAZAKHSTAN	RUSSIA	Total reportable segments
Revenue from external customers	393	922	1,315	443	605	1,048
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	160	413	573	151	266	417
Cost of sales	186	515	701	185	335	520
Depreciation included in Cost of sales	(26)	(92)	(118)	(34)	(46)	(80)
Write-down of metal inventory to net realisable value	-	(8)	(8)	-	(20)	(20)
Write-down of non-metal inventory to net realisable value	-	(2)	(2)	-	1	1
Rehabilitation expenses	-	-	-	-	(4)	(4)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	26	113	139	17	121	138
General, administrative and selling expenses	32	116	148	26	124	150
Depreciation included in SGA	(1)	(3)	(4)	(1)	(3)	(4)
Share-based compensation	(5)	-	(5)	(8)	-	(8)
Other operating expenses excluding additional tax charges	7	37	44	14	53	67
Other operating expenses, net	7	41	48	16	53	69
Bad debt and expected credit loss allowance	-	(4)	(4)	-	1	1
Additional tax charges/fines/penalties	-	-	-	(2)	(1)	(3)
Share of loss of associates and joint ventures	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>200</b>	<b>359</b>	<b>559</b>	<b>261</b>	<b>165</b>	<b>426</b>
Depreciation expense	27	95	122	35	49	84
Rehabilitation expenses	-	-	-	-	4	4
Write-down of non-metal inventory to net realisable value	-	2	2	-	(1)	(1)
Write-down of metal inventory to net realisable value	-	8	8	-	20	20
Impairment of non-current assets	-	12	12	-	689	689
Impairment of investment in associate	-	-	-	-	-	-
Share-based compensation	5	-	5	8	-	8
Bad debt and expected credit loss allowance	-	4	4	-	(1)	(1)
Additional tax charges/fines/penalties	-	-	-	2	1	3
<b>Operating profit</b>	<b>168</b>	<b>238</b>	<b>406</b>	<b>216</b>	<b>(596)</b>	<b>(380)</b>
Foreign exchange gain/(loss), net			(105)			92
Change in fair value of contingent consideration liability			(5)			(22)
Finance expenses			(69)			(41)
Finance income			8			3
<b>Profit before tax</b>			<b>235</b>			<b>(348)</b>
Income tax expense			(45)			27
<b>Profit for the financial period</b>			<b>190</b>			<b>(321)</b>
Current metal inventories	172	546	718	132	980	1,112
Current non-metal inventories	60	293	353	44	378	422
Non-current segment assets:						
Property, plant and equipment, net	777	2,327	3,104	691	3,551	4,242
Goodwill	-	12	12	-	20	20
Non-current inventory	34	94	128	28	117	145
Investments in associates	11	5	16	3	28	31
<b>Total segment assets</b>	<b>1,054</b>	<b>3,277</b>	<b>4,331</b>	<b>898</b>	<b>5,074</b>	<b>5,972</b>
Additions to property, plant and equipment:						
Capital expenditure	88	320	408	43	361	404
Acquisition of subsidiaries	-	-	-	-	48	48
<b>Total segment liabilities</b>						
Net debt	(201)	(2,389)	(2,590)	(2,016)	(784)	(2,800)



### 3. REVENUE

	Six months ended 30 June 2023 (unaudited)				Six months ended 30 June 2022 (unaudited)			
			Average price				Average price	
	Thousand ounces/tonnes shipped	Thousand ounces/tonnes payable	(US Dollar per troy ounce/tonne payable)	US\$m	Thousand ounces/tonnes shipped	Thousand ounces/tonnes payable	(US Dollar per troy ounce/tonne payable)	US\$m
Gold (Koz)	582	570	1,889	1,076	465	456	1,843	841
Silver (Koz)	10,877	10,393	21.8	227	8,965	8,745	21.8	191
Copper (t)	1,526	1,431	8,389	12	2,138	1,871	8,553	16
<b>Total</b>				<b>1,315</b>				<b>1,048</b>

Revenue analysed by geographical regions of customers is presented below:

	Six months ended	
	30 June 2023	30 June 2022
	US\$m	US\$m
Sales within and to Kazakhstan	486	649
Sales within the Russian Federation	455	235
Sales to Asia	374	157
Sales to Europe	-	7
<b>Total</b>	<b>1,315</b>	<b>1,048</b>

Included in revenue for the six months ended 30 June 2023 is revenue from customers with a share of total revenue greater than 10%. These were US\$ 265 million, US\$ 221 million and US\$ 193, respectively (period ended 30 June 2022: US\$ 408 million, US\$ 242 million and US\$ 153 million, respectively).

Presented below is an analysis by revenue streams:

	Six months ended	
	30 June 2023	30 June 2022
	US\$m	US\$m
Bullions	605	252
Concentrate	414	376
Dore	265	408
Ore	31	12
<b>Total</b>	<b>1,315</b>	<b>1,048</b>

#### 4. COST OF SALES

	Six months ended	
	30 June 2023	30 June 2022
	US\$m	US\$m
<b>Cash operating costs</b>		
On-mine costs (Note 5)	322	317
Smelting costs (Note 5)	276	233
Purchase of ore and concentrates from third parties	34	40
Mining tax	79	66
<b>Total cash operating costs</b>	<b>711</b>	<b>656</b>
Depreciation and depletion of operating assets (Note 7)	140	134
Rehabilitation expenses	-	4
<b>Total costs of production</b>	<b>851</b>	<b>794</b>
Increase in metal inventories	(165)	(296)
Write-down of inventories to net realisable value (Note 14)	10	19
Idle capacities and abnormal production costs	5	3
	<b>701</b>	<b>520</b>

#### 5. ON-MINE COSTS

	Six months ended	
	30 June 2023	30 June 2022
	US\$m	US\$m
Services	141	156
Labour	80	79
Consumables and spare parts	98	80
Other expenses	3	2
<b>Total (Note 4)</b>	<b>322</b>	<b>317</b>

#### 6. SMELTING COSTS

	Six months ended	
	30 June 2023	30 June 2022
	US\$m	US\$m
Consumables and spare parts	115	103
Services	106	81
Labour	54	48
Other expenses	1	1
<b>Total (Note 4)</b>	<b>276</b>	<b>233</b>

#### 7. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Six months ended	
	30 June 2023	30 June 2022
	US\$m	US\$m
On-mine	90	94
Smelting	50	40
<b>Total in cost of production (Note 4)</b>	<b>140</b>	<b>134</b>
Less: absorbed into metal inventories	(22)	(54)
<b>Depreciation included in cost of sales</b>	<b>118</b>	<b>80</b>

Depletion and depreciation of operating assets excludes depreciation relating to non-operating assets (included in general, administrative and selling expenses) and depreciation related to assets employed in development projects where the charge is capitalised. Depreciation expense, which is excluded in the Group's calculation of Adjusted EBITDA (see Note 2), also excludes amounts absorbed into unsold metal inventory balances.

## 8. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Six months ended	
	30 June 2023	30 June 2022
	US\$m	US\$m
Labour	121	123
Share-based compensation	6	8
Depreciation	5	4
Services	7	4
Other	9	11
<b>Total</b>	<b>148</b>	<b>150</b>

## 9. OTHER OPERATING EXPENSES, NET

	Six months ended	
	30 June 2023	30 June 2022
	US\$m	US\$m
Exploration expenses	15	29
Social payments	12	17
Provision for investment in Special Economic Zone	7	7
Taxes, other than income tax	7	7
Change in estimate of environmental obligations	(2)	2
Other expenses, net	9	7
<b>Total</b>	<b>48</b>	<b>69</b>

## 10. FINANCE COSTS

	Six months ended	
	30 June 2023	30 June 2022
	US\$m	US\$m
Interest expense on borrowings	57	32
Unwinding of discount on lease liabilities (Note 19)	4	2
Unwinding of discount on environmental obligations	4	3
Unwinding of discount on contingent consideration liability (Note 19)	4	4
<b>Total</b>	<b>69</b>	<b>41</b>

Interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US\$ 21 million and US\$ 12 million during the six months ended 30 June 2023 and 30 June 2022, respectively. These amounts were calculated based on the Group's general borrowing pool and by applying an effective annualised interest rates of 4.86% and 3.8%, respectively, to cumulative expenditure on such assets.

## 11. INCOME TAX

	Six months ended	
	30 June 2023	30 June 2022
	US\$m	US\$m
Current income taxes	125	107
Deferred income taxes	(80)	(134)
<b>Total</b>	<b>45</b>	<b>(27)</b>

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

	30 June 2023	31 December 2022
Deferred tax asset	182	142
Deferred tax liability	(89)	(107)
	<b>93</b>	<b>35</b>

Increase in deferred tax asset, recognised during the reporting period, mainly resulted from deferred tax benefit of US\$ 85 million related, is related to the foreign exchange differences arising on the outstanding balances, which will be

deductible for tax purposes on repayment of the principal amount (for six months ended 30 June 2022: increased deferred tax asset mainly resulted from US\$ 125 million of tax benefit recognised on impairment of property, plant and equipment).

The Group has applied the mandatory temporary exception under IAS 12 in relation to the accounting for deferred taxes arising from the implementation of the Pillar 2 rules.

### Tax exposures

During the six months ended 30 June 2023 and 2022 no new individual significant exposures were identified as probable and therefore not provided for. Management has estimated possible tax exposure, representing contingent liabilities (Note 16) (covering taxes and related interest and penalties), of approximately US\$ 102 million (31 December 2022: US\$ 122 million) being uncertain tax positions, which relate to income tax. Change in the amount is mainly attributable to the Russian Rouble appreciation against US Dollar. This is connected largely to more assertive position of the Russian tax authorities in their interpretation of tax legislation in several recent court cases for other third party taxpayers. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three and five calendar years preceding the year of tax review for Russia and Kazakhstan respectively. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group.

## 12. DIVIDENDS AND EARNINGS PER SHARE

As of 30 June 2023 total number of voting rights in the Company amount to 473,626,239 ordinary shares of no par value, each carrying one vote (31 December 2022: 473,626,239). As of 30 June 2023 the Company held 39,070,838 shares in treasury and such shares did not enjoy any voting or economic rights (31 December 2022: 39,070,838 ordinary shares).

The ordinary shares reflect 100% of the total issued share capital of the Company.

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

### Weighted average number of shares: Diluted earnings per share

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

	Six months ended	
	30 June 2023	30 June 2022
Weighted average number of outstanding common shares	473,626,239	473,626,239
<b>Weighted average number of outstanding common shares after dilution</b>	<b>473,626,239</b>	<b>473,626,239</b>

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share in the current period (period ended 30 June 2022: nil).

There were no adjustments to weighted average number of shares for the purposes of calculating the diluted earnings per share in the current period (period ended 30 June 2022: none), as no outstanding Long-Term Incentive Plan (LTIP) awards issued under 2020-2021 tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations, as these are out of money as of the reporting date (30 June 2022: no dilutive potential ordinary shares).

The LTIP tranche, granted in 2019 lapsed during first half 2023 and accordingly, the related balance of US\$ 13 million in the share-based payment reserve was transferred into retained earnings (2022: US\$ 9 million was transferred into retained earnings in relation to 2018 LTIP tranche).

## 13. PROPERTY, PLANT AND EQUIPMENT

	Development assets	Exploration assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
Cost	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m

<b>Balance at 31 December 2022 (audited)</b>	<b>500</b>	<b>85</b>	<b>3,743</b>	<b>93</b>	<b>1,147</b>	<b>5,568</b>
Additions	28	5	119	3	253	408
Transfers	(275)	(3)	343	2	(67)	-
Change in environmental obligations	-	-	(1)	-	(1)	(2)
Disposals and write-offs including fully depleted mines	-	-	(18)	(1)	(4)	(23)
Translation to presentation currency	(77)	(13)	(525)	(17)	(231)	(863)
<b>Balance at 30 June 2023</b>	<b>176</b>	<b>74</b>	<b>3,661</b>	<b>80</b>	<b>1,097</b>	<b>5,088</b>

	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
<b>Accumulated depreciation, amortisation</b>						
<b>Balance at 31 December 2022 (audited)</b>	<b>(252)</b>	<b>(2)</b>	<b>(1,834)</b>	<b>(53)</b>	<b>(35)</b>	<b>(2,176)</b>
Charge for the period	-	-	(148)	(4)	-	(152)
Transfers	202	-	(211)	-	9	-
Impairment recognised during period	-	(12)	-	-	-	(12)
Disposals and write-offs including fully depleted mines	-	-	16	1	-	17
Translation to presentation currency	34	1	290	8	6	339
<b>Balance at 30 June 2023</b>	<b>(16)</b>	<b>(13)</b>	<b>(1,887)</b>	<b>(48)</b>	<b>(20)</b>	<b>(1,984)</b>
<b>Net book value</b>						
<b>31 December 2022</b>	<b>248</b>	<b>83</b>	<b>1,909</b>	<b>40</b>	<b>1,112</b>	<b>3,392</b>
<b>30 June 2023</b>	<b>160</b>	<b>61</b>	<b>1,774</b>	<b>32</b>	<b>1,077</b>	<b>3,104</b>

## 14. INVENTORIES

	30 June 2023 US\$m	31 December 2022 US\$m
<b>Inventories expected to be recovered after twelve months</b>		
Ore stock piles	82	89
Copper, gold and silver concentrate	8	10
Consumables and spare parts	38	34
<b>Total non-current inventories</b>	<b>128</b>	<b>133</b>
<b>Inventories expected to be recovered in the next twelve months</b>		
Copper, gold and silver concentrate	303	287
Ore stock piles	194	229
Work in-process	107	111
Doré	74	55
Metal for refining	25	20
Refined metals	15	3
<b>Total current metal inventories</b>	<b>718</b>	<b>705</b>
Consumables and spare parts	353	352
<b>Total current inventories</b>	<b>1,071</b>	<b>1,057</b>

## 15. BORROWINGS

The Group has a number of borrowing arrangements with various lenders. These borrowings consist of unsecured and secured loans and credit facilities denominated in US Dollars, Euros, Yuans and Russian Roubles.

		Actual interest rate at		30 June 2023			31 December 2022		
	Type of rate	30 June 2023	31 Dec 2022	Current US\$m	Non-current US\$m	Total US\$m	Current US\$m	Non-current US\$m	Total US\$m
Secured loans from third parties									
<i>US Dollar denominated</i>	fixed	2.73%	2.68%	33	142	175	33	158	191
<b>Total secured loans from third parties</b>				<b>33</b>	<b>142</b>	<b>175</b>	<b>33</b>	<b>158</b>	<b>191</b>

## Unsecured loans from third parties

<i>US Dollar denominated</i>	floating	6.52%	5.69%	240	119	359	149	339	488
<i>US Dollar denominated</i>	fixed	3.74%	3.75%	426	824	1,250	43	1,206	1,249
<i>Euro denominated</i>	floating	3.39%	0.98%	2	18	20	2	19	21
<i>RUB denominated</i>	floating	9.45%	9.35%	29	619	648	132	518	650
<i>RUB denominated</i>	fixed	8.03%	8.03%	7	159	166	3	202	205
<i>CNY denominated</i>	fixed	3.92%	5.99%	287	69	356	83	-	83
<i>CNY denominated</i>	floating	n/a	3.50%	-	-	-	69	70	139
<b>Total unsecured loans from third parties</b>				<b>991</b>	<b>1,808</b>	<b>2,799</b>	<b>481</b>	<b>2,354</b>	<b>2,835</b>
<b>Total</b>				<b>1,024</b>	<b>1,950</b>	<b>2,974</b>	<b>514</b>	<b>2,512</b>	<b>3,026</b>

Movements in borrowings are presented in Note 19 below.

The table below summarises maturities of borrowings:

	Period ended	
	30 June 2023 US\$m	31 December 2022 US\$m
Less than 1 year	1,024	514
1-5 years	1,524	1,709
More than 5 years	426	803
<b>Total</b>	<b>2,974</b>	<b>3,026</b>

## 16. COMMITMENTS AND CONTINGENCIES

### Capital commitments

The Group's budgeted capital expenditure commitments as at 30 June 2023 amounted to US\$ 264 million (31 December 2022: US\$ 279 million).

### Lease commitments

The Group's lease commitments, representing variable lease payments related to the Nezhda grid power line and substation, are estimated at US\$ 26 million (undiscounted), which will be expensed as incurred.

### Taxation

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

Management has identified a total exposure (covering taxes and related interest and penalties) of approximately US\$ 105 million in respect of contingent liabilities (31 December 2022: US\$ 125 million), mainly related to income tax as described in Note 11.

## 17. FAIR VALUE ACCOUNTING

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

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

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

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

At 30 June 2023 and 31 December 2022, the Group held the following financial instruments at fair value through profit or loss (FVTPL):

30 June 2023				
Level 1	Level 2	Level 3	Total	
US\$m	US\$m	US\$m	US\$m	
Receivables from provisional copper, gold and silver concentrate sales	-	180	-	180
Contingent consideration receivable	-	-	7	7
Shares held at FVTPL	1	-	-	1
Royalty liabilities payable	-	-	(24)	(24)
Contingent consideration liability (Note 17)	-	-	(38)	(38)
<b>Total</b>	<b>1</b>	<b>180</b>	<b>(55)</b>	<b>126</b>

  

31 December 2022				
Level 1	Level 2	Level 3	Total	
US\$m	US\$m	US\$m	US\$m	
Receivables from provisional copper, gold and silver concentrate sales	-	54	-	54
Contingent consideration receivable	-	-	17	17
Shares held at FVTPL	1	-	-	1
Royalty liabilities payable	-	-	(24)	(24)
Contingent consideration liability (Note 17)	-	-	(36)	(36)
<b>Total</b>	<b>1</b>	<b>54</b>	<b>(43)</b>	<b>12</b>

During both reporting periods presented, there were no transfers between levels of fair value hierarchy.

Additionally, as of 30 June 2023 the Group held several interest rate swap contracts, recognised within non-current accounts receivables and other financial instruments in the amount of US\$ 12 million (31 December 2022: US\$ 16 million). All interest rate swap contracts exchanging floating rate interest amounts for rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. As of 30 June 2023 and 30 June 2022 it was determined that there is no hedge ineffectiveness identified and therefore change of fair value was recognised within other comprehensive income.

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

	Six months ended	
	30 June 2023	30 June 2022
	US\$m	US\$m
Gain/(loss) on contingent consideration receivable revaluation	4	(16)
Gain on contingent consideration payable revaluation	1	1
Change in fair value of shares held at FVTPL	-	(4)
Loss on royalty payable revaluation	-	(3)
<b>Total change in fair value of financial instruments</b>	<b>5</b>	<b>(22)</b>

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and short-term debt recorded at amortised cost approximate to their fair values because of the short maturities of these instruments.

The estimated fair value of the Group's debt, calculated using the market interest rate available to the Group as at 30 June 2023 is US\$ 2,643 million (31 December 2022: US\$ 2,615 million), and the carrying value as at 30 June 2023 is US\$ 2,974 million (31 December 2022: US\$ 3,026 million).

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



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

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

- The relevant valuation model simulates expected production of metals at respective mines and are based on life of mine models prepared using applicable ore reserves and mineral resource estimations;
- Commodity prices - Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. The Group used flat real long-term gold and silver prices of US\$ 1,900 per ounce for 2024 and US\$ 1,800 per ounce from 2024 (2022: US\$ 1,800) and US\$ 22 per ounce (2022: US\$ 22 per ounce), respectively.
- Discount rates – The Group used a post-tax real discount rate of 16.2% (31 December 2022: 14.1%). For the Monte-Carlo modelling, where inflation is incorporated into volatility estimation, a nominal discount rate of 18.6% (31 December 2022: 16.0%) 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 Prognoz (NSR) contingent considerations payable and all contingent considerations receivable.

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

Metal	Price as of valuation date per ounce/tonne	Volatility, %%	Constant correlation to gold, %%
Gold	1,912	13.95%-14.25%	n/a
Silver	22.47-24.1	29.70%-31.25%	87.78%
Copper	8,210	25.27%	(72.37)%
Zinc	2,363	34.86%	(44.05)%
RUB rate	87.0341	20.73%	51.17%

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

## 18. RELATED PARTIES

Related parties are considered to include shareholders, associates, joint ventures and entities under common ownership and control with the Group and members of key management personnel.

During the period ended 30 June 2023 transactions with the related parties are represented by miscellaneous purchases of US\$ 1.1 million (period ended 30 June 2022: US\$ 0.6) and various sales to the related parties of US\$ 0.3 million (period ended 30 June 2022: 0.3 million).

Outstanding balances with related parties as of 30 June 2023 are represented by accounts receivable of US 1 million (31 December 2022: US\$ 1.2 million).

## 19. SUPPLEMENTARY CASH FLOW INFORMATION

	Notes	Six months ended 30 June 2023 (unaudited) US\$m	Six months ended 30 June 2022 (unaudited) US\$m
Profit before tax		235	(348)
<b>Adjustments for:</b>			
Depreciation and depletion expense	2	123	85
Impairment of non-current assets		12	689
Write-down of inventories to net realisable value		10	19
Share-based compensation	8	6	8
Finance expenses		69	41
Finance income		(8)	(3)
Change in fair value of financial instruments	17	5	22
Foreign exchange gain/ (loss), net		105	(92)

Other non-cash items	(2)	8
	<b>555</b>	<b>429</b>
<b>Movements in working capital</b>		
Change in inventories	(205)	(315)
Change in VAT and other taxes	26	(7)
Change in trade and other receivables	(130)	(42)
Change in prepayments to suppliers	(7)	(68)
Change in trade and other payables	(31)	(58)
Change in prepayments received	-	(134)
<b>Cash generated from operations</b>	<b>208</b>	<b>(195)</b>
Interest paid	(79)	(43)
Interest received	7	3
Income tax paid	(101)	(170)
<b>Net cash generated by/(used in) operating activities</b>	<b>35</b>	<b>(405)</b>

Increase in trade and other receivables is related to growth of receivables from provisional copper, gold and silver concentrate sales balance, which expected to be recovered in the second half 2023.

During the period ended 30 June 2023, the capital expenditure related to the new projects, increasing the operating capacity amounts to US\$ 89 million (period ended 30 June 2022: US\$ 209 million).

At the reporting date the cash balances include US\$ 30 million of cash and cash equivalents held in Russia (31 December 2022: US\$ 118 million), that are subject to certain legal restrictions and are therefore not available for general use of the Company (but fully available for use by its Russian subsidiaries). The Group determined that these restrictions would not have any material effect on the Group's liquidity position and its ability to finance its obligations.

#### 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 flows were, or future cash flows will be, classified in the Group's condensed consolidated cash flow statements as cash flows from financing activities.

Lease modification presented in the table below relates to the updated lease contract the of overhead power line, supplying electricity to the Nezhda production site, which commenced in July 2022. The corresponding decrease was recognised in right-of-use assets.

	Period ended 30 June 2023				
	Borrowings	Contingent consideration payable at fair value	Deferred consideration payable at amortised cost	Royalty payable	Lease liabilities
<b>1 January 2023</b>	<b>3,027</b>	<b>36</b>	<b>85</b>	<b>24</b>	<b>131</b>
Cash inflow	582	-	-	-	-
Cash outflow	(455)	-	-	-	(12)
<b>Changes from financing cash flows</b>	<b>127</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12)</b>
Unwind of discount	-	2	3	-	4
Lease modification	-	-	-	-	(14)
Lease termination	-	-	-	-	(2)
Net foreign exchange losses	293	4	-	6	-
Exchange differences on translating foreign operations	(473)	(4)	-	(6)	(23)
<b>Other changes</b>	<b>(180)</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>(35)</b>
<b>30 June 2023</b>	<b>2,974</b>	<b>38</b>	<b>88</b>	<b>24</b>	<b>84</b>
Less current portion	(1,024)	(9)	-	(5)	(19)
<b>Total non-current liabilities at 30 June</b>	<b>1,950</b>	<b>29</b>	<b>88</b>	<b>19</b>	<b>65</b>
	Period ended 30 June 2022				
	Borrowings	Contingent consideration	Deferred consideration payable at	Royalty payable	Lease liabilities

		payable at fair value	amortised cost		
<b>1 January 2022</b>	<b>2,064</b>	<b>63</b>	<b>79</b>	<b>21</b>	<b>36</b>
Cash inflow	2,711	-	-	-	-
Cash outflow	(1,850)	(15)	-	-	(4)
<b>Changes from financing cash flows</b>	<b>861</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>(4)</b>
Additions as a result of acquisitions	161	-	-	-	-
Change in fair value, included in profit or loss	-	(1)	-	3	-
Unwind of discount	-	1	3	-	2
Arrangement fee amortisation	1	-	-	-	-
New leases	-	-	-	-	2
Net foreign exchange gains	(417)	-	-	-	-
Exchange differences on translating foreign operations	671	-	-	-	15
<b>Other changes</b>	<b>416</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>19</b>
<b>30 June 2022</b>	<b>3,341</b>	<b>48</b>	<b>82</b>	<b>24</b>	<b>51</b>
Less current portion	(1,189)	(17)	-	-	-
<b>Total non-current liabilities at 30 June</b>	<b>2,152</b>	<b>31</b>	<b>82</b>	<b>24</b>	<b>51</b>

## 20. SUBSEQUENT EVENTS

In July 2023, the Group increased its effective interest in the Baksy project to 75%, by consolidating 100% of Batys-Baikent LLC, an owner of 75% in Nur-Baykent LLC, which holds the license of Baksy copper-gold deposit for total cash consideration of US\$ 14 million. State-owned JSC Kazgeology owns the remaining 25%.

On 7 August 2023 the Group completed the re-domiciliation of the Company from Jersey to the Astana International Financial Centre ("AIFC") in Kazakhstan. The Company remains listed on the AIX, which has become the Company's primary stock exchange, while its listing on London Stock Exchange was cancelled on 29 August 2023.

On 4 August 2023, a windfall tax was introduced in the Russian Federation for a number of companies whose average income tax base for the years ended 31 December 2022 and 2021 exceeded RUB 1 billion. The Group's management estimates the windfall tax to be accrued in the amount of RUB 600 million (approximating to US\$ 7 million), which will be recognised and presented within current income tax for the financial year ending 31 December 2023.

In September 2023, the Group has agreed to cancel its historic call and put options and a shareholder agreement over 40.6% share in GRK Amikan LLC ("Amikan") with the previous joint venture (JV) partner (please refer to the transaction disclosure in the consolidated financial statements for the year ended 31 December 2020). This allowed to form a new joint venture over Amikan. The 40.6% stake was acquired from the previous JV partner by a new third party. Subsequently, JSC Polymetal disposed of its 9.5% stake in Amikan to the same third party for a cash consideration of US\$ 21 million. As a result, the Group now owns 49.9% interest of Amikan. Simultaneously, JSC Polymetal entered into a number of corporate arrangements with the new shareholder regarding Amikan project financing, governance and operations. The accounting treatment of this transaction will be determined in second half of 2023.

## 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; and
- 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
<b>Underlying net earnings</b>	<ul style="list-style-type: none"> <li>• Profit/(loss) for the financial period attributable to equity shareholders of the Group</li> </ul>	<ul style="list-style-type: none"> <li>• Write-down of metal inventory to net realisable value (post-tax)</li> <li>• Impairment/reversal of previously recognised impairment of non-current assets (post-tax)</li> <li>• Foreign exchange (gain)/loss (post-tax)</li> <li>• Change in fair value of contingent consideration liability (post-tax)</li> <li>• Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures (post-tax)</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>Underlying earnings per share</b>	<ul style="list-style-type: none"> <li>• Earnings per share</li> </ul>	<ul style="list-style-type: none"> <li>• Underlying net earnings (as defined above)</li> <li>• Weighted average number of outstanding common shares</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
<b>Underlying return on equity</b>	<ul style="list-style-type: none"> <li>No equivalent</li> </ul>	<ul style="list-style-type: none"> <li>Underlying net earnings (as defined above)<sup>1</sup></li> <li>Average equity at the beginning and the end of reporting year, adjusted for translation reserve</li> </ul>	<ul style="list-style-type: none"> <li>The most important metric for evaluating a company's profitability</li> <li>Measures the efficiency with which a company generates income using the funds that shareholders have invested.</li> </ul>
<b>Return on assets</b>	<ul style="list-style-type: none"> <li>No equivalent</li> </ul>	<ul style="list-style-type: none"> <li>Underlying net earnings (as defined above)<sup>1</sup> before interest and tax</li> <li>Average total assets at the beginning and the end of reporting year</li> </ul>	<ul style="list-style-type: none"> <li>A financial ratio that shows the percentage of profit a company earns in relation to its overall resources.</li> </ul>
<b>Adjusted EBITDA</b>	<ul style="list-style-type: none"> <li>Profit/(loss) before income tax</li> </ul>	<ul style="list-style-type: none"> <li>Finance cost (net)</li> <li>Depreciation and depletion</li> <li>Write-down of metal and non-metal inventory to net realisable value</li> <li>Impairment/reversal of previously recognised impairment of non-current assets</li> <li>Share based compensation</li> <li>Bad debt allowance</li> <li>Net foreign exchange gain/losses</li> <li>Change in fair value of contingent consideration liability</li> <li>Rehabilitation costs</li> <li>Additional mining taxes, VAT, penalties and accrued interest</li> <li>Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Net debt</b>	<ul style="list-style-type: none"> <li>Net total of current and non-current borrowings<sup>2</sup></li> <li>Cash and cash equivalents</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Measures the Group's net indebtedness that provides an indicator of the overall balance sheet strength.</li> <li>Used by creditors in bank covenants.</li> </ul>
<b>Net debt/EBITDA ratio</b>	<ul style="list-style-type: none"> <li>No equivalent</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Used by creditors, credit rating agencies and other stakeholders.</li> </ul>
<b>Free cash flow</b>	<ul style="list-style-type: none"> <li>Cash flows from operating activity less cash flow from investing activities</li> </ul>	<ul style="list-style-type: none"> <li>Excluding acquisition costs in business combinations and investments in associates and joint ventures</li> <li>Excluding loans forming part of net investment in joint ventures</li> <li>Excluding proceeds from disposal of subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>Reflects cash generating from operations after meeting existing capital expenditure commitments.</li> <li>Measures the success of the company in turning profit into cash through the strong management of working capital and capital expenditure.</li> </ul>

<sup>1</sup> Annualised basis for half-year results.

<sup>2</sup> Excluding lease liabilities and royalty payments.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
<b>Free cash flow post M&amp;A</b>	<ul style="list-style-type: none"> <li>Cash flows from operating activity less cash flow from investing activities</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Free cash flow including cash used in/received from acquisition/disposal of assets and joint ventures.</li> <li>Reflects cash generation to finance returns to shareholders after meeting existing capital expenditure commitments and financing growth opportunities.</li> </ul>
<b>Total cash costs (TCC)</b>	<ul style="list-style-type: none"> <li>Total cash operating costs</li> <li>General, administrative &amp; selling expenses</li> </ul>	<ul style="list-style-type: none"> <li>Depreciation expense</li> <li>Rehabilitation expenses</li> <li>Write-down of inventory to net realisable value</li> <li>Intersegment unrealised profit elimination</li> <li>Idle capacities and abnormal production costs</li> <li>Exclude Corporate and Other segment and development assets</li> <li>Treatment charges deductions reclassification to cost of sales</li> </ul>	<ul style="list-style-type: none"> <li>Calculated according to common mining industry practice using the provisions of Gold Institute Production Cost Standard.</li> <li>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.</li> </ul>
<b>All-in sustaining cash costs (AISC)</b>	<ul style="list-style-type: none"> <li>Total cash operating costs</li> <li>General, administrative &amp; selling expenses</li> </ul>	<ul style="list-style-type: none"> <li>AISC is based on total cash costs, and adds items relevant to sustaining production such as other operating expenses, corporate level SG&amp;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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Provides investors with better visibility into the true cost of production.</li> </ul>