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Polymetal International plc

Half-yearly report for the six months ended 30 June 2021

"We are pleased to report our strong financial performance on the back of favourable commodity prices and steady operational delivery during the first half of the year", said Vitaly Nesis, Group CEO of Polymetal, commenting on the results. "We expect stronger production, stable cash costs within the original guidance and significant free cash flow generation for the second half and remain focused on progressing our development projects on schedule".

FINANCIAL HIGHLIGHTS

- Revenue in 1H 2021 increased by 12% to US$ 1,274 million compared to 1H 2020 ("year-on-year") driven by higher metal prices. Average realised gold and silver prices tracked market dynamics and increased by 8% and 59%, respectively. Gold equivalent ("GE") production was 714 Koz, a marginal decrease of 1% year-on-year. Gold sales remained stable year-on-year at 595 Koz but lagged production by 40 Koz mainly due to concentrate in transit build-up at Kyzyl. Silver sales were down 19% to 8.0 Moz, due to a lag between silver concentrate production and sales, which is expected to close in 2H 2021.
- Group Total Cash Costs ("TCC")[1] were US$ 712/GE oz for 1H 2021, within the Company's guidance of US$ 700-750/GE oz, and up 12% year-on-year due to above-CPI inflation in the mining industry and full-period impact of COVID-related costs, as well as planned decline in grades processed at Kyzyl and Albazino.
- All-in Sustaining Cash Costs ("AISC")[1] amounted to US$ 1,019/GE oz, up 16% year-on-year, reflecting investments at Omolon (power complex, filtration building and mining fleet renewals) and Kyzyl (mining fleet), as well as accelerated stripping at Voro (Pescherny and Saum deposits) and Omolon (Burgali deposit). AISC are expected to decline in the second half of the year on the back of seasonally higher production and sales to meet the full year guidance of US$ 925-975/GE oz.
- Adjusted EBITDA[1] was US$ 660 million, an increase of 8% year-on-year, driven by higher commodity prices against the backdrop of stable production. The Adjusted EBITDA margin decreased to 52% (1H 2020: 54%).
- Net earnings[2] were US$ 419 million (1H 2020: US$ 376 million), with basic EPS of US$ 0.89 per share (1H 2020: US$ 0.80 per share), reflecting the increase in operating profit. Underlying net earnings[1] increased by 15% to US$ 422 million (1H 2020: US$ 368 million).
- Capital expenditure was US$ 375 million[3], up 55% compared to US$ 242 million in 1H 2020, reflecting the construction at POX-2, Nezhda and Kutyn, combined with stripping at Veduga[4], Voro and Omolon. Capital expenditure levels were also affected by inflationary pressures and COVID-related costs.
- Given the continuing macroeconomic pressures, materials and wage inflation, as well as scope changes approved by the Board, including costs of the feasibility study for POX-3 and acceleration of Veduga and Prognoz projects, Polymetal revises its FY 2021 capex guidance to US$ 675-725 million (previously US$ 560 million). The guidance for 2022-2025 will be updated during the Company's capital markets day in November 2021.
- An interim dividend of US$ 0.45 per share (1H 2020: US$ 0.40 per share) representing 50% of the Group's underlying net earnings for 1H 2021 has been approved by the Board in accordance with the dividend policy. A final dividend for 2020 of US$ 0.89 per share (total of US$ 421 million) was paid in May 2021.
- Net debt[1] increased to US$ 1,827 million during the period (31 December 2020: US$ 1,351 million), representing 1.05x of the last twelve months Adjusted EBITDA, significantly and favourably below the Group's target leverage

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

ratio of 1.5x. The increase in net debt was mainly driven by accelerated capital expenditures combined with seasonal working capital build-up.

- Operating cash flow increased by 22% year-on-year to US$ 358 million, however free cash flow ("FCF")[3] represented a US$ 27 million outflow, compared to a US$ 54 million inflow a year earlier, driven by higher capital expenditure. As usual, FCF is expected to be stronger in the second half of the year due to seasonally higher production and working capital release.
- Polymetal is on track to meet its 2021 production guidance of 1.5 Moz of gold equivalent. The company maintains its 2021 guidance range of US$ 700-750/GE oz and US$ 925-975/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[1]	1H 2021	1H 2020[2]	Change, %
Revenue, US$m	1,274	1,135	+12%
Total cash cost[3], US$/GE oz	712	638	+12%
All-in sustaining cash cost[3], US$/GE oz	1,019	880	+16%
Adjusted EBITDA[3], US$m	660	610	+8%
Average realised gold price[4], US$/oz	1,793	1,661	+8%
Average realised silver price[4], US$/oz	26.5	16.7	+59%
Net earnings, US$m	419	376	+11%
Underlying net earnings[3], US$m	422	368	+15%
Return on Assets[3], %	24%	23%	+1%
Return on Equity (underlying)[3],%	24%	23%	+1%
Basic EPS, US$/share	0.89	0.80	+11%
Underlying EPS, US$/share	0.89	0.78	+14%
Dividend declared during the period[5], US$/share	0.89	0.62	+44%
Dividend proposed for the period[6], US$/share	0.45	0.40	+13%
Net debt[3], US$m	1,827	1,351	+35%
Net debt/Adjusted EBITDA	1.05[7]	0.80	+32%
Net operating cash flow, US$m	358	294	+22%
Capital expenditure, US$m	375	242	+55%
Free cash flow[3], US$m	(27)	54	NM[8]
Free cash flow post-M&A[3], US$m	(29)	55	NM

[1] Totals may not correspond to the sum of the separate figures due to rounding. % changes can be different from zero even when absolute amounts are unchanged because of rounding. Likewise, % changes can be equal to zero when absolute amounts differ due to the same reason. This note applies to all tables in this release.
[2] Restated due to a change in accounting policy. Starting from 1 January 2021, exploration and evaluation (E&E) expenses costs are capitalised into assets only when mineral resources are published; and before that are expensed as incurred. Previously capitalised E&E assets with no mineral resource estimation were written off via retrospective adjustments to the 2020 income statement and balance sheet amounts brought forward. This note applies to all comparative data for 2020 in this release.
[3] Defined in the "Alternative performance measures" section below.
[4] In accordance with IFRS, revenue is presented net of treatment charges which are subtracted in calculating the amount to be invoiced. Average realised prices are calculated as revenue divided by gold and silver volumes sold, excluding the effect of treatment charges deductions from revenue.
[5] 1H 2021: Final dividend for FY 2020 paid in May 2021. 1H 2020: Special and final dividend for FY 2019 paid in 2020.
[6] 1H 2021: interim dividend for FY2021. 1H 2020: interim dividend for FY2020.
[7] On a last twelve months basis. Adjusted EBITDA for 2H 2020 was US$ 1,074 million.
[8] Not meaningful.

COVID-19 IMPACT ON THE GROUP'S PERFORMANCE TO DATE

- As of the date of this press release, there are 64 active cases of COVID-19 among Polymetal's workforce.
- In July 2021, the Kubaka processing plant site (Omolon hub) suffered a significant COVID-19 outbreak. Management responded quickly to isolate the infected individuals and evacuated those who had symptoms or exhibited potentially risky pre-conditions with no impact on production. As of the date of this press release, there are 41 active cases of COVID-19, mostly among construction and drilling contractors.
- Other operations and projects continue undisrupted. All precautionary measures, including extensive testing and observatory periods, are maintained at all sites.
- Voluntary vaccinations continue at the Group's sites and offices, with 30% of employees having received at least one vaccination across different mine sites.

OPERATING AND ESG HIGHLIGHTS

- There were no fatal accidents during the first half of the year (consistent with H1 2020) among Polymetal's workforce and the Company's contractors. Unfortunately, on 18 July 2021 a drilling contractor lost his life at the Saum open-pit mine, part of Voro operations.
- LTIFR in 1H 2021 stood at 0.17 with ten lost-time injuries, in comparison with 0.07 and four cases a year earlier.
- GE production in 1H 2021 was 714 Koz, down 1% year-on-year, mostly due to the planned grade declines at Kyzyl and Albazino. Stronger production forecast in the 2H 2021 will be driven by seasonal concentrate de-stockpiling, notably at Mayskoye and Dukat. The Group remains on track to meet its FY2021 production guidance of 1.5 Moz of gold equivalent.
- Construction and development activities at Nezhda and POX-2 projects have progressed on schedule amid continued tightness in the construction contractor market and COVID-related cross-border travel restrictions.
- In June 2021, Vigeo Eiris (part of Moody's ESG solutions), a global leader in ESG assessments, data, research and analytics, raised Polymetal's overall ESG score from 48 to 69 (out of 100) which corresponds with the Advanced level, the highest on the company's ranking scale. The new score places Polymetal in second place out of 43 in the Mining & Metals sector and 22nd place in the global ranking universe (4,939 companies).
- In August 2021, Polymetal's MSCI ESG Rating has been upgraded to AA from A. This places Polymetal among the companies with the highest ESG Rating in the Precious Metals sector. MSCI has highlighted Polymetal's safety initiatives and improvements, robust governance structure and business ethics practices, active engagement with local communities and robust approach to mitigating the risk of dam-related incidents.
- The reporting period was also marked with a couple of other external recognitions, which confirms our success as a responsible company: Polymetal took 7th place in Russia's 30 most eco-friendly companies rating and second place among metals and mining companies in Russia by Forbes.

	1H 2021	1H 2020	Change, %
Waste mined, Mt	98.0	79.1	+24%
Underground development, km	46.3	46.4	-0%
Ore mined, Mt	**7.5**	**8.1**	**-7%**
Open-pit	5.6	6.0	-7%
Underground	1.9	2.0	-5%
Ore processed, Mt	7.6	7.8	-3%
Average grade processed, GE g/t	**3.6**	**4.0**	**-9%**
Production			
Gold, Koz	635	642	-1%
Silver, Moz	9.4	9.8	-4%
Gold equivalent, Koz[1]	**714**	**723**	**-1%**
Sales			
Gold, Koz	595	595	+0%
Silver, Moz	8.0	9.9	-19%
Gold equivalent, Koz[2]	**721**	**695**	**+4%**
Average headcount	13,062	12,083	+8%
Health and safety			
LTIFR[3]	0.17	0.07	+143%
Fatalities	-	-	n/a

CORPORATE UPDATE

- There were no material transactions during 1H 2021.

[1] Based on 120:1 Au/Ag conversion ratio.
[2] Based on actual realised prices.
[3] LTIFR = lost time injury frequency rate per 200,000 hours worked.

CONFERENCE CALL AND WEBCAST

The Company will hold a conference call and webcast on Thursday, 26 August 2021 at 09:00 London time (11:00 Moscow time).

To participate in the call, please dial:

From the UK:
+44 203 984 9844 (local access)
+44 800 011 9129 (toll free)

From the US:
+1 718 866 4614 (local access)
+1 888 686 3653 (toll free)

From Russia:
+7 495 283 9858 (local access)

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

Conference code: 785872

To participate in the webcast follow the link: https://mm.closir.com/slides?id=785872.

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

A recording of the call will be available at the same numbers and webcast link listed above within an hour after the call and until 2 September 2021.

About Polymetal

Polymetal International plc (together with its subsidiaries – "Polymetal", the "Company", or the "Group") is a top-10 global gold producer and top-5 global silver producer with assets in Russia and Kazakhstan. The Company combines strong growth with a robust dividend yield.

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Forward-looking statements

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 1H 2021, the spot gold price dropped by 7% year-to-date after an overall robust price environment in 2020. The negative price dynamics were primarily driven by positive expectations regarding global economic recovery from the impact of COVID-19 and resulting reduction in interest in safe heaven assets, including gold. However, there were supporting factors compensating for the decline to some extent, such as concerns of higher inflation, ongoing support from governments to aid economic recovery by monetary and fiscal means, new waves of the virus and signs of consumer gold demand recovery (mostly seen in Q1 2021). As at 30 June 2021, the LBMA gold price was trading at US$ 1,760/oz. The average LBMA gold price for the period was US$ 1,805/oz, up 10% year-on-year.

Gold demand for 1H 2021 was down by 12% year-on-year to 1,833[1] tonnes. The negative dynamics stemmed from exchange traded funds (ETFs') 1H 2021 net outflows of 129[1] tonnes (the first time since 2014) which exceeded consumer and industrial demand growth. At the same time, jewellery demand rebounded to 874[1] tonnes (+53% year-on-year) after a COVID-related adverse impact in 2020 but still remained below the pre-pandemic levels. Bar and coin consumption also saw a gain of 50% and reached 594[1] tonnes. Central banks were net buyers throughout 1H 2021 and added 333[1] tonnes to reserves (+43% year-on-year). Gold used in technology recovered after 2020 lows following the global economy improvement and totalled 161[1] tonnes in 1H 2021, representing a 15% year-on-year increase. Total 1H 2021 gold supply increased by 4% to 2,308[1] tonnes due to the impact from 2020 disruptions at mines caused by the pandemic.

At the beginning of the year, silver continued the upward trend seen since 2H 2020 on the back of positive industrial outlook and beat its 2020 record, reaching US$ 29.2/oz in February 2021. After that, because of the pressure of interest rate hikes by the US Federal Reserve silver was volatile and prices decreased in February-March and late June. As at 30 June 2021 silver traded at US$ 25.8/oz, down by 3% year-to-date. The average LBMA price increased by 59% from US$ 16.6/oz for 1H 2020 to US$ 26.4/oz for 1H 2021.

Foreign exchange

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

The spot rate of the Russian Rouble appreciated year-to-date by 2% to 72.4 RUB/USD as at 30 June 2021 (73.9 RUB/USD as at 31 December 2020) on the back of rising oil prices (Brent crude oil price ended June 2021 at $75 per barrel, an increase of 46% year-to-date) and an increase in the key interest rate by Central Bank of Russia from 4.25% to 6.5%[2]. However, comparing average semi-annual exchange rates the Russian Rouble recorded a 7% year-on-year depreciation from an average of 69.3 RUB/USD in 1H 2020 to 74.3 RUB/USD in 1H 2021.

The Kazakh Tenge also weakened along with the Rouble (the exchange rate was down 5% year-on-year, from 404 KZT/USD in 1H 2020 to 424 KZT/USD in 1H 2021).

This had a positive impact on our financial results in Russia and Kazakhstan, resulting in lower Dollar value of local currency-denominated operating costs and higher margins.

REVENUE

		1H 2021	1H 2020	Change, %
Sales volumes				
Gold	Koz	595	595	-0%
Silver	Moz	8.0	9.9	-19%
Gold equivalent sold[3]	**Koz**	**721**	**695**	**+4%**

[1] Gold Demand Trends Q2 2021 published by World Gold Council.
[2] Since 23 July 2021
[3] Based on actual realised prices.

Sales by metal *(US$m unless otherwise stated)*		**1H 2021**	**1H 2020**	**Change, %**	**Volume variance, US$m**	**Price variance, US$m**
Gold		**1,057**	**977**	**+8%**	**-**	**80**
Average realised price[1]	*US$/oz*	1,793	1,661	+8%		
Average LBMA closing price	*US$/oz*	1,805	1,646	+10%		
Share of revenues	*%*	83%	86%			
Silver		**205**	**158**	**+30%**	**(30)**	**77**
Average realised price[1]	*US$/oz*	26.5	16.7	+59%		
Average LBMA closing price	*US$/oz*	26.4	16.6	+59%		
Share of revenues	*%*	16%	14%			
Other metals		**12**	**0**	**NM**		
Share of revenues	*%*	1%	0%			
Total revenue		**1,274**	**1,135**	**+12%**		

In 1H 2021, revenue grew by 12% year-on-year to US$ 1,274 million driven by higher gold and silver prices. Gold sales volumes were stable year-on-year. Silver sales volumes decreased by 19% year-on-year, while silver production was lower by 4% as silver concentrate sales lagged production, a factor which is expected to reverse before the year-end.

The Group's average realised price for gold was US$ 1,793/oz in 1H 2021, up 8% from US$ 1,661/oz in 1H 2020, and slightly below the average market price of US$ 1,805/oz. The Group's average realised silver price was US$ 26.5/oz, up 59% year-on-year, in line with market price dynamics.

The share of gold sales as a percentage of total revenue decreased from 86% in 1H 2020 to 83% in 1H 2021, driven by material change in gold-to-silver price ratio.

Analysis by segment/operation		**Revenue,** *US$m*			**Gold equivalent sold,** *Koz (silver equivalent for Dukat, Moz)*		
Segment	**Operation**	**1H 2021**	**1H 2020**	**Change, %**	**1H 2021**	**1H 2020**	**Change, %**
Magadan	Dukat	241	196	+23%	9.3	12.2	-24%
	Omolon	162	143	+13%	90	87	+3%
	Mayskoye	21	1	NM	12	0	NM
	Total Magadan	**424**	**340**	**+25%**	**240**	**209**	**+15%**
Khabarovsk	Albazino/Amursk	206	213	-3%	115	129	-11%
	Svetloye	93	78	+20%	52	47	+10%
	Total Khabarovsk	**299**	**290**	**+3%**	**167**	**176**	**-5%**
Kazakhstan	Kyzyl	278	331	-16%	161	203	-20%
	Varvara	201	103	+95%	113	63	+78%
	Total Kazakhstan	**479**	**434**	**+10%**	**274**	**266**	**+3%**
Urals	Voro	72	70	+3%	40	42	-6%
	Total	**1,274**	**1,135**	**+12%**	**721**	**695**	**+4%**

The increase in commodity prices during the period had a positive impact on revenues at all operating mines, although at Kyzyl revenue was down 16% year-on-year as a result of the decrease in GE volume sold. Delivery of Kyzyl concentrate to China was disrupted by the anti-COVID precautionary measures at seaports and railway crossings which resulted in a substantial rail car and ship deficit as well as lengthening round-trip times. Polymetal is switching from boxcar to container shipping to accelerate cycle times and expects the sales/production gap to close by year-end.

At Dukat, higher silver prices compensated for a temporary lag between production and sales, which will be eliminated in 2H 2021. Among all other operating mines, physical sales volumes broadly followed the production dynamics.

At Mayskoye, there was no meaningful gold production and sales in 1H 2021. With the summer navigation period starting in July, the bulk of gold production at Mayskoye will be recorded in the second half of the year once the stockpiled concentrate is shipped to off-takers.

[1] Excluding effect of treatment charges deductions from revenue.

COST OF SALES

Cost of sales *(US$m)*	**1H 2021**	**1H 2020**	**Change, %**
On-mine costs	249	228	+9%
Smelting costs	173	169	+2%
Purchase of ore and concentrates from third and related parties	63	56	+13%
Mining tax	74	64	+16%
Total cash operating costs	**559**	**517**	**+9%**
Depreciation and depletion of operating assets	100	103	-3%
Rehabilitation expenses	1	-	NM
Total costs of production	**660**	**620**	**+6%**
Increase in metal inventories	(116)	(141)	-18%
Write-down/(reversal) of metal inventories to net realisable value	6	(2)	NM
Total change in metal inventories	**(110)**	**(143)**	**-23%**
Write-down of non-metal inventories to net realisable value	1	6	-91%
Idle capacities and abnormal production costs	1	1	-
Total cost of sales	**551**	**484**	**+14%**

Cash operating cost structure	**1H 2021, US$m**	**1H 2021, % of total**	**1H 2020, US$m**	**1H 2020, % of total**
Services	197	35%	177	34%
Consumables and spare parts	127	23%	126	24%
Labour	96	17%	92	18%
Mining tax	74	13%	64	12%
Purchase of ore and concentrates from third parties	63	11%	56	11%
Other expenses	2	0%	2	0%
Total	**559**	**100%**	**517**	**100%**

The total cost of sales increased by 14% in 1H 2021 to US$ 551 million, reflecting domestic inflation (doubled from 3% to 6% year-on-year), COVID-related costs, a price-driven increase in mining tax and an increase in purchases of third-party ore and concentrates, partially offset by currency depreciation.

The cost of services was up 11% year-on-year, caused mostly by higher volume of transportation services (notably at Omolon, ore transportation from the Olcha mine to Kubaka mill), as well as drilling and blasting services at Nezhda (ramp-up of mining activities).

The cost of consumables and spare parts was up 1% compared to 1H 2020, mainly impacted by domestic inflation and higher steel and diesel prices that were partially compensated by a weaker Rouble and Tenge.

The cost of labour within cash operating costs was up 4% year-on-year, mainly stemming from annual salary increases (tracking domestic CPI inflation combined with the second mid-year review of the base salary for all employees made in September 2020).

The increase in purchases of third-party ore and concentrates by 13% was driven by larger volumes of high-grade third-party concentrate processed at Voro.

Mining tax increased by 16% year-on-year to US$ 74 million mainly impacted by the significant increase in average realised commodity prices.

Depreciation and depletion was US$ 100 million, down 3% year-on-year. US$ 11 million of depreciation cost is included within the increase in metal inventories (1H 2020: US$ 12 million).

In 1H 2021, a seasonal net metal inventory increase of US$ 116 million (1H 2020: US$ 141 million) was recorded. The increase was mainly represented by traditional seasonal concentrate build-up at Mayskoye ahead of the navigation period as well as concentrate at Dukat and ore mined at Nezhda. The Company expects the bulk of this increase to be reversed by the end of 2021.

The Group recognised a US$ 6 million write-down (1H 2020: US$ 2 million reversal) to the net realisable value of heap leach work-in-progress and low-grade ore at Omolon (see Note 15 of the condensed financial statements).

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US$m)	**1H 2021**	**1H 2020**	**Change, %**
Labour	87	72	+21%
Share based compensation	8	7	+14%
Services	4	4	-
Depreciation	4	4	-
Other	11	8	+38%
Total	**114**	**95**	**+20%**

General, administrative and selling expenses ("SGA") increased by 20% year-on-year from US$ 95 million to US$ 114 million. The increase is mostly driven by the intense competition for the qualified administrative personnel, as well as an increased headcount due to the Nezhda and Kutyn development projects and regular salary reviews.

OTHER OPERATING EXPENSES

(US$m)	**1H 2021**	**1H 2020**	**Change, %**
Exploration expenses	21	16	+31%
Social payments	14	13	+8%
Provision for investment in Special Economic Zone	9	7	+29%
Taxes, other than income tax	4	7	-43%
Additional tax charges/fines/penalties	(1)	6	NM
Other expenses	11	8	+38%
Total	**58**	**57**	**+2%**

Other operating expenses increased to US$ 58 million in 1H 2021 compared to US$ 57 million in 1H 2020. Starting from 1 January 2021, the Group has voluntary changed its accounting policy related to exploration and evaluation costs in accordance with IFRS 6 "Exploration for and evaluation of mineral resources". As a result of this change exploration and evaluation costs are expensed as incurred until such time as the Group determines that reasonable prospects exist for eventual economic extraction of minerals which is supported by management's decision to prepare the JORC mineral resource estimation for a certain field once the project has progressed. Previously, the Group capitalised mineral exploration and evaluation costs into exploration assets if management concluded that future economic benefits were likely to be realised, and no IFRS 6 impairment indicators were present, based on the latest internal assessment of exploration results. The retrospective adjustment for the change in accounting policy resulted in increase of exploration expenses for 1H 2020 by US$ 6 million. For details refer to Note 1 of the condensed consolidated financial statements.

Other expenses are represented by individually not significant items, notably, housing and COVID-19-related expenses, including providing isolation facilities for employees and contractors arriving for shifts, purchasing test kits, supporting long-term rehabilitation of employees, free taxis for the office employees and supplying PPE, medical and specialised diagnostic equipment to medical facilities.

TOTAL CASH COSTS

In 1H 2021, total cash costs per gold equivalent ounce sold ("TCC") were US$ 712/GE oz, up 12% year-on-year and up 12% compared to 2H 2020. Accelerating domestic inflation (6% in 1H 2021 compared with 3% in 1H 2020), above-CPI inflation in the mining industry, a price-driven increase in mining tax, the impact of COVID-related measures, combined with the planned grade decline, had an overall negative impact on cost levels, which was partially offset by depreciation of the Russian Rouble and Kazakh Tenge against the US dollar and change in gold-to-silver price ratio.

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

Reconciliation of TCC and AISC movements	TCC, US$/oz	Change, %	AISC, US$/oz	Change, %
Cost per gold equivalent ounce – 1H 2020	**638**		**880**	
Au/Ag ratio change	(46)	-7%	(66)	-8%
USD and KZT rate change	(34)	-5%	(47)	-5%
Change in average grade processed	63	10%	80	9%
Domestic inflation	36	6%	49	6%
Change in sales structure at mature operations, including purchase of ore and concentrates from third parties	27	4%	31	4%
Mining tax increase	11	2%	11	1%
Sustaining CAPEX increase	-	0%	49	6%
Other[1]	16	3%	33	4%
Cost per gold equivalent ounce – 1H 2021	**712**	**12%**	**1,019**	**16%**

Total cash costs per gold equivalent ounce[2]

Segment	Operation	1H 2021	1H 2020	Change, %	2H 2020	Change, %
Magadan	Dukat (SE oz)[3]	10.8	9.8	+10%	9.7	+11%
	Omolon	837	602	+39%	532	+57%
	Mayskoye	n/a	n/a	n/a	795	n/a
	Total Magadan	**794**	**841**	**-6%**	**680**	**+17%**
Khabarovsk	Svetloye	433	410	+6%	352	+23%
	Albazino/Amursk	812	735	+10%	698	+16%
	Total Khabarovsk	**694**	**648**	**+7%**	**579**	**+20%**
Kazakhstan	Kyzyl	478	386	+24%	418	+14%
	Varvara	925	881	+5%	979	-6%
	Total Kazakhstan	**662**	**504**	**+31%**	**627**	**+6%**
Urals	Voro	641	440	+46%	534	+20%
Total Group		**712**	**638**	**+12%**	**637**	**+12%**

Total cash cost by operation:

- Dukat's total cash cost per silver equivalent ounce sold ("SE oz") increased by 10% year-on-year and 11% half-on-half to US$ 10.8/SE oz[2], mostly attributable to the change in gold-to-silver price ratio and corresponding decrease of SE oz sold, combined with domestic inflation.
- At Omolon, TCC amounted to US$ 837/GE oz, an increase of 39% year-on-year and 57% half-on-half, as the Kubaka mill processed higher-cost ore from Olcha.

[1] Including COVID-19 costs.
[2] Total cash costs comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down of metal and non-metal inventory to net realisable value and certain other adjustments) and general, administrative and selling expenses of the operating assets. Gold equivalent sales volume is calculated based on average realised metal prices in the relevant period. Total cash cost per gold equivalent ounce sold is calculated as Total cash costs divided by total gold equivalent unit ounces sold. For more information refer to the "Alternative performance measures" section below.
[3] Dukat's total cash cost per gold equivalent was US$ 722/GE oz (1H 2020: US$ 985/GE oz) and was included in the Group TCC calculation.

- At Mayskoye, there were no meaningful sales during 1H 2021 hence the total cash costs for the period are considered unrepresentative of the underlying performance.
- At Svetloye, TCC amounted to US$ 433/GE oz, up 6% year-on-year and 23% half-on-half, mostly driven by planned decline in gold grade, as well as higher road maintenance costs. Extremely cold weather in 1Q 2021 also adversely impacted the pace of stacking.
- At Albazino/Amursk, TCC was US$ 812/GE oz, up 10% year-on-year and 16% half-on-half. The cost increase is mostly attributable to planned moderate grade decline, as the Anfisa high-grade open pit is nearing full depletion, as well as higher underground mining costs due to complex geotechnical conditions and higher steel and cement prices.
- Kyzyl's total cash costs were at US$ 478/GE oz, significantly below the Group's average level, albeit up 24% year-on-year and 14% half-on-half, because of a planned gradual grade decline towards the open-pit reserve average. Lower sales in the 1H 2021 were due to concentrate stockpile build-up, which is expected to reverse in 2H.
- At Varvara, TCC was US$ 925/GE oz, up 5% year-on-year, and down 6% half-on-half, driven by material volumes of third-party ore processing at the flotation circuit driving production growth.
- At Voro, TCC was US$ 641/GE oz, up 46% year-on-year and 20% half-on-half. The cost increase mainly stemmed from treatment of additional volumes of higher cost third-party concentrates and Saum ore.

ALL-IN SUSTAINING AND ALL-IN CASH COSTS

All-in sustaining cash costs[1] amounted to US$ 1,019/GE oz in 1H 2021, up 16% year-on-year. AISC by operations were represented as follows:

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

Segment	Operation	1H 2021	1H 2020	Change, %
Magadan	Dukat (SE oz)	13.3	11.3	+18%
	Omolon	1,201	793	+51%
	Mayskoye	n/a	n/a	n/a
	Total Magadan	**1,094**	**1,048**	**+4%**
Khabarovsk	Svetloye	539	525	+3%
	Albazino/Amursk	1,107	944	+17%
	Total Khabarovsk	**930**	**832**	**+12%**
Kazakhstan	Kyzyl	686	503	+36%
	Varvara	1,028	1,073	-4%
	Total Kazakhstan	**827**	**639**	**+29%**
Urals	Voro	849	593	+43%
Total Group		**1,019**	**880**	**+16%**

All-in sustaining cash costs at all operating mines, except for Omolon, Kyzyl and Varvara, generally followed total cash cost dynamics, and were additionally affected by the acceleration of capital allocation to stay-in-business improvement initiatives against the backdrop of the positive commodity price environment.

At Kyzyl, AISC increased by 36% to US$ 686/oz. This was mostly driven by concentrator debottlenecking, stripping cost capitalised and mining fleet purchases.

At Omolon, AISC increased by 51% to US$ 1,201/oz due to the solar power plant and dry tailings facility construction, with the majority of costs incurred in 1H 2021.

Mayskoye half-yearly AISC is not representative of the expected full year performance as the bulk of production and sales occur in the second half of the year.

[1] All-in sustaining cash costs comprise total cash costs, all selling, general and administrative expenses for operating mines and head office not included in TCC (mainly represented by head office SG&A), other expenses (excluding write-offs and non-cash items, in line with the methodology used for calculation of Adjusted EBITDA), and current period capex for operating mines (i.e. excluding new project capex ("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 2021	1H 2020	Change, %	1H 2021	1H 2020	Change, %
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 5)	**456**	**392**	**16%**	**632**	**565**	**+12%**
adjusted for:						
Idle capacities	(1)	(1)	39%	(2)	(1)	+100%
Inter-segment unrealised profit on metal inventory	0	(4)	-100%	0	(5)	-100%
Treatment charges deductions reclassification to cost of sales	18	20	-8%	25	28	-11%
SGA expenses, excluding depreciation, amortization and share based compensation (Note 5)	**45**	**39**	**16%**	**63**	**56**	**+13%**
adjusted for:						
SGA expenses of development projects	(4)	(4)	+23%	(6)	(5)	+20%
Total cash costs	**514**	**443**	**+16%**	**712**	**638**	**+12%**
SGA expenses for Corporate and Other segment and other operating expenses	96	81	+19%	133	116	+15%
Capital expenditure excluding development projects	56	42	+32%	78	61	+28%
Exploration expenditure (capitalised)	29	29	-0%	41	42	-2%
Capitalised stripping	40	16	+153%	56	23	+143%
All-in sustaining cash costs	**735**	**612**	**+20%**	**1,019**	**880**	**+16%**
Finance cost	32	33	-3%	44	48	-6%
Capitalised interest	6	6	+12%	9	8	+13%
Income tax expense	102	94	+9%	142	135	+5%
After-tax All-in cash costs	**876**	**745**	**+18%**	**1,215**	**1,073**	**+13%**
Capital expenditure for development projects	272	172	+58%	377	248	+53%
SGA and other expenses for development projects	19	12	+52%	26	18	+44%
All-in costs[1]	**1,166**	**930**	**+25%**	**1,619**	**1,339**	**+21%**

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

ADJUSTED EBITDA[1] AND EBITDA MARGIN

Reconciliation of Adjusted EBITDA
(US$m)

	1H 2021	1H 2020	Change, %
Profit for the period	419	376	+11%
Finance cost (net)[2]	32	33	-3%
Income tax expense	102	94	+9%
Depreciation expense	93	95	-2%
EBITDA	**646**	**598**	**+8%**
Net foreign exchange loss/(gain)	1	(14)	-107%
Gain on disposal of subsidiaries, net	(3)	(7)	-57%
Share based compensation	9	7	+14%
Change in fair value of contingent consideration liability	-	23	-100%
Bad debt and expected credit loss allowance	1	-	NM
Other non-cash items	5	3	+92%
Adjusted EBITDA	**660**	**610**	**+8%**
Adjusted EBITDA margin	**52%**	**54%**	**-2 p.p.**

Adjusted EBITDA by segment/operation
(US$m)

Segment	Operation	1H 2021	1H 2020	Change, %
Khabarovsk	Albazino/Amursk	102	107	-6%
	Svetloye	69	56	+26%
	Total Khabarovsk	**171**	**163**	**+4%**
Magadan	Dukat	134	73	+88%
	Omolon	78	82	-5%
	Mayskoye	5	(3)	NM
	Total Magadan	**217**	**152**	**+43%**
Kazakhstan	Varvara	96	46	+114%
	Kyzyl	205	258	-21%
	Total Kazakhstan	**301**	**304**	**-1%**
Urals	Voro	42	47	-12%
Corporate and other and intersegment operations		(71)	(56)	+29%
Total		**660**	**610**	**+8%**

In 1H 2021, Adjusted EBITDA was US$ 660 million, up 8% year-on-year, reflecting an 8% and 59% increase in gold and silver average realised prices, respectively.

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

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange loss in 1H 2021 of US$ 1 million compared to an exchange gain of US$ 14 million in 1H 2020, mostly attributable to intercompany loans with different functional currencies in the lending and borrowing subsidiaries, offset by the revaluation of the US Dollar-denominated borrowings of Russian operating companies, the functional currency of which is the Russian Rouble.

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

The income tax expense for 1H 2021 was US$ 102 million compared to US$ 94 million in 1H 2020, charged at an effective tax rate of 20% (1H 2020: 20%). The increase was mainly attributable to the increased profit before foreign exchange and tax. For details refer to Note 12 of the condensed consolidated financial statements.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded net income of US$ 419 million in 1H 2021 versus US$ 376 million in 1H 2020. The underlying net earnings attributable to the shareholders of the parent were US$ 422 million compared to US$ 368 million in 1H 2020.

Reconciliation of underlying net earnings[1] *(US$m)*	**1H 2021**	**1H 2020**	**Change, %**
Profit for the financial period attributable to the shareholders of the Parent	419	376	+11%
Write-down/(reversal) of metal inventory to net realisable value	6	(2)	NM
Tax effect on (write-down)/reversal of metal inventory to net realisable value	(1)	-	NM
Foreign exchange loss/(gain), net	1	(14)	NM
Tax effect on foreign exchange (loss)/gain	(0)	3	NM
Change in fair value of contingent consideration liability	-	23	-100%
Tax effect on change in fair value of contingent consideration liability	-	(5)	-100%
Gain on disposal of subsidiaries, net	(3)	(7)	-57%
Reversal of previously recognised impairment	-	(8)	-100%
Tax effect on reversal of previously recognised impairment	-	2	-100%
Underlying net earnings	**422**	**368**	**+15%**

Basic earnings were US$ 0.89 per share compared to US$ 0.80 per share in 1H 2020. Underlying basic EPS[2] was US$ 0.89 compared to US$ 0.78 in 1H 2020.

In accordance with the Company's dividend policy, the Board has declared a 2021 interim dividend of US$ 0.45 per share (delivering a total expected dividend of US$ 213 million) representing 50% of the Group's underlying net earnings for the period. During 1H 2021, Polymetal paid a final dividend for FY 2020 of US$ 421 million.

[1] Underlying net earnings represent net profit for the year excluding the impact of key items that can distort underlying changes in core performance.
[2] Underlying basic EPS is calculated based on underlying net earnings.

CAPITAL EXPENDITURE[1]

(US$m)	Sustaining	Development	Stripping	Exploration	Total 1H 2021	Total 1H 2020
Development projects						
POX-2[2]	-	108	-	-	108	62
Nezhda	-	42	24	-	66	68
Kutyn	-	33	-	-	33	16
Voro flotation	-	21	-	-	21	5
Veduga	-	9	8	-	17	4
Total development projects	**-**	**214**	**31**	**-**	**245**	**155**
Operating assets						
Albazino/Amursk	18	-	5	6	29	18
Kyzyl	18	-	10	-	28	17
Omolon	13	-	7	1	20	6
Dukat	14	-	-	-	14	14
Mayskoye	13	-	1	-	13	9
Varvara	7	-	3	-	10	10
Voro	-	-	6	-	6	7
Svetloye	1	-	2	-	3	4
Corporate and other	1	3	-	2	6	2
Total operating assets	**86**	**3**	**33**	**8**	**129**	**87**
Total capital expenditure	**86**	**217**	**64**	**8**	**375**	**242**

In 1H 2021, total capital expenditure was US$ 375[3] million, up 55% year-on-year mainly due to accelerated spending across the development project portfolio: POX-2, Pacific POX, Veduga and Kutyn. Capital expenditure excluding capitalised stripping costs was US$ 311 million in 1H 2021 (1H 2020: US$ 225 million).

The major capital expenditure items in 1H 2021 were as follows:

Development projects

- Capital expenditure at the POX-2 development project of US$ 108 million mainly included purchases of large-sized equipment, including the oxygen plant, equipment foundation construction and downstream circuit metal framework construction.
- US$ 66 million was invested at Nezhda. This includes the mechanical completion of key equipment, including semi-autogenous grinding (SAG) and ball mills, cold commissioning of individual equipment items with multiple representatives of international suppliers on site, construction of the dry-stack tailings storage facility, as well as capitalized stripping costs.
- Construction at the Kutyn heap leach project (US$ 33 million invested in 1H 2021) is in full swing with final construction permits in place and contractors fully mobilized on site.
- At the Voro flotation project, capital expenditure of US$ 21 million has mainly related to the foundations for equipment and steel framework for the concentrator building, SAG and ball mills.

Stay-in-business capex at operating assets

- Capital expenditure at Albazino of US$ 29 million was mostly related to the development of Ekaterina-2, Farida and Anfisa pits, scheduled technical upgrades and the purchase of an underground mining fleet.
- At Kyzyl, capital expenditure in 1H 2021 comprised US$ 28 million, mainly related to the material scheduled renewal of mining fleet commissioned in 2016, concentrator debottlenecking and stripping activities.
- At Omolon, capital expenditure of US$ 20 million is mainly related to the construction of the dry tailings storage facility and power complex.

[1] On a cash basis.
[2] Including Pacific POX scoping study costs.
[3] On an accrual basis, capital expenditure was US$ 417 million in 1H 2021 (1H 2020: US$ 275 million).

Stripping and exploration

- The Group continues to invest in standalone exploration projects. Capital expenditure for exploration in 1H 2021 decreased to US$ 8 million (1H 2020: US$ 14 million) following a voluntary change in the Group's accounting policy for exploration and evaluation expenditures. For details refer to Note 1 of the condensed consolidated financial statements.
- Capitalised stripping costs totalled US$ 64 million in 1H 2021 (1H 2020: US$ 35 million) and are attributable to operations with 1H 2021 stripping ratios exceeding their life-of-mine averages during the period, particularly Nezhda (US$ 24 million), Kyzyl (US$ 10 million), Veduga (US$ 8 million), Omolon (US$ 7 million) and Voro (US$ 6 million).

CASH FLOWS

(US$m)	1H 2021	1H 2020	Change, %
Operating cash flows before changes in working capital	533	507	+5%
Changes in working capital	(175)	(213)	-18%
Total operating cash flows	**358**	**294**	**+22%**
Capital expenditure	(375)	(242)	+55%
Acquisition costs in business combinations and investments in associates and joint ventures	(2)	(20)	-90%
Asset disposal cash proceeds	-	22	-100%
Other	(11)	2	NM
Investing cash flows	**(388)**	**(238)**	**+63%**
Financing cash flows			
Net increase in borrowings	369	308	+20%
Dividends paid	(421)	(291)	+44%
Veduga VTB investment	-	35	-100%
Contingent consideration payment	(18)	(8)	+125%
Total financing cash flows	**(70)**	**43**	**NM**
Net (decrease)/increase in cash and cash equivalents	**(100)**	**99**	**NM**
Cash and cash equivalents at the beginning of the year	386	253	+53%
Effect of foreign exchange rate changes on cash and cash equivalents	(4)	1	NM
Cash and cash equivalents at the end of the period	**282**	**353**	**-20%**

Total operating cash flows in 1H 2021 strengthened year-on-year. Operating cash flows before changes in working capital grew by 5% year-on-year to US$ 533 million. Net operating cash flows were US$ 358 million, a 22% increase compared to US$ 294 million in 1H 2020. This was affected by a seasonal increase in working capital in 1H 2021 of US$ 175 million (1H 2020: US$ 213 million).

Total cash and cash equivalents decreased by 20% compared to 1H 2020 and comprised US$ 282 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US$ 358 million;
- Investment cash outflows totaling US$ 388 million, up 63% year-on-year, mainly represented by capital expenditure (up 55% year-on-year to US$ 375 million);
- Payment of a final dividend for 2020 in May 2021, amounting to US$ 421 million;
- The gross borrowings increase of US$ 369 million;
- Contingent consideration payments (royalties payable to the sellers of Komar and Omolon) of US$ 18 million, with a material increase mainly driven by commodity price growth.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	30-Jun-21	31-Dec-20	Change, %
Short-term debt and current portion of long-term debt	440	334	+32%
Long-term debt	1,669	1,403	+19%
Gross debt	**2,109**	**1,737**	**+21%**
Less: cash and cash equivalents	282	386	-27%
Net debt	**1,827**	**1,351**	**+35%**
Net debt / Adjusted EBITDA[1]	**1.05**	**0.80**	**+32%**

The Group's net debt increased to US$ 1,827 million as of 30 June 2021, representing a Net debt / Adjusted EBITDA (over the last 12 months) ratio of 1.05x.

The proportion of long-term borrowings comprised 79% as at 30 June 2021 (81% as at 31 December 2020). In addition, as at 30 June 2021 the Group had US$ 2.3 billion (31 December 2020: US$ 2.3 billion) of available undrawn facilities, of which US$ 1.4 billion is committed[2], from a wide range of lenders that allows the Group to maintain its operational flexibility in the current environment.

The average cost of debt was at record low of 2.85% in 1H 2021 (1H 2020: 3.6%), supported by lower benchmark interest rates and our ability to negotiate competitive margins given the solid financial position of the Group and its excellent credit history. The Group is confident in its ability to repay its existing borrowings as they fall due.

2021 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 FY2021 production guidance of 1.5 Moz of gold equivalent at TCC of US$ 700-750/GE oz and AISC of US$ 925-975/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.
- Given the continuing macroeconomic pressures, materials and wage inflation, as well as scope changes approved by the Board, including costs of the feasibility study for POX-3 and acceleration of Veduga and Prognoz projects, Polymetal revises its FY 2021 capex guidance to US$ 675-725 million (previously US$ 560 million). The guidance for 2022-2025 will be updated during the Company's capital markets day in November 2021.
- Free cash flow generation is expected to be significantly stronger in the second half of the year driven by higher production and the traditional seasonal working capital drawdown.

[1] 1H 2021 – on a last twelve months basis.
[2] Facilities are considered to be committed when subject only to customary events of default and material adverse change clauses.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results.

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

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

A detailed explanation of these risks and uncertainties, as well as identified emerging risks, can be found on pages 90 to 97 of the 2020 Annual report which is available at 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 2020 and continue to apply to the Group for the remaining six months of the financial year.

GOING CONCERN

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available cash and credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 30 June 2021, the Group held US$ 282 million of cash (31 Dec 2020: US$ 386 million) and had net debt of US$ 1,827 million (31 Dec 2020: US$ 1,351 million), with US$ 2,276 million of additional undrawn facilities (31 Dec 2020: US$ 2,281 million) of which US$ 1,354 million (31 Dec 2020: US$ 1,392 million) are considered committed. Debt of US$ 440 million (31 Dec 2020: US$ 334 million) is due for payment within one year. The Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within its existing facilities.

The Board is satisfied that the Group's forecasts and projections, having taken account of reasonably possible changes in trading performance including the impact from the COVID-19 pandemic, indicate 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 these condensed consolidated financial statements.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

By order of the Board,

Ian Cockerill

Chairman of the Board of Directors

25 August 2021

Vitaly Nesis

Group Chief Executive Officer

25 August 2021

INDEPENDENT REVIEW REPORT TO POLYMETAL INTERNATIONAL PLC

We have been engaged by Polymetal International PLC (“the Company”) to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and related notes 1 to 23. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted International Financial Reporting Standards . The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information 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 (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Recognized Auditor
London, United Kingdom
25 August 2021

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2021 (unaudited) US$m	Six months ended 30 June 2020 restated[1] (unaudited) US$m
Revenue	4	1,274	1,135
Cost of sales	5	(551)	(484)
Gross profit		**723**	**651**
General, administrative and selling expenses	9	(114)	(95)
Other operating expenses, net	10	(58)	(57)
Reversal of previously recognised impairment		-	8
Loss from associates and joint ventures		-	(2)
Operating profit		**551**	**505**
Foreign exchange (loss)/gain, net		(1)	14
Gain on disposal of subsidiaries, net	3	3	7
Change in fair value of contingent consideration assets and liabilities	19, 20	-	(23)
Finance expenses, net	11	(32)	(33)
Profit before income tax		**521**	**470**
Income tax expense	12	(102)	(94)
Profit for the period		**419**	**376**
Profit for the period attributable to:			
Equity shareholders of the Parent		**419**	**376**
Earnings per share (US$)			
Basic	13	0.89	0.80
Diluted	13	0.87	0.79

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2021 (unaudited) US$m	Six months ended 30 June 2020 restated[1] (unaudited) US$m
Profit for the period	419	376
Items that may be reclassified to profit and loss		
Exchange differences on translating foreign operations	68	(378)
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	(13)	27
Total comprehensive income for the period	**474**	**25**
Total comprehensive income for period attributable to:		
Equity shareholders of the Parent	474	28
Non-controlling interest	-	(3)
	474	**25**

[1] *Restated following voluntary change in accounting policy for exploration and evaluation expenditures. As a result profit and total comprehensive income for six months ended 30 June 2020 were restated as described in Note 1.*

CONDENSED CONSOLIDATED BALANCE SHEET

Assets	Note	30 June 2021 (unaudited) US$m	31 December 2020 restated[1] (audited) US$m
Property, plant and equipment		3,069	2,738
Right-of-use assets		33	32
Goodwill		14	14
Investments in associates and joint ventures		24	24
Non-current VAT receivable		-	19
Non-current loans and receivables		52	38
Deferred tax asset		64	56
Non-current inventories	15	87	95
Total non-current assets		**3,343**	**3,016**
Current inventories	15	807	662
Prepayments to suppliers		145	90
Income tax prepaid		32	33
VAT receivable		125	129
Trade receivables and other financial instruments		90	75
Cash and cash equivalents		282	386
Total current assets		**1,481**	**1,375**
Total assets		**4,824**	**4,391**
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities		(187)	(187)
Current borrowings	16	(440)	(334)
Income tax payable		(15)	(13)
Other taxes payable		(56)	(51)
Current portion of contingent consideration liability	20	(37)	(41)
Current lease liabilities		(5)	(6)
Total current liabilities		**(740)**	**(632)**
Non-current borrowings	16	(1,669)	(1,403)
Contingent and deferred consideration liabilities	20	(116)	(120)
Deferred tax liability		(197)	(202)
Environmental obligations		(48)	(44)
Non-current lease liabilities		(29)	(27)
Other non-current liabilities		(3)	(3)
Total non-current liabilities		**(2,062)**	**(1,799)**
Total liabilities		**(2,802)**	**(2,431)**
Net assets		**2,022**	**1,960**
Stated capital account	18	2,449	2,434
Share-based compensation reserve		25	31
Translation reserve		(1,768)	(1,823)
Retained earnings		1,316	1,318
Shareholders' equity		**2,022**	**1,960**

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on <X> August 2021 and signed on its behalf by

Ian Cockerill	Vitaly Nesis
Chairman of the Board of Directors	Group Chief Executive Officer

[1] *Restated following voluntary change in accounting policy for exploration and evaluation expenditures. As a result, property, plant and equipment, deferred tax liability, translation reserve and retained earnings line items were restated as of 31 December 2020 as described in Note 1.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2021 (unaudited) US$m	Six months ended 30 June 2020 restated[1] (unaudited) US$m
Net cash generated by operating activities	22	**358**	**294**
Cash flows from investing activities			
Purchases of property, plant and equipment		(375)	(242)
Acquisition of subsidiaries and associates		(2)	(20)
Proceeds from disposal of subsidiaries		-	12
Advance received for assets held for sale		-	11
Loans advanced		(28)	(4)
Repayment of loans provided		17	5
Net cash used in investing activities		**(388)**	**(238)**
Cash flows from financing activities			
Borrowings obtained	16	1,667	1,018
Repayments of borrowings	16	(1,296)	(708)
Repayments of principal under lease liabilities		(2)	(2)
Dividends paid	14	(421)	(292)
Proceeds from shares issued by subsidiary		-	35
Contingent consideration paid	20	(18)	(8)
Net cash (used in)/generated by financing activities		**(70)**	**43**
Net (decrease)/increase in cash and cash equivalents		(100)	99
Cash and cash equivalents at the beginning of the period		386	253
Effect of foreign exchange rate changes on cash and cash equivalents		(4)	1
Cash and cash equivalents at the end of the period		**282**	**353**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Number of shares outstanding	Stated capital account	Share-based compensation reserve	Translation reserve	Retained earnings	Total equity attributable to the parent	Non-controlling interest	Total equity
		no. of shares	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Balance at 1 January 2020 restated[1] (audited)		**470,188,201**	**2,424**	**26**	**(1,294)**	**748**	**1,904**	**23**	**1,927**
Profit for the financial period		-	-	-	-	376	376	-	376
Other comprehensive loss, net of income tax		-	-	-	(348)	-	(348)	(3)	(351)
Share-based compensation		-	-	7	-	-	7	-	7
Shares allotted to employees		1,613,690	10	(10)	-	-	-	-	-
Consolidation of non-controlling interest		-	-	-	-	(16)	(16)	(20)	(36)
Dividends	14	-	-	-	-	(292)	(292)	-	(292)
Balance at 30 June 2020 restated (unaudited)		**471,801,891**	**2,434**	**23**	**(1,642)**	**816**	**1,631**	**-**	**1,631**
Balance at 1 January 2021 restated (audited)		**471,818,000**	**2,434**	**31**	**(1,823)**	**1,318**	**1,960**	**-**	**1,960**
Profit for the financial period		-	-	-	-	419	419	-	419
Other comprehensive income, net of income tax		-	-	-	55	-	55		55
Share-based compensation		-	-	9	-	-	9	-	9
Shares allotted to employees	18	1,758,257	15	(15)	-	-	-	-	-
Dividends	14	-	-	-	-	(421)	(421)	-	(421)
Balance at 30 June 2021 (unaudited)		**473,576,257**	**2,449**	**25**	**(1,768)**	**1,316**	**2,022**	**-**	**2,022**

[1] *Restated following voluntary change in accounting policy for exploration and evaluation expenditures. As a result retained earnings and translation reserves and corresponding resulting line were restated. Refer to Note 1.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

Basis of presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom ('UK'), and the Disclosure and Transparency Rules of the Financial Conduct Authority effective for the Company's reporting for the six months period ended 30 June 2021. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the 2020 Annual Report of Polymetal International plc and its subsidiaries ("2020 Annual Report") available at www.polymetalinternational.com.

The half-yearly financial report does not constitute the Company's statutory financial statements. The Group's most recent statutory financial statements, which comprise the annual report and audited financial statements for the year ended 31 December 2020, were approved by the directors on 2 March 2021 and have been filed with the Jersey Registrar of Companies.

Accounting policies

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

The accounting policies and methods of computation applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2020, except for as described below.

Changes in accounting policies

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

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

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

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

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

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

Accumulated effect on E&E and Development assets balances for periods prior to those presented is US$ 27 million with the corresponding decrease in retained earnings of US$ 31 million.

The following tables summarise the adjustments made to the comparative consolidated income statement, consolidated statement of other comprehensive income, the consolidated balance and consolidated statement of cash flows. There was no effect on the basic and diluted earnings per share for the comparative period.

Adjustments to the consolidated balance sheet

	31 December 2020	Adjustment for change in accounting policy	31 December 2020 (restated)
	US$m	US$m	US$m
Property, plant and equipment	2,787	(49)	2,738
Deferred tax liability	(209)	7	(202)
Translation reserve	(1,832)	9	(1,823)
Decrease in retained earnings		**(33)**	

Adjustments to the consolidated income statement

	Six months ended		
	30 June 2020 (previously stated)	Adjustment for change in accounting policy	30 June 2020 (restated)
	US$m	US$m	US$m
Other operating expenses, net	(51)	(6)	(57)
Income tax expense	(95)	1	(94)
Decrease in profit for the period		**(5)**	
Equity shareholders of the Parent	**1,657**	**(26)**	**1,631**

Adjustments to the consolidated statement of comprehensive income

	Six months ended		
	30 June 2020 (previously stated)	Adjustment for change in accounting policy	30 June 2020 (restated)
	US$m	US$m	US$m
Profit for the period	381	(5)	376
Translation reserve	(354)	3	(351)
Total comprehensive income for the period	**27**	**(2)**	**25**

Adjustments to the consolidated statement of cash flows

	Six months ended		
	30 June 2020 (previously stated)	Adjustment for change in accounting policy	30 June 2020 (restated)
	US$m	US$m	US$m
Profit before income tax	476	(6)	470
Net cash generated by operating activities	**300**	**(6)**	**294**
Purchases of property, plant and equipment	(248)	6	(242)
Net cash used in investing activities	**(244)**	**6**	**(238)**

Critical accounting judgments and estimation uncertainties

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The significant judgments made by management in applying the Group's accounting policies and key sources of estimation are consistent with those that were applied in the Group's annual consolidated financial statements for the year ended 31 December 2020.

New standards adopted by the Group

There were no new accounting standards that became applicable for annual reporting periods commencing on or after 1 January 2021.

The Group has elected to early adopt the amendments to IAS 16 *Property, Plant and Equipment* prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use, effective for annual periods beginning on or after 1 January 2022. These amendments do not have a material impact on the these condensed consolidated financial statements, although are expected to be applicable to the Group's 2021 year-end annual financial statement.

New accounting standards issued but not yet effective

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

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

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

Going concern

The Group has assessed its going concern status taking into account the financial position, forecast trading performance, borrowings and available cash and credit facilities and contractual maturities, forecast covenant compliance on those borrowings and capital expenditure commitments. As at 30 June 2021, the Group's net debt amounted to US$ 1,827 million and it had US$ 2,276 million of undrawn facilities of which US$ 1,354 million were considered committed.

The Board has considered the cash flow projections for the period to the end of December 2022 and is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance and the ongoing COVID-19 pandemic impact, indicate 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 these condensed consolidated financial statements.

Functional and presentation currencies

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all Russian entities the functional currency is the Russian Rouble (RUB). The functional currency of the Group's entities located and operating in Kazakhstan (Varvarinskoye JSC, Komarovskoye Mining Company LLC, Bakyrchik Mining Venture LLC) is the Kazakh Tenge (KZT). The functional currency of the parent company Polymetal International plc and its intermediate holding companies is US Dollar. There have been no changes to the functional currencies adopted since 2020 year-end.

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

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 2021	72.37	427.79
As at 31 December 2020	73.88	420.71
Average for six months ended 30 June 2021	74.28	424.14
Average for six months ended 30 June 2020	69.34	404.45

2. DISPOSAL

In June 2021, the Group sold its 100% interest in a minor subsidiary, Levoberezhnoye, to the third party for US$ 2 million in cash (recognised within accounts receivable as of 30 June 2021) and a contingent payment comprising a 2% net smelter return and 20% excess revenue royalty.

The fair value of the NSR and the royalty met the definition of contingent consideration receivable and were estimated at US$ 7 million as of the date of the agreement. The fair value of the NSR receivable was determined using a valuation model based on the expected production and was calculated using a Monte Carlo model as described in Note 19.

Levoberezhnoye net assets amounted to US$ 6 million, mainly representing an exploration asset, and the Group recognised a pre-tax gain on disposal of US$ 3 million.

3. SEGMENT INFORMATION

The Group has five reportable segments:

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

Reportable segments are determined based on the Group’s internal management reports and are separated based on the Group’s geographical structure. Minor companies and activities (management, purchasing, other companies) which do not meet the reportable segment criteria are disclosed within the Corporate and other segment. Each segment is engaged in gold, silver or copper mining and related activities, including exploration, extraction, processing and reclamation. The Group’s segments are based in the Russian Federation and Kazakhstan; and there have been no changes to the segment determination since 2020 year-end.

The measure which management and the Chief Operating Decision Maker (the CODM) use to evaluate the performance of the Group is segment Adjusted EBITDA, which is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 45.

The accounting policies of the reportable segments are consistent with those of the Group’s accounting policies under IFRS. From 1 January 2021, the segmental amounts of segmental cost of sales and adjusted EBITDA are presented net of unrealised profit, as this presentation is more meaningful from a management perspective. The comparative information was restated accordingly in the tables below.

Revenue shown as corporate and other comprises, principally, intersegment revenue relating to the supply of inventories, spare parts and fixed assets, and rendering management services to the Group’s production entities. The Group treats revenue and cost of sales, related to its productions entities, as external where processing is performed on behalf of that segment by another hub. Intersegment revenue is recognised based on costs incurred plus a fixed margin basis. Revenue and cost of sales of the production entities are reported net of any intersegmental revenue and cost of sales, related to the intercompany sales of ore and concentrates, as well as intercompany smelting services, as this presentation is more meaningful from management and forecasting perspective.

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

3. Segment information (continued)

Period ended 30 June 2021 (US$m)	KAZAKHSTAN	MAGADAN	KHABAROVSK	URAL	YAKUTIA	Total continuing segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	479	424	299	72	-	1,274	-	-	1,274
Intersegment revenue	-	-	-	-	-	-	177	(177)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	159	168	104	24	-	455	119	(119)	455
Cost of sales	197	200	127	27	-	551	119	(119)	551
Depreciation included in Cost of sales	(38)	(26)	(22)	(3)	-	(89)	-	-	(89)
Write-down of metal inventory to net realisable value	-	(5)	-	-	-	(5)	-	-	(5)
Write-down of non-metal inventory to net realisable value	-	(1)	-	-	-	(1)	-	-	(1)
Rehabilitation expenses	-	-	(1)	-	-	(1)	-	-	(1)
General, administrative and selling expenses, excluding depreciation, amortisation and share-based compensation	11	17	14	3	5	50	63	(12)	101
General, administrative and selling expenses	13	17	14	3	5	52	74	(12)	114
Depreciation included in SGA	(2)	-	-	-	-	(2)	(2)	-	(4)
Share-based compensation	-	-	-	-	-	-	(9)	-	(9)
Other operating expenses excluding additional tax charges	8	22	10	3	3	46	13	(1)	58
Other operating expenses, net	8	23	10	2	3	46	13	(1)	58
Bad debt and expected credit loss allowance	-	(1)	-	-	-	(1)	-	-	(1)
Additional tax charges/fines/penalties	-	-	-	1	-	1	-	-	1
Share of loss from associates and joint ventures	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**301**	**217**	**171**	**42**	**(8)**	**723**	**(18)**	**(45)**	**660**
Depreciation expense	40	26	22	3	-	91	2	-	93
Rehabilitation expenses	-	-	1	-	-	1	-	-	1
Write-down of non-metal inventory to net realisable value	-	1	-	-	-	1	-	-	1
Write-down of metal inventory to net realisable value	-	5	-	-	-	5	-	-	5
Share-based compensation	-	-	-	-	-	-	9	-	9
Bad debt and expected credit loss allowance	-	1	-	-	-	1	-	-	1
Additional tax charges/fines/penalties	-	-	-	(1)	-	(1)	-	-	(1)
Operating profit	**261**	**184**	**148**	**40**	**(8)**	**625**	**(29)**	**(45)**	**551**
Foreign exchange gain/(loss), net									(1)
Gain on disposal of subsidiaries, net									3
Change in fair value of contingent consideration assets and liabilities									-
Finance expenses, net									(32)
Profit before tax									**521**
Income tax expense									**(102)**
Profit for the financial period									**419**
Current metal inventories	100	307	120	42	25	594	1	-	595
Current non-metal inventories	34	84	46	7	10	181	31	-	212
Non-current segment assets:									
Property, plant and equipment, net	725	377	869	95	896	2,962	107	-	3,069
Goodwill	-	14	-	-	-	14	-	-	14
Non-current inventory	31	16	38	2	-	87	-	-	87
Investments in associates	-	-	-	-	-	-	24	-	24
Total segment assets	**890**	**798**	**1,073**	**146**	**931**	**3,838**	**163**	**-**	**4,001**
Additions to non-current assets:									
Property, plant and equipment	41	59	198	28	76	402	15	-	417
Acquisition of subsidiaries	-	-	-	-	-	-	2	-	2

3. Segment information (continued)

Period ended 30 June 2020 (restated)[1] (US$m)	KAZAKHSTAN	MAGADAN	KHABAROVSK	URAL	YAKUTIA	Total continuing segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	434	340	291	70	-	1,135	-	-	1,135
Intersegment revenue	-	-	-	-	-	-	168	(168)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	113	155	108	16	-	392	106	(109)	389
Cost of sales	152	184	134	17	-	487	106	(109)	484
Depreciation included in Cost of sales	(38)	(26)	(24)	(3)	-	(91)	-	-	(91)
Write-down of metal inventory to net realisable value	-	-	-	2	-	2	-	-	2
Write-down of non-metal inventory to net realisable value	(1)	(3)	(2)	-	-	(6)	-	-	(6)
Rehabilitation expenses	-	-	-	-	-	-	-	-	-
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	8	15	10	3	4	40	54	(10)	84
General, administrative and selling expenses	10	15	10	3	4	42	63	(10)	95
Depreciation included in SGA	(2)	-	-	-	-	(2)	(2)	-	(4)
Share based compensation	-	-	-	-	-	-	(7)	-	(7)
Other operating expenses excluding additional tax charges	9	18	10	4	3	44	7	(1)	50
Other operating expenses, net	9	18	16	5	3	51	7	(1)	57
Bad debt and expected credit loss allowance	-	-	(1)	-	-	(1)	-	-	(1)
Additional tax charges/fines/penalties	-	-	(5)	(1)	-	(6)	-	-	(6)
Share of loss of associates and joint ventures	-	-	-	-	-	-	2	-	2
Adjusted EBITDA	**304**	**152**	**163**	**47**	**(7)**	**659**	**(1)**	**(48)**	**610**
Depreciation expense	40	26	24	3	-	93	2	-	95
Rehabilitation expenses	-	-	-	-	-	-	-	-	-
Write-down of non-metal inventory to net realisable value	1	3	2	-	-	6	-	-	6
Write-down of metal inventory to net realisable value	-	-	-	(2)	-	(2)	-	-	(2)
Reversal of previously recognised impairment	(5)	(3)	-	-	-	(8)	-	-	(8)
Share-based compensation	-	-	-	-	-	-	7	-	7
Bad debt and expected credit loss allowance	-	-	1	-	-	1	-	-	1
Additional tax charges/fines/penalties	-	-	5	1	-	6	-	-	6
Operating profit	**268**	**126**	**131**	**45**	**(7)**	**563**	**(10)**	**(48)**	**505**
Foreign exchange gain/(loss), net									14
Loss on disposal of subsidiaries, net									7
Change in fair value of contingent consideration assets and liabilities									(23)
Finance income									3
Finance costs									(36)
Profit before tax									**470**
Income tax expense									**(94)**
Profit for the financial period									**376**
Current metal inventories	105	278	112	25	-	520	1	-	521
Current non-metal inventories	31	90	32	4	8	165	26	-	191
Non-current segment assets:									
Property, plant and equipment, net	759	343	618	51	795	2,566	83	-	2,649
Goodwill	-	14	-	-	-	14	-	-	14
Non-current inventory	35	43	26	3	-	107	-	-	107
Investments in associates	-	-	-	-	-	-	21	-	21
Total segment assets	**930**	**768**	**788**	**83**	**803**	**3,372**	**131**	**-**	**3,503**
Additions to non-current assets:									
Property, plant and equipment	30	33	108	12	78	261	7	-	268
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-

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

4. REVENUE

	Six months ended 30 June 2021 (unaudited)				Six months ended 30 June 2020 (unaudited)			
	Thousand ounces/ tonnes shipped	Thousand ounces/ tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US$m	Thousand ounces/ tonnes shipped	Thousand ounces/ tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US$m
Gold (Koz)	607	595	1,776	1,057	608	595	1,642	977
Silver (Koz)	8,163	8,017	25.6	205	10,107	9,919	15.9	158
Copper (t)	1,351	1,206	9,950	12	12	12	-	-
Total				**1,274**				**1,135**

Revenue analysed by geographical regions of customers is presented below:

	Six months ended	
	30 June 2021	30 June 2020
	US$m	US$m
Sales within the Russian Federation	596	541
Sales within and to Kazakhstan	494	385
Sales to East Asia	159	185
Sales to Europe	25	24
Total	**1,274**	**1,135**

Included in revenues for the six months ended 30 June 2021 are revenues from customers whose share of total revenue was greater than 10%. These were US$ 390 million, US$ 295 million, US$ 198 million and US$ 152 million, respectively (period ended 30 June 2020: US$ 483 million, US$ 285 million, respectively).

Presented below is an analysis by revenue streams:

	Six months ended	
	30 June 2021	30 June 2020
	US$m	US$m
Bullion	607	541
Concentrate	372	309
Dore	295	285
Total	**1,274**	**1,135**

5. COST OF SALES

	Six months ended 30 June 2021 US$m	Six months ended 30 June 2020 US$m
Cash operating costs		
On-mine costs (Note 6)	249	228
Smelting costs (Note 7)	173	169
Mining tax	74	64
Purchase of ore and concentrates from third parties	63	56
Total cash operating costs	**559**	**517**
Depreciation and depletion of operating assets (Note 8)	100	103
Rehabilitation expenses	1	-
Total costs of production	**660**	**620**
Increase in metal inventories	(116)	(141)
Write-down of inventories to net realisable value (Note 15)	6	4
Idle capacities and abnormal production costs	1	1
Total	**551**	**484**

6. ON-MINE COSTS

	Six months ended 30 June 2021 US$m	Six months ended 30 June 2020 US$m
Services	131	111
Labour	62	60
Consumables and spare parts	55	56
Other expenses	1	1
Total (Note 5)	**249**	**228**

7. SMELTING COSTS

	Six months ended 30 June 2021 US$m	Six months ended 30 June 2020 US$m
Consumables and spare parts	72	70
Services	66	66
Labour	34	32
Other expenses	1	1
Total (Note 5)	**173**	**169**

8. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Six months ended 30 June 2021 US$m	Six months ended 30 June 2020 US$m
On-mine	69	71
Smelting	31	32
Total (Note 5)	**100**	**103**
Less: absorbed into metal inventories	(11)	(12)
Depreciation included in cost of sales (Note 3)	**89**	**91**

Depletion and depreciation of operating assets excludes depreciation relating to non-operating assets (included in general, administrative and selling expenses) and depreciation related to assets employed in development projects where the charge is capitalised. Depreciation expense, which is excluded in the Group's calculation of Adjusted EBITDA (see Note 3), also excludes amounts absorbed into unsold metal inventory balances.

9. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Six months ended	
	30 June 2021	30 June 2020
	US$m	US$m
Labour	87	72
Share-based compensation	9	7
Services	4	4
Depreciation	4	4
Other	10	8
Total	**114**	**95**
including		
Mine site expenses	52	42
Corporate head office expenses	62	53
Total	**114**	**95**

10. OTHER OPERATING EXPENSES, NET

	Six months ended	
	30 June 2021	30 June 2020 (restated)[1]
	US$m	US$m
Exploration expenses	21	16
Social payments	14	13
Provision for investment in Special Economic Zone	9	7
Taxes, other than income tax	4	7
Additional tax charges/fines/penalties	(1)	6
Other expenses	11	8
Total	**58**	**57**

11. FINANCE COSTS

	Six months ended	
	30 June 2021	30 June 2020
	US$m	US$m
Interest expense on borrowings	28	30
Unwinding of discount on deferred and contingent considerations	4	2
Unwinding of discount on environmental obligations	2	2
Unwinding of discount on lease liabilities	1	2
Finance income	(3)	(3)
Total	**32**	**33**

Interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$ 6 million and US$ 6 million during the six months ended 30 June 2021 and the six months ended 30 June 2020, respectively. These amounts were calculated based on the Group’s general borrowing pool and by applying an effective annualised interests rate of 3.25% and 3.60%, respectively to cumulative expenditure on such assets.

12. INCOME TAX

Income tax for the six months ended 30 June 2021 is charged at 20% (30 June 2020: 20%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

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

	Six months ended	
	30 June 2021	30 June 2020 (restated)[1]
	US$m	US$m
Current income tax	115	79
Deferred income tax	(13)	15
Total	**102**	**94**

Income tax amounts included in other comprehensive income

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

	Six months ended	
	30 June 2021	30 June 2020
	US$m	US$m
Net foreign exchange gains/(losses) on net investment in foreign operation		
Current tax expense/(benefit)	2	(3)
Deferred tax expense/(benefit)	-	1
Total income tax recognised in other comprehensive income	**2**	**(2)**

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

Tax exposures recognised in income tax

During the six months ended 30 June 2021 and 2020 no new individual significant exposures were identified as probable and therefore provided for. Historical probable exposures items, that are not material, remain provided for. Management has identified a total possible exposure, that are contingent liabilities (Note 17) (covering taxes and related interest and penalties), of approximately US$ 168 million being uncertain tax positions (31 December 2020: US$ 157 million) which relate to income tax. 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.

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

13. EARNINGS PER SHARE

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 2021	30 June 2020
Weighted average number of outstanding common shares	472,503,905	470,739,681
Dilutive effect of share appreciation plan	8,377,964	6,226,665
Weighted average number of outstanding common shares after dilution	**480,881,869**	**476,966,346**

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

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 2020: nil).

At 30 June 2021 the outstanding LTIP awards issued under 2018 – 2021 tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are in the money as of the reporting date (30 June 2020: 2017 – 2019 tranches were dilutive).

The awards issued under management bonus deferral award plan are dilutive as of 30 June 2021 and 30 June 2020 as being contingently issued shares. The awards are included in the calculation of diluted EPS based on the weighted average number of shares that would be issuable if the end of the reporting period was the end of the contingency period.

14. DIVIDENDS

Dividends recognised during the period ended 30 June 2021 and comparative period are detailed in the tables below:

	Dividends				
	Cents per share	**US$m**	**Deducted from the equity during the period**	**Proposed in relation to the period**	**Paid in**
Special dividend 2019	20	94	2020	2019	March 2020
Final dividend 2019	42	198	2020	2019	May 2020
Interim dividend 2020	40	189	2020	2020	September 2020
Final dividend for 2020	89	421	2021	2020	May 2021
Interim dividend for 2021	45	213	n/a	2021	n/a

	Total dividends		
	Deducted from the equity	**Proposed for the period**	**Paid in**
	US$m	**US$m**	**US$m**
Period ended 30 June 2020	292	189	292
Period ended 30 June 2021	421	-	421

15. INVENTORIES

	30 June 2021	**31 December 2020**
	US$m	**US$m**
Inventories expected to be recovered after twelve months		
Ore stock piles	62	69
Consumables and spare parts	25	26
Total non-current inventories	**87**	**95**
Inventories expected to be recovered in the next twelve months		
Copper, gold and silver concentrate	210	138
Ore stock piles	218	194
Work in-process	110	115
Doré	43	15
Metal for refining	12	10
Refined metals	2	-
Total metal inventories	**595**	**472**
Consumables and spare parts	212	190
Total current inventories	**807**	**662**

During the six months ended 30 June 2021, a seasonal net metal inventory increase of US$ 116 million (1H 2020: US$ 78 million) was recorded. The increase was mainly due to concentrate produced at Kyzyl (that is awaiting transfer to container shipping), as well as heap leach work-in-progress at Omolon, and traditional seasonal concentrate build-up at Mayskoye ahead of the navigation period. The Company expects the majority of this increase to have reversed by the end of 2021.

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

During the six months ended 30 June 2021, the Group recognised certain write-downs of its lower-grade metal inventories.

Commodity prices used in net realisable value tests are based on latest internal forecasts, benchmarked against external sources of information. For the net realisable value tests performed for long-term inventories, the flat real price for 2021-2022 for gold and silver of US$ 1,500 per ounce and US$ 20 per ounce respectively were used. As of 30 June 2021 for short-term metal inventories forward prices for gold and silver of US$ 1,778 and US$ 26 per ounce respectively were used.

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

	Six months ended	
	30 June 2021	30 June 2020
	US$m	US$m
Ore stock piles	-	(2)
Ore in heap leach piles	(5)	4
Total	**(5)**	**2**

During the six month period ended 30 June 2021 the Group also recognised a write-down of consumables and spare parts inventory of US$ 1 million (six months ended 30 June 2020: a write-down of consumables and spare parts inventory of US$ 6 million).

The amount of metal inventories held at net realisable value at 30 June 2021 was US$ 56 million (31 December 2020: US$ 52 million).

16. BORROWINGS

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

		Actual interest rate at		30 June 2021			31 December 2020		
	Type of rate	30 June 2021	31 Dec 2020	Current	Non-current	Total	Current	Non-current	Total
				US$m	US$m	US$m	US$m	US$m	US$m
Secured loans from third parties									
US Dollar denominated	floating	n/a	1.97%	-	-	-	-	200	200
US Dollar denominated	fixed	3.21%	4.06%	144	219	363	144	92	236
Total				**144**	**219**	**363**	**144**	**292**	**436**
Unsecured loans from third parties									
US Dollar denominated	floating	1.53%	1.86%	128	400	528	80	207	287
US Dollar denominated	fixed	3.25%	3.91%	168	948	1,116	101	850	951
Euro denominated	floating	0.45%	0.45%	-	23	23	-	-	-
Euro denominated	fixed	n/a	2.85%	-	-	-	9	-	9
RUB denominated	fixed	5.00%	5.00%	-	79	79	-	54	54
Total				**296**	**1,450**	**1,746**	**190**	**1,111**	**1,301**
				440	**1,669**	**2,109**	**334**	**1,403**	**1,737**

Movements in borrowings are reconciled as follows:

	Six months ended	
	30 June 2021	30 June 2020
	US$m	US$m
1 January	**1,737**	**1,732**
Borrowings obtained	1,667	1,018
Repayments of borrowings	(1,296)	(708)
Net foreign exchange losses	-	56
Exchange differences on translating foreign operations	1	(56)
Arrangement fee amortisation	-	1
Period end	**2,109**	**2,043**

The table below summarises maturities of borrowings:

	30 June 2021	31 December 2020
	US$m	US$m
31 December 2021	281	334
6 months ended 30 June 2022	159	123
31 December 2022	47	72
31 December 2023	188	255
31 December 2024	403	334
31 December 2025	220	50
31 December 2026	380	164
31 December 2027	139	133
31 December 2028	139	133
31 December 2029	139	133
31 December 2030	8	6
31 December 2031	3	-
31 December 2032	3	-
Total	**2,109**	**1,737**

17. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group’s budgeted capital expenditure commitments as at 30 June 2021 amounted to US$ 255 million, mainly relating to AGMK POX-2 and Nezhda (31 December 2020: US$ 250 million).

Lease commitments

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

The total expected amount of the Group’s lease commitments is estimated at US$ 155 million (undiscounted), including variable lease payments, representing reimbursement of maintenance costs of US$ 35 million, which will be expensed as incurred.

Social and infrastructure commitments

During the year ended 31 December 2016 the Group signed a memorandum with the East-Kazakhstan Oblast Administration (local Kazakhstan government), where the Group (namely its subsidiaries Bakyrchik Mining Venture LLP and Inter Gold Capital LLP) agreed to participate in the financing of certain social and infrastructure development projects of the region. The Group’s total social expenses commitment at 30 June 2021 amounts to US$ 8 million, payable in equal instalments in 2022 and 2023.

Taxation

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

Management has identified a total exposure (covering taxes and related interest and penalties) of approximately US$ 168 million in respect of contingent liabilities (31 December 2020: US$ 157 million), mainly related to income tax as described in Note 12.

18. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

At 30 June 2021, the Company's issued share capital consisted of 473,576,257 ordinary shares of no par value, each carrying one vote (31 December 2020: 471,818,000 ordinary shares).

The movements in stated capital account during the six months ended 30 June 2021 were as follows:

	Stated capital account, no. of shares	Stated capital account, US$m
Balance at 31 December 2020	**471,818,000**	**2,434**
Issue of shares in accordance with Deferred Share Awards plan	152,248	2
Issue of shares in accordance with LTIP	1,606,009	13
Balance at 30 June 2021	**473,576,257**	**2,449**

The Company does not hold any ordinary shares in treasury. The ordinary shares reflect 100% of the total issued share capital of the Company.

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law. The Group has unremitted accumulated retained earnings based on local accounting standards of approximately US$ 3.5 billion (31 December 2020: US$ 3.2 billion), which if remitted without restrictions would fund the Group’s anticipated dividends for a number of years, after allowing for related tax payments. The directors believe that the Company therefore has access to cash to fund the Group’s anticipated dividends for a number of years.

19. 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 2021 and 31 December 2020, the Group held the following financial instruments:

	30 June 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$m	**US$m**	**US$m**	**US$m**
Receivables from provisional copper, gold and silver concentrate sales	-	59	-	**59**
Contingent consideration receivable	-	-	33	**33**
Contingent consideration liability (Note 20)	-	-	(76)	**(76)**
Total	**-**	**59**	**(43)**	**16**

	31 December 2020			
	Level 1	Level 2	Level 3	Total
	US$m	US$m	US$m	US$m
Receivables from provisional copper, gold and silver concentrate sales	-	46	-	**46**
Contingent consideration receivable	-	-	25	**25**
Shares held at FVTPL	2	-	-	**2**
Contingent consideration liability (Note 20)	-	-	(87)	**(87)**
Total	**2**	**46**	**(62)**	**(14)**

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

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

The estimated fair value of the Group's debt, calculated using the market interest rate available to the Group as at 30 June 2021 is US$1,916 million (31 December 2020: US$ 1,546 million), and the carrying value as at 30 June 2021 is US$ 2,115 million (31 December 2020: US$ 1,737 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.

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. Polymetal currently use a flat real medium-term and long-term gold and silver price of US$ 1,500 per ounce and US$ 20 per ounce, respectively.
- Where percentage of net NSR or royalty receivable or payable depends on commodity price or foreign exchange rate reaching certain level, the Group applies the Monte-Carlo modelling to incorporate the volatility measure into the valuation. The Monte-Carlo modelling is applied to Komar and Prognoz (NSR) contingent considerations payable and all contingent considerations receivable.
- Discount rates – The Group used a post-tax real discount rate of 8.0% (2020: 9.0%). For the Monte-Carlo modelling, where inflation is incorporated into volatility estimation, the nominal discount rate of 10.7% (2020: 11.7%) is applied.

The table below sets out a summary of changes in the fair value of the contingent consideration receivable during the six months ended 30 June 2021:

	30 June 2021			
	Zoloto Irbychana	North Kaluga	Levoberezhnoye	Total
	US$m	US$m	US$m	US$m
Opening balance	4	24	-	28
Additions (Note 2)	-	-	7	7
Change in fair value, included in profit or loss	(1)	7	-	6
Total contingent consideration	**3**	**31**	**7**	**41**
Less current portion of contingent consideration receivable	-	(8)	-	(8)
Total non-current contingent consideration	**3**	**23**	**7**	**33**

The key assumptions used in the contingent consideration receivable calculations are set out below:

Metal	Price as of valuation date per ounce/tonne	Volatility, %%	Constant correlation to gold, %%
Gold	1,763	15.79%	n/a
Silver	25.765	31.83%	85%
Copper	9,385	19.88%	47%

Zinc	2,946	22.33%	-3%
RUB rate	72.3723	15.43%-16.78%	53%-61.24%

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.

20. CONTINGENT AND DEFERRED CONSIDERATION LIABILITIES

The table below sets forth a summary of changes in the carrying value of the Group's contingent liabilities, classified as Level 3 financial liabilities, as well as deferred consideration, measured at amortised cost, for the period ended 30 June 2021:

	Contingent considerations at fair value				Deferred consideration at amortised cost	
	Omolon	**Prognoz**	**Komar**	**Total at fair value**	**Amikan**	**TOTAL**
	US$m	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**
Opening balance	12	25	50	87	74	161
Change in fair value, included in profit or loss	-	3	3	6	-	6
Unwinding of discount	-	1	-	1	3	4
Cash settlement	(3)	-	(15)	(18)	-	(18)
Total deferred and contingent consideration	**9**	**29**	**38**	**76**	**77**	**153**
Less current portion of contingent consideration liability	(5)	-	(32)	(37)	-	(37)
Total non-current deferred and contingent consideration liability	**4**	**29**	**6**	**39**	**77**	**116**

The valuation process for contingent consideration liabilities is described in Note 19 above. The Monte-Carlo modelling of the Komar and Prognoz contingent consideration was performed using the following inputs, where applicable:

- Gold price volatility: 14.63%
- Silver price volatility: 26.91%
- Average gold price/ounce as of valuation date: US$ 1,815
- Average silver price/ounce as of valuation date: US$ 26.69

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

21. RELATED PARTIES

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

During the period ended 30 June 2021 transactions with the related parties are represented by miscellaneous purchases of US$ 0.7 million (period ended 30 June 2020: US$ 0.2) and various sales to the related parties of US$ 0.2 million (period ended 30 June 2020: US$ 0.5 million).

Outstanding balances with related parties as of 30 June 2021 are represented by loans advanced to equity method investments amounted to US$ 1.5 million (31 December 2020: US$ 1.5 million) and accounts receivable of US$ 0.02 million (31 December 2020: US$ 0.4 million).

22. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June 2021 US$m	Six months ended 30 June 2020 US$m
Profit before tax		521	470
Adjustments for:			
Depreciation and depletion recognised in income statement	4	93	95
Reversal of previously recognised impairment		-	(8)
Write-down of inventories to net realisable value	15	6	4
Share-based compensation	10	9	7
Finance costs	11	35	36
Finance income		(3)	(3)
Change in fair value contingent consideration assets and liabilities	20	-	23
Foreign exchange (gain)/loss, net		1	(14)
Gain on disposal of subsidiaries, net	2	(3)	(7)
Other non-cash expenses		5	11
Movements in working capital			
Increase in inventories		(116)	(134)
(Decrease)/Increase in VAT receivable		9	(7)
Increase in trade and other receivables		(6)	(50)
Increase in prepayments to suppliers		(49)	(47)
(Decrease)/Increase in trade and other payables		(27)	14
Increase in other taxes payable		14	11
Cash generated from operations		**489**	**401**
Interest paid		(30)	(37)
Interest received		2	2
Income tax paid		(103)	(72)
Net cash generated by operating activities		**358**	**294**

There were no significant non-cash transactions during the six months ended 30 June 2021 and 30 June 2020, other than in respect of share-based payments.

During the period ended 30 June 2021, the capital expenditure related to the new projects, increasing the operating capacity amounts to US$ 272 million (period ended 30 June 2020: US$ 172 million).

23. SUBSEQUENT EVENTS

There were no subsequent events for the period.

ALTERNATIVE PERFORMANCE MEASURES

Introduction

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

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

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

Purpose

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

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

APMs and justification for their use

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

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying earnings per share	• Earnings per share	• Underlying net earnings (as defined above) • Weighted average number of outstanding common shares	• Exclude the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.
Underlying return on equity	• No equivalent	• Underlying net earnings (as defined above)[1] • Average equity at the beginning and the end of reporting year, adjusted for translation reserve	• The most important metric for evaluating a company's profitability • Measures the efficiency with which a company generates income using the funds that shareholders have invested.
Return on assets	• No equivalent	• Underlying net earnings (as defined above)[1] before interest and tax • Average total assets at the beginning and the end of reporting year	• A financial ratio that shows the percentage of profit a company earns in relation to its overall resources.
Adjusted EBITDA	• Profit/(loss) before income tax	• Finance cost (net) • Depreciation and depletion • Write-down of metal and non-metal inventory to net realisable value • Write-down of development and exploration assets • Impairment/reversal of previously recognised impairment of operating assets • Share based compensation • Bad debt allowance • Net foreign exchange gain/losses • Change in fair value of contingent consideration liability • Rehabilitation costs • Additional mining taxes, VAT, penalties and accrued interest • Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures	• Exclude 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.

[1] Annualised basis for half-year results.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Net debt	• Net total of current and non-current borrowings[1] • cash and cash equivalents	• NA	• Measures the Group's net indebtedness that provides an indicator of the overall balance sheet strength. • Used by creditors in bank covenants.
Net debt/EBITDA ratio	• No equivalent	• NA	• Used by creditors, credit rating agencies and other stakeholders.
Free cash flow	• Cash flows from operating activity less cash flow from investing activities	• Excluding acquisition costs in business combinations and investments in associates and joint ventures • Excluding loans forming part of net investment in joint ventures • Excluding proceeds from disposal of subsidiaries	• Reflect cash generating from operations after meeting existing capital expenditure commitments. • Measures the success of the Company in turning profit into cash through the strong management of working capital and capital expenditure.
Free cash flow post M&A	• Cash flows from operating activity less cash flow from investing activities	• NA	• Free cash flow including cash used in/received from acquisition/disposal of assets and joint ventures. • Reflect cash generation to finance returns to shareholders after meeting existing capital expenditure commitments and financing growth opportunities.
Total cash costs (TCC)	• Total cash operating costs • General, administrative & selling expenses	• Depreciation expense • Rehabilitation expenses • Write-down of inventory to net realisable value • Intersegment unrealised profit elimination • Idle capacities and abnormal production costs • Exclude Corporate and Other segment and development assets	• Calculated according to common mining industry practice using the provisions of Gold Institute Production Cost Standard. • Give a picture of a Company's current ability to extract its resources at a reasonable cost and generate earnings and cash flows for use in investing and other activities.
All-in sustaining cash costs (AISC)	• Total cash operating costs • General, administrative & selling expenses	• AISC is based on total cash costs, and adds items relevant to sustaining production such as other operating expenses, corporate level SG&A, and capital expenditures and exploration at existing operations (excluding growth capital). After-tax all in cash costs includes additional adjustments for net finance cost, capitalised interest and income tax expense. All-in costs includes additional adjustments on that for development capital.	• Include 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. • Provide investors with better visibility into the true cost of production.

[1] Excluding lease liabilities.