

Release time IMMEDIATE

LSE, MOEX, AIX: POLY / ADR: AUCOY

Date 03 March 2021

Polymetal International plc

Preliminary results for the year ended 31 December 2020

Polymetal is pleased to announce the Group's preliminary results for the year ended 31 December 2020.

"We are pleased to report record net earnings for the year amidst a challenging global backdrop. A strong operating performance, a favourable commodity price environment and stable cost performance underpinned a significant increase in the Group's cash flow and dividends whilst achieving a material reduction in leverage. We also achieved our target of zero fatalities and have importantly been able to minimise the impact of the COVID-19 pandemic on our people, communities, and operations", said Vitaly Nesis, Group CEO, commenting on the results.

FINANCIAL HIGHLIGHTS

- In 2020, revenue increased by 28%, totalling US\$ 2,865 million (2019: US\$ 2,241 million). Average realised gold and silver prices tracked market dynamics and increased by 27% for both metals. Gold sales were 1,392 Koz, up 2% year-on-year, while silver sales were down 13% to 19.3 Moz, largely in line with production volume trends.
- Group Total Cash Costs ("TCC")¹ for the full year were US\$ 638/GE oz, down 3% year-on-year, and 2% below the lower end of the Company's full year guidance of US\$ 650-700/GE oz mostly due to a weakness in the Russian Rouble and the Kazakh Tenge which outweighed additional COVID-related costs and a price-driven increase in royalties.
- All-in Sustaining Cash Costs ("AISC")¹ remained broadly unchanged from 2019 at US\$ 874/GE oz, up 1% year-on-year and within the Company's full year guidance of US\$ 850-900/GE oz, as the Company has accelerated pre-stripping and mine fleet renewals against a backdrop of higher commodity prices.
- Adjusted EBITDA¹ was US\$ 1,686 million, a 57% increase over 2019, driven by higher production volumes, higher commodity prices, and lower cash costs. Adjusted EBITDA margin increased by 11 p.p. and reached an all-time high of 59% (2019: 48%).
- Net earnings² were a record US\$ 1,086 million (2019: US\$ 483 million), with a basic EPS of US\$ 2.30 per share (2019: US\$ 1.02 per share), reflecting the increase in operating profit. Underlying net earnings¹ increased by 82% to US\$ 1,072 million (2019: US\$ 586 million).
- Capital expenditure was US\$ 583 million³, up 34% compared to US\$ 436 million in 2019 and 8% above guidance. As previously announced, the increase is mainly related to accelerated spending across the project portfolio in a bid to neutralise the impact of the pandemic on project schedules and an increase in capitalised underground development and pre-stripping, aimed at ensuring operational flexibility against the backdrop of heightened epidemiological risks. The Group is on track for development activities at both POX-2 and Nezhda.
- Net debt¹ decreased to US\$ 1,351 million during the period (31 December 2019: US\$ 1,479 million), representing a Net debt/Adjusted EBITDA ratio of 0.80x (2019: 1.38x), significantly below the Group's target leverage ratio of 1.5x. The Company generated significant free cash flow¹, which amounted to US\$ 610¹ million (2019: US\$ 256 million), supported by a net cash operating inflow of US\$ 1,192 million (2019: US\$ 696 million).
- In view of the strong balance sheet and underlying business performance in 2020, the Board has proposed a final dividend of US\$ 0.89 per share (approx. US\$ 419 million), which includes US\$ 0.74 per share representing 50% of underlying net earnings for the 2H 2020 and a discretionary payment of US\$ 0.15 per share adjusting the total dividend for 2020 for 100% of free cash flow for the FY 2020, in accordance with Polymetal's revised dividend policy. This will bring the total dividend declared for FY 2020 to US\$ 608 million (2019: US\$ 385 million), which represents US\$ 1.29 per share, up 57% compared to US\$ 0.82 per share in 2019.

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

² Profit for the financial period.

³ On a cash basis, representing cash outflow on purchases of property, plant and equipment in the consolidated statement of cash flows.

FINANCIAL HIGHLIGHTS ¹	2020	2019 ²	Change, %
Revenue, US\$m	2,865	2,241	+28%
Total cash cost ³ , US\$ /GE oz	638	655	-3%
All-in sustaining cash cost ³ , US\$ /GE oz	874	866	+1%
Adjusted EBITDA ³ , US\$m	1,686	1,075	+57%
Average realised gold price ⁴ , US\$ /oz	1,797	1,411	+27%
Average realised silver price ⁴ , US\$ /oz	20.9	16.5	+27%
Net earnings, US\$m	1,086	483	+125%
Underlying net earnings ³ , US\$m	1,072	586	+83%
Return on Assets ³ , %	34%	20%	+14%
Return on Equity (underlying) ³ , %	30%	19%	+11%
Basic EPS, US\$ /share	2.30	1.02	+125%
Underlying EPS ³ , US\$ /share	2.28	1.25	+82%
Dividend declared during the period ⁵ , US\$ /share	1.02	0.51	+100%
Dividend proposed for the period ⁶ , US\$ /share	1.29	0.82	+57%
Net debt ³ , US\$m	1,351	1,479	-9%
Net debt/Adjusted EBITDA	0.80	1.38	-42%
Net operating cash flow, US\$m	1,192	696	+71%
Capital expenditure, US\$m	583	436	+34%
Free cash flow ³ , US\$m	610	256	+138%
Free cash flow post-M&A ³ , US\$m	603	299	+102%

COVID-19 IMPACT ON GROUP'S PERFORMANCE TO DATE

- There were 20 active cases of COVID-19 as at 1 March 2021 across the Group. We regret to report that five of our employees (four in 2020 and one in 2021) died of the COVID-19 or related consequences.
- The epidemiological situation in the Company remains under control. Operations and development projects are unaffected so far.
- Strict precautionary procedures which were previously implemented, including mandatory isolation of new arrivals and restrictions on meetings and travel, continue to be maintained at all production sites and offices. These restrictions are currently expected to continue into full year of 2021.
- Polymetal provides comprehensive assistance in the voluntary vaccination of its employees and is currently awaiting for the Russian Sputnik-V vaccine to become widely available.
- Polymetal continues to provide financial and operational support to healthcare facilities across all regions of its presence with US\$ 3.4 million spent in 2020. The main areas of assistance include purchasing medical and diagnostic equipment and key supplies for local clinics.

OPERATING AND ESG HIGHLIGHTS

- There were no fatal accidents among the Group's workforce or its contractors in 2020 (compared with two employee fatalities and one contractor fatality in 2019). Lost time injury frequency rate (LTIFR) among the Group's employees

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 Excluding Kapan in 2019 (disposed in January 2019). This note applies to all tables in this release.

³ Defined in the "Alternative performance measures" section below.

⁴ In accordance with IFRS, revenue is presented net of treatment charges which are subtracted in calculating the amount to be invoiced. Average realised prices are calculated as revenue divided by gold and silver volumes sold, excluding effect of treatment charges deductions from revenue.

⁵ FY 2020: special and final dividend for FY 2019 paid in 2020 and interim dividend for the 1H 2020 paid in September 2020. FY 2019: final dividend for FY 2018 paid in May 2019 and interim dividend for the 1H 2019 paid in September 2019.

⁶ FY 2020: interim and final dividend for FY2020. FY 2019: interim, final and special dividend for FY2019.

decreased by 38% year-on-year to 0.12. In 2020, the Company started to use the DIS metric (days lost due to work-related injuries) as the main Health and Safety KPI. For the full year, DIS amounted to 1,583 days, a 10% decrease compared to 2019. Polymetal will also continue to report its LTIFR going forward.

- The Company's FY2020 gold equivalent output amounted to 1,559 Koz, a 4% increase y-o-y and 4% above the original production guidance of 1.5 Moz. Strong contribution from Kyzyl, Varvara and Albazino offset planned grade decline at Voro, as well as lower production at Svetloye.
- Construction and development activities at Nezhda and POX-2 progressed on schedule despite significant challenges posed by COVID-related disruptions and slowdowns.
- Our operational achievements are underpinned by the value that we place on environmental, social and governance (ESG) issues integrated into all areas of our business. In 2020, Polymetal was added to the Dow Jones World Sustainability Index ("DJSI") for the first time and retained its place in DJSI Emerging Markets, as well as reaffirmed membership in FTSE4Good Index.
- In 2020, as a part of our carbon transition strategy we have adopted Green Financing Framework and raised a US\$ 125 million Green Loan with Société Générale to finance the transition. Our total green and sustainability-linked loan portfolio now reaches US\$ 280 million, or 16% of the total outstanding debt.
- In 2020, greenhouse gas emissions intensity reduced by 4%, attributing to energy efficiency initiatives, switching our mining fleet to electric vehicles, a shift from diesel to grid energy sources and green energy contracts.

CORPORATE TRANSACTIONS

- In March 2020, Polymetal acquired a 9.1% stake in ThreeArc, 100% owner of the Tomtor project, through a US\$ 20 million cash investment into newly issued share capital. The proceeds will be used to complete the Tomtor pre-feasibility study and initial JORC-compliant ore reserve and mineral resource estimate. Tomtor is one of the largest and highest grade rare earth elements (REE) projects in Russia and considered to be the highest grade development stage niobium (Nb) project globally.
- In April 2020, VTB acquired 25.7% stake in Amikan from the existing minority shareholders for a cash consideration of US\$ 36 million and invested US\$ 35 million in cash in exchange for newly issued Amikan (Veduga) share capital resulting in VTB holding a 40.6% stake in the asset. These cash-in proceeds will be used to fund the Project's ongoing exploration and development costs. As part of transaction VTB was granted a put option to sell its stake in Amikan to Polymetal under certain conditions, along with the similar call option granted to Polymetal. Both put and call options are to be settled in newly issued Polymetal shares.
- In June 2020, Polymetal entered into a preliminary lease agreement to lease on pre-agreed terms the single-circuit 110 kV grid power line running from Khandyga to Nezhda production site and the related substation. The power line will be built, owned and operated by an independent grid management company. The construction will be funded with the Far East and Arctic Development Fund 10-year senior loan, guaranteed by the Group, and the Credit Bank of Moscow subordinated loan facility. The completion and commencement date of the lease is scheduled for second quarter 2022.
- During 2020, the Group disposed of non-core assets (Irbychan Gold, PGGK and North Kaluga) with the total consideration amounting to US\$ 32 million, including cash proceeds of US\$ 23 million and deferred consideration of US\$ 9 million.
- Polymetal continued to further develop its cooperation with junior exploration companies in the regions of our presence. In 2020, the Group entered into four new strategic partnerships with total initial investment in joint ventures of US\$ 10 million.

2021 OUTLOOK

- The Company reiterates its current production guidance of 1.5 Moz of GE for FY2021 and 1.6 Moz of GE for FY2022. Production will be weighted towards 2H due to seasonality.
- TCC in 2021 is expected to be in the range of US\$ 700-750/GE oz, while AISC is expected at US\$ 925-975/GE oz. The expected increase over 2020 cost levels is driven by the assumed appreciation of the Russian rouble and Kazakhstan Tenge and increased domestic diesel fuel prices compared to 2020, as well as above-CPI inflation in the mining industry and full-year impact of COVID-related measures.
- The Company will continue to prioritize timely project execution and stands ready to incur reasonable additional costs to avoid project schedule slippage. The guidance remains contingent on the Rouble/Dollar exchange rate and oil price.

CONFERENCE CALL AND WEBCAST

The company will hold a conference call and webcast on Wednesday, 3 March 2021 at 11:30 London time (14:30 Moscow time).

To participate in the call, please dial:

From the UK:

+44 (0) 330 336 9411 (local access)
0800 279 7204 (toll free)

From the US:

+1 929 477 0324 (local access)
800 458 4121 (toll free)

From Russia:

+7 495 646 9190 (local access)
8 10 8002 867 5011 (toll free)

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

Conference code: 9588333

To participate in the webcast follow the link: <https://webcast-egs.com/register/polymetal20210303>. Please be prepared to introduce yourself to the moderator or register.

A recording of the call will be available at 0 808 101 1153 (from the UK), 888 203 1112 (from the USA) and 8 10 800 2702 1012 (from Russia), access code 9588333, from 17:30 Moscow time Wednesday, 3 March, till 17:30 Moscow time Wednesday, 10 March 2021. Webcast replay will be available on Polymetal's website (www.polymetalinternational.com) and at <https://www.webcast-egs.com/register/polymetal20210303>.

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.

Enquiries

Media		Investor Relations	
FTI Consulting Leonid Fink Viktor Pomichal	+44 20 3727 1000	Polymetal Evgeny Monakhov Timofey Kulakov Kirill Kuznetsov	ir@polymetalinternational.com +44 20 7887 1475 (UK) +7 812 334 3666 (Russia)
Joint Corporate Brokers			
Morgan Stanley & Co. International plc Andrew Foster Richard Brown	+44 20 7425 8000	RBC Europe Limited Marcus Jackson Jamil Miah	+44 20 7653 4000
Panmure Gordon Daniel Norman John Prior	+44 20 7886 2500		

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.

TABLE OF CONTENTS

Chairman's statement	6
Group CEO statement	8
Operating review.....	10
Financial review	18
Principal risks and uncertainties.....	31
Going concern	32
Directors' responsibility statement	32
Financial statements.....	33
Alternative Performance Measures.....	63

CHAIRMAN'S STATEMENT

"We have worked hard to maintain business continuity and to keep the delivery of our major projects on schedule."

Strong performance during challenging times

This year has created huge challenges for businesses around the world, as the global pandemic impacted upon and changed the way we live and work. Our number one priority has been keeping our employees safe and caring for the welfare of the communities in which we operate.

Alongside this, we have worked hard to maintain business continuity and to keep the delivery of our major projects on schedule. We have experienced macroeconomic turbulence in the marketplace, which has led to a rapid growth in the level and volatility of commodity prices. However, as often in times of crisis, gold has benefited from being viewed as a 'safe-haven asset' by investors.

Maturing as a business

Since our IPO in 2011, Polymetal has evolved dramatically. We have more than doubled production from 609 to 1,559 GE Koz, built seven new mines, grown our reserve base from 14.3 to 27.9 GE Moz and developed our competence in refractory ore processing, creating significant free cash flow and a steady dividend flow to our shareholders.

We have made a conscious choice to invest in larger longer-life assets whilst also retaining a preference for viable, high-grade profiles that fit well with Polymetal's technical competencies. This is further amplified by the strength of our project pipeline, with Nezhda, POX-2 and Veduga all underpinning our future growth.

The business continues to mature. At the year-end, Polymetal was the only gold mining company in the FTSE 100 and is the second largest producer in Russia. In 2020, we were proud to be ranked among the world's top ten gold mining companies for the first time.

Sustainability reaps rewards

Sustainability remains our primary strategic objective, operating with conscious attitude towards the environment in remote parts of the world. We take our role as a responsible miner very seriously and we also believe in sharing the value that we create; not only with our shareholders but also through \$18 million in community investments and \$28 million in environmental investments. We contribute significantly to the Russian and Kazakh economy, paying \$432 million in taxes (up 85%) in 2020.

We continue to promote a safety-positive culture and are pleased to report zero fatalities across Group employees and contractors during 2020. However, maintaining this level of performance still remains a core goal for the business.

We are committed to mitigating climate change and have adapted our operations by reducing carbon emissions and harnessing low-carbon technologies. Estimating how climate change impacts our financial performance and setting long-term goals on reducing greenhouse gas emissions are priorities on our agenda for 2021.

We have made significant progress in integrating sustainability into all areas of our business and our efforts are being recognised by independent, external agencies. Our inclusion on the Dow Jones World Sustainability Index for the first time in 2020 was particularly rewarding.

Sector-leading shareholder returns

Over the last 5 years, through a combination of quality assets and exemplary governance, Polymetal has proven its sector-leading position with a TSR of 198%, outperforming the gold price four-fold, and our FTSE 100 peers by 167%. We've also sustained a 4.1% five-year average dividend yield, which is a testament to our disciplined capital allocation, long-term vision and purpose-driven value creation. In 2020, we generated record free cash flow of \$610 million and paid out dividends totalling \$481 million. The Board proposes a final dividend for 2020 of \$0.89 per share, a 112% increase year-on-year.

Warm thanks for support

Finally, none of this would have been possible without strong leadership and a dedicated workforce. Our Company is led by a highly competent and experienced Group CEO and management team. I would like to take this opportunity to thank them and all our employees for staying strong in what has been a demanding year – and delivering an

outstanding performance. I would also like to voice my appreciation for the support that I have received from my Board colleagues and our shareholders.

2021 is likely to be a highly volatile year as the financial fallout from the pandemic becomes more obvious. So, I'm pleased to report that our Company is in good shape and will be able to take advantage of the current positive stage in the precious metals cycle.

Ian Cockerill

Chairman

GROUP CEO STATEMENT

Polymetal responded effectively to the global challenges of 2020, demonstrating the resilience of its business and delivering strong operating results.

Managing the risks and impacts of Covid-19

The Covid-19 pandemic remains the most pressing operational risk for the Company. We have managed to navigate the situation well, delivering fully on our production targets and growth projects. We maintained strict precautionary procedures at all our sites with the primary goal of safeguarding our people and we continue to focus on protecting our employees, contractors and local communities.

Significantly, at Polymetal, we had 1,475 confirmed cases of Covid-19 during the year. Protective measures contained the outbreaks at Mayskoye and Olcha (Omolon hub) with no impact on production or mining and processing activities. Five Polymetal employees have died of the disease and I express my condolences to the families and friends of these colleagues.

People remain a key focus

Polymetal is a major employer in its regions of operation in Russia and Kazakhstan. We employ more than 12,000 people and their health and safety is paramount to the success of the Company. We have made solid progress across the business to ensure the effective, day-to-day running of workplace safety management systems. There were no fatal accidents during 2020 at Polymetal, which is a cause for celebration, without losing sight of our ongoing commitment to always achieving zero-fatalities. LTIFR stood at 0.12, a decrease of 38% year-on-year.

In the current complex environment, we remain committed to the long-term wellbeing of our people and communities. We have an ongoing programme supporting job creation, development of regional infrastructure, welfare, education and culture. Our investment decisions are informed by an open dialogue with local communities and indigenous peoples.

Succeeding in challenging times

While 2020 was a year when the ability of businesses to withstand global challenges was severely tested, Polymetal responded effectively and demonstrated resilience by delivering strong operating results. We improved production by 4% year-on-year and outperformed our guidance by 4% on the back of both higher volumes and higher grades. Revenues also grew by 28% due to much stronger commodity prices.

Kyzyl stood out as the stellar performer: annual gold production was 382 Koz, up 11% year-on-year, with positive grade reconciliations translating to above-plan results. Varvara also achieved a 16% increase in gold production delivering 159 Koz on the back of higher third-party ore volume. Our other mature mines performed in line with expectations.

Our total cash costs of 638/GE oz remained at low levels, meeting targets and allowing us to generate a healthy free cash flow margin. Adjusted EBITDA increased by 57% to \$1,686 million, while free cash flow more than doubled to 610 million. The underlying return on equity increased to 30% (2019: 19%). This allowed Polymetal to pay a substantial 56% dividend payout, while decreasing leverage ratio to 0.80x Net debt/EBITDA.

We also diverted some of the excess free cash flow resulting from higher commodity prices to investment in our business and accelerated spending across the project portfolio, notably accelerated pre-stripping at Veduga, as well as construction works at Ural Flotation and Kutyn.

Ambitious growth plans on track

Despite Covid-related challenges, we also made significant progress on advancing our key strategic goals and construction at our development projects is on schedule. At Nezhda – Russia's fourth largest gold reserve – the construction is now approaching completion in 2021, with the processing plant building and some infrastructure facilities already finished and major equipment items installed. We have also entered into our first large-scale, public-private partnership to provide grid power to Nezhda, both enhancing operational economics and drastically reducing its environmental footprint. First production at Nezhda is scheduled for Q4 2021.

At Amursk POX-2, which will enable us to process all refractory concentrates in-house, we reached two important milestones: the delivery and installation of the autoclave – the core component – and the arrival of the oxygen plant. This means that we have everything in place for the smooth progression of the construction project in 2021-23. We

think that this project has the potential to both create greater value for the business and provide more career opportunities for local engineers and technical staff as well as leveraging young talent.

Looking to future growth, we believe that the Veduga gold deposit has the greatest development potential within our project pipeline. Additional exploration and feasibility studies are in progress and we are hopeful of Board approval for construction in 2021.

We have made good progress at our brownfield projects. The substantial reserve addition at East Bakyrchik extends the life-of-mine at Kyzyl to 30 years, with open-pit mining continuing until 2036. The construction of the heap leaching operation at Kutyn has been approved by the Board and will extend the life-of-mine at Albazino. In the meantime, we continue to develop our exploration portfolio through partnerships with exploration juniors.

Working towards a better and safer world

Alongside our obvious and ongoing concerns about the impact of the pandemic on the wellbeing of our employees and contractors, we have continued to reinforce health and safety procedures to prevent accidents across our operations. In 2020, this resulted in achieving our target of zero fatalities, something that we will endeavour to repeat in 2021.

Our commitment to sustainability remains absolute and we are investing in energy-efficient technologies and in responsible waste and water management to help achieve ambitious environmental targets for the business. We are making good progress with the introduction of dry- stack tailings technology across our sites and, in line with the new Global Industry Standard on Tailings Management, we will be fully compliant at all our operations by 2023.

Elsewhere, we are seeing positive results from our efforts to upgrade to energy-efficient equipment, replace diesel with renewable energy or grid electricity and decarbonise transport. These have all contributed to an 4% reduction in our GHG emissions intensity during the last year. In 2021, we intend to estimate financial impacts from climate change and to set long-term goals on GHG reduction.

In 2020, Polymetal was again at the forefront of the Russian metals and mining industry with its \$125 million green loan with Société Générale, which will attract long-term, low-carbon financing. This also supports the Company's goal of raising \$280 million in green and sustainability-linked loans.

Polymetal cannot determine the long-term direction of the gold price or have an impact on the pandemic or geopolitical situation. We can, however, stay true to our objectives of producing strong results in the most sustainable way, generating strong cash flow and contributing to the benefit and wellbeing of all our stakeholders in both good and challenging times.

Vitaly Nesis
Group CEO

OPERATING REVIEW

Resilient operating performance

Despite two COVID-19 outbreaks at Mayskoye and Olcha (Omolon hub) in the second half of 2020, Polymetal had no interruptions either in production or its supply chain. The Company's gold equivalent production for the year amounted to 1,559 Koz, an increase of 4% over 2019 and 4% above the original production guidance of 1.5 Moz. Strong contributions from Kyzyl, Varvara and Albazino offset planned grade decline at Voro and lower production at Svetloye.

Gold production for the full year was up 6%, while silver output decreased by 13% on the back of planned grade decline at Dukat and lower silver production at Omolon (as Kubaka mill processed gold-rich ore through the CIP circuit as opposed to Sopka ore with higher silver content through the Merrill-Crowe circuit in 2019). Gold sales of 1,392 Koz were up 2% year-on-year, while silver sales were down 13% year-on-year at 19.3 Moz, broadly in line with production dynamics.

Key operating highlights

	2020	2019	Change
Stripping, Mt	166.8	158.6	+5%
Underground development, km	90.0	105.8	-15%
Ore mined, Mt	15.8	17.2	-8%
Open-pit	11.6	13.0	-11%
Underground	4.2	4.2	-1%
Ore processed, Mt	15.4	15.0	+3%
Average grade in ore processed (gold equivalent, g/t)	3.9	3.85	+2%
Production			
Gold, Koz	1,402	1,316	+6%
Silver, Moz	18.8	21.6	-13%
Gold equivalent, Koz¹	1,559	1,496	+4%
Sales			
Gold, Koz	1,392	1,366	+2%
Silver, Moz	19.3	22.1	-13%
Gold equivalent, Koz²	1,622	1,628	-
Average headcount	12,065	11,611	+4%
Health and safety			
Fatalities			
Employees	0	2	-100%
Contractors	0	1	-100%
LTIFR ³ (Employees)	0.12	0.19	-38%
DIS ⁴ (Employees)	1,583	1,760	-10%

Analysis of production results

Mining

Stripping volumes in 2020 grew by 5% to 166.8 Mt of rock moved, driven mostly by stripping at Kyzyl and Nezhd. At Albazino, open-pit mining has started at the Farida ore zone and expected to last until 2023.

Underground development decreased by 15% to 90 km (2019: 106 km), mainly due to the decrease at Dukat, where underground development volumes declined following the decommissioning of the Goltsovoye underground mine. This was partially offset by the increase in underground development at Albazino, as stoping commenced at Ekaterina, as well as the extension of underground planned underground capacity at Birkachan (Omolon hub).

Total ore mined decreased by 8% year-on-year to 15.8 Mt (2019: 17.2 Mt), mainly due to the completion of open-pit mining at Voro in January 2020 and lower mining volumes at Varvara, where the circuits have been processing high-margin third-party ore.

¹ Based on 120:1 Au/Ag conversion ratio (prior to Q2 2020, Polymetal used 80:1 Au/Ag ratio) and excluding base metals (previously included). Historical comparative data restated accordingly.

² Based on actual realised prices.

³ LTIFR = Lost Time Injury Frequency rate per 200,000 hours worked.

⁴ DIS – days lost due to work-related injuries.

Processing

The volume of ore processed increased 3% over the previous year to 15.4 Mt (2019: 15.0 Mt), driven mostly by the increased throughput at Varvara and higher heap-leach output at Omolon, while other mines operated at a stable pace.

The average gold equivalent grade in ore processed increased by 2% year-on-year to 3.9 g/t, above the average reserve grade of 3.8 g/t. Scheduled moderate grade declines at Voro were offset by Kyzyl outperforming expectations on gold grade, as well as higher gold grade in ore processed at Mayskoye mainly attributable to a lower dilution level and higher volumes of oxidised ore being mined and processed.

Production and sales

In 2020, Polymetal continued to deliver robust operating results. Production grew by 4% year-on-year to 1,559 Koz GE, 4% above the original production guidance of 1.5 Moz.

Kyzyl was the key driver behind this performance: full-year gold production was at 382 Koz and exceeded budget on the back of higher grades, particularly in the first half of 2020. At Albazino/Amursk, the total gold output was up 8% year-on-year to 261 Koz, due to the increased throughput and higher gold recovery. At Omolon, gold equivalent production was up 7% year-on-year to 210 Koz on the back of large volumes of gold-rich ore from both Birkachan underground mine and Yolochka being processed through the carbon-in-pump (CIP) circuit, as well as higher stacking volumes of gold-rich ore at the heap leach facility. Gold equivalent production at Dukat totalled 199 Koz, down 3% year-on-year on the back of planned decline in silver grade at the Omsukchan concentrator. Varvara gold equivalent output grew by 16% to reach 159 Koz, driven by larger volumes of high-grade third-party ore through the flotation circuit. Gold production at Mayskoye totalled 139 Koz, an 8% increase over 2019, positively impacted by the higher grade attributable to lower dilution and increased recoveries. Gold equivalent production at Svetloye decreased by 11% to 120 Koz mostly due to the preparatory works ahead of commissioning of the new heap leaching areas. Voro gold equivalent production decreased by 16% to 89 Koz while the CIP plant turned to processing lower-grade stockpiles when open-pit mining was completed in January 2020.

Metal sales in 2020 of 1,622 Koz of gold equivalent remained stable compared with 2019, broadly following production dynamics. While most of the sales comprised refined metals, we continue to sell concentrates from Dukat (gold/silver), Varvara (gold/copper), Mayskoye (refractory gold) and Kyzyl (double refractory gold) to offtakers. Offtake allows us to maximise our margins and achieve an optimal combination of transportation costs and treatment charges/recoveries, with this being one of our core competencies.

Gold equivalent production by mine (Koz)

	2020	2019	Change
Kyzyl	382	343	+11%
Albazino/Amursk	261	241	+8%
Omolon	210	196	+7%
Dukat	199	206	-3%
Varvara	159	137	+16%
Mayskoye	139	129	+8%
Svetloye	120	134	-11%
Voro	89	106	-16%
TOTAL (continuing operations)	1,559	1,493	+4%
Kapan	-	3	-100%
TOTAL(including discontinued operations)	1,559	1,496	+4%

Exploration

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

Our key exploration objectives in 2020 were:

- Brownfield exploration projects in close proximity to the Company's operating assets, notably: exploration drilling at Kyzyl's second ore zone, East Bakyrchik (2.4 km); Varvara (8.1 km of exploration drilling at Elevator); Omolon (4.5 km of exploration drilling at Burgali); Dukat (2.9 km of exploration drilling at Doroninskoye); Voro (1.7 km and 3.9 km of drilling at Voro flanks and Salda, respectively) and Albazino (9.3 km of exploration drilling at Albazino flanks and 42.4 km at Talgiy).

- Initial ore reserves estimate for East Bakyrchik (Kyzyl) based on data from the exploration campaign in 2015-2020, including 29.9 km of drilling (168 diamond drill holes).
- Updated ore reserves and mineral resources estimate at the Kutyn gold project based on the results of drilling conducted in 2017–2019.
- Initial ore reserves estimate for Prognoz.

Key 2020 achievements

In 2020, Polymetal succeeded in extending life-of-mine at producing assets and continued to invest in the next generation of assets. Exploration activities were carried out at 68 licensed properties. 34 new licences were obtained for geological studies, exploration and production of gold, silver, platinum group metals (PGMs) and copper. In total, 189 km of drilling was completed. The total capital expenditure on exploration was \$35 million; this is 24% lower than in 2019 because of the completion of major drilling campaigns at Yolochka (Omolon) and Perevalnoye (Dukat), as well as lower drilling volumes at Prognoz where exploration has also largely been completed.

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

- An initial JORC-compliant ore reserve estimate for East Bakyrchik (Zone 2 of Kyzyl) extending the life-of-mine at Kyzyl to 30 years. Ore reserves estimate comprises 18.8 Mt of ore at an average grade of 3.7 g/t containing 2.2 Moz of gold, roughly 80% of which are underground. Total Kyzyl ore reserves now stand at 58.3 Mt of ore with an average grade of 5.4 g/t containing 10.1 Moz of gold. This represents a 19% increase compared with the estimate at the end of 2019.
- A twofold increase in ore reserves at the Kutyn gold project to 0.8 Moz of gold in accordance with the JORC Code. The updated JORC-compliant open-pit ore reserves estimate comprises 8.4 Mt of ore with an average grade of 3.0 g/t containing 812 Koz of gold. This represents a 110% increase in gold contained in comparison with the previous reserve estimate prepared in 2015. Mineral resources of Kutyn (additional to ore reserves) amount to 6.6 Mt of ore for open-pit and underground mining with an average grade of 3.7 g/t representing 785 Koz of gold contained.
- An initial open-pit JORC-compliant ore reserves estimate for Prognoz comprised 7.9 Mt of ore with an average Ag grade of 560 g/t containing 142 Moz of silver. Reserves have been assessed for Glavnaya (Main), Boloto (Swamp) and Yuzhnaya (Southern) ore zones only. Mineral resources additional to ore reserves are estimated at 5.6 Mt of mineralised material with an average grade of 552 g/t for 100 Moz of silver contained. The preliminary feasibility study assumes nine years of open-pit mining with a conventional flotation flowsheet producing clean high-grade concentrate.
- An initial JORC-compliant ore reserves estimate for Pesherny deposit (Voro hub) comprising 2.1 Mt of ore with an average gold grade of 6.0 g/t containing 399 Koz of gold. This assumes seven years of open-pit and underground mining. Mineral resources (additional to ore reserves) amount to 0.5 Mt of ore with an average gold grade of 6.5 g/t representing 97 Koz of gold contained.
- Our joint ventures with junior partners completed the first field season. The results confirmed the potential for further exploration at all target areas.

2021 targets

In 2021, Polymetal will continue to invest in both near-mine and greenfield exploration projects in order to increase ore reserves.

The key objectives are:

- Complete an updated ore reserve estimate at Veduga.
- Prepare an initial ore reserve estimate at Talgiy (Albazino hub) and Elevator (Varvara hub)
- Complete an initial ore reserve estimate at Tomtor REM project.
- Significantly step-up activity levels in greenfield exploration including commencing of drilling campaigns at several JVs with juniors.

Exploration areas and volumes (mine site exploration excluded)¹

	Drilling, km	
	2020	2019
Brownfield		
Kyzyl	2.4	5.3
Albazino	51.7	13.2
Mayskoye	-	-
Varvara hub	13.7	45.3
Voro hub	12.6	22.3
Omolon hub	8.0	11.8
Svetloye hub	3.6	2.8
Dukat hub	3.3	0.6
Subtotal	95.2	102.4
Greenfield		
Yakutia	12.7	43.1
Nezhda	4.9	1.8
Prognoz	7.8	41.4
Veduga	27.0	19.2
Kutyn	25.5	16.1
Viksha	22.2	11.9
Urals	5.1	3.9
Other	1.9	1.9
Subtotal	93.3	96.1
Total	188.5	198.5

Reserves and Resources

In 2020, Group Ore Reserves increased by 10% year-on-year to 27.9 Moz of gold equivalent (GE) driven by initial Ore Reserve estimates at East Bakyrchik (Kyzyl), Prognoz, and Pescherny (Voro hub). This has more than compensated for depletion and ownership dilution at Veduga. GE Ore Reserves per share grew by the same 10%.

Share of Ore Reserves for open-pit mining stood at 53%, up by 2 percentage points (p.p.) year-on-year, while share of refractory reserves amounted to 72%, declining by 2 p.p. Both of these developments are attributable to Prognoz reserve initial estimate.

Share of silver in Ore Reserves increased by 5 p.p. to 11% also on the back of the significant contribution from Prognoz

Mineral Resources (additional to Ore Reserves) declined by 14% year-on-year to 21.8 Moz of GE mostly due to resource-to-reserve conversion. This conversion was partially offset by new Mineral Resource estimates at Albazino (Talgiy) and Veduga. Mineral Resources inclusive of Ore Reserves were essentially stable at 49.7 Moz of GE.

The average grade in Ore Reserves was marginally up year-on-year and stood at 3.8 g/t of GE. Average GE grade in additional Mineral Resources was down 10% year-on-year. Polymetal GE grades continue to be one of the highest within the sector globally.

¹ Excluding exploration at JVs.

Ore Reserves and Mineral Resources summary⁽¹⁾⁽²⁾

	1 January 2021	1 January 2020	Change
Ore Reserves (Proved + Probable), gold equivalent Moz	27.9	25.2	+10%
Gold, Moz	24.9	23.7	+5%
Silver, Moz	246.3	116.0	+112%
Average reserve grade, g/t GE	3.8	3.7	-
 Ore Reserves per share, GE oz/per share	 0.059	 0.054	 +10%
Mineral Resources (Measured + Indicated + Inferred), gold equivalent Moz	21.8	25.4	-14%
Gold, Moz	19.5	20.3	-4%
Silver, Moz	191.9	337.7	-43%
Average resource grade, g/t GE	4.7	5.2	-10%

Ore Reserves reconciliation, GE Moz

Ore Reserves, As at 1 January 2020	Depletion	Revaluation	Change in ownership ³	Initial Ore Reserves estimate	Ore Reserves, including base metals, 01.01.2021	Exclusion of base metals from GE	Ore Reserves, As at 1 January 2021
25.2	-1.9	+0.6	-0.6	+4.9	28.2	-0.4	27.9

Health and safety

In 2020, there were zero reportable fatalities⁴ and the LTIFR decreased by 38% compared to 2019, with 11 out of 13 injuries classified as minor. The two severe injuries were related to falls from height and hits by cargo when loading vehicles. Following all accidents, we reviewed site safety instructions and provided additional training. In 2020, the number of days off work following accidents amounted to 1,583 days, a 10% decrease compared to 2019.

Among contract workers, there were zero fatalities and 12 minor injuries (2019: 10), with vehicle collision being the most frequent cause. Since half of contractors' accidents happened during geological exploration activities, we have launched a programme to extend health and safety management systems from operational to exploration projects.

	2020	2019	Change, %
Polymetal			
Injuries, including:	13	20	-35%
Fatalities	0	2	-100%
Severe injuries	2	3	-33%
LTIFR (per 200,000 hours worked)	0.12	0.19	-38%
Contractors			
Injuries, including:	12	10	+20%
Fatalities	0	1	-100%
Severe injuries	0	0	-
LTIFR (per 200,000 hours worked)	0.24	0.20	+20%

Retaining zero fatalities remains our primary objective, with efforts in 2021 to be focused on contractor engagement, geological exploration safety and further implementation of digital technologies to mitigate our safety risks, such as worker positioning systems and fatigue monitoring.

¹ Ore Reserves and Mineral Resources from continuing operations. Lichkvaz, Oroch, Sopka Kwartsevaya, Dalneye and Irbychan mines were classified as discontinued operations as at 01.01.2020 and are not included in this estimate. Base metal are not included in the 2021 GE calculation, while they were included in calculation of the 2020 GE.

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

³ Sale of a stake in Veduga and North Kaluga.

⁴ A reportable fatality is a work-related fatality as defined by the national legislation.

Employees

Our average headcount in 2020 increased by 4% year-on-year to 12,065 employees. Half of our employees work on a fly-in/fly-out basis at remote sites, and were particularly impacted by the increased competition at labour market in mining industry due to metals price growth and following increased demand for mining experts, and partially by longer shifts in quarantine restrictions resulted in uncomfortable working conditions. This resulted in an increase in staff turnover rate¹ to 6.5% as compared to 5.8% in 2019. We aim to retain our voluntary turnover rate below 6% going forward.

The share of women in Polymetal's workforce remained stable at 21% in 2020. We continue to promote a culture of equal opportunity through training and internal communications. To remove the stereotype that mining is a 'male' industry and to inspire more women into careers in mining, in 2020 we co-founded the non-profit organisation Women in Mining Russia, together with other mining companies and industry-related partners.

We are pleased to report that remuneration has not been affected by the pandemic restrictions, with quarantine and overtime compensated. Additionally, in September we performed an additional salary increase across the Group by five to seven per cent in order to show our support to employees and their families during these challenging times.

	2020	2019	Change, %
Average headcount	12,065	11,611	+4%
Share of female employees (% of total)	21	21	-
Share of female managers (% of total)	22	22	-
Share of female qualified personnel (% of total)	40	39	+3%
Turnover	6.5	5.8	+12%
Turnover of female employees	5.8	6.9	-16%
Turnover of male employees	6.7	5.5	+22%

Environment

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

Although we do not generally operate in regions of water stress, we continue to minimise our fresh water withdrawal. In 2020, the share of water we reused and recycled amounted to 89% of total water consumption at our sites (compared to 87% in 2019). As a result of our comprehensive water programme effective during the last three years, which included water balance schemes update, infrastructure renovation and improved water accounting, in 2020 we achieved fresh water consumption intensity² reduction by 43% as compared to 2018 baseline year to 171 cubic meters of water per thousand tonnes of ore processed (2018: 299 cubic meters of water per thousand tonnes of ore processed).

We operate eight tailings dams in Russia and Kazakhstan, each is rigorously monitored daily. We are confident that any emergency dam failure would have no impact on local communities and employees. We welcome the new Global Industry Standard on Tailings Management and have committed to achieving compliance in all operations by 2023.

In addition to state authorities inspections, we conducted an independent third-party audit of our Mayskoye tailings site, which was carried out virtually, due to COVID-19 restrictions, by London-based experts Knight Piésold Limited. To further improve tailings safety and minimise the risk of the possibility of dam failure, we are shifting towards dry stack storage methods. Such facilities are already in operation at our Amursk and Voro mines, and will be extended to Omolon (2021), Nezhda (2021), POX-2 (2022), Dukat (2024) and Veduga (2025).

We recognise that climate change risks will require us to decrease our carbon footprint, and have started the quantitative assessment of physical and transitional risks in various climate change scenarios. On operational level, we focus on improving our energy efficiency at our sites (with a 3% y-o-y energy intensity decrease in 2020), and plan to launch two renewable energy generation plants at Omolon (2.5 MW in 2021) and Kyzyl (5-10 MW in 2022).

We have set a goal of 5% decrease in our GHG emission intensity³ by 2023 (2018 baseline), and achieved a 4% y-o-y reduction in 2020. Our Scope 1 emissions remained stable as compared to 2019, while Scope 2 decreased as we received confirmation that Kyzyl sources quarter of its energy from a hydropower plant. We continuously improve the

¹ Calculated as the ratio of the number of employees that leave the company voluntarily in the reporting period to the average headcount in the reporting period. The disclosed turnover includes only employees who choose to leave the company due to dissatisfaction with their job. It does not include employees who voluntarily leave the company for reasons not related to job satisfaction, such as retirement or enrollment in an educational institution.

² Excluding water for non-technological purposes.

³ Measured as Scope 1 and Scope 2 emissions by 1000 tonnes of ore processed.

accuracy of our GHG data, including reassessing baseline emissions and engaging energy and materials suppliers and transport hauliers to measure and report their carbon footprints to us.

Conscious that our current climate change goals need to be more ambitious, we plan to develop a detailed carbon reduction plan on a 10-year horizon in 2021 and approve a step-by-step path to carbon neutrality in 2022.

We report under the TCFD recommendations and submit our energy and GHG profile to CDP (formerly the Carbon Disclosure Project), having achieved a rating of B- for our 2020 CDP disclosure (up from D in 2019).

	2020	2019	Change, %
Water			
Water withdrawn, th. m3	3,484	4,919	-29%
Water reused and recycled, th. m3	29,606	32,275	-8%
Total water consumed, th. m3	33,090	37,194	-11%
Share of water recycled and reused, %	89%	87%	+2pp
Fresh water use for processing intensity, m3/ Kt of processed ore	171	268	-36%
Waste			
Share of waste recycled (including overburden)	17%	14%	+21%
Share of dry stacking in tailings disposal	11%	10%	+10%
Energy and GHG emissions¹			
Total energy consumed (GJ)	6,880,749	6,826,281	+1%
Energy intensity (GJ per Koz of GE produced)	4,414	4,563	-3%
Scope 1 GHG emissions, CO2 eq. Kt	613	615	-
Scope 2 GHG emissions, CO2 eq. Kt	566	585	-3%
Scope 1 + Scope 2, CO2 eq. Kt	1,179	1,200	-2%
GHG intensity of Scope 1 and Scope 2 emissions (t of CO2e per Kt of ore processed)	76.3	79.8	-4%

Communities

Polymetal's investment in local communities development increased by 18% during 2020 (an even stronger growth in local currencies was partially offset by the national currencies depreciations both in Russia and Kazakhstan). Total social investments amounted to almost \$18m, among which \$3.4m were COVID-19 related support to local healthcare institutions, mainly including supply of PPE and medical equipment. Other social investments include projects in education, local infrastructure, sports and Indigenous Minorities of the North support.

We embrace and empower open dialogue with our neighbours – during the year, we responded to 100% of communities enquiries received from various channels. Although most of our community meetings were moved to online format due to pandemic restrictions, we have managed to maintain the same level of engagement in 2020 as in previous years, with community polls covering 1,614 respondents (2019: 1,164). No cases of human rights violations connected to Polymetal's employees or contractors were reported in 2020.

	2020	2019	Change, %
Total community investment (US\$ thousand)	17,897	15,148	+18%
Enquiries from communities received and responded to	572	588	-3%
Number of respondents to community polls	1,614	1,164	+39%

¹ The new methodology has been applied since 2020 for more precise disclosure of emissions, data for 2019 has been restated accordingly for comparative purposes.

Outlook for 2021

Safety remains a top priority for Polymetal. We will continue our focus on further improvements across health and safety metrics and the elimination of fatalities at our operations. In 2021, Polymetal plans to enhance its safety risk management systems at its development and exploration projects, where additional risks are related to staff transportation and accommodation at remote sites. Starting in 2021, we are going to introduce a 'Scope 3' approach in our safety reporting, i.e. reporting accidents that occur among our contractors away from the Company's production sites but related to our activities.

In 2021, we expect stable operating performance to ensure steady financial results, while the launch of Nezhda and advancement of POX-2 project will enable us to resume production growth in 2022. The Company reiterates its current production guidance of 1.5 Moz of GE in 2021. Production will be weighted towards the second half of the year due to seasonality.

At Kyzyl, we plan to implement a debottlenecking project at the concentrator's thickening and drying sections, which will allow it to achieve 2.2 Mtpa throughput and partially compensate for the expected grade decline. We expect sustained contributions from Omolon, Albazino, Mayskoye and Voro, as well as slight increase in production at Varvara. At Dukat, the start of development at Primorskoye is expected to partially offset the decrease in grade and provide a substantial new source of high-grade silver ore for the operation. Production at Svetloye will continue to decline gradually on the back of the planned depletion of sources of high-grade ore. First production at Nezhda is scheduled for Q4 2021.

At the same time, we will focus on advancing our long-term project pipeline. At POX-2, the goal is to complete all construction and installation works at the autoclave section. Construction works are planned at Voro flotation circuit, extending the life-of-mine by more than 10 years. We will continue to advance Veduga, concentrating on building the exploration decline and pre-stripping ahead of the potential approval of the project in Q4 2021. At Kutyn, conventional open-pit mining will commence with pre-stripping in Q3 2021, and first ore mined in Q1 2022.

We will also continue running a number of development projects at existing operations, aimed at either extending the life-of-mine or reducing costs. This includes implementation of measures aimed at increasing plant capacity at Kyzyl (grinding, new thickener, concentrate filtration section upgrade), 'Hot seat' shift changes at Komar pit and increase of CIP productivity at Varvara plant, optimisation of operational parameters of thin ore veins mining and dilution reduction at Dukat. We are in the process of reducing our reliance on diesel power, and with it our environmental impact, through renewable energy projects at remote sites.

FINANCIAL REVIEW

MARKET SUMMARY

Precious metals

In 2020, the average annual gold price reached an all-time high of \$1,770/oz, an increase of 27% year-on-year. This was largely due to the Covid-19 crisis and subsequent economic developments. Prices were moderately up, exceeding \$1,650/oz in early March but the pandemic sparked a fall across all asset classes and gold dropped to its 2020 minimum price of \$1,474/oz.

However, by the end of March, investors started to look to safe-haven assets which immediately affected gold price, which peaked in August at a high price of \$2,067/oz. Following this spike, gold stabilised at around \$1,900/oz and rallied during Q4 until a second surge in the pandemic and US election, which resulted in a year-end gold price \$1,889/oz delivering a 25% annual return.

During 2020, gold ETF demand more than doubled to a record 877 tonnes¹ – 23% of total gold demand (2019: 9%) and the second largest category after bars and coins, which was up 3% at 896 tonnes¹. For the eleventh consecutive year, central banks (led by Turkey, India and Russia) were net buyers of gold. Jewellery demand dropped by 34% to its lowest annual level of 1,412 tonnes¹ and the technology sector fell by 7% year-on-year to 302 tonnes¹. Overall, the total gold demand for the year decreased by 14% to 3,760 tonnes¹.

Global gold supply in 2020 was down 4% to 4,633 tonnes¹ as mine production fell by 4% to 3,401 tonnes¹ mainly due to COVID-related disruptions and recycled gold supply rose by only 1% to 1,297 tonnes¹.

2020 was a year of three remarkable trends for silver. Having started the year by largely tracking gold dynamics, silver price subsequently slumped to \$12/oz in March. It did not then, however, see the same dramatic upturn as gold, which led to the gold/silver ratio moving to a record of 127x briefly in March and remaining around 100x until July when silver price started to rebound. It then outperformed gold due to the improved global demand, particularly in the Chinese industrial market, and the growing silver ETF holdings. In August, silver reached a five-year high of \$29/oz and tracked gold dynamics with the gold/silver ratio staying at around 80x. The silver price averaged \$20.5/oz, a 27% year-on-year increase, while the year-end price stood at \$26/oz, a 47% annual return.

Foreign exchange

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

In 2020, the oil market was severely struck by the coronavirus pandemic. The Brent crude oil started the year at \$68 per barrel, but global lockdowns and initial disagreements between key producing countries about supply volumes drove the benchmark Brent price to a record low value of \$19 per barrel in April. This decline was gradually offset by OPEC+ (an agreement to a record cut in oil production) and hopes for a quick recovery in demand resulting in Brent crude oil rebounding above \$50 per barrel in late December.

Driven by oil price dynamics, the Rouble fell sharply along with other emerging currencies, as low as 80 RUB/US\$ at one point in Q1. A broad-based rebound in emerging markets currencies triggered by the US dollar weakness resulted in the Rouble strengthening to 68-70 RUB/US\$ in June. The Central Bank of Russia initiated monetary easing to stimulate economic recovery, and the key rate was set at 4.25% from 31 July. In October-November, when the geopolitical situation escalated, the Rouble depreciated back to 80 RUB/US\$. The full-year average exchange rate weakened by 11% year-on-year to 72.3 RUB/US\$ in 2020 (2019: 64.7 RUB/US\$). This had a material positive impact on the mining sector, resulting in a lower Dollar value for Rouble-denominated operating costs and higher margins, which were partially offset by the 4.9% inflation rate (the highest since 2016). Russia remains among the lowest-cost major gold producing countries.

In 2020, Kazakhstan's economy declined by 2.4%. While the mining sector was down, refined gold production increased by 7% year-on-year to approximately 82 tonnes. Tenge performance was driven by COVID-19 developments and weakened sharply to 450 KZT/US\$ in April but subsequently appreciated by June to trade at 400-435 KZT/US\$ until the year end. The average exchange rate for the year stood at 413 KZT/US\$, rising by 9% (2019: 383 KZT/US\$) making a positive impact on the Kazakh gold mining economy. Inflation picked up to 7.5% year-on-year.

¹ Gold Demand Trends Full Year and Q4 2020 by World Gold Council.

REVENUE

		2020	2019	Change, %
Sales volumes				
Gold	Koz	1,392	1,363	+2%
Silver	Moz	19.3	22.1	-13%
Gold equivalent sold¹	Koz	1,622	1,628	0%

Sales by metal (US\$m unless otherwise stated)		2020	2019	Change, %	Volume variance, US\$m	Price variance, US\$m
Gold		2,467	1,878	+31%	39	550
Average realised price ²	US\$ /oz	1,797	1,411	+27%		
Average LBMA price	US\$ /oz	1,771	1,393	+27%		
Share of revenues	%	86%	84%			
Silver		389	349	+11%	(43)	83
Average realised price	US\$ /oz	20.9	16.5	+27%		
Average LBMA price	US\$ /oz	20.5	16.2	+27%		
Share of revenues	%	14%	16%			
Other metals		9	14	-36%		
Share of revenues	%	0%	1%			
Total revenue		2,865	2,241	+28%	(15)	639

In 2020, revenue grew 28% year-on-year to US\$ 2,865 million driven by the growth of gold and silver average realised prices. Gold sales volume increased by 2%, while silver sales volume decreased by 13% year-on-year, both broadly following production volumes. This resulted in the total gold equivalent volume sold remaining almost unchanged at 1,622 Koz.

The average realised price for gold was US\$ 1,797/oz in 2020, up 27% from US\$ 1,411/oz in 2019, and slightly above the average market price of US\$ 1,771/oz as the sales were skewed towards 2H 2020. The average realised silver price was US\$ 20.9/oz, up 27% year-on-year and 2% above market price of US\$ 20.5/oz.

The share of gold sales as a percentage of total revenue increased from 84% in 2019 to 86% in 2020, driven by a corresponding shift in production and sales volume by metal.

Analysis by segment/operation		Revenue, US\$m			Gold equivalent sold, Koz (silver equivalent for Dukat, Moz)		
Segment	Operation	2020	2019	Change, %	2020	2019	Change, %
Magadan	Dukat	464	382	+22%	22.9	24.1	-5%
	Omolon	389	293	+33%	217	210	+3%
	Mayskoye	243	167	+45%	136	132	+3%
	Total Magadan	1,096	842	+30%	622	619	+1%
Khabarovsk	Albazino/Amursk	464	374	+24%	262	266	-2%
	Svetloye	217	195	+11%	120	137	-12%
	Total Khabarovsk	681	569	+20%	382	403	-5%
Kazakhstan	Kyzyl	649	478	+36%	371	353	+5%
	Varvara	291	203	+43%	164	147	+12%
	Total Kazakhstan	940	681	+38%	535	500	+7%
Urals	Voro	148	149	-0%	84	107	-22%
Total Group		2,865	2,241	+28%	1,622	1,628	+4%

The increase in commodity prices during the period affected revenues across the assets portfolio, although at Voro revenue was flat year-on-year as a result of the decrease in the volume of gold equivalent sold. At all operating mines, physical sales volumes broadly followed production dynamics.

¹ Based on actual realised prices.

² Excluding effect of treatment charges deductions from revenue.

COST OF SALES

Cost of sales (US\$m)	2020	2019	Change, %
On-mine costs	437	485	-10%
Smelting costs	350	359	-3%
Purchase of ore and concentrates from third parties	106	59	+80%
Mining tax	142	115	+23%
Total cash operating costs	1,035	1,018	+2%
Depreciation and depletion of operating assets	206	250	-18%
Rehabilitation expenses	(1)	5	-120%
Total costs of production	1,240	1,273	-3%
Increase in metal inventories	(127)	(98)	+30%
Write-down of metal inventories to net realisable value	6	19	-68%
Total change in metal inventories	(121)	(79)	+53%
Write-down/(reversal) of non-metal inventories to net realisable value	8	(1)	-900%
Idle capacities and abnormal production costs	2	4	-50%
Total cost of sales	1,129	1,197	-6%

Cash operating cost structure	2020, US\$m	2020, % of total	2019, US\$m	2019, % of total
Services	341	33%	368	36%
Consumables and spare parts	261	25%	274	27%
Labour	181	17%	195	19%
Mining tax	142	14%	115	11%
Purchase of ore and concentrates from third and related parties	106	10%	59	6%
Other expenses	4	0%	7	1%
Total	1,035	100%	1,018	100%

In 2020, the total cost of sales decreased by 6% to US\$ 1,129 million, reflecting a positive impact from the Russian Rouble and Kazakh Tenge depreciating by 11% and 8%, respectively. In turn, this more than offset domestic inflation (5% year-on-year), additional COVID-related costs and price-driven increase in royalties.

The cost of services and the cost of consumables and spare parts were down 7% and 5% year-on-year, respectively, caused mostly by a weaker Rouble and Tenge compared to 2019.

The total cost of labour within cash operating costs in 2020 was US\$ 181 million, a 7% decrease over 2019, mainly stemming from local currency devaluations, which outweighed the 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).

Increase in purchases of third-party ore was driven by larger volumes of high-grade third-party ore processed at the Varvara flotation circuit.

Mining tax increased by 23% year-on-year to US\$ 142 million, compared to a 4% production volume increase, mainly driven by the significant increase in average realised prices.

Depreciation and depletion was US\$ 206 million, down 18% year-on-year, and largely driven by the positive effect of a weaker Rouble and Tenge with a specific decrease attributable to Omolon where Yolochka and capitalised stripping costs at Birkachan were fully depreciated in 2019, and at Kyzyl due to an increase in JORC reserves which serve as the depreciation basis.

In 2020, a net metal inventory increase of US\$ 127 million (2019: US\$ 98 million) was recorded (excluding write-downs to net realisable value) mainly represented by concentrate produced at Mayskoye, Varvara and Kyzyl, as well as heap leach work-in-progress at Omolon. The Group recognised US\$ 6 million (2019: US\$ 19 million) write-down to the net realisable value of its lower grade metal inventories (see Note 17 of the condensed financial statements).

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US\$m)	2020	2019	Change, %
Labour	139	136	+2%
Share based compensation	15	12	+25%
Services	5	8	-38%
Depreciation	7	8	-13%
Other	18	17	+6%
Total	184	181	+2%

General, administrative and selling expenses ("SGA") increased by 2% year-on-year from US\$ 181 million in 2019 to US\$ 184 million in 2020, mainly caused by the increased headcount of administrative personnel needed for the start of Nezhda and POX-2 project development, as well as regular salary reviews.

OTHER OPERATING EXPENSES

(US\$m)	2020	2019	Change, %
Social payments	28	24	+17%
Exploration expenses	26	19	+37%
Provision for investment in Special economic zone	18	11	+64%
Taxes, other than income tax	15	11	+36%
Additional tax charges/fines/penalties	(2)	1	-300%
Change in estimate of environmental obligations	(3)	(2)	+50%
Other expenses	17	4	+325%
Total	99	68	+46%

Other operating expenses increased to US\$ 99 million in 2020 compared to US\$ 68 million in 2019. An increase in social payments was mostly attributable to social expenditures at Kyzyl and the Amursk POX-2 project. Taxes, recognised in 2020, other than income tax, were recorded by the Group mostly in relation to the commercial discovery bonus (representing a tax on reserves growth) at Kyzyl. Other expenses are mainly represented by 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

Total cash costs per gold equivalent ounce ¹		Cash cost per GE ounce, US\$ /oz			Gold equivalent sold, Koz (silver for Dukat, Moz)		
Segment	Operation	2020	2019	Change, %	2020	2019	Change, %
Magadan	Dukat (SE oz) ²	9.8	10.0	-3%	22.9	24.1	-5%
	Omolon	560	749	-25%	217	210	+3%
	Mayskoye	819	1,072	-24%	136	132	+3%
	Total Magadan	735	867	-15%	622	619	+1%
Khabarovsk	Svetloye	375	310	+21%	120	137	-12%
	Albazino/Amursk	719	734	-2%	262	266	-2%
	Total Khabarovsk	611	590	+4%	382	403	-5%
Kazakhstan	Kyzyl	401	399	+0%	372	353	+5%
	Varvara	941	723	+30%	164	147	+12%
	Total Kazakhstan	566	494	+14%	536	500	+7%
Urals	Voro	487	383	+27%	84	107	-22%
Continued operations	Total	638	653	-3%	1,622	1,628	-0%
Armenia	Kapan	-	1,306	n/a	-	4	n/a
Continued and discontinued operations	Total Group	638	655	-3%	1,622	1,631	-0%

In 2020, total cash costs per gold equivalent ounce sold ("TCC") were US\$ 638/GE oz, down 3% year-on-year. The depreciation of the Russian Rouble and Kazakh Tenge against the US dollar, as well as substantial cost improvements at Omolon and Mayskoye outweighed additional COVID-related costs, inflationary pressures and price-driven increase in royalties.

Total cash cost by operation:

- Kyzyl's total cash costs were at US\$ 401/GE oz, significantly below Group's average and feasibility study levels, almost unchanged compared to US\$ 399/GE oz in 2019, as the mine delivered in excess of its design capacity and planned grade during the period.
- Dukat's total cash cost per silver equivalent ounce sold ("SE oz") decreased by 3% year-on-year to US\$ 9.8/SE oz. Cost decrease is attributable to the Russian Rouble depreciation offsetting the planned moderate decrease in silver grade at the Dukat underground mine.
- At Omolon, TCC amounted to US\$ 560/GE oz, a 25% decrease year-on-year, as Kubaka mill processed gold-rich ore from Yolochka and Birkachan underground mine at the CIP circuit during the period.
- Total cash costs at Mayskoye were US\$ 819/GE oz, a 24% decrease year-on-year, mostly driven by the higher gold grade in ore processed attributable to lower dilution and increased recoveries as well as the impact of oxide ore processing on 2019 TCC.
- Svetloye was the lowest cost operation in 2020, with TCC of US\$ 375/GE oz, despite an increase of 21% compared to 2019, mostly driven by lower production volumes impacted by maintenance shutdown of the ore crushing complex in 2Q and 4Q 2020.
- At Albazino/Amursk, TCC were US\$ 719/GE oz, down 2% compared to 2019 on the back of Rouble depreciation offsetting the negative impact of higher-cost 3rd party concentrate processed at the Amursk POX and COVID-related costs.
- At Varvara, TCC were US\$ 941/GE oz, increasing by 30% year-on-year and mainly stemming from processing additional volumes of feed from higher-cost third-party ore which contributed to 12% increase in sales year-on-year.

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

² Dukat's total cash cost per gold equivalent was US\$ 833/GE oz (2019: US\$ 859/GE oz) and was included in the Group TCC calculation.

- At Voro, TCC were US\$ 487/GE oz, up 27% year-on-year on the back of planned grade declines, as open-pit mining was completed in January 2020 and the CIP plant turned to processing lower-grade stockpiles.

Analysis of 2H 2020 versus 1H 2020 performance:

Total cash costs per gold equivalent ounce ¹		Cash cost per GE ounce, US\$ /oz			Gold equivalent sold, Koz (silver for Dukat)		
Segment	Operation	2H 2020	1H 2020	Change, %	2H 2020	1H 2020	Change, %
Magadan	Dukat (SE oz)	9.7	9.8	-1%	10.7	12.2	-12%
	Omolon	532	602	-12%	129	87	+48%
	Mayskoye	795	n/a	n/a	136	0	n/a
	Total Magadan	680	841	-19%	413	209	+97%
Khabarovsk	Svetloye	352	410	-14%	73	47	+54%
	Albazino/Amursk	698	735	-5%	133	129	+3%
	Total Khabarovsk	579	648	-11%	205	176	+16%
Kazakhstan	Kyzyl	418	386	+8%	169	203	
	Varvara	979	881	+11%	100	63	+58%
	Total Kazakhstan	627	504	+24%	270	266	+1%
Urals	Voro	534	440	+21%	41	42	-2%
Total Group		637	638	0%	928	695	+34%

In 2H 2020, total cash costs remained stable compared to 1H 2020 at US\$ 637/GE oz. The performance was mostly driven by strong operational delivery at Omolon, Svetloye and Albazino, offsetting contribution of sales from Varvara with higher than Group-average cost levels.

Total cash cost by operation:

- Dukat and Albazino-Amursk demonstrated stable operating performances during the period, while total cash costs changed marginally half-on-half.
- Svetloye heap leach operation had a notable decrease of TCC by 14% half-on-half to US\$ 352/GE oz on the back of seasonally higher production volumes and working capital release.
- At Omolon, cash costs decreased by 12% compared to 1H 2020 to US\$ 532/GE oz driven by increased share of lower-cost ore from Birkachan and Yolochka processed at the Kubaka plant.
- At Varvara, cash costs increased by 11% compared to 1H 2020 to US\$ 979/GE oz as material work-in-progress was accumulated at both circuits to be released in 2021.
- Kyzyl's total cash costs in 2H 2020 were at US\$ 418/GE oz, up 8% half-on-half, mostly driven by the planned grade decreases.
- At Voro, cash costs in 2H 2020 were US\$ 534/GE oz, increasing by 21% half-on-half, on the back of planned gradual grade declines.

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

ALL-IN SUSTAINING AND ALL-IN CASH COSTS¹

All-in sustaining cash costs amounted to US\$ 874/GE oz, up 1% year-on-year. AISC by operation were represented as follows:

All-in sustaining cash cost by segment/operation, US\$/GE oz				
Segment	Operation	2020	2019	Change, %
Magadan	Dukat (SE oz)	11.5	12.2	-6%
	Omolon	773	880	-12%
	Mayskoye	1,020	1,264	-19%
	Total Magadan	917	1,036	-12%
Khabarovsk	Svetloye	484	449	+8%
	Albazino/Amursk	946	872	+9%
	Total Khabarovsk	801	728	+10%
Kazakhstan	Kyzyl	554	514	+8%
	Varvara	1,179	1,064	+11%
	Total Kazakhstan	745	675	+10%
Urals	Voro	679	460	+48%
Continued operations	Total	874	864	+1%
Armenia	Kapan	-	1,320	n/a
Continued and discontinued operations	Total Group	874	866	+1%

All-in sustaining cash costs at all operating mines, except for Albazino, generally followed total cash cost dynamics.

At Albazino, AISC increased by 9% to US\$ 946/oz, which was mostly driven by underground development and pre-stripping costs capitalised at Ekaterina-2 and Farida pits.

Reconciliation of all-in costs	Total, US\$m			US\$ /GE oz		
	2020	2019	Change, %	2020	2019	Change, %
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 5 of condensed Financial statements)	927	953	-3%	572	582	-2%
<i>adjusted for:</i>						
Idle capacities	(2)	(4)	-45%	(2)	(3)	-33%
Inter-segment unrealised profit on metal inventory	(11)	(8)	31%	(7)	(5)	+40%
Treatment charges deductions reclassification to cost of sales	49	63	-21%	30	38	-21%
SGA expenses, excluding depreciation, amortization and share based compensation (Note 5 of condensed financial statements)	80	74	8%	49	45	+9%
<i>adjusted for:</i>						
SGA expenses of development projects	(8)	(7)	14%	(5)	(4)	+25%
Total cash costs	1,034	1,070	-3%	638	655	-3%
SGA expenses for Corporate and Other segment and other operating expenses	157	154	+2%	97	94	+3%
Capital expenditure excluding development projects	112	46	+144%	69	28	+146%
Exploration expenditure (capitalised)	70	94	-26%	43	57	-25%
Capitalised stripping	44	52	-17%	27	32	-16%
All-in sustaining cash costs¹	1,417	1,416	+0%	874	866	+1%
Finance costs (net)	67	74	-9%	41	45	-9%
Capitalised interest	10	9	+11%	6	6	-

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

Income tax expense	319	135	+136%	197	82	+140%
After-tax all-in cash costs	1,813	1,635	+11%	1,118	999	+12%
Capital expenditure for development projects	377	236	+60%	232	144	+61%
SGA and other expenses for development assets	32	15	+111%	20	9	+122%
All-in costs	2,222	1,885	+18%	1,370	1,152	+19%

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

Reconciliation of TCC and AISC movements	TCC, US\$ / oz	Change, %	AISC, US\$ / oz	Change, %
Cost per gold equivalent ounce – 2019	655		866	
USD and KZT rate change	(55)	-8%	(72)	-8%
Cost improvement at mature operations ¹	(39)	-6%	(46)	-5%
Mining tax change	23	4%	23	3%
Domestic inflation	28	4%	36	4%
COVID-related extra costs	25	4%	29	3%
Sustaining CAPEX increase	-	0%	22	3%
Other	1	1%	16	2%
Cost per gold equivalent ounce – 2020	638	-3%	874	1%

ADJUSTED EBITDA AND EBITDA MARGIN²

Reconciliation of Adjusted EBITDA (US\$m)	2020	2019	Change, %
Profit for the financial period	1,086	483	+125%
Finance cost (net) ³	67	74	-9%
Income tax expense	319	135	+136%
Depreciation and depletion	207	242	-14%
EBITDA	1,679	934	+80%
Net foreign exchange (gain)/loss	(23)	36	-164%
(Gain)/loss on disposal of subsidiaries, net	(13)	16	-181%
Share based compensation	15	12	+25%
Change in fair value of contingent consideration liability	23	23	-
Write-down of assets held for sale	-	28	-100%
Other non-cash items	5	26	-81%
Adjusted EBITDA	1,686	1,075	+57%
Adjusted EBITDA margin	59%	48%	+11%

¹ Mostly represented by Mayskoye (processing through the combined float-leach circuit, installation of an additional sorption capacity and change of the coagulant used in the flotation process) and Omolon (separate crushing and filling of different ore types and further processing at the heap leach facility, which allows to fully utilize production sites, ensuring optimal production margins).

² 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 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 and reversals of inventory to net realisable value, share-based compensation expenses, gains and losses on disposal or revaluation of investments in subsidiaries, joint ventures and associates, rehabilitation expenses, bad debt allowance, foreign exchange gains or losses, changes in fair value of contingent consideration, finance income, finance costs, income tax expense and other tax exposures accrued within other operating expenses. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue.

³ Net of finance income.

**Adjusted EBITDA by segment/operation
(US\$ mln)**

Segment	Operation	2020	2019	Change, %
Khabarovsk	Albazino/Amursk	264	167	+58%
	Svetloye	167	142	+18%
	Total Khabarovsk	431	309	+40%
Magadan	Dukat	229	142	+61%
	Omolon	252	123	+105%
	Mayskoye	139	43	+224%
	Total Magadan	620	308	+101%
Kazakhstan	Varvara	128	93	+37%
	Kyzyl	507	355	+43%
	Total Kazakhstan	635	448	+42%
Urals	Voro	99	103	-4%
Corporate and other and intersegment operations		(99)	(93)	+6%
Total Group		1,686	1,075	+57%

In 2020, Adjusted EBITDA increased by 57% year-on-year to US\$ 1,686 million, with an Adjusted EBITDA margin of 59%, reflecting a 27% increase in gold and silver average realised prices against a stable cost base.

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange gain in 2020 of US\$ 23 million compared to an exchange loss of US\$ 36 million in 2019, mostly attributable to the revaluation of the US Dollar-denominated borrowings of Russian operating companies, the functional currency of which is the Russian Rouble. This foreign exchange gain was partially offset by intercompany loans with different functional currencies in lending and borrowing subsidiaries.

The Company 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.

In 2020, the Group has reversed previously recognised PP&E mining asset impairment charges related to Omolon and Varvara, amounting to US\$ 3 and US\$ 5 million, respectively. This reversal resulted from a positive change in commodity price estimates used to determine the CGU's recoverable amount since the impairment loss was initially recognised. For details refer to Note 15 of the condensed consolidated financial statements.

Income tax expense for 2020 was US\$ 319 million compared to US\$ 135 million in 2019, representing an effective tax rate of 23% (2019: 21%). The increase was mainly attributable to increased profits. For details refer to Note 13 of the condensed consolidated financial statements.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group more than doubled the net income of US\$ 1,086 million in 2020, compared to US\$ 483 million in 2019. The underlying net earnings attributable to the shareholders of the parent were US\$ 1,072 million, compared to US\$ 586 million in 2019:

Reconciliation of underlying net earnings¹
(US\$m)

	2020	2019	Change, %
Profit for the financial period attributable to the shareholders of the Parent	1,086	480	+126%
Write-down of metal inventory to net realisable value	6	19	-68%
Tax effect on write-down of metal inventory to net realisable value	(1)	(4)	-75%
Foreign exchange (gain)/loss	(23)	36	-164%
Tax effect on foreign exchange (gain)/loss	5	(7)	-168%
Change in fair value of contingent consideration liability	23	23	-
Tax effect on change in fair value of contingent consideration	(5)	(5)	-
(Gain)/loss on disposal of subsidiaries, net	(13)	16	-181%
(Reversal) of previously recognised impairment	(8)	-	n/a
Tax effect on reversal of previously recognised impairment	2	-	n/a
Write-down of assets held for sale	-	28	n/a
Underlying net earnings	1,072	586	+83%

Basic earnings per share were US\$ 2.30 per share compared to US\$ 1.02 per share in 2019. Underlying basic EPS² was US\$ 2.28 per share, compared to US\$ 1.25 per share in 2019.

In accordance with the updated dividend policy, the Board has proposed a final dividend of US\$ 0.89 per share (delivering a total expected dividend of US\$ 419 million), which includes US\$ 0.74 per share representing 50% of underlying net earnings for the 2H 2020 and a discretionary payment of US\$ 0.15 per share adjusting the total dividend for 2020 for 100% of free cash flow for the full year 2020, in accordance with the Polymetal's revised dividend policy. During 2020, Polymetal paid a total of US\$ 481 million in dividends, representing special and final dividend for FY 2019 and interim dividend for the 1H 2020.

CAPITAL EXPENDITURE³

2020 (US\$m)	Sustaining	Development	Stripping	Exploration	Total 2020	Total 2019
Nezhda	-	92	32	5	129	133
POX-2	-	125	-	-	125	56
Veduga	-	10	6	1	18	14
Albazino/Amursk	41	42	3	11	96	37
AGMK (POX-1)	5	-	-	-	5	1
Albazino	36	-	3	11	49	29
Kutyn	-	42	-	-	42	7
Kyzyl	23	-	20	-	43	36
Dukat	16	17	-	-	33	40
Voro	9	23	-	1	33	4
Omolon	23	-	-	6	29	16
Varvara	22	-	7	1	29	44
Mayskoye	24	-	2	-	26	20
Svetloye	3	-	5	1	9	11
Corporate and other	3	-	-	9	12	26
Total capital expenditure	164	309	75	35	583	436

In 2020, total capital expenditure was US\$ 583⁴ million, up 34% year-on-year mainly on the back of accelerated spending across the project portfolio in a bid to neutralise the impact of the pandemic on project schedules and an increase in capitalized stripping at Nezhda.

Capital expenditure excluding capitalised stripping costs was US\$ 508 million in 2020 (2019: US\$ 359 million).

Major capital expenditure items in 2020 were:

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

² Underlying basic EPS are calculated based on underlying net earnings.

³ On a cash basis.

⁴ On accrual basis, capital expenditure was US\$ 634 million in 2020 (2019: US\$ 469 million).

- US\$ 129 million was invested at Nezhda. This includes construction of the plant's building, new boiler house, SAG, ball mills, flotation and gravity equipment, ROM ore crusher and crushed ore reclaim feeders, as well as stripping costs (US\$ 32 million) capitalised within the development asset. The construction of the power line linking the site to the grid (built by a third-party project entity for further lease to Polymetal – see Note 22 to the financial statements) is progressing well.
- Capital expenditure at Amursk POX of US\$ 125 million, a 100% increase year-on-year, related to the POX-2 development project. Project capital expenditure was mainly represented by the completion of the autoclave vessel construction and testing, construction of the POX building metal framework, foundations for desorption/electrolysis circuits, heating circuit and oxygen plant, construction and commissioning the new concentrate storage, construction of repair shops and storage depots, as well as detailed engineering and advances for of main equipment.
- Capital expenditure at Albazino of US\$ 96 million was mostly represented by the development of Ekaterina-2, Farida and Anfisa pits, scheduled technical upgrades and the purchase of an underground mining fleet, as well as the start of construction and equipment purchases at the Kutyn heap leach project.
- At Dukat, capital expenditure in 2020 comprised US\$ 33 million, mainly representing the scheduled upgrade of the tailing storage facilities, purchases of mining fleet and Primorskoye satellite mine development.
- At Voro, capital expenditure of US\$ 33 million is mainly related to the flotation project, represented by concentrator and administrative building foundation works.
- At Omolon, capital expenditure of US\$ 29 million is mainly related to the construction of the dry tailings storage facility and engineering and preparatory works for the solar plant.
- At Mayskoye, capital expenditure in 2020 comprised US\$ 26 million, mainly representing the upgrade of the tailings dam and start of construction of the conveyor ore transportation system.
- The Group continues to invest in standalone exploration projects. Capital expenditure for exploration in 2020 was US\$ 35 million compared to US\$ 46 million in 2019. The decrease was mostly attributable to the completion of exploration campaigns at Yolochka (Omolon) and Primorskoye (Dukat), as well as lower drilling volumes at Prognoz where exploration has largely been completed.
- Capitalised stripping costs totalled US\$ 75 million in 2020 (2019: US\$ 77 million) and are attributable to operations with stripping ratios exceeding their life-of-mine averages during the period, particularly Kyzyl (US\$ 20 million), Albazino (US\$ 9 million) and Varvara (US\$ 7 million).

CASH FLOWS

(US\$m)	2020	2019	Change, %
Operating cash flows before changes in working capital	1,352	904	+50%
Changes in working capital	(160)	(208)	-23%
Total operating cash flows	1,192	696	+71%
Capital expenditure	(583)	(436)	+34%
Acquisition costs in business combinations and investments in associates and joint ventures	(30)	-	n/a
Asset disposal cash proceeds	23	43	-47%
Other	2	(4)	-150%
Investing cash flows	(589)	(397)	+48%
Financing cash flows			
Net increase in borrowings	(1)	(169)	-99%
Dividends paid	(481)	(240)	+100%
Veduga VTB investment	35	-	n/a
Contingent consideration payment	(23)	(13)	+77%
Total financing cash flows	(470)	(422)	+11%
Net increase/(decrease) in cash and cash equivalents	133	(123)	-208%
Cash and cash equivalents at the beginning of the year	253	379	-33%
Effect of foreign exchange rate changes on cash and cash equivalents	-	(3)	-133%
Cash and cash equivalents at the end of the year	386	253	+53%

Total operating cash flows in 2020 strengthened significantly year-on-year on the back of higher commodity prices and favourable exchange rates. Operating cash flows before changes in working capital increased by 50% year-on-year to US\$ 1,352 million. Net operating cash flows were US\$ 1,192 million, compared to US\$ 696 million in 2019. This was affected by an increase in working capital in 2020 of US\$ 160 million (2019: US\$ 208 million), mainly represented by concentrate produced at Varvara and Kyzyl, and ore stockpiled at Omolon.

Total cash and cash equivalents increased by 53% year-on-year and comprised US\$ 386 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US\$ 1,192 million;
- Investment cash outflows totalled US\$ 589 million, up 48% year-on-year and mainly represented by capital expenditure (up 34% year-on-year to US\$ 583 million) and investment in Tomtor and JVs (US\$ 30 million), offset by cash proceeds on asset disposals (Irbychan Gold - US\$ 10 million, North Kaluga - US\$ 11 million and PGGK - US\$ 2 million);
- Payment of special and final dividend for 2019 in March and May 2020 and interim dividend for 1H 2020 in September 2020 amounting to US\$ 481 million;
- Cash inflow of US\$ 35 million recognised for the VTB investment in exchange for the newly issued Amikan (Veduga) share capital and resulting in VTB holding a 40.6% stake in the asset;
- Contingent consideration payments (royalties payable to sellers of Komar and Omolon) of US\$ 23 million.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	31-Dec-20	31-Dec-19	Change, %
Short-term debt and current portion of long-term debt	334	214	+56%
Long-term debt	1,403	1,518	-8%
Gross debt	1,737	1,732	0%
Less: cash and cash equivalents	386	253	+53%
Net debt	1,351	1,479	-9%
Net debt / Adjusted EBITDA	0.80	1.38	-42%

The Group's net debt decreased to US\$ 1,351 million as of 31 December 2020, representing a Net debt / Adjusted EBITDA ratio of 0.80x, well below the Group's target ratio of 1.5x.

The proportion of long-term borrowings comprised 81% as at 31 December 2020 (88% as at 31 December 2019). In addition, as at 31 December 2020 the Group had US\$ 2.3 billion (31 December 2019: US\$ 1.9 billion) of available undrawn facilities, of which US\$ 1.39 billion is committed, from a wide range of lenders and this allows the Group to maintain financing flexibility in the current environment.

The average cost of debt remained low at 3.4% in 2020 (2019: 4.26%) supported by lower benchmark interest rates and our ability to negotiate competitive margins given the solid financial position of the Company and its excellent credit history. The Group is confident in its ability to repay its existing borrowings as they fall due.

2021 OUTLOOK

While we recognise that our financial performance, aside from gold and silver prices, is dependent on the Rouble/Dollar and Tenge/Dollar exchange rates, inflation in Russia and Kazakhstan, and oil price dynamics, Polymetal expects to deliver a strong financial performance in 2021 which will be driven by the following factors:

- The Company reiterates its current production guidance of 1.5 Moz of GE for FY2021 and 1.6 Moz of GE for FY2022.
- TCC in 2021 is expected to be in the range of US\$ 700-750/GE oz. The year-on-year increase in TCC will be driven by:
 - Rouble and Tenge appreciation compared to average 2020 levels;
 - Increasing domestic diesel fuel price driven by higher Brent oil prices;
 - Above-CPI wage inflation in the mining industry;
 - Full-year impact of COVID-related measures.
- AISC in 2021 is expected to be in the range of US\$ 925-975/GE oz. In the current environment, the Company will continue to prioritise timely project execution over cost optimisation in its projects.
- Capital expenditure in 2021 is expected to be lower compared to 2020 at roughly US\$ 560 million and mostly on the back of completion of construction works at Nezhda.
- The Company expects to continue to deliver positive free cash flow and pay regular dividends in 2021 in accordance with the current dividend policy.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The principal risks and uncertainties of the Group are listed below:

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

A detailed explanation of these risks and uncertainties can be found on pages 78 to 87 of the 2019 annual report which is available at www.polymetalinternational.com. Further updates will be presented in the full annual financial report for 2020.

Subsequent to the publication of the Annual Report, and following the emergence of the COVID-19 pandemic and its potential impact on our operations, the Group has included a new principal risk within sustainability category: human capital risk, incorporating implications of international and domestic travel restrictions, quarantine and self-isolation requirements, and inability to hire qualified personnel at remote sites.

Given the comfortable leverage position of the Group, historical low level of the Group's cost of debt and ability to raise funding at acceptable rates, interest rate risk has been downgraded from the principal risks.

The directors consider that, except for the changes mentioned above, the other principal risks and uncertainties have not changed materially since the publication of the Annual report for the year ended 31 December 2019 and continue to apply to the Group for the 2020 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 credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 31 December 2020, the Group held US\$ 386 million of cash (2019: US\$ 253 million) and had net debt of US\$ 1,351 million (2019: US\$ 1,479 million), with US\$ 2,281 million of additional undrawn facilities (2019: US\$ 1,904 million) of which US\$ 1,392 million (2019: US\$ 1,079 million) are considered committed. Debt of US\$ 334 million (2019: US\$ 214 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 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 COVID-19 pandemic, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the year ended 31 December 2020.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board,

Ian Cockerill

Chairman of the Board of Directors

Vitaly Nesis

Group Chief Executive Officer

2 March 2021

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2020 US\$m	Year ended 31 December 2019 US\$m
Revenue	4	2,865	2,241
Cost of sales	5	(1,129)	(1,197)
Gross profit		1,736	1,044
General, administrative and selling expenses	9	(184)	(181)
Other operating expenses, net	10	(99)	(68)
Reversal of previously recognised impairment	15	8	-
Loss from associates and joint ventures	16	(2)	-
Operating profit		1,459	795
Foreign exchange profit/(loss), net		23	(36)
Gain on disposal of subsidiaries, net	2	13	-
Write-down of assets held for sale	2	-	(28)
Change in fair value of contingent consideration assets and liabilities	23	(23)	(23)
Finance expenses, net	12	(67)	(74)
Profit before income tax		1,405	634
Income tax expense	13	(319)	(135)
Profit for the year from continuing operations		1,086	499
Loss for the year from discontinued operations ¹		-	(16)
Profit for the year		1,086	483
Profit for the financial period attributable to:			
Equity shareholders of the Parent		1,086	480
Non-controlling interest		-	3
		1,086	483
Earnings per share (US\$) from continuing operations			
Basic	24	2,30	1,06
Diluted	24	2,27	1,05
Earnings per share (US\$) from continuing and discontinued operations			
Basic	24	2,30	1,02
Diluted	24	2,27	1,01

¹ Represents a loss of US\$ 13 million on the disposal of Kapan discontinued operation in January 2019 and a loss US\$ 3 million on disposals of the remaining entities of the Armenia segment in 2019, which was previously classified within continuing operations.

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2020 US\$m	Year ended 31 December 2019 US\$m
Profit for the period	1,086	483
<i>Items that may be reclassified to profit and loss</i>		
Exchange differences on translating foreign operations	(567)	353
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	34	(54)
Total comprehensive income for the period	553	782
Total comprehensive income/(loss) for the period attributable to:		
Equity shareholders of the Parent	556	777
Non-controlling interest	(3)	5
	553	782

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	31 December 2020 US\$m	31 December 2019 US\$m
Assets			
Property, plant and equipment	15	2,787	2,810
Right-of-use assets		32	31
Goodwill		14	16
Investments in associates and joint ventures	16	24	2
Non-current VAT receivable		19	-
Non-current accounts receivable and other financial instruments	18	38	10
Deferred tax asset	13	56	73
Non-current inventories	17	95	114
Total non-current assets		3,065	3,056
Assets held for sale	2	-	14
Current inventories	17	662	644
Prepayments to suppliers		90	62
Income tax prepaid		33	18
VAT receivable		129	149
Trade receivables and other financial instruments	18	75	48
Cash and cash equivalents	19	386	253
Total current assets		1,375	1,188
Total assets		4,440	4,244
Liabilities and shareholders' equity			
Accounts payable and accrued liabilities		(187)	(158)
Current borrowings	20	(334)	(214)
Income tax payable		(13)	(7)
Other taxes payable		(51)	(41)
Current portion of contingent consideration liability	21	(41)	(7)
Current lease liabilities		(6)	(3)
Liabilities associated with assets classified as held for sale	2	-	(1)
Total current liabilities		(632)	(431)
Non-current borrowings	20	(1,403)	(1,518)
Contingent and deferred consideration liabilities	21	(120)	(59)
Deferred tax liability	13	(209)	(196)
Environmental obligations		(44)	(57)
Non-current lease liabilities		(27)	(29)
Other non-current liabilities		(3)	(3)
Total non-current liabilities		(1,806)	(1,862)
Total liabilities		(2,438)	(2,293)
NET ASSETS		2,002	1,951
Stated capital account	24	2,434	2,424
Share-based compensation reserve	25	31	26
Translation reserve		(1,832)	(1,302)
Retained earnings		1,369	780
Shareholders' equity		2,002	1,928
Non-controlling interest	21	-	23
Total equity		2,002	1,951

Notes on pages 38 to 62 form part of these financial statements. These financial statements are approved and authorised for issue by the Board of Directors on 2 March 2021 and signed on its behalf by:

Vitaly Nesis
Group Chief Executive

Ian Cockerill
Chairman of the Board of Directors

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December 2020 US\$m	Year ended 31 December 2019 US\$m
	Note		
Net cash generated by operating activities	27	1,192	696
Cash flows from investing activities			
Purchases of property, plant and equipment	15	(583)	(436)
Acquisitions of joint venture and associates	16	(24)	-
Proceeds from disposal of subsidiaries	2	23	43
Net cash outflow on acquisitions	15	(7)	-
Loans advanced		(9)	(6)
Repayment of loans provided		11	2
Net cash used in investing activities		(589)	(397)
Cash flows from financing activities			
Borrowings obtained	20	2,369	1,244
Repayments of borrowings	20	(2,366)	(1,410)
Repayments of principal under lease liabilities		(4)	(3)
Dividends paid	14	(481)	(240)
Proceeds from shares issued by subsidiary	21	35	-
Contingent consideration paid	21	(23)	(13)
Net cash used in financing activities		(470)	(422)
Net increase/(decrease) in cash and cash equivalents		133	(123)
Cash and cash equivalents at the beginning of the period	19	253	379
Effect of foreign exchange rate changes on cash and cash equivalents		-	(3)
Cash and cash equivalents at the end of the financial period		386	253

POLYMETAL INTERNATIONAL PLC



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Number of shares outstanding (unaudited)	Stated capital account US\$m	Share-based compensation reserve US\$m	Translation reserve US\$m	Retained earnings US\$m	Total equity attributable to the parent US\$m	Non- controlling interest US\$m	Total equity US\$m
Balance at 1 January 2019		469,368,309	2,414	24	(1,599)	540	1,379	18	1,397
Profit for the year		-	-	-	-	480	480	3	483
Other comprehensive income, net of income tax		-	-	-	297	-	297	2	299
Share-based compensation	25	-	-	12	-	-	12	-	12
Shares allotted to employees	24,25	819,892	10	(10)	-	-	-	-	-
Dividends	14	-	-	-	-	(240)	(240)	-	(240)
Balance at 31 December 2019		470,188,201	2,424	26	(1,302)	780	1,928	23	1,951
Profit for the year		-	-	-	-	1,086	1,086	-	1,086
Other comprehensive loss, net of income tax		-	-	-	(530)	-	(530)	(3)	(533)
Share-based compensation	25	-	-	15	-	-	15	-	15
Shares allotted to employees	24,25	1,629,799	10	(10)	-	-	-	-	-
Consolidation of non-controlling interest	21	-	-	-	-	(16)	(16)	(20)	(36)
Dividends	14	-	-	-	-	(481)	(481)	-	(481)
Balance at 31 December 2020		471,818,000	2,434	31	(1,832)	1,369	2,002	-	2,002

1. GENERAL

Corporate information

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

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

Significant subsidiaries

As of 31 December 2020 the Company held the following significant mining and production subsidiaries:

Name of subsidiary	Deposits and production facilities	Segment	Country of incorporation	Effective interest held, %	
				31 December 2020	31 December 2019
Gold of Northern Urals JSC	Voro	Ural	Russia	100	100
Svetloye LLC	Svetloye	Khabarovsk	Russia	100	100
Magadan Silver JSC	Dukat	Magadan	Russia	100	100
	Lunnoe				
	Arylakh				
Mayskoye Gold Mining Company LLC	Mayskoye	Magadan	Russia	100	100
Omolon Gold Mining Company LLC	Birkachan	Magadan	Russia	100	100
	Tsokol				
	Burgali				
	Olcha				
Albazino Resources Ltd	Albazino	Khabarovsk	Russia	100	100
Amur Hydrometallurgical Plant LLC	Amursk POX	Khabarovsk	Russia	100	100
Varvarinskoye JSC	Varvara	Kazakhstan	Kazakhstan	100	100
Bakyrchik Mining Venture LLC	Kyzyl	Kazakhstan	Kazakhstan	100	100
Komarovskoye Mining Company LLC	Komar	Kazakhstan	Kazakhstan	100	100
South-Verkhoyansk Mining Company JSC	Nezhda	Yakutia	Russia	100	100
Prognoz Silver LLC	Prognoz	Yakutia	Russia	100	100
GRK Amikan LLC	Veduga	Khabarovsk	Russia	100 ¹	74.31

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 credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 31 December 2020, the Group held US\$ 386 million of cash (2019: US\$ 253 million) and had net debt of US\$ 1,351 million (2019: US\$ 1,479 million), with US\$ 2,281 million of additional undrawn facilities (2019: US\$ 1,904 million) of which US\$ 1,392 million (2019: US\$ 1,079 million) are considered committed. Debt of US\$ 334 million (2019: US\$ 214 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 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 COVID-19 pandemic, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the year ended 31 December 2020.

Basis of presentation

The Group's annual condensed consolidated financial statements have been extracted from the audited financial statements for the year ended 31 December 2020 which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value as of end of the reporting period and share-based payments which are recognised at fair value as of the measurement date.

¹ Acquisition of non-controlling interest in GRK Amikan LLC (Note 21).

The following accounting policies have been applied in preparing the condensed consolidated financial statements for the year ended 31 December 2020.

New standards adopted by the Group and changes in accounting policies

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2019, except for changes arising from the adoption of the following new accounting pronouncements which became effective in the current reporting period:

- Definition of Material - amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*;
- Definition of a Business – amendments to IFRS 3 *Business Combinations*;
- Revised Conceptual Framework for Financial Reporting;
- Interest Rate Benchmark Reform – amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*.

The Group has determined these amendments do not have significant impact on its condensed consolidated financial statements or are not applicable to the Group.

New accounting standards issued but not yet effective

The following standards and interpretations 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 2022;
- 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;
- 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 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 significant impact on its condensed consolidated financial statements or are not applicable to the Group.

2. DISPOSAL OF SUBSIDIARIES

Irbychan Gold

In November 2019 the Group carved out a group of assets, including the Omolon low grade ore stock pile and related mining and exploration licenses, into a separate legal entity as a part of the programme to dispose of smaller short-lived assets. It was determined that Irbychan Gold met the definition of a disposal group as per IFRS 5 *Assets held for sale and discontinued operations*, so it was presented separately in the balance sheet as of 31 December 2019. The disposal group did not represent a separate major line of business or geographical area of operations or a part of a single co-ordinated plan to dispose of such, thus it was concluded that it did not meet the definition of discontinued operation.

Based on the non-binding agreement signed in 2019 with a third party, owned by a Polymetal former employee and long-term Polymetal business partner, the expected sale price was US\$ 13 million. In accordance with the measurement requirements of IFRS 5, at 31 December 2019, the disposal group was measured at the lower of its carrying amount and fair value less costs to sell, and the Group recognised a loss of US\$ 28 million.

On 31 March 2020, the sale was completed. In accordance with the finalised agreement, the consideration receivable comprised US\$ 10 million fixed upfront cash payment (being RUB 800 million at the RUB/USD exchange rate of 78.85 as of the date of closing) and a 1% annual net smelter return (NSR) receivable by the Group if the gold price exceeds US\$ 1,500/oz. The royalty proceeds are capped at US\$ 50 million in Rouble equivalent. Additionally, if the average gold price in 2022 exceeds US\$ 1,600/oz simultaneously with RUB appreciation, Polymetal will

receive any positive foreign exchange difference between the US\$ values of the Rouble fixed cash payment made (RUB 800 million) at 31 December 2022 and at 30 January 2020.

The NSR royalty and foreign exchange compensation payment meets the definition of contingent consideration receivable and were accounted for at their fair value at the disposal date. The fair value was determined based on the life of the mine (LOM) model of the mines sold and calculated using Monte Carlo modelling. The fair value of total consideration receivable was estimated at US\$ 2 million by applying the key assumptions set out below:

Gold price volatility	16.52%
Gold price per ounce as of disposal date	US\$ 1,605
RUR/USD exchange rate volatility	12.7%
RUR/USD exchange as of disposal date	78.85
Discount rate	11.7%

Due to the depreciation of the Russian Rouble, at the date of disposal net assets of the subsidiary and the gain on disposal were as follows:

	US\$m
Property, plant and equipment	2
Non-current ore stock piles	9
Total assets classified as held for sale	11
Environmental obligations	(1)
Total liabilities associated with assets classified as held for sale	(1)
Net assets of disposal group	10
Cash consideration received	10
Contingent consideration receivable	2
Total consideration	12
Gain on disposal	2

North Kaluga

In May 2020, Polymetal entered into a legally binding agreement to sell North Kaluga deposit to a third party, North Kaluga Mining Limited, as a part of the Group's strategy to dispose of smaller and low-margin assets.

The transaction consideration consisted of a US\$ 11 million fixed upfront cash payment, 5% net smelter return (NSR) and 50% royalty on Excess Revenue. Excess Revenue is defined as actual revenue less base revenue, where the latter is revenue calculated based on actual grades and the following metal prices: Cu = US\$ 5,500/t, Zn = US\$ 2,310/t, Au = US\$ 1,650/oz, Ag = US\$ 18.7/oz. Both NSR and the Excess Revenue royalty are capped at US\$ 300 million.

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 (31 December 2020: US\$ 24 million as described in Note 18). 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. The key assumptions used in the contingent consideration calculations are set out below:

Metal	Price as of disposal date per ounce/tonne, US\$	Price volatility, %%	Constant correlation to gold, %%
Gold	1,761.85	13.43%	n/a
Silver	17.86	23.8%	54%
Copper	5,825	19.2%	(62)%
Zinc	2,070	23.6%	(62)%
Discount rate 11.7%			

In July 2020, the Group completed the sale of North Kaluga. At the date of disposal, net assets of the disposed subsidiary and gain on disposal were as follows:

	US\$m
Property, plant and equipment	14
Other current assets	1
Intercompany debt	(3)
Net assets disposed of	12
Cash consideration received	11
Contingent consideration receivable	7
Total consideration	18
Gain on disposal	6

PGGK disposal

In June 2020, the Group sold its 100% interest in a minor subsidiary PGGK to the third party for US\$ 2 million in cash and further repayment on intercompany debt of US\$ 4 million. PGGK's net assets amounted to US\$ 1 million and the Group recognised gain on disposal of US\$ 5 million.

3. SEGMENT INFORMATION

The Group has identified five reportable segments:

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

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

The measure which management and the Chief Operating Decision Maker (the CODM) use to evaluate the performance of the Group is segment Adjusted EBITDA, which is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 64.

The accounting policies of the reportable segments are consistent with those of the Group's accounting policies under IFRS. From 1 January 2020 the segmental amounts of metal inventories is presented net of unrealised profit, as this presentation is more meaningful from management's perspective. During the year ended 31 December 2020 the Group reclassified several development projects from «Corporate and other» to «Magadan», «Ural» and «Khabarovsk» segments. The comparative information was restated accordingly.

Revenue shown as «Corporate and other» comprises, principally, intersegment revenue relating to the supply of inventories, spare parts and fixed assets, and rendering management services to the Group's production entities. The Group recognises Revenue and related Cost of sales in a segment where the source ore was mined, regardless whether it was processed on behalf of that segment at production facilities related to another hub. Revenue and Cost of sales of the production entities are reported net of any intersegmental Revenue and Cost of sales related to the intercompany sales of ore and concentrates, as well as intercompany smelting services, as this presentation is more meaningful from a management and forecasting perspective.

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

3. SEGMENT INFORMATION (CONTINUED)

Period ended 31 December 2020 (US\$m)	KAZAKHSTAN	MAGADAN	KHABAROVSK	URAL	YAKUTIA	Total continuing segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	940	1,096	681	148	-	2,865	-	-	2,865
Intersegment revenue	-	-	-	-	-	-	421	(421)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	265	406	221	35	-	927	259	(270)	916
Cost of sales	338	489	274	39	-	1,140	259	(270)	1,129
Depreciation included in Cost of sales	(73)	(72)	(49)	(6)	-	(200)	-	-	(200)
Write-down of metal inventory to net realisable value	-	(8)	-	2	-	(6)	-	-	(6)
Write-down of non-metal inventory to net realisable value	-	(4)	(4)	-	-	(8)	-	-	(8)
Rehabilitation expenses	-	1	-	-	-	1	-	-	1
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	18	31	17	6	8	80	110	(28)	162
General, administrative and selling expenses	20	31	18	6	8	83	129	(28)	184
Depreciation included in SGA	(2)	-	(1)	-	-	(3)	(4)	-	(7)
Share-based compensation	-	-	-	-	-	-	(15)	-	(15)
Other operating expenses excluding additional tax charges	22	39	12	8	8	89	11	(1)	99
Other operating expenses	22	39	12	8	8	89	11	(1)	99
Bad debt and expected credit loss allowance	-	-	(2)	-	-	(2)	-	-	(2)
Additional tax charges/fines/penalties	-	-	2	-	-	2	-	-	2
Loss from associates and joint ventures	-	-	-	-	-	-	2	-	2
Adjusted EBITDA	635	620	431	99	(16)	1,769	39	(122)	1,686
Depreciation expense	75	72	50	6	-	203	4	-	207
Rehabilitation expenses	-	(1)	-	-	-	(1)	-	-	(1)
Write-down of non-metal inventory to net realisable value	-	4	4	-	-	8	-	-	8
Write-down of metal inventory to net realisable value	-	8	-	(2)	-	6	-	-	6
Reversal of previously recognised impairment	(5)	(3)	-	-	-	(8)	-	-	(8)
Share-based compensation	-	-	-	-	-	-	15	-	15
Bad debt and expected credit loss allowance	-	-	2	-	-	2	-	-	2
Additional tax charges/fines/penalties	-	-	(2)	-	-	(2)	-	-	(2)
Operating profit	565	540	377	95	(16)	1,561	20	(122)	1,459
Foreign exchange gain	-	-	-	-	-	-	-	-	23
Gain on disposal of subsidiaries, net	-	-	-	-	-	-	-	-	13
Change in fair value of contingent consideration assets and liabilities	-	-	-	-	-	-	-	-	(23)
Finance expenses, net	-	-	-	-	-	-	-	-	(67)
Profit before income tax									1,405
Income tax expense	-	-	-	-	-	-	-	-	(319)
Profit for the year									1,086
Current metal inventories	109	221	100	30	12	472	-	-	472
Current non-metal inventories	30	89	39	6	6	170	20	-	190
Non-current segment assets:									-
Property, plant and equipment, net	738	358	710	68	820	2,694	93	-	2,787
Goodwill	-	14	-	-	-	14	-	-	14
Non-current inventory	31	26	36	2	-	95	-	-	95
Investments in associates	-	-	-	-	-	-	24	-	24
Total segment assets	908	708	885	106	838	3,445	137	-	3,582
Additions to non-current assets:									
Property, plant and equipment	82	97	256	36	150	621	13	-	634
Acquisition of subsidiaries	-	-	-	-	-	-	7	-	7

3. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019 (US\$m)	KAZAKHSTAN	MAGADAN	KHABAROVSK	URAL	YAKUTIA	Total continuing segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	681	842	569	149	-	2,241	-	-	2,241
Intersegment revenue	-	-	-	-	-	-	249	(249)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	207	476	228	37	-	948	155	(164)	939
Cost of sales	295	582	278	51	-	1,206	155	(164)	1,197
Depreciation included in Cost of sales	(87)	(92)	(49)	(7)	-	(235)	-	-	(235)
Write-down of metal inventory to net realisable value	-	(12)	-	(7)	-	(19)	-	-	(19)
Write-down of non-metal inventory to net realisable value	-	1	-	-	-	1	-	-	1
Rehabilitation expenses	(1)	(3)	(1)	-	-	(5)	-	-	(5)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	14	31	17	6	8	76	100	(15)	161
General, administrative and selling expenses	16	32	18	6	8	80	116	(15)	181
Depreciation included in SGA	(2)	(1)	(1)	-	-	(4)	(4)	-	(8)
Share-based compensation	-	-	-	-	-	-	(12)	-	(12)
Other operating expenses excluding additional tax charges	12	27	15	5	(1)	58	9	(1)	66
Other operating expenses	12	26	18	5	(1)	60	9	(1)	68
Bad debt and expected credit loss allowance	-	-	(1)	-	-	(1)	-	-	(1)
Additional tax charges/fines/penalties	-	1	(2)	-	-	(1)	-	-	(1)
Adjusted EBITDA	448	308	309	101	(7)	1,159	(15)	(69)	1,075
Depreciation expense	89	93	50	7	-	239	4	-	243
Rehabilitation expenses	1	3	1	-	-	5	-	-	5
Write-down of non-metal inventory to net realisable value	-	(1)	-	-	-	(1)	-	-	(1)
Write-down of metal inventory to net realisable value	-	12	-	7	-	19	-	-	19
Share-based compensation	-	-	-	-	-	-	12	-	12
Bad debt and expected credit loss allowance	-	-	1	-	-	1	-	-	1
Additional tax charges/fines/penalties	-	(1)	2	-	-	1	-	-	1
Operating profit	358	202	255	87	(7)	895	(31)	(69)	795
Net foreign exchange loss	-	-	-	-	-	-	-	-	(36)
Write-down of assets held for sale	-	-	-	-	-	-	-	-	(28)
Change in fair value of contingent consideration assets and liabilities	-	-	-	-	-	-	-	-	(23)
Finance expenses, net	-	-	-	-	-	-	-	-	(74)
Profit before income tax	-	-	-	-	-	-	-	-	634
Income tax expense	-	-	-	-	-	-	-	-	(135)
Profit for the year from continuing operations	-	-	-	-	-	-	-	-	499
Loss from discontinued operations	-	-	-	-	-	-	-	-	(16)
Profit for the year	-	-	-	-	-	-	-	-	483
Current metal inventories	77	226	109	30	-	442	1	-	443
Current non-metal inventories	26	107	38	5	8	184	17	-	201
Non-current segment assets:	-	-	-	-	-	-	-	-	-
Property, plant and equipment, net	812	406	568	45	815	2,646	164	-	2,810
Goodwill	-	16	-	-	-	16	-	-	16
Non-current inventory	41	47	23	3	-	114	-	-	114
Investments in associates	-	-	-	-	-	-	2	-	2
Total segment assets	956	802	738	83	823	3,402	184	-	3,586
Additions to non-current assets:	-	-	-	-	-	-	-	-	-
Property, plant and equipment	89	87	117	12	155	460	10	-	470

4. REVENUE

Year ended 31 December 2020				
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price (\$ per oz/t payable) (unaudited)	US\$m
Gold (thousand ounces)	1,428	1,392	1,772.88	2,467
Silver (thousand ounces)	19,668	19,327	20.13	389
Copper (tonnes)	1,529	1,435	6,273.35	9
Total				2,865

Year ended 31 December 2019				
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price (\$ per oz/t payable) (unaudited)	US\$m
Gold (thousand ounces)	1,410	1,363	1,377.35	1,878
Silver (thousand ounces)	22,507	22,076	15.81	349
Copper (tonnes)	2,864	2,705	5,175.64	14
Total				2,241

Geographical analysis of revenue by destination is presented below:

	Year ended	
	31 December 2020 US\$m	31 December 2019 US\$m
Sales within the Russian Federation	1,215	1,044
Sales to Kazakhstan	942	655
Sales to East Asia	539	472
Sales to Europe	169	70
Total	2,865	2,241

Included in revenues for the year ended 31 December 2020 are revenues which arose from the sales to the Group's largest customers, whose contribution to the Group's revenue exceeded 10% of the total revenue. In 2020 revenues from such customers amounted to US\$ 1,120 million, US\$ 605 million, US\$ 337 million and US\$ 264 million respectively (2019: US\$ 659 million, US\$ 439 million, US\$ 338 million and US\$ 266 million, respectively).

Presented below is an analysis per revenue streams:

	Year ended	
	31 December 2020 US\$m	31 December 2019 US\$m
Bullions	1,358	1,074
Concentrate	902	709
Doré	605	458
Total	2,865	2,241

5. COST OF SALES

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Cash operating costs		
On-mine costs (Note 6)	437	485
Smelting costs (Note 7)	350	359
Purchase of ore and concentrates from third parties	106	59
Mining tax	142	115
Total cash operating costs	1,035	1,018
Depreciation and depletion of operating assets (Note 8)	206	250
Rehabilitation expenses	(1)	5
Total costs of production	1,240	1,273
Increase in metal inventories	(127)	(98)
Write-down of inventories to net realisable value (Note 17)	14	18
Idle capacities and abnormal production costs	2	4
Total	1,129	1,197

6. ON-MINE COSTS

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Services	205	229
Labour	117	132
Consumables and spare parts	112	119
Other expenses	3	5
Total (Note 5)	437	485

7. SMELTING COSTS

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Consumables and spare parts	149	155
Services	136	139
Labour	64	63
Other expenses	1	2
Total (Note 5)	350	359

8. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
On-mine	143	188
Smelting	63	62
Total in cost of production (Note 5)	206	250
Less: absorbed into metal inventories	(6)	(15)
Depreciation included in cost of sales	200	235

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

9. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Labour	139	136
Share-based compensation (Note 25)	15	12
Depreciation	7	8
Services	5	8
Other	18	17
Total	184	181
<i>including</i>		
Mine site expenses	83	78
Corporate head office expenses	101	103
Total	184	181

10. OTHER OPERATING EXPENSES, NET

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Social payments	28	24
Exploration expenses	26	19
Provision for investment in Special Economic Zone	18	11
Taxes, other than income tax	15	11
Change in estimate of environmental obligations	(3)	(2)
Additional mining taxes and VAT exposures, penalties and accrued interest, net	(2)	1
Other expenses	17	4
Total	99	68

For the operations held in the Special Economic Zone of the Russian Far East, Omolon Gold Mining Company LLC and JSC Magadan Silver are entitled to the decreased statutory income tax rate of 17%, as well as decreased mining tax rate (paying 60% of standard mining tax rates). In return for obtaining this tax relief the members of the regional free Economic Zone are obliged to invest 50% of their tax savings each year in the Special Economic Zone Development Programme, amounting to US\$ 18 million in 2020 (2019: US\$ 11 million).

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

Operating cash flow spent on exploration activities amounts to US\$ 26 million (2019: US\$ 10 million).

11. EMPLOYEE COSTS

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Wages and salaries	305	313
Social security costs	74	71
Share-based compensation	15	12
Total employee costs	394	396
Reconciliation:		
Less: employee costs capitalised	(47)	(43)
Less: employee costs absorbed into unsold metal inventory balances	(14)	(15)
Employee costs included in costs of sales	333	338

The weighted average number of employees during the year ended 31 December 2020 was 12,308 (year ended 31 December 2019: 11,811).

Compensation of key management personnel is disclosed within Note 26.

12. FINANCE EXPENSES, NET

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Interest expense on borrowings	59	72
Unwinding of discount on lease liabilities	3	3
Unwinding of discount on environmental obligations	3	4
Unwinding of discount on deferred and contingent consideration liabilities (Note 21)	5	2
Finance income	(3)	(7)
Total	67	74

No significant amount of finance cost related to the discontinued operations in either year.

During the year ended 31 December 2020 interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US\$ 10 million (2019: US\$ 9 million). These amounts were calculated based on the Group's general borrowing pool and by applying an effective interest rate of 3.39% (2019: 4.26%) to cumulative expenditure on such assets.

13. INCOME TAX

The amount of income tax expense for the years ended 31 December 2020 and 31 December 2019 recognised in profit and loss was as follows:

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Current income taxes	271	101
Deferred income taxes	48	34
Total	319	135

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

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Profit before income tax	1,404	634
Theoretical income tax expense at 20%	281	127
Effect of Special Economic Zone and Regional Investment project decreased tax rates	(42)	(34)
Tax effect of intercompany dividends	39	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	9	5
Change in fair value of contingent consideration liability	5	4
Losses not recognised and written-off	5	6
Non-deductible interest expense	7	14
Non-taxable consolidation adjustments on disposal of subsidiaries	3	-
Other non-taxable income and non-deductible expenses	12	13
Total income tax expense	319	135

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

Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17% for the operations held in the Special Economic Zone of the Russian Far East, the rate of 17% was used in calculation of income tax provision and deferred tax positions for those entities. Svetloye LLC is subject to tax relief as

A Regional Investment Project and is entitled to the statutory income tax rate of 0% up to 2021 and 10% from 2022 to 2026. Amursk Hydrometallurgical Plant LLC is entitled to an income tax rate of 0% up to 2023 and a tax rate of 10% during 2024-2028.

Tax exposures recognised in income tax

In 2020 and 2019 no individual significant exposures were identified as probable and therefore provided for. Management has identified a total exposure in respect of contingent liabilities (Note 22) (covering taxes and related interest and penalties) of approximately US\$ 157 million being uncertain tax positions (31 December 2019: US\$ 99 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 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.

Income tax amounts included in other comprehensive income

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

	Year ended	
	31 Decem ber 2020 US\$m	31 Decem ber 2019 US\$m
Net foreign exchange gains/(losses) on net investment in foreign operation		
Current tax expense	4	5
Deferred tax expense	-	-
Total income tax recognised in other comprehensive income	4	5

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

Deferred taxation

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

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

	Year ended	
	31 December 2020 US\$m	31 December 2019 US\$m
Deferred tax liabilities	(209)	(196)
Deferred tax assets	56	73
Total	(153)	(123)

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

	Property, plant, and equipment and other non-current assets US\$m	Trade and other payables US\$m	Tax losses US\$m	Intercompany dividends US\$m	Other US\$m	Total US\$m
At 1 January 2019	(255)	4	167	-	5	(79)
Charge to profit or loss	(5)	11	(40)	-	-	(34)
Acquisition	-	-	-	-	1	1
Exchange differences	(21)	1	9	-	-	(11)
At 31 December 2019	(281)	16	136	-	6	(123)
Charge to profit or loss	2	4	(33)	(15)	(6)	(48)
Exchange differences	40	(3)	(18)	-	(1)	18
At 31 December 2020	(239)	17	85	(15)	(1)	(153)

The Group believes that recoverability of the recognised deferred tax asset (DTA) of US\$ 85 million at 31 December 2020 (2019: US\$ 136 million), which is related to the tax losses carried forward, is more likely than not based upon expectations of future taxable income in the Russian Federation and Kazakhstan.

From 1 January 2019 in accordance with Russian Federation tax law regarding loss carryforwards, loss carryforwards are limited to 50% of taxable profit in tax years through to 2021. From 2022 the limitation will expire and it will be possible to fully utilise loss carryforwards against the corporate tax base in a given year and losses incurred from 2007 can be carried forward for an indefinite period until fully utilised.

Losses incurred in certain taxable entities in recent years have created a history of losses as of 31 December 2020. The Group has concluded that there is sufficient evidence to overcome the recent history of losses based on forecasts of sufficient taxable income in the carry-forward period.

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

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

No deferred tax asset has been recognised in respect of US\$ 58 million (2019: US\$ 112 million) of losses as it is not considered probable that there will be future taxable profits against which the losses can be utilised.

In 2020 the Group recognised current income tax of US\$ 24 million related to intercompany dividends, which were remitted during the year. Additionally, as of 31 December 2020 the Group has recognised a deferred tax liability of US\$ 15 million for the undistributed retained earnings of certain of the Group subsidiaries, which are expected to be remitted from these subsidiaries in foreseeable future (2019: nil). No deferred tax liabilities for taxes that would be payable on the unremitted earnings of the Group subsidiaries have been recognised where the Group has determined that the undistributed profit of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognised, amount to US\$ 2,887 million (2019: US\$ 3,363 million).

14. DIVIDENDS

Dividends recognised during the years ended 31 December 2020 and 31 December 2019 are detailed in the below:

	Dividends				
	cents per share	US\$m	deducted from the equity during the period	proposed in relation to the period	Paid in
Final dividend 2018	31	146	2019	2018	May 2019
Interim dividend 2019	20	94	2019	2019	September 2019
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
Total dividends					
			Deducted from the equity	Proposed for the period	Paid in
			US\$m	US\$m	US\$m
Year ended 31 December 2019			240	386	240
Year ended 31 December 2020			481	189	481

15. PROPERTY, PLANT AND EQUIPMENT

	Development assets	Exploration assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Cost						
Balance at 31 December 2018	466	365	2,349	50	150	3,380
Additions	84	43	174	5	164	470
Transfers	(12)	(50)	111	10	(59)	-
Reclassified as held for sale	-	(9)	-	(6)	-	(15)
Change in environmental obligations	-	-	15	-	1	16
Eliminated of disposal of subsidiary	-	-	-	(1)	(2)	(3)
Disposals and write-offs including fully depleted PPE	(5)	(4)	(177)	(1)	-	(187)
Translation to presentation currency	56	42	181	7	20	306
Balance at 31 December 2019	589	387	2,653	64	274	3,967
Additions	70	39	149	11	365	634
Transfers	(150)	(252)	447	3	(48)	-
Change in environmental obligations	-	-	(5)	-	3	(2)
Acquisitions	-	7	-	-	-	7
Eliminated of disposal of subsidiary	(12)	(2)	-	(2)	-	(16)
Disposals and write-offs including fully depleted PPE	-	-	(72)	(1)	(1)	(74)
Translation to presentation currency	(73)	(75)	(371)	(10)	(50)	(579)
Balance at 31 December 2020	424	104	2,801	65	543	3,937
Accumulated depreciation, amortisation						
Balance at 31 December 2018	-	-	(934)	(27)	-	(961)
Charge for the period	-	-	(270)	(9)	-	(279)
Reclassified as held for sale	-	-	-	4	-	4
Disposals and write-offs including fully depleted PPE	-	-	175	1	-	176
Translation to presentation currency	-	-	(95)	(2)	-	(97)
Balance at 31 December 2019	-	-	(1,124)	(33)	-	(1,157)
Charge for the period	-	-	(232)	(7)	-	(239)
Impairment reversal	-	-	8	-	-	8
Disposals and write-offs including fully depleted PPE	-	-	64	1	-	65
Translation to presentation currency	-	-	167	6	-	173
Balance at 31 December 2020	-	-	(1,117)	(33)	-	(1,150)
Net book value						
31 December 2019	589	387	1,529	31	274	2,810
31 December 2020	424	104	1,684	32	543	2,787

Mining assets, exploration and development assets at 31 December 2020 included mineral rights with net book value which amounted to US\$ 1,045 million (31 December 2019: US\$ 1,258 million) and capitalised stripping costs with net book value of US\$ 141 million (31 December 2019: US\$ 109 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries. During the year ended 31 December 2020 the Group recognised disposals of fully depleted PPE with cost of US\$ 30 million (year ended 31 December 2019: US\$ 134 million). As of 31 December 2020 capital construction in progress includes prepayments made for equipment and construction works amounting to US\$ 154 million (2019: US\$ 106 million).

No property, plant and equipment was pledged as collateral at 31 December 2020 or at 31 December 2019.

Novopetrovskoye acquisition

On 7 August 2020, the Group acquired, for a cash consideration of US\$ 7 million, a 75% stake in the wholly-owned subsidiary of Rosgeo, which owns the license for the Novopetrovskaya area.

The Group was granted a 7-year call option to acquire the remaining 25% interest following the Russian statutory reserve estimate (GKZ). Simultaneously the Group was granted a 7-year put option to sell 75% back at nominal price. The option becomes exercisable when the Russian statutory reserve estimate (GKZ) is approved. The call option does not represent potential voting rights as it is not currently exercisable, and is valued at nil as of 31 December 2020.

The transaction represents an asset acquisition in accordance with IFRS 3 *Business Combination*, acquisition is in substance the acquisition of an assets, being an exploration license, rather than the acquisition of a business, as the acquired company does not have any processes that have the ability to create contribute to the creation of outputs. The consideration paid is mainly attributable to the acquired mineral rights.

Reversal of previously recognised impairments

The Group has reversed a previously recognised impairment charge related to the Magadan (Omolon Gold Mining Company LLC) and Kazakhstan (Varvarinskoye JSC) segments, amounting to US\$ 3 and US\$ 5 million, respectively. This reversal resulted from a positive change in commodity prices estimates used to determine the CGUs' recoverable amounts since the impairment loss was initially recognised.

The reversal of the previously booked impairment charge relates to the mining assets not amortised to the reporting date and is included in the statement of profit or loss and other comprehensive income as a separate line.

The carrying amounts of all the cash-generating units were assessed against their recoverable amounts determined based on a fair value less costs to disposal calculation. Fair value is based on the application of the Discounted Cash Flow Method (DCF) using post-tax cash flows to the life of mine model based on proved and probable ore reserves.

The Group used a post-tax real discount rate of 9.04% (2019: 9.04%) in the DCF calculations which is equal to its nominal weighted average cost of capital of 11.7% (2019: 11.7%) translated into real terms. The DCF method used is based on the following key assumptions:

Commodity prices

Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. An impairment reversal was recognised as a result of the tests performed at 30 June 2020 with the following commodity prices applied: for 2021-2022 the real price for gold and silver of US\$ 1,500 per ounce and US\$ 17 per ounce respectively were used. The flat real long-term price for gold and silver of US\$ 1,400 per ounce and US\$ 15 per ounce respectively were used from 2023 onwards. If the commodity price assumptions as at 31 December 2020 were applied, that would not result in any changes to reversal of impairment charge recognised.

Proved and probable reserves

Production volumes are derived from the detailed life of mine plans which are based on JORC proven and probable reserves.

Production costs

Production costs are based on management's best estimates over the life of the mine, and reflect past experience.

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2020		31 December 2019	
	Voting power %	Carrying Value US\$m	Voting power %	Carrying Value US\$m
Interests in associates and joint ventures				
Tomtor (ThreeArc Mining Ltd)	9.1	20	n/a	-
Chesterfield Resources Plc	22.9	2	n/a	-
Matenvunai LLC	25.0	1	n/a	-
Pekinskaya LLC	35.0	1	n/a	-
Proeks LLC	30.0	-	30	2
Total		24		2

Movement during the reporting periods was as follows:

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
At 1 January	2	2
Acquisitions	24	-
Loss from associates and joint ventures	(2)	-
At 31 December	24	2

Tomtor (ThreeArc Mining Ltd)

In March 2020, Polymetal entered into a legally binding agreement to invest US\$ 20 million in exchange for a 9.1% stake in ThreeArc Mining Ltd. (ThreeArc). ThreeArc owns 100% of the world-class Tomtor niobium and rare-earth metals exploration project (Tomtor). The transaction was completed in April 2020.

The project is comprised of the Tomtor open-pit deposit and the Krasnokamensk Hydrometallurgical Facility which will be built near the town of Krasnokamensk. Krasnokamensk, located in South-Eastern Siberia close to the border with China, is the location of Russia's largest uranium mine and associated processing and tailings storage infrastructure.

Tomtor is located in the north-west of Yakutia. It is expected to be one of the largest and highest grade rare earth elements (REE) projects in Russia and considered to be the highest grade development stage niobium (Nb) project globally. In 2018, statutory PFS and updated GKZ reserves were approved totaling 30.5 Mt of ore at 4.0% Nb₂O₅+10.6% REO₂ grade containing 1.2 Mt of Nb₂O₅ and 3.2 Mt of REO.

This investment represents a high-grade, large, long-lived project, which provides Polymetal with the exposure to green technology with significant potential to contribute to active climate change management and leverages Polymetal's leading technical capabilities in hydrometallurgy and already established regional presence in Yakutia.

The Group has determined that it exercises significant influence over the investee through participation in policy-making processes and representation on the board of directors, and therefore ThreeArc constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment was accounted for using the equity method.

The transaction represents a related party transaction as ICT Holding Ltd., a substantial shareholder of Polymetal International plc, is the majority owner of ThreeArc. The transaction was entered into on market terms based on pre-money enterprise value estimated at US\$ 259 million.

During the period from transaction completion to 31 December 2020, no significant share of profit/(loss) from Tomtor was recognised.

Matenvunai LLC

In May 2019 the Group signed the term sheet with Mineral Exploration Network (Finland) Ltd to participate in early-stage exploration in the Chaunsk region of Chukotka, Russia. In March 2020 the deal was finalised and the Group invested US\$ 0.3 million in exchange for a 25% stake in Matenvunai LLC. Polymetal has also entered into an "earn-in" agreement for financing of exploration, technical research and a JORC feasibility study in exchange for a right to increase its share in the project up to 80% after the completion of these tasks. The Group determined that the arrangement constitutes a joint venture in accordance with IFRS 11 *Joint arrangements* and the investment is accounted using the equity method.

During the period from transaction completion to 31 December 2020 no significant share of profit/(loss) from Matenvunai was recognised.

Pekinskaya LLC

In October 2020, Polymetal has agreed to invest US\$ 0.5 million in exchange for a 35% stake in Pekinskaya Mining Company Ltd (Pekinskaya) with an opportunity to increase its interest up to 100% in several years through an "earn-in" agreement for financing of exploration, technical research and feasibility study. Pekinskaya is a copper-gold-silver exploration company active in Taimyr Dolgan-Nenets municipal district of Krasnoyarsk Krai, where it seeks to receive a mineral exploration license. The Group has determined that it exercises significant influence over the investee and therefore Pekinskaya constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment was accounted for using the equity method.

During the period from transaction completion to 31 December 2020 no significant share of profit/(loss) from Pekinskaya was recognised.

Chesterfield Resources PLC

In November 2020, Polymetal has agreed to invest US\$ 2.8 million in exchange for a 22.9% stake in Chesterfield Resources PLC (Chesterfield). Chesterfield is a copper-gold exploration company active in Cyprus. The transaction was completed in December 2020.

This investment is in line with Polymetal's strategy to invest in mining companies in its regions of operation, and increase its exposure to copper.

The Group determined that it exercised significant influence over the investee as of 31 December 2020 and therefore Chesterfield constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment was accounted for using the equity method.

During the period from transaction completion to 31 December 2020 no significant share of profit/(loss) from Chesterfield was recognised.

Proeks LLC

During the year ended 31 December 2020, the Group determined that the investment is not recoverable and it was written down to nil. The impairment change of US\$ 2 million was recognised within loss from associates and joint venture line.

Matenvunai LLC, Pekinskaya LLC, Chesterfield Resources PLC and Proeks LLC do not represent equity method investments that are individually material.

The following table summarises the aggregate financial position of the investments on a 100% basis. The summarised financial information below represents amounts in the associate's consolidated financial statements prepared in accordance with IFRS, adjusted for fair value adjustments at acquisition and differences in accounting policies. As of 31 December 2020 none of the entities held any significant cash balances and did not record any significant amounts of revenue or expenses, depreciation and amortisation, interest income and expenses, income tax.

	Tomtor	Non-significant investments	Total
	31 December 2020	31 December 2020	31 December 2020
	US\$m	US\$m	US\$m
Non-current assets	295	4	299
Current assets	8	4	12
Non-current liabilities	(83)	(1)	(84)
Current liabilities	(1)	-	(1)
Equity	220	3	223

Reconciliation of Tomtor net assets to the investment recognised in the Group balance sheet

Group interest	9%
Net assets	220
Carrying value of investment	20

17. Inventories

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Inventories expected to be recovered after twelve months		
Ore stock piles	69	78
Consumables and spare parts	26	36
Total non-current inventories	95	114
Inventories expected to be recovered in the next twelve months		
Copper, gold and silver concentrate	138	131
Ore stock piles	194	214
Work in-process	115	75
Doré	15	10
Metal for refining	10	12
Refined metals	-	1
Total metal inventories	472	443
Consumables and spare parts	190	201
Total current inventories	662	644

Write-downs of metal inventories to net realisable value

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

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Ore stock piles	(2)	(12)
Ore in heap leach piles	(4)	(10)
Copper, gold and silver concentrate	-	3
Total	(6)	(19)

In determining net realisable value of long-term inventories the Group used a flat real medium-term and long-term gold and silver price of US\$ 1,500 per ounce (2019: US\$ 1,400 and US\$ 1,200) and US\$ 20 per ounce (2019: US\$ 17 and US\$ 15), respectively. For short-term metal inventories applicable quoted forward prices as of 31 December 2020 were used: gold and silver price of US\$ 1,906 per ounce (2019: US\$ 1,540) and US\$ 26.6 per ounce (2019: US\$ 18), respectively.

During the year ended 31 December 2020 the Group recognised a write-down of consumables and spare parts inventory of US\$ 8 million (year ended 31 December 2019: reversal of previous write-down of US\$ 1 million).

The amount of inventories held at net realisable value at 31 December 2020 is US\$ 52 million (31 December 2019: US\$ 44 million).

18. ACCOUNTS RECEIVABLE AND OTHER FINANCIAL INSTRUMENTS

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Non-current accounts receivable and other financial instruments		
Contingent consideration receivable (Note 2)	25	-
Loans provided to third parties	4	6
Other long-term assets	9	4
Total	38	10
Trade receivables and other financial instruments		
Receivables from provisional copper, gold and silver concentrate sales	46	25
Other receivables	21	16
Short-term contingent consideration receivable (Note 2)	3	-
Less: Allowance for doubtful debts	(3)	(2)
Total trade and other receivables	67	39
Shares held at FVTPL	2	7
Short-term loans provided	6	2
Total other short-term financial instruments	8	9
Total	75	48

The average credit period on sales of copper, gold and silver concentrate at 31 December 2020 was 14 days (2019: 13 days). No interest is charged on trade receivables. The Group's doubtful debt relates to its non-trade receivables, which are fully impaired.

During the year ended 31 December 2020 the Group recognised contingent consideration receivable as a result of disposals of Irbychan Gold and North Kaluga deposit (Note 2). Contingent consideration was estimated using Monte-Carlo modeling based on applicable life-of-mine plans as described in Note 2.

The table below sets out a summary of changes in the fair value of the contingent consideration receivable, which are classified as Group's Level 3 financial assets (Note 23) for the year ended 31 December 2020:

	Irbychan Gold	North Kaluga	Total
	US\$m	US\$m	US\$m
Opening balance	-	-	-
Additions (Note 2)	2	7	9
Change in fair value, included in profit or loss	2	17	19
Total contingent consideration	4	24	28
Less current portion of contingent consideration receivable	-	(3)	(3)
Total non-current contingent consideration	4	21	25

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

Metal	Price as of valuation date per ounce/tonne	Volatility, %%	Constant correlation to gold, %%
Gold	1,891	13.79%	n/a
Silver	26.49	29.4%	84%
Copper	7,741	19.0%	13.69%
Zinc	2,724	23.5%	(42)%
RUB rate	73.88	17.4%	
Discount rate 11.7%			

19. CASH AND CASH EQUIVALENTS

		Year ended	
		31 December 2020	31 December 2019
		US\$m	US\$m
Bank deposits	-USD	180	179
	- other currencies	8	16
Current bank accounts	- USD	193	55
	- other currencies	5	3
Total		386	253

Bank deposits as of 31 December 2020 are mainly presented by the US Dollar deposits, bearing an average interest rate of 0.39% per annum (2019: US Dollar deposits, bearing an average interest rate of 1.31% per annum and KZT demand deposits, bearing an interest rate of 7.52%).

20. BORROWINGS

	Type of rate	Actual interest rate at		31 December 2020			31 December 2019		
		31 Dec 2020	31 Dec 2019	Current US\$m	Non-current US\$m	Total US\$m	Current US\$m	Non-current US\$m	Total US\$m
Secured loans from third parties	floating	1.95%	3.61%	-	200	200	-	75	75
<i>US Dollar denominated</i>	fixed	4.10%	4.00%	144	92	236	136	236	372
Total				144	292	436	136	311	447
Unsecured loans from third parties									
<i>US Dollar denominated</i>	floating	1.53%	3.48%	80	207	287	26	350	376
<i>US Dollar denominated</i>	fixed	2.64%	4.25%	101	850	951	52	849	901
<i>Euro denominated</i>	fixed	1.65%	2.85%	9	-	9	-	8	8
<i>RUB denominated</i>	fixed	5.00%	n/a	-	54	54	-	-	-
Total				190	1,111	1,301	78	1,207	1,285
				334	1,403	1,737	214	1,518	1,732

Bank loans

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

Movements in borrowings are reconciled as follows:

		Year ended	
		31 December 2020	31 December 2019
		US\$m	US\$m
At 1 January		1,732	1,899
Borrowings obtained		2,369	1,244
Repayments of borrowings		(2,366)	(1,410)
Net foreign exchange losses		86	(61)
Exchange differences on translating foreign operations		(86)	61
Arrangement fee amortisation		2	(1)
At 31 December		1,737	1,732

At 31 December 2020, the Group had undrawn borrowing facilities of US\$ 2,281 million (31 December 2019: US\$ 1,904 million), of which US\$ 1,392 million are considered committed (31 December 2019: US\$ 1,079). The Group complied with its debt covenants throughout 2020 and 2019.

The table below summarises maturities of borrowings:

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Year ended, 31 December 2020	-	214
31 December 2021	334	241
31 December 2022	195	241
31 December 2023	255	257
31 December 2024	334	279
31 December 2025	50	-
31 December 2026	164	125
31 December 2027	133	125
31 December 2028	133	125
31 December 2029	133	125
31 December 2030	6	-
Total	1,737	1,732

21. CONTINGENT AND DEFERRED CONSIDERATION LIABILITIES

	31 December 2020				31 December 2019	
	Contingent considerations at fair value				Deferred consideration at amortised cost	
	Total at fair value				Contingent considerations at fair value	
	Omolon	Prognoz	Komar	Total at fair value	Veduga	Total
	US\$m	US\$m	US\$m		US\$m	US\$m
Opening balance	11	16	39	66	-	66
Additions	-	-	-	-	71	71
Change in fair value, included in profit or loss (Note 23)	4	8	30	42	-	42
Unwinding of discount (Note 12)	1	1	-	2	3	5
Cash settlement	(4)	-	(19)	(23)	-	(23)
Total deferred and contingent consideration	12	25	50	87	74	161
Less current portion of contingent consideration liability	(6)	-	(35)	(41)	-	(41)
Total deferred and non-current contingent consideration	6	25	15	46	74	120

Veduga

In October 2018, the Group acquired an additional 31.7% stake in GRK Amikan LLC ("Amikan"), where it was a partial owner since 2006. Amikan is a the licence holder for the Veduga property, which is a high-grade refractory gold deposit with reserves currently estimated at 2.8 Moz of gold at an average grade of 4.6 g/t with further significant potential exploration upside. Following this acquisition, the Group increased its overall ownership in the Veduga gold deposit to 74.3%.

In April 2020, VTB Bank (VTB) invested US\$ 71 million in exchange for a 40.6% stake in Veduga, by acquiring 25.7% stake in Amikan from the existing minority shareholders for cash consideration of US\$ 36 million and investing a further US\$ 35 million in cash in exchange for newly issued Amikan share capital.

As part of transaction VTB was granted a put option to sell its stake in Amikan to Polymetal during the two-year option window (between the 3rd and the 5th anniversary following signing) at a notional amount of US\$ 71 million plus a fixed rate of return subject to certain adjustments, including adjustment for any dividends paid to date. Simultaneously Polymetal was granted a call option to acquire VTB's stake in Amikan any time during the 4 years and 9 months

following signing at the same notional amount plus a fixed rate of return. Both put and call options are to be settled in Polymetal shares.

The Group has determined that the call option over the 40.6% stake represents a derivative containing potential voting rights, that currently gives the Group access to the returns associated with the related ownership interest, and thus the call and put options described above are not subject to the requirements of IFRS 9 *Financial Instruments*, as it relates to the accounting for derivative financial instruments.

Therefore in accordance with IFRS 10 *Consolidated financial statements* the Group accounted for the options over 40.6% interest as if they were already exercised, and recognised a cash inflow of US\$ 35 million, an acquisition of non-controlling interest of US\$ 20 million and a deferred consideration payable of US\$ 71 million, of which US\$ 35 million represents a financial liability in respect of the additional funding provided by VTB for the ongoing exploration and development costs. The corresponding difference of US\$ 16 million was recognised within retained earnings.

On the date of origination the fair value of the deferred consideration representing the discounted amount of the expected future cash flows was estimated at US\$ 71 million. Subsequently the deferred consideration is measured at amortised cost. The liability recognised as of 31 December 2020 amounts to US\$ 74 million.

Omolon

In 2008, the Group recorded a contingent consideration liability related to the acquisition of 98.1% of the shares in Omolon Gold Mining Company LLC ("Omolon"). The fair value of the contingent consideration liability was determined using a valuation model which simulates expected production of gold and silver at the Kubaka mine and future gold and silver prices to estimate future revenues of Omolon. This liability is revalued at each reporting date based on 2% of the life-of-mine revenues with the resulting gain or loss recognised in the condensed consolidated income statement. The liability recognised as of 31 December 2020 is US\$ 12 million, including the current portion of US\$ 6 million.

Komar

In 2016 the Group completed the acquisition of Orion Minerals LLP, the holding company for the Komarovskoye Gold Deposit ("Komar") in the Republic of Kazakhstan. The seller is entitled to the contingent consideration that was determined based on the LOM model of the Komarovskoye mine and calculated using Monte Carlo modelling (see below). At 31 December 2020, the fair value of the contingent consideration was estimated at US\$ 50 million, including the current portion of US\$ 35 million.

Prognoz

In 2018 the Group completed the acquisition of Prognoz silver property. The consideration transferred included two separate contingent consideration liabilities. The first contingent liability represents a net smelter return ("NSR") royalty of between 2 and 4% pro-rated for the 45% holding, and dependent on the applicable statutory mineral extraction tax rate at the time when the asset enters commercial production. The royalty agreement is subject to a cap that increases progressively with the silver price. The fair value of the contingent liability is determined using a valuation model based on expected silver production and forecasted long-term flat silver prices.

The second contingent liability represents the NSR royalty in the range of 0.5% to 2.5%, pro-rated for the 50% holding and capped at US\$ 40 million. The royalty will be only payable if silver price is US\$ 19/oz or higher, with the actual royalty rate within the range determined on a progressive scale dependent on silver price. The fair value of the royalty is similarly determined using a valuation model based on the expected production of silver at the silver prices as above and is calculated using Monte Carlo modelling, which simulates expected production silver and the silver prices to estimate Prognoz future revenues.

As of 31 December 2020, the fair value of the total contingent consideration for Prognoz was estimated at US\$ 25 million.

Assumptions used in the valuation of the Omolon and Prognoz are consistent with those used in the calculation of net realisable value of metal inventories, such as long-term metal prices and discount rates. Estimated production volumes are based on life of mine plans and are approved by management as part of the long-term planning process.

Monte-Carlo assumptions

Monte-Carlo modelling contingent consideration was performed with the following inputs, where applicable:

- Gold price volatility: 14.63%
- Silver price volatility: 26.45%
- Average gold price for the last quarter prior to valuation date/ounce: US\$ 1,875
- Average silver price for the last quarter prior to valuation date/ounce: US\$ 24.39

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

22. COMMITMENTS AND CONTINGENCIES

Commitments

Capital commitments

The Group's contractual expenditure commitments as of 31 December 2020 amounted to US\$ 250 million (2019: US\$ 152 million).

Nezhda power line

In June 2020, the Group entered into 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 construction will be funded with a Far East and Arctic Development Fund (FEDF) 10-year senior loan, guaranteed by the Group, and a Credit Bank of Moscow subordinated loan facility. The FEDF loan is guaranteed by a conditional loan assignment agreement and by a guarantee issued by Polymetal, both exercisable in certain events of default as per the loan agreement. Additionally, the conditional loan assignment agreement is exercisable in the event of the construction not being complete by a certain date. Simultaneously, Polymetal was granted a call option to acquire a 100% interest in the project entity in case of its default.

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

The preliminary lease agreement is subject to IFRS 16 *Leases* accounting requirements, as the overhead power line is an identified asset with no substantive substitution rights, while how and for what purposes it will be used is predetermined by the nature of the asset and due to its location. The Group is likely to have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use. The right-of-use assets and corresponding lease liability are to be recognised at commencement date, which scheduled for the second quarter of 2022.

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

The call option does not represent potential voting rights as it is not currently exercisable and is accounted for under IFRS 9 *Financial Instruments*, and is valued at nil as of 31 December 2020.

The total expected amount of lease commitments is estimated at US\$ 161 million (undiscounted), including variable lease payments, representing reimbursement of maintenance costs of US\$ 36 million, which will be expensed as incurred.

Social and infrastructure commitments

In accordance with a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government) the Group participates in financing of certain social and infrastructure development project of the region. During the year ended 31 December 2020 the Group paid US\$ 5 million (2019: US\$ 5 million) under this programme and the total social expense commitment as of 31 December 2020 amounts to US\$ 12 million (2019: US\$ 18 million), payable in equal installments up to 2023.

Forward sale commitments

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

Contingencies

Taxation

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

Management has identified a total exposure (covering taxes and related interest and penalties) of US\$ 157 million in respect of contingent liabilities (2019: US\$ 100 million), mainly related to income tax (2019: US\$ 99 million) as described in Note 13.

23. 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 31 December 2020 and 31 December 2019, the Group held the following financial instruments:

	31 December 2020			
	Level 1 US\$m	Level 2 US\$m	Level 3 US\$m	Total US\$m
Receivables from provisional copper, gold and silver concentrate sales (Note 18)	-	46	-	46
Contingent consideration receivable (Note 18)	-	-	25	25
Shares held at FVTPL (Note 18)	2	-	-	2
Contingent consideration liability (Note 21)	-	-	(87)	(87)
	<u>2</u>	<u>46</u>	<u>(62)</u>	<u>(14)</u>

	31 December 2019			
	Level 1 US\$m	Level 2 US\$m	Level 3 US\$m	Total US\$m
Receivables from provisional copper, gold and silver concentrate sales (Note 18)	-	25	-	25
Shares held at FVTPL (Note 18)	7	-	-	7
Contingent consideration liability (Note 21)	-	-	(66)	(66)
	<u>7</u>	<u>25</u>	<u>(66)</u>	<u>(34)</u>

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

During the year ended 31 December 2020 the Group recognised gain from change in fair value of contingent consideration assets (Note 18) of US\$ 19 million (2019: nil) and the loss from change in fair value of contingent consideration liabilities (Note 21) of US\$ 42 million (2019: US\$ 23 million), resulting in loss of US\$ 23 million (2019: US\$ 23), recognised within profit and loss.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and short-term debt recorded at amortised cost approximate to their fair values because of the short maturities of these instruments. The estimated fair value of the Group's debt, calculated using the market interest rate available to the Group as of 31 December 2020, is US\$ 1,546 million (2019: US\$ 1,482 million), and the carrying value as of 31 December 2020 is US\$ 1,737 million (2019: US\$ 1,732 million) (see Note 20).

Receivables from provisional copper, gold and silver concentrate sales

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

24. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

As of 31 December 2020, the Company's issued share capital consisted of 471,818,000 ordinary shares (2019: 470,188,201 ordinary shares) of no par value, each carrying one vote. The Company does not hold any shares in treasury (2019: none). The ordinary shares reflect 100% of the total issued share capital of the Company.

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

	Stated capital account no. of shares	Stated capital account US\$m
Balance at 31 December 2018	469,368,309	2,414
Issue of shares in accordance with DSA and LTIP plans	819,892	10
Balance at 31 December 2019	470,188,201	2,424
Issue of shares in accordance with DSA and LTIP plans	1,629,799	10
Balance at 31 December 2020	471,818,000	2,434

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\$ 3.2 billion (2019: US\$ 3.4 billion), which if remitted without restrictions would fund the Group's anticipated dividends for a number of years, after allowing for related tax payments. The directors believe that the Company therefore has access to cash to fund the Group's anticipated dividends for a number of years.

Weighted average number of shares: Diluted earnings per share

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

	Year ended	
	31 December 2020	31 December 2019
Weighted average number of outstanding common shares	471,278,987	469,926,157
Dilutive effect of share appreciation plan	6,708,642	6,475,641
Weighted average number of outstanding common shares after dilution	477,987,629	476,401,798

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share during the year ended 31 December 2020 (year ended 31 December 2019: nil).

At 31 December 2020 the outstanding LTIP awards issued under all outstanding tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are in the money as of reporting date (31 December 2019: the outstanding LTIP awards issued under 2016-2019 tranches represent dilutive potential ordinary shares).

The awards issued under management bonus deferral award plan are dilutive as of 31 December 2020 and 31 December 2019 being contingently issued shares and are included in the calculation of diluted EPS based on the weighted average number of shares that would be issuable if the end of the reporting period were the end of the contingency period.

25. SHARE-BASED PAYMENTS

For the year ended 31 December 2020, share-based compensation in the amount of US\$ 15 million including US\$ 2 million of management bonus deferral award (2019: US\$ 12 million and US\$ 2 million, respectively) was recognised in general, administrative and selling expenses in the condensed consolidated income statement (Note 9). As of 31 December 2020 total accumulated share-based compensation reserve amounts to US\$ 31 million (2019: US\$ 26 million) with movements presented in the statement of changes in equity.

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

	31 December 2020			31 December 2019		
	Number of option granted shares	Expected amortisation period years	Unrecognised share- based compensation expense US\$m	Expected amortisation period years	Unrecognised share-based compensation expense US\$m	
Tranche 2016	2,039,787	-	-	0.3	1	
Tranche 2017	2,070,002	0.3	1	1.3	4	
Tranche 2018	2,549,754	1.3	3	2.3	6	
Tranche 2019	2,831,753	2.3	7	3.3	10	
Tranche 2020	2,497,292	3.3	20	n/a	n/a	
			31		21	

During the year ended 31 December 2020 total amount of 1,629,799 shares were released and issued in accordance with management bonus plan deferral award and the long-term incentive plan (2019: 819,892 shares in accordance with management bonus plan deferral award and the long-term incentive plan). The assumptions used in the calculation and fair value of one award, calculated based on those assumptions, are set in the table below:

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

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

26. 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 year ended 31 December 2020 the Group entered into a related party transaction with ICT Holding Ltd. (ICT), a substantial shareholder of Polymetal International plc, by acquiring an interest in the associate ThreeArc, as described in Note 16.

Other transactions are represented by various purchases of US\$ 0.1 million and services rendered of US\$ 0.5 million (31 December 2019: various purchases of US\$ 0.08 million and services rendered of US\$ 0.2 million).

As of 31 December 2020 loans advanced to equity method investments (Note 17) amounted to US\$ 1.5 million (2019: nil).

As of 31 December 2019 the share of non-controlling interest in Amikan GRK amounting to the US\$ 7 million was held by a related party. During the year ended 2020 the Group consolidated non-controlling interest in Amikan, including the interest previously held by a related party, as described in Note 21.

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

	Year ended	
	31 December 2020	31 December 2019
	US\$m	US\$m
Share-based payments	2	3
Short-term benefits of board members	2	2
Short-term employee benefits	3	3
Total	7	8

27. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 US\$m	Year ended 31 December 2019 US\$m
Profit before tax		1,405	618
Adjustments for:			
Depreciation and depletion recognised in the statement of comprehensive income		207	243
Write-down of inventories to net realisable value	17	14	18
Share-based compensation	9, 25	15	12
Finance expenses, net	12	67	74
Change in fair value of contingent consideration assets and liabilities	21	23	23
Foreign exchange gain		(23)	36
Reversal of previously recognised impairment		(8)	-
Gain on disposal of subsidiaries, net	2	(13)	16
Write-down of assets held for sale	2	-	28
Other non-cash expenses		7	18
		1,694	1,086
Movements in working capital			
Increase in inventories		(127)	(81)
Increase in VAT receivable		(26)	(45)
Increase in trade and other receivables		(26)	(54)
Increase in prepayments to suppliers		(43)	(12)
Increase/(Decrease) in trade and other payables		34	(16)
Increase in other taxes payable		28	-
Cash generated from operations		1,534	878
Interest paid		(71)	(81)
Interest received		4	6
Income tax paid		(275)	(107)
Net cash generated by operating activities		1,192	696

During the year ended 31 December 2020 the Group consolidated the non-controlling interest in its subsidiary Amikan through a non-cash transaction of US\$ 36 million as described in Note 21. There were no other significant non-cash transactions except for share-based compensation of US\$ 15 million (Note 9) (2019: share-based compensation of US\$ 12 million).

Cash outflows related to exploration amounted to US\$ 35 million for the year ended 31 December 2019 (2019: US\$ 39 million). During the year ended 31 December 2020, the capital expenditure related to the new projects, increasing the operating capacity amounts to US\$ 252 million (2019: US\$ 246 million).

28. SUBSEQUENT EVENTS

There were no subsequent events.

ALTERNATIVE PERFORMANCE MEASURES

Introduction

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

The 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 within the Group's industry. Therefore, the APMs used by the Group may not be comparable to similar measures and disclosures made by other companies.

Purpose

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

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

APMs and justification for their use

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying net earnings	<ul style="list-style-type: none"> • Profit/(loss) for the financial period attributable to equity shareholders of the Company 	<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> • Excludes the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.
Underlying earnings per share	<ul style="list-style-type: none"> • Earnings per share 	<ul style="list-style-type: none"> • Underlying net earnings (as defined above) • Weighted average number of outstanding common shares 	<ul style="list-style-type: none"> • Excludes the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying return on equity	<ul style="list-style-type: none"> No equivalent 	<ul style="list-style-type: none"> Underlying net earnings (as defined above)¹ Average equity at the beginning and the end of reporting year, adjusted for translation reserve 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> No equivalent 	<ul style="list-style-type: none"> Underlying net earnings (as defined above)¹ before interest and tax Average total assets at the beginning and the end of reporting year 	<ul style="list-style-type: none"> A financial ratio that shows the percentage of profit a company earns in relation to its overall resources.
Adjusted EBITDA	<ul style="list-style-type: none"> Profit/(loss) before income tax 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Excludes the impact of certain non-cash element, either recurring or non-recurring, that can mask underlying changes in core operating performance, to be a proxy for operating cash flow generation.
Net debt	<ul style="list-style-type: none"> Net total of current and non-current borrowings² Cash and cash equivalents 	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> No equivalent 	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Used by creditors, credit rating agencies and other stakeholders.
Free cash flow	<ul style="list-style-type: none"> Cash flows from operating activity less cash flow from investing activities 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Reflects cash generating from operations after meeting existing capital expenditure commitments. Measures the success of the Company in turning profit into cash through the strong management of working capital and capital expenditure.

¹ Annualised basis for half-year results.

² Excluding lease liabilities.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Free cash flow post M&A	<ul style="list-style-type: none"> Cash flows from operating activity less cash flow from investing activities 	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Free cash flow including cash used in/received from acquisition/disposal of assets and joint ventures. Reflects cash generation to finance returns to shareholders after meeting existing capital expenditure commitments and financing growth opportunities.
Total cash costs (TCC)	<ul style="list-style-type: none"> Total cash operating costs General, administrative & selling expenses 	<ul style="list-style-type: none"> Depreciation expense Rehabilitation expenses Write-down of inventory to net realisable value Intersegment unrealised profit elimination Idle capacities and abnormal production costs Exclude Corporate and Other segment and development assets Treatment charges deductions reclassification to cost of sales 	<ul style="list-style-type: none"> Calculated according to common mining industry practice using the provisions of Gold Institute Production Cost Standard. Gives a picture of the Company's current ability to extract its resources at a reasonable cost and generate earnings and cash flows for use in investing and other activities.
All-in sustaining cash costs (AISC)	<ul style="list-style-type: none"> Total cash operating costs General, administrative & selling expenses 	<ul style="list-style-type: none"> AISC is based on total cash costs, and adds items relevant to sustaining production such as other operating expenses, corporate level SG&A, and capital expenditures and exploration at existing operations (excluding growth capital). After tax all-in cash costs includes additional adjustments for net finance cost, capitalised interest and income tax expense. All-in costs include additional adjustments on that for development capital. 	<ul style="list-style-type: none"> Includes the components identified in World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a non-IFRS financial measure. Provides investors with better visibility into the true cost of production.