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Polymetal International plc

Preliminary results for the year ended 31 December 2023

Polymetal International plc (“Polymetal”, the “Company” or the Group) announces the Group's preliminary results for the year ended 31 December 2023.

“In 2023, Polymetal managed to stay profitable and reduce leverage despite persistent geopolitical headwinds. Robust production and stable cost performance coupled with favorable commodity price dynamics drove improvement in financial results. In 2024, after the sale of the Russian assets is completed, the Company will pursue long-term growth while ensuring long-term free cash flow potential of the existing assets in Kazakhstan”, said Vitaly Nesis, Group CEO of Polymetal International plc, commenting on the results.

FINANCIAL HIGHLIGHTS

- In 2023, revenue increased by 8% year-on-year (y-o-y), totalling US\$ 3,025 million (2022: US\$ 2,801 million), of which US\$ 893 million (30%) was generated from operations in Kazakhstan and US\$ 2,132 million (70%) from operations in the Russian Federation. Average realised gold price increased by 9% while silver price increased by 4%, both closely tracking market dynamics. Gold equivalent (GE) production was stable at 1,714 Koz y-o-y. Gold sales increased by 2% y-o-y to 1,400 Koz, while silver sales decreased by 10% to 16.6 Moz. Significant tightening of concentrate exports regulations in Russia led to material accumulation of concentrates in sea ports.
- Group Total Cash Costs (TCC)¹ for 2023 were US\$ 861/GE oz, down 9% y-o-y, and 9% below the lower end of the Group's guidance of US\$ 950-1,000/GE oz. This was predominantly on the back of a weaker Rouble which outweighed inflationary pressures. In Kazakhstan, TCC were US\$ 903/GE oz, up by 24% y-o-y, on the back of a planned grade decline combined with a 14% decrease in sales volumes and inflationary headwinds. Across the Group's Russian mines, TCC were at US\$ 845/GE oz, down by 19% y-o-y, mainly on the back of Rouble depreciation.
- All-in Sustaining Cash Costs (AISC)¹ amounted to US\$ 1,276/GE oz, down 5% y-o-y, 2% below the lower end of the Group's guidance of US\$ 1,300-1,400/GE and driven by the same factors. In Kazakhstan, AISC increased by 18% to US\$ 1,263/GE oz, mostly driven by a decrease in sales volume. In Russia, AISC decreased by 13% to US\$ 1,281/oz, on the back of a sales increase coupled with lower stripping volumes after completion of large stripping campaigns in 2023.
- Adjusted EBITDA¹ was US\$ 1,458 million, 43% higher than in 2022, on the back of higher commodity prices and lower cash costs. Of this, US\$ 439 million (30%) was earned from operations in Kazakhstan and US\$ 1,019 million (70%) earned from operations in the Russian Federation. The Adjusted EBITDA margin increased by 12 percentage points to 48% (2022: 36%).
- Underlying net earnings² increased by 40%, totalling US\$ 615 million (2022: US\$ 440 million), with a basic EPS of US\$ 1.11 per share. Reflecting the increase in operating profit, the Group recorded a net profit³ of US\$ 528 million in 2023, compared to a net loss of US\$ 288 million due to one-off impairment charges in 2022.
- Capital expenditure was US\$ 679 million⁴, down 14% compared with US\$ 794 million in 2022 and 3% below the lower end of the guidance range of US\$ 700-750 million, as a result of the substantial positive impact of Russian Rouble devaluation on local-currency costs.
- Net operating cash inflow was US\$ 575 million (2022: US\$ 206 million). The Group reported negative free cash flow¹ of US\$ 128 million in 2023, which is still a significant improvement over the 2022 negative free cash flow of US\$ 445 million.
- Net debt² was largely stable at US\$ 2,383 million (US\$ 174 million in Kazakhstan and US\$ 2,209 million in Russia), compared with US\$ 2,393 million as at 31 December 2022 (US\$ 277 million in Kazakhstan and US\$

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

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

³ Profit for the year

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

2,117 million in Russia). This represents 1.64x of Adjusted EBITDA and is significantly below the 2022 leverage ratio of 2.35x.

DIVIDENDS AND DISPOSAL

- On 19 February 2024, the Group announced its intention to sell 100% of JSC Polymetal and its subsidiaries to JSC Mangazeya Plus for an effective total consideration of approximately US\$ 3.69 billion, valuing JSC Polymetal and its subsidiaries at 5.3x EV/EBITDA based on Adjusted EBITDA of JSC Polymetal and its subsidiaries for the 12 months ended 30 June 2023 (US\$ 694 million) and at 3.6x based on an full year 2023 Adjusted EBITDA of JSC Polymetal and its subsidiaries (approximately US\$ 1.0 billion). On 7 March, 2024 the transaction was approved by the Shareholders General Meeting and, following receipt of required regulatory approvals, was completed on the same day.
- Following the disposal, the Group's net cash position of approx. US\$ 130 million.
- No dividend will be proposed for the full year 2023. Following the recent completion of the divestment of the Russian business, the Board will actively reconsider the dividend policy and intend to share an update in first half of 2024.

FINANCIAL HIGHLIGHTS ¹	2023	2022	Change
<u>Revenue, US\$m</u>			
Kazakhstan	893	933	-4%
Russia	2,132	1,868	+14%
Total	3,025	2,801	+8%
<u>Total cash cost², US\$ /GE oz</u>			
Kazakhstan	903	728	+24%
Russia	845	1,046	-19%
Total	861	942	-9%
<u>All-in sustaining cash cost², US\$ /GE oz</u>			
Kazakhstan	1,263	1,067 ³	+18%
Russia	1,281	1,480 ³	-13%
Total	1,276	1,344	-5%
<u>Adjusted EBITDA², US\$m</u>			
Kazakhstan	439	516 ³	-15%
Russia	1,019	501 ³	+103%
Total	1,458	1,017	+43%
Average realised gold price ⁴ , US\$ /oz	1,929	1,764	+9%
Average realised silver price ⁴ , US\$ /oz	22.8	21.9	+4%
Net earnings/(loss), US\$m	528	(288)	n/a
Underlying net earnings ² , US\$m	615	440	+40%
Return on assets (underlying) ² , %	17%	9%	+8%
Return on equity (underlying) ² , %	15%	11%	+4%
Basic earnings/(loss) per share, US\$	1.11	(0.61)	n/a

¹ Totals may not correspond to the sum of the separate figures due to rounding. % changes can be different from zero even when absolute amounts are unchanged because of rounding. Likewise, % changes can be equal to zero when absolute amounts differ due to the same reason. This note applies to all tables in this release.

² Defined in the "Alternative performance measures" section below.

³ Allocation factors for corporate costs were revised in 2023, previous periods were restated accordingly.

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, without effect of treatment charges deductions from revenue.

FINANCIAL HIGHLIGHTS ¹	2023	2022	Change
Underlying EPS ² , US\$	1.30	0.93	+40%
<u>Net debt², US\$m</u>			
Kazakhstan	174	277	-37%
Russia	2,209	2,117	+4%
Total	2,383	2,393	-0%
<u>Net debt/Adjusted EBITDA</u>			
Kazakhstan	0.39	0.54	-27%
Russia	2.17	4.23	-49%
Total	1.64	2.35	-31%
<u>Capital expenditure, US\$m</u>			
Kazakhstan	145	101	+43%
Russia	534	693	-23%
Total	679	794	-14%
Net operating cash flow, US\$m	575	206	+179%
Free cash flow ² , US\$m	(128)	(445)	+71%
Free cash flow post-M&A ² , US\$m	(131)	(473)	+72%

Notes:

(1) Totals may not correspond to the sum of the separate figures due to rounding. % changes can be different from zero even when absolute amounts are unchanged because of rounding. Likewise, % changes can be equal to zero when absolute amounts differ due to the same reason. This note applies to all tables in this release.

(2) Defined in the "Alternative performance measures" section below.

OPERATING HIGHLIGHTS

- No fatal accidents among the Group's employees and contractors occurred in 2023 as well as no lost time injuries were recorded in Kazakhstan. Lost time injury frequency rate (LTIFR) among the Company's workforce for the full year decreased by 30% y-o-y to 0.07. Two serious and eight minor lost-time accidents were recorded in 2023, all in Russia. Days lost due to work-related injuries (DIS) increased by 32% y-o-y to 1,156, also relates to Russia.
- The Company's 2023 GE production was stable at 1,714 Koz, including 486 Koz in Kazakhstan and 1,228 Koz in Russia, and in line with the original production guidance of 1.7 Moz.
- The Company has successfully secured a land plot for the Ertis POX project in the Pavlodar Special Economic Zone in Kazakhstan.

	2023	2022	Change
<u>PRODUCTION (Koz of GE) ¹</u>	1,714	1,720	-0%
Kazakhstan	486	541	-10%
Kyzyl	316	330	-4%
Varvara	169	211	-20%
Russia	1,228	1,178	+4%
<u>SAFETY</u>			
LTIFR ² (Employees)	0.07	0.10	-30%
Kazakhstan	0	0	n/a
Russia	0.09	0.12	-25%
DIS ²	1,156	877	+32%
Kazakhstan	0	0	n/a
Russia	1,156	877	+32%
Fatalities			
Employees	0	0	n/a
Contractors	0	0	n/a
Average headcount	14,647	14,694	-0.3%
Kazakhstan	3,202	3,219	-0.5%
Russia	11,445 ³	11,475	-0.3%

Notes:

(1) Based on 80:1 Au/Ag conversion ratio and excluding base metals. Discrepancies in calculations are due to rounding. Mayskoye production reporting approach was amended to record production as soon as the ownership title for gold is transferred to a buyer at the mine site's concentrate storage facility. Previous periods were restated accordingly.

(2) Company employees only are taken into account.

(3) The average number of personnel was revised versus the number reported in January 2024 to include average headcount of all assets in Russia that were deconsolidated during the reporting year and were not part of Group as at 31 December 2023, for the period they were part of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") HIGHLIGHTS

- Our 2023 group-wide direct and indirect energy-related emissions (Scope 1 and Scope 2) increased by 5% compared to 2022. In Kazakhstan our Scope 1 and Scope 2 emissions increased by 10% compared to 2022 mainly due to the legislative changes in the energy market and the resulting inability to purchase green electricity from the grid. We are currently focusing our efforts on the Kazakhstan segment and on designing our own solar power plants with a total capacity of up to 40 MW at Varvara and Kyzyl to minimize our dependence on grid electricity.
- We continue to reforest territories equal to those that had been disturbed by our activities. In 2023, we planted 430 thousand saplings on almost 200 hectares of land in Russia and were implementing a voluntary pilot project to plant a new forest not far from Varvara site in Kazakhstan.
- In 2023, we decreased our fresh water intensity for ore processing by 53%, compared with 2019, to 125 m³/1,000 t (2022: 49%). In Kazakhstan, we have also continued to decrease our fresh water intensity as the majority of the water we use in ore processing at our sites in Kazakhstan is circulated in closed water cycles. Overall, 90% of our on-site water consumption in Kazakhstan is via a closed cycle of treated waste.
- Polymetal's social investments amounted to US\$ 17.6 million in 2023, including US\$ 7.3 million in Kazakhstan, and were targeted to projects in education, local infrastructure, sports and culture.

2024 OUTLOOK FOR KAZAKHSTAN BUSINESS

- The Company expects its Kazakhstan assets to deliver stable production at 475 Koz of GE.
- Costs are estimated in the ranges of US\$ 900-1,000/GE oz for TCC and US\$ 1,250-1,350/GE oz for AISC¹. A y-o-y increase is expected mostly due to sharp increases in power and railway tariffs in Kazakhstan.
- Capital expenditures are expected to be approximately US\$ 225 million including US\$ 60 million for Ertis POX.

¹ Based on 500 KZT/USD and 13% inflation in Kazakhstan.

CONFERENCE CALL AND WEBCAST

The Company will hold a webcast on Friday, 15 March 2024, at 16:00 Astana time (11:00 London time).

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

<https://streamstudio.world-television.com/1451-2739-39231/en>

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

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FORWARD-LOOKING STATEMENTS

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

TABLE OF CONTENTS

SID's statement	7
Group CEO statement	9
Operating review	11
Financial review	18
Principal risks and uncertainties	30
Going concern	31
Directors' responsibility statement	32
Financial statements	33
Alternative Performance Measures	64

SID'S STATEMENT

It has been gratifying to see the Company's financial and operating performance stabilise during 2023 against the continuing and tightening backdrop of a continued Russia-Ukraine conflict and new sanctions (including the designation of the Russian business of the Company by the US in May 2023) and counter-sanctions. The Board believed that under these circumstances fully divesting the Russian assets and pursuing growth in Kazakhstan and other Central Asian countries would greatly increase the Company's ability to generate value for shareholders. And, already in 2024, the long-anticipated restructuring of the business was completed, and we are positively looking into the future.

Re-domiciliation to Kazakhstan

Back in 2022, given the rapid deterioration of the business environment caused by the Russian invasion of Ukraine, the Board set up a Special Committee, comprised of Independent Non-Executive Directors, to review the options open to the Company, which would enable it to preserve business continuity and restore shareholder value. Its first recommendation was that Polymetal International plc should switch its domicile from Jersey to Kazakhstan. It had been the first foreign company listed on the Astana Stock Exchange (AIX) in 2019 and, following re-domiciliation in August 2023, Polymetal has been able to switch from LSE to AIX as its primary listing.

This decision was not taken lightly since, as a consequence, its premium listing on the London Stock Exchange was cancelled. However, this was felt to be necessary in order to mitigate the impact of Russian counter-sanctions being imposed against entities incorporated in unfriendly jurisdictions (including Jersey), as well the prospect of further reprisals. Both would place significant restrictions on the Company and expose it to unmanageable risk.

Choosing the Astana International Finance Centre (AIFC) as the jurisdiction for our re-domiciliation was also prudent given AIFC's own adoption of English common law and adherence to best practice. We too will continue to uphold the standards that we have set ourselves over the last 25 years in corporate governance, health and safety, and approach to environmental matters.

The divestment of Russian assets

However, a further strategic pivot was required following the US Department of State designation of JSC Polymetal and its subsidiaries in Russia. The Special Committee was once again deployed to develop an appropriate response in the light of these new sanctions. In the first instance, the Group's Russian subsidiaries were ring-fenced, with management of all Russian operations delegated to the executives of JSC Polymetal, and management of Polymetal International plc resigning from their positions in the Russian entities. At the same time, all service agreements between the Company and its non-Russian subsidiaries, and JSC Polymetal and its subsidiaries, were terminated and all payments from the Company and its non-designated subsidiaries under other inter-Group agreements with JSC Polymetal and its subsidiaries were discontinued.

The Special Committee, after a thorough review, also recommended the divestment of the Group's Russian assets as the most viable option for mitigating the legal, financial and operational risks that emerged as a result of designation, and also the optimal path towards re-establishing shareholder value. It became the Company's way to restore the access to international financial markets, enable the resumption of dividend payments and eliminate the discounts being applied by international capital markets to businesses associated with Russia. With this divestment completed in March 2024, Polymetal's Board and management team will now be able to concentrate on expanding its asset base within Kazakhstan and also looking to other countries in Central Asia, which present a number of interesting options for further growth.

Dividend decision

Both the re-domiciliation and divestment of the Russian business, along with related de-leveraging, have improved the balance sheet of the Company considerably. However, it will need to invest in excess of \$1 billion over the medium term in projects in Kazakhstan, most notably the new Ertis POX, and M&A activities in order to achieve its ambitious long-term growth plans.

As yet, the Company has not restored its access to major sources of debt funding and, in the light of this, the Board considers that it would not be prudent to pay dividends for the full year 2023. This will allow the Group to maintain both strategic and operating flexibility. The Board will further consider the dividend, as described in Dividends and disposal section above.

Change of a major shareholder

I want to express my gratitude to all our shareholders and investors for the continued support that they have shown us over the years. We also welcome our new significant shareholder Maaden International Investment, representing the government of Sultanate of Oman.

We are pleased that the shareholders have confirmed their full support of Polymetal's strategy and the actions undertaken to secure the future of this business to date as well the intention to further develop the asset base in Kazakhstan and the wider region.

Brighter future

Now that the Company has significantly de-risked its operations and finances, and established stable operations in Kazakhstan, the favourable macroeconomic conditions will allow it to generate sufficient cash flows to fund growth and repay debt. With divestment now complete, we also expect better stock trading conditions for Western shareholders as infrastructure providers gradually remove the limitations previously placed on Polymetal's shares. The Board is also set on maintaining high standards of corporate governance and ESG in the new environment, which will ensure the creation of further sustainable value.

Senior Independent Non-Executive Director

Evgueni Konovalenko

GROUP CEO STATEMENT

We started 2023 facing many of the frustrations of the previous year: namely, the ongoing Russia/Ukraine war with the resulting upheavals of sanctions and counter-sanctions, and disruptions in supply chains and financing options. With this in mind, from the outset, we planned to pursue re-domiciliation to a “friendly” jurisdiction with a view to also engineer a subsequent split of the business in order to restore shareholder value. However, due to geopolitical interventions beyond our control, this reorganisation did not go as we had originally planned.

Key corporate events in 2023

For a number of reasons, we quickly identified Astana International Financial Centre (AIFC) as the optimal re-domiciliation jurisdiction: because of its basis on English common law, our long-standing presence and listing in Kazakhstan, and its neutral position from the point of western and Russian counter-sanctions. For Astana International Exchange (AIX) to become our primary exchange, however, we also had to accept the hard reality that this would necessitate discontinuing our 12-year premium listing on the London Stock Exchange. And, this in turn, would entail management resolving a separate, complicated set of infrastructural issues in order to enable trading for all categories of shareholder post re-domiciliation.

As we progressed our plans for re-domiciliation to AIFC, the Group was hit by the designation of its Russian business, JSC Polymetal, by the US Department of State, which made any plans to spin off the Russian operation totally impracticable. As a consequence and in response to the US designation, the Board formed a Special Committee to develop appropriate measures with regards to sanctions compliance and to oversee the full divestment of the Russian business – JSC Polymetal and its subsidiaries.

Since then, we have made substantial progress in redefining Polymetal’s status for the long term. In August 2023 the Company successfully completed re-domiciliation to AIFC and resumed trading on AIX as a Kazakh issuer. This also kicked off the process of searching for potential buyers for the Russian business and culminated in the announcement of its disposal at a total effective valuation of US\$ 3.7 billion on 19 February 2024. The deal successfully closed on 7 March 2024.

Seen from a purely financial perspective, due to the inevitable Russian discount, the transaction has not generated a great deal of value for Polymetal. Nevertheless, in removing numerous operational, financial, legal and sanctions risks, I truly believe that it is in the best interest of all our shareholders since it enables the Company to open a new chapter in its corporate history. Polymetal is now well-positioned to implement a new strategy and restore its track record of creating sustained shareholder value.

Production and performance

In 2023, the Company avoided major operational business disruption and successfully met its original production guidance. The Company’s gold equivalent production demonstrated solid results, despite the difficult environment experienced by the Russian part of the business and some repercussions from the designation of JSC Polymetal for the Company on the Kazakhstan side.

In spite of persistent geopolitical headwinds, Polymetal retained its profitability and reduced its leverage. An improvement in financial results was driven by robust production and stable cost performance coupled with favourable commodity price dynamics, with revenue increasing by 8% year-on-year to US\$ 3 billion. We also reported an impressive 43% increase in EBITDA at US\$ 1.5 billion, thanks to both growth in ounces sold through release of working capital and in the devaluation of the local currency in Russia.

Total cash costs (TCC) were 8% lower and all-in sustaining costs (AISC) were 5% lower than in 2022. Both were below the announced guidance range of US\$ 950-1,000/GE oz and US\$ 1,300-1,400/GE oz, respectively, attributing to the substantial positive impact of Rouble devaluation on local-currency costs. Net debt was largely stable year-on-year at US\$ 2.38 billion (US\$ 0.17 billion in Kazakhstan and US\$ 2.21 billion in Russia) however it decreased in relative terms from 2.35 ND/EBITDA in 2022 to 1.64 in 2023.

Safety remains our top priority

We remain committed to ensuring a safe working environment for all our employees and contractors. Significantly, for the fourth consecutive year, there were no fatal accidents during 2023 among Polymetal’s workforce and nor, for the second year running, among our contractors. I am also pleased to report that none of the ten lost-time accidents (in Russia) resulted in permanent disability or serious damage to health. Employees’ lost-time injury frequency rate (LTIFR) decreased by 30% year-on-year and is a testament to our investment in promoting a zero-harm safety culture.

Our new POX development project in Kazakhstan

Our major development focus now is on Kazakhstan's first large-scale, full-cycle pressure oxidation (POX) plant for refractory ore processing: the Ertis POX project. This will be a new, state-of-the-art facility in the Pavlodar region and will ensure that Kyzyl (and potentially other Kazakh assets) will no longer have to rely on the temporary POX processing arrangement made with Amursk POX in Russia.

We have already identified the site and signed contracts for this and the critical processing equipment. We plan to start construction early next year with completion due by 2028. We are partnering once again with international engineering consultancy, Hatch, who are tasked with both basic and detailed engineering for the project. We are also proceeding with the permitting process. Capitalising on our experience in developing POX sites in Russia, we believe that this project will involve fewer construction risks. Compared with the Russian Far East, the logistics in Kazakhstan are much better as is the cost of materials and labour.

Our next steps

With the sale of Russian assets completed in Q1 2024, the Company is now able to pursue its future growth plans while, at the same time, ensuring the long-term free cash flow potential of the existing assets in Kazakhstan. We expect stable operational results in Kazakhstan in 2024 and, following a positive investment decision from the Board, expected in H2 2024, will accelerate the construction schedule for the Ertis POX.

Our priorities during the year will be centered on safety, cost control and operational improvement. Alongside this, we also plan to make tangible progress in terms of securing new growth opportunities for the business. Together, these will ensure that we deliver substantial financial returns for our shareholders over the coming years.

We could not have achieved the continued operation of the business over the last year without the loyal support of our employees and I would like to formally thank them on behalf of the whole senior management team. Their skills, expertise and commitment are vital to Polymetal's future.

Group Chief Executive Officer

Vitaly Nesis

OPERATING REVIEW

Robust production

In 2023, operations continued undisrupted despite the difficulties caused by the imposition of US sanctions against JSC Polymetal and its subsidiaries. The Company's gold equivalent (GE) production for the year was stable at 1,714 Koz, comprising 486 Koz in Kazakhstan and 1,228 Koz in Russia, and in line with the original production guidance of 1.7 Moz. Kazakhstan's GE production declined by 10%, mostly driven by a planned grade decline and lower share of high-grade third-party feed at the flotation circuit at Varvara. Russian GE production grew by 4% to 1,228 Koz, in line with the original production plan.

Gold production for the full year was up 3% to 1,492 Koz, while silver output decreased by 15% to 17.7 Moz. Gold sales of 1,400 Koz increased marginally year-on-year, while silver sales decreased by 10% to 16.6 Moz. The gap between production and sales is considered a temporary one: significant tightening of concentrate exports regulations in Russia led to material accumulation in seaports for concentrates in transit. Management is working to resolve this issue in 2024.

Kyzyl continues as the largest individual contributor to the Group's overall output: full-year gold production came in at 316 Koz. Varvara GE output decreased by 20% to 169 Koz, driven by a decrease in Komar ore grade at the leaching circuit and a lower share of high-grade third-party feed at the flotation circuit. In total, Kazakh operations delivered 486 GE Koz, which accounts for 28% of the Group's production.

The Company has successfully secured a land plot for the Ertis POX project in the Special Economic Zone near Pavlodar. Evaluation of the site conditions and logistics planning have begun in preparation for delivery of the autoclave. Additionally, the Company has once again selected Hatch for basic and detailed engineering, as well as procurement support. Hatch has an exceptional track record of working with Polymetal on several other projects. Base engineering is already in-progress, enabling accelerated commencement of construction. The investment decision is expected to be made by the Board in the second half of 2024, with the start-up by the end of 2028.

Reserves and resources

In 2023, Group Ore Reserves increased by 2% year-on-year to 28.0 Moz of GE, while the average grade in Ore Reserves decreased by 5% year-on-year and stood at 3.5 g/t of GE.

Ore Reserves in Kazakhstan increased by 3% year-on-year to 11.6 Moz of GE on the back of the revised estimate for underground mining at Kyzyl and positive exploration results (an increase by 249 Koz). The average grade in Ore Reserves in Kazakhstan was 3.2 g/t of GE, a 2% decrease year-on-year driven by a 4% grade decline at Varvara, which was partially offset by positive grade revaluation at Kyzyl.

Share of Ore Reserves for open-pit mining in Kazakhstan decreased by 4% compared to the previous year and stood at 45% on the back of underground reserves extension at Kyzyl.

Group's Mineral Resources (additional to Ore Reserves) grew by 3% year-on-year to 26.7 Moz of GE. The average GE grade in Mineral Resources was down 7% year-on-year to 4.2 g/t. Mineral Resources in Kazakhstan increased by 26%, while the average GE grade increased by 8% to 2.9 g/t, mainly driven by the MR grade appreciation at Kyzyl by 13%, from 4.1 to 4.6 g/t of GE.

Ore Reserves reconciliation, GE Moz

	Ore Reserves, as at 1 January 2023	Depletion	Revaluation	Initial Ore Reserves estimate	Change in ownership	Ore Reserves, as at 1 January 2024
Kazakhstan	11.3	-0.5	+0.9	-	-	11.6
Russia	16.0	-1.6	+1.7	+0.5	-0.2	16.4
Total Group	27.3	-2.1	+2.5	+0.5	-0.2	28.0

In 2023, exploration activities in Kazakhstan were carried out at 11 licensed and contract areas. In total, 59.4 km of drilling was completed, a 12% decrease year-on-year.

Ore Reserves and Mineral Resources summary^{1 2}

	1 Jan 2024	1 Jan 2023	Change
Ore Reserves (Proved+Probable), GE Moz	28.0	27.3	+2%
Gold, Moz	25.4	24.7	+3%
Silver, Moz	210.0	211.3	-1%
Average reserve grade, g/t	3.5	3.6	-5%
Mineral Resources (Measured+Indicated+Inferred), GE Moz	26.7	25.8	+3%
Gold, Moz	24.1	23.1	+4%
Silver, Moz	209.2	212.9	-2%
Average resource grade, g/t	4.2	4.5	-8%

Ore Reserves and Mineral Resources as at 1 January 2024³

	Tonnage Mt	Grade GE g/t	Content GE, Moz
Ore Reserves			
Proved (Kazakhstan)	28.9	1.7	1.6
Proved (Russia)	45.5	3.2	4.7
Probable (Kazakhstan)	82.4	3.8	10.0
Probable (Russia)	95.4	3.8	11.6
Proved+Probable (Kazakhstan)	111.3	3.2	11.6
Proved+Probable (Russia)	140.9	3.6	16.4
Proved+Probable	252.2	3.5	28.0
Mineral Resources			
Measured (Kazakhstan)	6.5	0.9	0.2
Measured (Russia)	22.7	4.0	2.9
Indicated (Kazakhstan)	17.8	2.5	1.4
Indicated (Russia)	41.9	4.0	5.4
Measured+Indicated (Kazakhstan)	24.4	2.1	1.6
Measured+Indicated (Russia)	64.6	4.0	8.3
Measured+Indicated	88.9	3.5	9.9
Inferred (Kazakhstan)	19.3	3.9	2.4
Inferred (Russia)	89.9	5.0	14.3
Measured+Indicated+Inferred (Kazakhstan)	43.7	2.9	4.0
Measured+Indicated+Inferred (Russia)	154.4	4.6	22.6
Measured+Indicated+Inferred	198.1	4.2	26.7

¹ Ore Reserves and Mineral Resources from continuing operations. Base metal are not included in GE calculation as they are insignificant. Ore Reserves of rare earths metals are given separately and not included in GE calculation.

² Mineral Resources are additional to Ore Reserves. Mineral Resources of platinum group metals and rare earth metals are given separately and are not included in the calculation of GE. Discrepancies in calculations are due to rounding.

³ Mineral Resources and Ore Reserves in accordance with the JORC Code (2012). Mineral Resources are additional to Ore Reserves. Detailed tables for Mineral Resources and Ore Reserves with a breakdown by deposits and metals are given below. Ore Reserves of rare earths metals are given separately and not included in GE calculation. Mineral Resources of platinum group metals and rare earth metals are given separately and are not included in the calculation of the gold equivalent. Discrepancies in calculations are due to rounding.

Health and safety

There were no fatal accidents in 2023. However, lost-time incidents still took place among Polymetal's workforce and contractors. Most were the result of slipping or tripping while walking or being jammed by a rotating mechanism. In 2023, 10 lost-time incidents were recorded among employees and 4 – among contractors. LTIFR for 2023 decreased to 0.07 for employees (0.10 in 2022) and to 0.08 for contractors (0.21 in 2022). Days lost due to work-related injuries for the full year increased by 32% y-o-y to 1,156 (2022: 877).

While the majority of the incidents that took place during the year were classified as minor (8 minor and 2 severe injuries were reported), Polymetal still took responsive measures for each by updating risk maps for relevant facilities, providing additional instructions to employees and encouraging contractors to carry out an investigation if the accident involved a contractor's worker.

	2023	2022	Change
<u>Injuries</u>			
Kazakhstan	0	0	n/a
Russia	10	13	-23%
Total	10	13	-23%
<i>including</i>			
<u>Fatalities</u>			
Kazakhstan	0	0	n/a
Russia	0	0	n/a
Total	0	0	n/a
<u>Severe injuries</u>			
Kazakhstan	0	0	n/a
Russia	2	0	+100%
Total	2	0	+100%
<u>LTIFR (per 200,000 hours worked)</u>			
Kazakhstan	0	0	n/a
Russia	0.09	0.12	-25%
Total	0.07	0.10	-30%
<u>Days off work following accidents</u>			
Kazakhstan	0	0	n/a
Russia	1,156	877	+32%
Total	1,156	877	+32%
CONTRACTORS			
<u>Injuries</u>			
Kazakhstan	0	0	n/a
Russia	4	12	-67%
Total	4	12	-67%
<i>including</i>			
<u>Fatalities</u>			
Kazakhstan	0	0	n/a
Russia	0	0	n/a
Total	0	0	n/a
<u>Severe injuries</u>			
Kazakhstan	0	0	n/a
Russia	0	0	n/a
Total	0	0	n/a

	2023	2022	Change
<u>LTIFR (per 200,000 hours worked)</u>			
Kazakhstan	0	0	n/a
Russia	0.12	0.31	-61%
Total	0.08	0.21	-62%

Employees

Our average headcount in 2023 decreased slightly by 0.3% y-o-y to 14,647 employees, with approximately half working on a fly-in/fly-out basis at remote sites. Our voluntary turnover rate significantly decreased to 4.7% in 2023, compared to 8.4% in 2022. The voluntary staff turnover for assets in Russia was 5.6% while in Kazakhstan it comprised 1.4%.

We continue to observe higher labour market competition and increased demand for mining experts, that is why we offer employees competitive salaries and a range of opportunities for professional development, such as succession planning, mentorship and a Talent Pool programme. In 2023, our Talent Pool consisted of 456 employees prepared to take up leadership positions in the future, 78 of which gained promotion during the year.

The share of women in Polymetal's workforce remained stable at 21% in 2023. We continue to promote a culture of equal opportunity through training and communications. In order to eliminate workplace bias, empower diverse teams and attract and retain people with different background, we have adopted a Diversity and Inclusion Programme, which includes training and engagement activities, diversity metrics and targets, collaboration with educational institutions and ongoing internal communication. Among other actions, this led to an increase in the proportion of women in leadership positions by 1% to 23% in 2023. Besides managing gender diversity issues, we aim to eliminate discrimination based on age or disability. For example, we have created an interactive online course on inclusion practices. This course provides an informed understanding of disability, highlighting the potential risks of bias at work and has also been incorporated into the induction programme for new employees.

	2023	2022	Change
<u>Average headcount</u>			
Kazakhstan	3,202	3,219	-0.5%
Russia	11,445	11,475	-0.3%
Total	14,647	14,694	-0.3%

Share of female employees

Kazakhstan	20%	20%	0%
Russia	22%	22%	0%
Total	21%	21%	0%

Share of female managers

Kazakhstan	21%	22%	-5%
Russia	23%	22%	5%
Total	23%	22%	5%

Voluntary turnover

Kazakhstan	1.4%	4.6%	-70%
Russia	5.6%	9.4%	-40%
Total	4.7%	8.4%	-44%

including

For female employees

Kazakhstan	2.5%	2.9%	-14%
Russia	5.1%	8.2%	-38%
Total	4.6%	7.1%	-35%

For male employees

Kazakhstan	1.1%	5.1%	-78%
Russia	5.8%	9.8%	-41%
Total	4.7%	8.7%	-46%

Climate and Energy

Accepting the need to take urgent action to mitigate human-made impacts on climate, we are committed to reducing our own impact and developing an approach to potential carbon neutrality. Our strategy is focused on those projects that comprehensively reduce our GHG emissions and also the net adverse impact on water resources and biodiversity.

In 2023, we adhered to our climate targets of reducing our direct and energy-related emissions, and we are gradually adapting our Climate Action Plan to the new circumstances and potential changes in Group structure. In our Climate Strategy, we give unconditional priority to real decarbonisation projects and state that offsetting is reserved only for hard-to-abate or residual emissions.

Our 2023 direct emissions (Scope 1) decreased by 4% compared to 2022 mainly due to the implementation of energy efficiency measures, while our indirect energy-related emissions (Scope 2) increased due to legislative changes in the energy market of Kazakhstan and the resulting lack of opportunity to purchase green electricity from the grid. Further efforts within the Kazakhstan segment are therefore focused on commissioning in-house solar power plants with a total capacity of up to 40 MW at Varvara and Kyzyl.

We have continued to reforest territories equal to those that had been disturbed by our activities. In 2023, we planted 430 thousand saplings on almost 200 hectares of land in regions where we operate. In addition, as part of our commitment to actively fostering a favourable environment for all stakeholders in our operating regions and taking initial steps towards implementing a Net Positive Impact approach, we are undertaking a voluntary pilot project to plant a new forest not far from Varvara site in Kazakhstan.

	2023	2022	Change
ENERGY			
<u>Total energy consumed (GJ)</u>			
Kazakhstan	3,542,140	3,471,719	2.0%
Russia	7,205,597	7,285,162	-1.1%
Total	10,747,737	10,756,881	-0.1%
<u>Energy intensity (GJ per Koz of GE produced)</u>			
Kazakhstan	7,296	6,417	+14%
Russia	5,867	6,179	-5%
Total	6,271	6,254	+0.3%
GREENHOUSE GAS (GHG) EMISSIONS			
<u>Scope 1 GHG emissions (CO₂ eq. Kt)</u>			
Kazakhstan	208	201	+3%
Russia	516	550	-6%
Total	724	751	-4%
<u>Scope 2 GHG emissions (market based, CO₂ eq. Kt)</u>			
Kazakhstan	252	216	+17%
Russia	111	115	-3%
Total	363	331	+10%
<u>Scope 1 + Scope 2 (CO₂ eq. Kt)</u>			
Kazakhstan	460	417	+10%
Russia	627	665	-6%
Total	1,087	1,082	+0.5%
<u>GHG intensity of Scope 1 and Scope 2 emissions (kg of CO₂e per oz of GE)</u>			
Kazakhstan	947	771	+23%
Russia	511	564	-9%
Total	634	629	+1%

Environment

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

The monitoring of both water quantity and quality is a key focus within our EMS. Given the predicted physical impacts of climate change on our operations, vigilance in monitoring water risks is crucial for our assets in Kazakhstan. We strive to continually enhance our water efficiency by employing metering and auditing practices for water consumption, coupled with the meticulous management of the quality of wastewater. The majority of the water we use in ore processing is circulated in closed water cycles. Overall, 93% of our on-site water consumption is via a closed cycle of treated waste water (compared to 91% in 2022). We remain committed to our ambitious goal of reducing fresh water usage for processing per unit of production by 55% by 2030, compared with the 2019¹. In 2023, we decreased our fresh water intensity for ore processing by 53%, compared with 2019, to 125 m³/1,000 t (2022: 49%).

We operate seven TSFs and four dry stacking facilities in Kazakhstan and Russia, and are carrying out technical closure works at two TSFs. Wherever possible, we have implemented dry cake stacking in order to eliminate affecting both ground and surface water, as well as the surrounding area, and we currently store 70% in dams and 30% as dry cake.

	2023	2022	Change
WATER			
<u>Fresh water withdrawn (th. m³)</u>			
Kazakhstan	1,273	1,290	-1%
Russia	2,010	2,054	-2%
Total	3,283	3,344	-2%
<u>Water reused and recycled (th. m³)</u>			
Kazakhstan	11,569	11,089	+4%
Russia	34,329	23,353	+47%
Total	45,898	34,442	+33%
<u>Total water used (th. m³)</u>			
Kazakhstan	12,842	12,378	+4%
Russia	36,338	25,408	+43%
Total	49,181	37,786	+30%
<u>Share of water recycled and reused</u>			
Kazakhstan	90%	90%	+1%
Russia	94%	92%	+3%
Total	93%	91%	+2%
<u>Fresh water use for processing intensity (m³/ Kt of processed ore)²</u>			
Kazakhstan	178	188	-5%
Russia	99	112	-12%
Total	125	138	-9%
WASTE			
<u>Share of waste recycled (including overburden)</u>			
Kazakhstan	8%	10%	-20%
Russia	33%	42%	-21%
Total	17%	23%	-26%

¹ Our water target includes only water used for technological purposes such as ore processing at plants and dust suppression in mines.

² Water use for processing does not include water used for non-technological purposes.

Share of dry stacking in tailings disposal

Kazakhstan	-	-	n/a
Russia	30%	28%	+7%
Total	30%	28%	+7%

Communities

We aim to maintain open dialogue with neighboring communities, ensuring transparent feedback mechanisms in all regions where we operate. In 2023, we responded to all of the 780 enquiries received from locals, surveyed 1,174 community representatives and held 90 stakeholder engagement events. The outcomes of such engagement inform our social investment programmes. Polymetal's social investments amounted to US\$ 17.6 million in 2023 (including US\$ 7.3 million in Kazakhstan) and were targeted to projects in education, local infrastructure, sports, culture and Indigenous Minorities of the North support (compared to US\$ 23 million in 2022). No cases of human rights violations connected to Polymetal's employees or contractors were reported in 2023.

	2023	2022	Change
<u>Total community investment (US\$ million)</u>			
Kazakhstan	7.3	8.8	-17%
Russia	10.3	14.4	-28%
Total	17.6	23.2	-24%
<u>Enquiries from communities received and responded to</u>			
Kazakhstan	335	223	+50%
Russia	445	616	-28%
Total	780	839	-7%
<u>Stakeholder meetings and events</u>			
Kazakhstan	21	22	-5%
Russia	69	58	+19%
Total	90	80	+13%
<u>Number of respondents to community polls</u>			
Kazakhstan	79	100	-21%
Russia	1,095	1100	-0.5%
Total	1,174	1,200	-2%

2024 outlook for Kazakhstan business

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

In 2024, we expect stable operational results in Kazakhstan as well as a positive investment decision on the Ertis POX. The Company expects its Kazakhstan assets to deliver stable production at approximately 475 Koz of GE.

We will continue running a number of development projects at existing operations, aimed at either extending the life-of-mine or reducing costs despite the planned depletion of higher-grade ore sources. At Kyzyl, the Company intends to push the throughput further to the 2.6 Mtpa level by the second half of 2024. We are in the process of reducing our reliance on diesel power, and with it our environmental impact, through renewable energy projects. This includes upgrading dump trucks from diesel fuel to gas at Kyzyl and progressing the 40 MWh solar power plant and gas power plant for Varvara and Kyzyl located at Varvara's operating site.

At the same time, we will focus on advancing our long-term project pipeline. At Ertis POX, we plan to undertake engineering work, order technological equipment and prepare the construction site. The investment decision is expected to be made by the Board in the second half of 2024, with the start-up in 2028.

Polymetal will aim to pursue growth opportunities in Kazakhstan and selected Central Asian countries. We are looking for precious and base metal assets where we can apply our deep competencies in engineering, development and operations.

FINANCIAL REVIEW

MARKET SUMMARY

Precious metals

Despite multiyear-high interest rates and bond yields, markets remained disturbed by looming recessionary fears and the ongoing global geopolitical conflicts, which made investors lean towards safe-haven assets such as gold. In H1 2023, along with the peaking interest rates, gold price reached the lowest boundary of US\$ 1,811/oz before beating 2022 all-time high and reaching US\$ 2,078/oz in H2 2023 on the back of elevated geopolitical and security risks, and indications of rate cuts in 2024. The average LBMA gold price in 2023 was US\$ 1,943/oz, an increase of 8% compared to the prior year.

In 2023, gold demand remained strong at 4,448 tonnes, only 5% below the very exceptional 2022, when the world saw post pandemic re-opening and the escalation of the military conflict between Russia and Ukraine. Gold accumulation momentum in the recent years continued into 2023 – over 1,037 tonnes were added to central banks' reserves, with China purchasing the most, while Kazakhstan being the one the biggest sellers.

Despite an elevated gold price, jewelry demand proved to be strong and maintained on par with 2022 at 2,093 tonnes. The removal of COVID restrictions in 2022 paved the way for 2023 jewelry demand hike in China – the world's largest jewelry consumer. China's annual jewelry consumption increased by 10% y-o-y to 630 tonnes, which was partially offset by India's price sensitivity and as a result volume of gold jewelry purchases.

Third consecutive annual gold ETF outflow along with the weakening demand for bars and coins pulled overall investment demand to 945 tonnes – a 15% y-o-y drop (2022: 1,113 tonnes). In 2023, global soaring inflation, record-high bond yields and waves of liquidity issues within the banking sector attracted investors to a strong US dollar and risk-free government bonds away from the gold investments.

Consequences of the COVID relief stimulus payments by governments has not spared the technology market. Notwithstanding advances in the artificial intelligence, major chip manufacturers experienced downturn, which was reflected in the gold demand. Tech demand for gold dropped by 4% y-o-y to 298 tonnes for the first time sinking below 300 tonnes mark.

Having started the year by largely tracking gold dynamics, the silver price reached annual low of US\$ 20.1/oz in March. It did not then, however, see the same dramatic upturn as gold. Investors preferred to stick to the more superior safe-haven gold. Even though silver briefly rallied to US\$ 26.0/oz in April on the back of the geopolitical tension and economic uncertainty, it failed to maintain the momentum and averaged at US\$ 23.3/oz for the year, up 7% (2022: US\$ 21.8/oz).

Foreign exchange

The Group's revenue and over 72% of borrowings are denoted in US Dollars and Renminbi, while the majority of the Group's operational costs are denoted in Russian Rouble and Kazakh Tenge. As a result, changes in exchange rates affected the Company's financial results and performance.

The Russian Rouble demonstrated significant devaluation relative to 2022. Continuous geopolitical escalation, capital outflows and a US\$ 169.4 billion decrease in exports, as a result of deteriorating oil prices pulled the Rouble rate to a high level of 101 RUB/US\$ in August of 2023. Towards the year-end, the Rouble somewhat improved to 89.7 RUB/USD on the back of the emergency 350bps rate hike by the Central Bank of Russia and re-introduction of capital control measures, including variable export duties and mandatory sales of foreign currency revenues. The average annual Rouble rate was 85.3 RUB/US\$ (2022: 68.6 RUB/US\$).

Although, consistent geopolitical tension within the CIS region, global strengthening of the USD as well as a weakening average oil price of US\$ 82 per barrel (2022: US\$ 101 per barrel) posed significant pressures, the Kazakhstani tenge remained steady at 456 KZT/US\$ (2022: 461 KZT/US\$) throughout 2023. This has been driven by increased oil exports, and significant sales of foreign currency and gold reserves by the National Bank of Kazakhstan.

REVENUE

SALES VOLUMES	2023	2022	Change
Gold, Koz	1,400	1,376	+2%
Silver, Moz	16.6	18.5	-10%
Gold equivalent sold ¹ , Koz	1,608	1,622	-1%

Sales by metal (US\$m unless otherwise stated)		2023	2022	Change	Volume variance, US\$m	Price variance, US\$m
Gold		2,640	2,392	+10%	41	206
Average realised price ²	US\$/oz	1,929	1,764	+9%		
Average LBMA price	US\$/oz	1,943	1,802	+8%		
Share of revenues		87%	85%			
Silver		363	383	-5%	(40)	20
Average realised price	US\$/oz	22.8	21.9	+4%		
Average LBMA price	US\$/oz	23.4	21.8	+8%		
Share of revenues		12%	14%			
Other metals		22	26	-15%		
Share of revenues		1%	1%			
Total revenue		3,025	2,801	+8%	(13)	237

In 2023, revenue grew by 8% y-o-y driven by the growth of gold and silver average realised prices. Gold sales increased marginally by 2% y-o-y. Silver sales decreased by 10% due to significant tightening of concentrate exports regulations in Russia, which led to material accumulation in sea ports of concentrates from Russian assets.

The Group's average realised gold price was US\$ 1,929/oz in 2023, up 9% from US\$ 1,764/oz in 2022, slightly below the average market price of US\$ 1,943/oz. The Group's average realised silver price was US\$ 22.8/oz, higher by 4% y-o-y, but 3% below the average market price of US\$ 23.4/oz since two-thirds of annual sales were skewed towards the first half of 2023 with weaker average prices.

The share of gold sales as a percentage of total revenue increased from 85% in 2022 to 87% in 2023, driven by a corresponding shift in production and sales volume by metal.

OPERATION	Revenue, US\$m			Gold equivalent sold, Koz		
	2023	2022	Change	2023	2022	Change
Kazakhstan	893	933	-4%	459	533	-14%
Kyzyl	518	554	-7%	271	322	-16%
Varvara	365	379	-4%	188	212	-11%
Other ³	10	-	n/a	5	-	n/a
Russia	2,132	1,868	+14%	1,144	1,089	+5%
Total revenue	3,025	2,801	+8%	1,608	1,622	-1%

¹ Based on actual realised prices.

² Without the effect of deductions for treatment charges from revenue.

³ Commission sales of third-party materials

The decrease in sales volumes during the period had a negative impact on revenues at all operating mines in Kazakhstan, which was partially offset by higher commodity prices. Difficulties with inventory conversion into sales were particularly pronounced with concentrates going through Russian Far Eastern ports, including Kyzyl concentrate being sold to China. Management will continue to work to resolve this issue during the first half of 2024, particularly focusing on Kyzyl.

At Varvara, sales volumes broadly followed production volumes, which decreased as a result of planned grade decline.

COST OF SALES

(US\$m)	2023	2022	Change
Cash operating costs	1,454	1,513	-4%
On-mine costs	632	741	-15%
Smelting costs	532	567	-6%
Purchase of metal inventories from third parties	127	69	+84%
Mining tax	163	136	+20%
Costs of production	1,734	1,836	-6%
Depreciation and depletion of operating assets	280	324	-14%
Rehabilitation expenses	-	(1)	n/a
Total change in metal inventories	(282)	(152)	+86%
Increase in metal inventories	(276)	(216)	+28%
(Reversal)/Write-down of inventories to net realisable value	(6)	64	n/a
Idle capacities and abnormal production costs	7	6	+17%
Total cost of sales	1,459	1,690	-14%

CASH OPERATING COST STRUCTURE

	2023		2022	
	US\$m	Share	US\$m	Share
Services	490	34%	576	38%
Consumables and spare parts	406	28%	438	29%
Labour	257	18%	285	19%
Mining tax	163	11%	136	9%
Purchase of metal inventories from third parties	127	9%	69	5%
Other expenses	11	1%	9	1%
Total cash operating cost	1,454	100%	1,513	100%

The total cost of sales decreased by 14% in 2023 to US\$ 1,459 million, reflecting the positive impact of the Russian Rouble depreciating by 24%. The devaluation impact from Russian operations offset domestic inflation (9% y-o-y in Kazakhstan and 7% y-o-y in Russia) and increase in mining tax.

The cost of services and of consumables and spare parts were down 15% and 7% y-o-y, caused mostly by a weaker Rouble compared with 2022.

The cost of labour within cash operating costs was US\$ 257 million, a 10% decrease over 2022, mainly stemming from local currency devaluations, which outweighed the annual salary increases (tracking domestic CPI inflation).

Mining tax increased by 20% y-o-y to US\$ 163 million, mainly driven by an increase in average realised prices, as well as gold mining tax rates in Kazakhstan increasing from 5% to 7.5%.

The increase in purchases of third-party metal inventories by 84% was mostly driven by larger volumes of high-grade third-party ore processed at the Varvara flotation circuit.

Depreciation and depletion was US\$ 280 million, down 14% y-o-y, largely driven by the positive effect of a weaker Rouble. US\$ 26 million of depreciation cost are included within the total increase in metal inventories (2022: US\$ 52 million).

In 2023, a net metal inventory increase of US\$ 276 million (2022: US\$ 216 million) was recorded. The increase was mainly represented by concentrate build-up at Russian assets, due to the tightening of concentrate exports regulations in Russia. The Company expects the bulk of this increase to be reversed during the course of 2024, particularly at Kyzyl.

The Group recognised a US\$ 6 million reversal (2022: US\$ 65 million write-down) to the net realisable value of heap leach ore at Russian mines (see Note 17 of the condensed consolidated financial statements).

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US\$m)	2023	2022	Change
Labour	215	243	-11%
Services	19	15	+27%
Share-based compensation	11	13	-15%
Depreciation	7	10	-30%
Other	22	30	-27%
Total general, administrative and selling expenses	274	311	-12%

General, administrative and selling expenses (“SGA”) decreased by 12% y-o-y from US\$ 311 million in 2022 to US\$ 274 million in 2023, mainly reflecting a decrease in staff costs in US Dollar terms driven by devaluation of the Rouble.

OTHER OPERATING EXPENSES

(US\$m)	2023	2022	Change
Exploration expenses	35	62	-44%
Social payments	34	44	-23%
Bad debt allowance	19	(1)	n/a
Provision for investment in Special Economic Zones	15	14	+7%
Taxes, other than income tax	14	15	-7%
Additional tax charges/fines/penalties	-	2	n/a
Change in estimate of environmental obligations	(7)	(2)	n/a
Other expenses	7	7	n/a
Total other operating expenses	117	142	-18%

Other operating expenses decreased to US\$ 117 million in 2023 (2022: US\$ 142 million) mainly due to the reduction in exploration costs and a scheduled decrease in social payments in accordance with existing partnership agreements.

TOTAL CASH COSTS

In 2023, total cash costs per gold equivalent ounce sold were US\$ 861/GE oz, down 8% y-o-y. The depreciation of the Russian Rouble against the US Dollar outweighed inflationary pressures and planned grade decline.

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

RECONCILIATION OF TCC AND AISC MOVEMENTS	TCC, US\$/oz	Change	AISC, US\$/oz	Change
Cost per AuEq ounce 2022	942		1,344	
RUB and KZT rate change	(156)	-17%	(209)	-16%
Domestic inflation	66	+7%	93	+7%
Change in average grade processed	22	+2%	22	+2%
Sustaining capex increase	-	n/a	41	+3%
Other	(13)	-1%	(16)	-1%
Cost per AuEq ounce 2023	861	-8%	1,276	-5%

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

OPERATION	Cash cost per GE ounce, US\$/GE oz			Gold equivalent sold, Koz		
	2023	2022	Change	2023	2022	Change
Kazakhstan	903	728	+24%	459	533	-14%
Kyzyl	704	602	+17%	271	322	-16%
Varvara	1,189	920	+29%	188	212	-11%
Russia	845	1,046	-19%	1,144	1,089	+5%
Total Group TCC	861	942	-9%	1,603¹	1,622	-1%

Kazakhstan

- Kyzyl's total cash costs were at US\$ 704/GE oz, significantly below the Group's average level, albeit up 17% y-o-y, because of a planned gradual grade decline towards the open-pit reserve average (8% decrease in 2023) and an 16% decrease in sales volumes.
- At Varvara, TCC were at US\$ 1,189/GE oz, up by 29% year-on-year, on the back of a planned grade decline of 13%, combined with a 11% decrease in sales volumes and inflationary headwinds.

Russia

- Across the Group's Russian mines, TCC were at US\$ 845/GE oz, down by 19% year-on-year, mainly on the back of Rouble depreciation.

Analysis of 2H 2023 versus 1H 2023 performance:

Total cash costs per GE oz

OPERATION	Cash cost per GE oz, US\$ /oz			Gold equivalent sold, Koz		
	2H 2023	1H 2023	Change	2H 2023	1H 2023	Change
Kazakhstan	928	871	+7%	253	206	+22%
Kyzyl	743	649	+14%	158	113	+40%
Varvara	1,239	1,138	+9%	95	93	+1%
Russia	746	975	-24%	650	494	+32%
Total Group TCC	797	944	-16%	903	700	+29%

In 2H 2023, TCC were 16% lower compared to 1H 2023 at US\$ 797/GE oz, driven by the increase in sales volumes combined with local currency depreciation.

Kazakhstan

- At Kyzyl, total cash costs in 2H 2023 were at US\$ 743/GE oz, up 14% half-on-half, as material work-in-progress was accumulated in 2H 2023 to be released in 2024.
- At Varvara, TCC increased by 9% compared to 1H 2023 to US\$ 1,239/GE oz on the back of planned gradual grade declines.

Russia

- Across the Group's Russian mines, TCC were at US\$ 746/GE oz, decreasing by 24% half-on-half, mostly driven by 32% increase in sales volumes further supported by 21% Rouble depreciation, with an average rate of 93 RUB/USD in 2H 2023 compared to 77 RUB/USD in 1H 2023.

¹ Excluding commission sales of third-party materials.

ALL-IN SUSTAINING AND ALL-IN CASH COSTS

All-in sustaining cash costs amounted to US\$ 1,276/GE oz, down 5% y-o-y, broadly in line with TCC dynamics, reflecting the decrease in capitalised stripping on the back of completed stripping campaigns at Dukat.

AISC by operations were as follows:

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

OPERATION	2023	2022	Change
Kazakhstan	1,263	1,067¹	+18%
Kyzyl	920	852	+8%
Varvara	1,592	1,144	+39%
Russia	1,281	1,480¹	-13%
Total Group AISC	1,276	1,344	-5%

AISC at all operating mines generally followed TCC dynamics.

In Kazakhstan, AISC increased by 18% to US\$ 1,263/oz, which was mostly driven by the decrease in sales volume, resulting in the spread of sizeable sustaining capital expenditure (including investments in new tailing storage facilities at Varvara) over a limited amount of ounces sold.

In Russia, AISC decreased by 13% to US\$ 1,281/oz, on the back of sales increase, coupled with lower stripping volumes after completion of large stripping campaigns in 2023.

RECONCILIATION OF ALL-IN COSTS	Total, US\$m			US\$ /GE oz		
	2023	2022	Change	2023	2022	Change
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 4 of financial statements)	1,212	1,355	-11%	754	837	-10%
<i>Adjusted for:</i>						
Corporate expenses	(10)	0	n/a	(5)		n/a
Idle capacities	(7)	(6)	+14%	(4)	(4)	0%
Treatment charges deductions reclassification to cost of sales	77	60	+28%	48	37	+30%
SGA expenses, excluding depreciation, amortization and share-based compensation (Note 4 of financial statements)	116	133	-13%	72	82	-12%
<i>Adjusted for:</i>						
SGA expenses of development projects	(7)	(16)	-57%	(4)	(10)	-60%
Total cash costs	1,381	1,528	-10%	861	942	-9%
Corporate SGA expenses and other operating expenses	225	271	-17%	140	167	-16%
Capital expenditure excluding development projects	365	275	+33%	228	170	+34%
Exploration expenditure (capitalised)	10	15	-37%	6	9	-33%
Capitalised stripping	65	92	-30%	40	57	-30%
All-in sustaining cash costs	2,045	2,181	-6%	1,276	1,344	-5%
Finance costs (net)	135	111	+22%	84	68	+24%
Capitalised interest	49	35	+38%	30	22	+36%
Income tax paid	216	234 ²	-8%	135	144	-6%

¹ Allocation factors for corporate costs were revised in 2023, previous periods were restated accordingly.

² Prior year restated: income tax on cash basis is considered more relevant for cash costs calculation instead of income tax on accruals basis.

After-tax all-in cash costs	2,445	2,562	-5%	1,526	1,579	-3%
Capital expenditure for development projects	241	422	-44%	150	260	-42%
SGA and other expenses for development assets	20	40	-51%	12	25	-52%
All-in costs	2,705	3,024	-11%	1,688	1,865	-9%

ADJUSTED EBITDA¹ AND EBITDA MARGIN

(US\$m)

	2023	2022	Change
Profit/(loss) for the year	528	(288)	n/a
Finance cost (net) ²	135	111	+22%
Income tax expense/(benefit)	315	(44)	n/a
Depreciation and depletion	261	282	-7%
EBITDA	1,239	61	n/a
Net foreign exchange loss	174	32	n/a
Impairment of non-current assets, net	126	825	n/a
(Gain)/loss on disposal of subsidiaries, net	(113)	2	n/a
Share-based compensation	11	13	-15%
Change in fair value of contingent consideration liability	8	20	n/a
Other non-cash items	13	65	n/a
Adjusted EBITDA	1,458	1,017	+43%
Adjusted EBITDA margin	48%	36%	+12%
Adjusted EBITDA per GE oz	907	628	+44%

Adjusted EBITDA by segment/operation

(US\$m)

OPERATION	2023	2022	Change
Kazakhstan	439	516	-15%
Kyzyl	332	361	-8%
Varvara	137	177	-22%
Attributable corporate and other costs	(30)	(22)	+36%
Russia	1,019	501	+103%
Total Group Adjusted EBITDA	1,458	1,017	+43%

In 2023, Adjusted EBITDA increased by 43% y-o-y to US\$ 1,458 million, with an Adjusted EBITDA margin of 48% (2022: 36%), driven by the cost dynamics described above combined with a 9% increase in the gold average realised price.

¹ Adjusted EBITDA is a key measure of the Group's operating performance and cash generation capacity (excluding impact of financing, depreciation and tax) and a key industry benchmark allowing peer comparison. Adjusted EBITDA also excludes the impact of certain accounting adjustments (mainly non-cash items) that can mask underlying changes in core operating performance.

The Group defines Adjusted EBITDA (a non-IFRS measure) as profit for the period adjusted for depreciation and amortisation, write-downs and reversals of inventory to net realisable value, impairment/reversal of previously recognised impairment of non-current assets, share-based compensation expenses, gains and losses on disposal or revaluation of investments in subsidiaries, joint ventures and associates, rehabilitation expenses, bad debt allowance, foreign exchange gains or losses, changes in fair value of contingent consideration, finance income, finance costs, income tax expense and other tax exposures accrued within other operating expenses. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue.

² Net of finance income.

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange loss in 2023 of US\$ 174 million compared with an exchange loss of US\$ 32 million in 2022, mostly attributable to the revaluation of the US Dollar-denominated borrowings of Russian operating companies, the functional currency of which is the Russian Rouble. This was partially offset by a foreign exchange loss on intercompany loans with different functional currencies in lending and borrowing subsidiaries.

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

In 2023 the Group recognised an impairment charge of US\$ 165 million in respect to Amursk POX due to continued use of Amursk POX processing facility to treat Kyzyl refractory concentrate on the terms of a new tolling agreement, as entailed by provisions of JSC Polymetal divestment. See Note 14 to the condensed consolidated financial statements.

Income tax expense for 2023 was US\$ 315 million compared to US\$ 44 million benefit in 2022. For details refer to Note 13 of the condensed consolidated financial statements.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded a net profit of US\$ 528 million in 2023, compared to loss of US\$ 288 million in 2022 which was largely driven by impairment charges.

In September 2023, the Group effectively disposed of 50.1% stake in Amikan and recognised a gain on disposal of US\$ 113 million. See Note 3 to the condensed consolidated financial statements.

The underlying net earnings attributable to shareholders of the parent company were US\$ 615 million, compared with US\$ 440 million in 2022:

Reconciliation of underlying net earnings¹ (US\$m)

	2023	2022	Change
Profit/(loss) for the financial period attributable to shareholders of the parent company	528	(288)	n/a
(Reversal)/write-down of inventory to net realisable value	(6)	64	n/a
Foreign exchange loss	174	32	+444%
Change in fair value of contingent consideration liability	8	20	-60%
(Gain)/loss on disposal of subsidiaries, net	(113)	2	n/a
Impairment of non-current assets, net	126	825	n/a
Tax effect	(103)	(216)	-52%
Underlying net earnings	615	440	+44%

Basic profit per share was US\$ 1.11 compared to US\$ 0.61 loss per share in 2022. Underlying basic EPS² was US\$ 1.30, compared with US\$ 0.93 in 2022.

¹ Underlying net earnings represent net profit for the year excluding the impact of key items that can mask underlying changes in core performance, such as after-tax amount of impairment charges, write-downs of metal inventory, foreign exchange gains/losses and other change in fair value of contingent consideration.

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

CAPITAL EXPENDITURE¹

(US\$m)	Sustaining	Development	Capital stripping and underground development	Exploration	Total 2023	Total 2022
Development projects	-	241	-	1	242	249
Kazakhstan	-	23	-	1	24	-
<i>Ertis POX</i>	-	23	-	-	23	-
<i>Other</i>	-	-	-	1	1	-
Russia	-	218	-	1	218	249
Operating assets	365	-	65	9	438	543
Kazakhstan	79	-	42	-	121	102
<i>Varvara</i>	55	-	13	-	68	39
<i>Kyzyl</i>	24	-	29	-	53	62
Russia	286	-	23	9	319	442
Total capital expenditure	365	241	65	10	679	794

In 2023, total capital expenditure was US\$ 679 million², down 14% y-o-y, and 3% below the lower end of the guidance range of US\$ 700-750 million, because of the substantial positive impact of the Russian Rouble devaluation on local-currency costs. Capital expenditure excluding capitalised stripping costs was US\$ 614 million in 2023 (2022: US\$ 679 million).

The major capital expenditure items in 2023 were as follows:

Development projects

- In Kazakhstan, capital expenditure of US\$ 23 million was related to initial investments for the Ertis POX facility which is being developed in order to fully sever the link between the Company's subsidiaries in Kazakhstan and its blocked subsidiaries in the Russian Federation. A land plot in the Pavlodar Special Economic Zone was successfully secured.
- Capital expenditure at development projects of US\$ 218 million in Russia mainly covered Amursk POX-2 to ensure project completion according to plan in the second half of 2024, as well as mining fleet purchases, spare parts and consumables purchases at Veduga.

Stay-in-business capex at operating assets

- At Varvara, capital expenditure of US\$ 55 million was mainly related to the construction of a tailings storage facility and upgrading the mining fleet.
- At Kyzyl, capital expenditure in 2023 comprised US\$ 24 million, mainly represented by scheduled technical upgrades and expansion of the concentrator capacity to 2.4 Mtpa.
- Across the Group's Russian mines, capital expenditure of US\$ 286 million was mostly related to infrastructure upgrades, regular mining fleet replacements and maintenance capital expenditure at processing facilities.

Exploration and stripping

- The Group continues to invest in standalone exploration projects. Capital expenditure for exploration in 2023 was US\$ 10 million (2022: US\$ 17 million).
- Capitalised stripping and underground development costs totalled US\$ 65 million in 2023 (2022: US\$ 115 million) and are attributable to operations with 2023 stripping ratios exceeding their life-of-mine averages during the period, particularly Kyzyl (US\$ 29 million), Varvara (US\$ 13 million) and Russian mines (US\$ 23 million).

¹ On a cash basis.

² On accrual basis, capital expenditure was US\$ 756 million in 2023 (2022: US\$ 883 million).

CASH FLOWS

(US\$m)	2023	2022	Change
Operating cash flows before changes in working capital	1,074	679	+58%
Changes in working capital	(499)	(473)	+5%
Total operating cash flows	575	206	+179%
Capital expenditure	(679)	(794)	-14%
Net cash (outflow)/inflow on M&A	(3)	123	n/a
Other	(24)	(8)	n/a
Investing cash flows	(706)	(679)	+4%
Financing cash flows			
Net changes in borrowings	380	838	-55%
Repayments of principal under lease liabilities	(21)	-	n/a
Acquisition of non-controlling interest	-	(24)	n/a
Contingent consideration paid	-	(27)	n/a
Total financing cash flows	359	787	-54%
Net increase in cash and cash equivalents	228	314	-27%
Cash and cash equivalents at the beginning of the year	633	417	+52%
Effect of foreign exchange rate changes on cash and cash equivalents	(19)	(98)	n/a
Cash and cash equivalents at the end of the year	842	633	+33%

Total operating cash flows in 2023 strengthened y-o-y. Operating cash flows before changes in working capital grew by 58% y-o-y to US\$ 1,074 million, as a result of an increase in adjusted EBITDA. Net operating cash flows were US\$ 575 million, compared with US\$ 206 million in 2022, affected by an increase in working capital of US\$ 499 million (2022: US\$ 473 million).

Total cash and cash equivalents increased by 33% compared with 2022 and comprised US\$ 842 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US\$ 575 million;
- Investment cash outflows totalling US\$ 706 million, up 4% year-on-year, mainly represented by capital expenditure (down 14% y-o-y to US\$ 679 million) and cash flows on acquisitions and disposals (US\$ 3 million);
- The gross borrowings increase of US\$ 380 million, mostly driven by financing of the Group's short-term working capital requirements; and
- Repayments of principal under lease liabilities of US\$ 21 million.

BALANCE SHEET, LIQUIDITY AND FUNDING

NET DEBT	As at 31 December 2023	As at 31 December 2022	Change
Total Net debt	2,383	2,393	-0%
Total Net debt / Adjusted EBITDA	1.64	2.35	-31%
Kazakhstan			
Short-term debt and current portion of long-term debt	145	76	+91%
Long-term debt	356	719	-50%
Gross debt	503	795	-37%
Less: cash and cash equivalents	329	518	-36%
Net debt	174	277	-37%
Net debt / Adjusted EBITDA	0.39x	0.54x	-38%
Russia			
Short-term debt and current portion of long-term debt	860	439	+96%
Long-term debt	1,864	1,797	+4%
Gross debt	2,724	2,236	+22%
Less: cash and cash equivalents	514	119	n/a
Net debt	2,209	2,117	+4%
Net debt / Adjusted EBITDA	2.17x	4.23x	-95%

The Group's net debt decreased to US\$ 2,383 million as of 31 December 2023, representing a Net debt/Adjusted EBITDA ratio of 1.64x, significantly below the 2022 leverage ratio of 2.35x.

The proportion of long-term borrowings of total borrowings was 69% as at 31 December 2023 (83% as at 31 December 2022). As at 31 December 2023, the Group had US\$ 1.4 billion (31 December 2022: US\$ 0.35 billion) of available undrawn facilities, from a wide range of lenders, which allows the Group to maintain its operational flexibility in the current environment.

Gross debt increased by 7% to \$3,225 million, of which 73% is denominated in hard currency. Kazakhstan represents 16% of the total debt outstanding, while Russia represents the remaining 84% of the debt.

The average cost of debt increased to 8.3% in 2023 (2022: 5.08%). In Kazakhstan, average interest rates remained low at 3.95%, while for Russian subsidiaries it reached 9.1% as re-financing was available mostly in Roubles or in China's Renminbi at elevated interest rates.

77% of available cash balances of US\$ 842 million is denominated in hard currency. The Group is confident in its ability to repay its existing borrowings as they fall due.

INVENTORIES

Inventory levels increased by US\$ 104 million to US\$ 1,294 million for 2023. US\$ 274 million of inventory balance relates to Kazakhstan, and US\$ 1,020 million of inventory comes from Russia.

This increase of US\$ 95 million for the second half of 2023 relates mostly to accumulation in sea ports of concentrates from Russian assets.

(US\$m)	31 Dec 2023	Change	30 Jun 2023	Change	31 Dec 2022
Kazakhstan	274	+8	267	+77	190
Copper, gold and silver concentrate	66	+7	59	+20	39
Ore stock piles	86	+0	86	+14	71
Doré, work in-process, metal for refining and refined metals	51	-3	54	+26	29
Non-metal inventories	71	+3	68	+16	51
Russia	1,020	+86	934	-66	1,000
Copper, gold and silver concentrate	266	+15	252	-6	248
Ore stock piles	173	-19	192	-55	247
Doré, work in-process, metal for refining and refined metals	247	+81	167	+7	170
Non-metal inventories	333	+10	323	-12	335
Total inventory	1,294	+95	1,199	+9	1,190

Payable metals in inventory accumulated at 31 December 2023 were as follows:

(GE Koz)	Kazakhstan	Russia	Total Group
Concentrate and precipitate	65	206	271
Bullions	-	291	291
Doré	12	23	35
Total payable metals	78	519	597

2024 OUTLOOK FOR KAZAKHSTAN BUSINESS

- The Company expects its Kazakhstan assets to deliver stable production at 475 Koz of GE.
- Costs are estimated in the ranges of US\$ 900-1,000/GE oz for TCC and US\$ 1,250-1,350/GE oz for AISC¹. A y-o-y increase is expected, largely because of the sharp increases in power and railway tariffs in Kazakhstan.
- Capital expenditures are expected to be approximately US\$ 225 million, including US\$ 60 million for Ertis POX.
- The Group currently forecasts positive free cash flow in 2024.

¹ Based on 500 KZT/\$ and 13% inflation in Kazakhstan.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

The directors consider that these principal risks and uncertainties have not changed materially since the publication of the annual report for the year ended 31 December 2022 and continue to apply to the Group for the 2023 financial year.

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

GOING CONCERN

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

In the going concern assessment, the Group also considered the implications of sanctions imposed by U.S. Department of State on JSC Polymetal, the Company's subsidiary in the Russian Federation. In February 2024, the Group entered into contracts for the divestment of its Russian business through a sale of 100% JSC Polymetal's shares to a third party, JSC Mangazeya Plus, as described in Note 24. On 16 February 2024, US Department of the Treasury's Office of Foreign Asset Control ("OFAC") confirmed to the Company that it would not impose sanctions on non-US persons, including Polymetal International Plc, for participating in or facilitating such a transaction. The Group determined that these implications did not have any material effect on the Group's liquidity position and its ability to finance its obligations.

On 7 March 2024 the transaction was approved by the Shareholders General Meeting and, following receipt of required regulatory approvals, the transaction was completed on the same day.

To assess the resilience of the Group's going concern assessment in light of the macroeconomic volatility, management performed the stress downside scenario that is considered plausible over the next 12 months from the date of approval of the 2023 condensed consolidated financial statements. As such, this does not represent the Group's 'best estimate' forecast, but was considered in the Group's assessment of going concern, reflecting the current evolving circumstances and the most significant and plausible changes in macro assumptions identified at the date of performing of the going concern assessment.

The Group has already taken precautionary measures to manage liquidity and provide flexibility for the future. In addition, it was assumed that the Group has adapted its sales routes and supply chain and the net cash flows generated will be available for use within the Group. Under the stress scenario, the Group's income and profits are affected by simultaneous decrease of gold prices by 5% and local currency appreciation by 10%, as well as 10% overrun of development capital expenditure.

At the reporting date, the Group holds US\$ 329 million of cash and US\$ 100 million of undrawn credit facilities (excluding assets sold in March 2024), which when combined with the forecast net cash flows under the stress scenario above, is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months. No borrowing covenant requirements are expected to be breached in the stress scenario. The Group expects to settle obligations as they fall due but also has mitigating actions available such as reducing production volumes and variable mining costs where possible, reducing and deferring non-essential and non-committed capital expenditure.

The Board is therefore satisfied that the Group's forecasts and projections, including the stress scenario above, demonstrate that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the 2023 condensed consolidated financial statements and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the year ended 31 December 2023.

DIRECTORS' RESPONSIBILITY STATEMENT

Directors are responsible for the preparation of the condensed consolidated financial statements that present the financial position of Polymetal International Plc (the "Company") and its subsidiaries (the "Group") as of 31 December 2023, and the results of its operations, cash flows and changes in equity for the year then ended based on the recognition, derecognition, measurement and classification principles of International Financial Reporting Standards ("IFRS").

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

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Directors also are responsible for:

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

Condensed consolidated financial statements of the Group for the year ended 31 December 2023 were approved by Board of Directors on 14 March 2024.

By order of Board of Directors:

Evgueni Konovalenko

Senior Independent Non-Executive Director

Vitaly Nesis

Group Chief Executive Officer

14 March 2024

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2023 US\$m	Year ended 31 December 2022 US\$m
Revenue	5	3,025	2,801
Cost of sales	6	(1,459)	(1,690)
Gross profit		1,566	1,111
General, administrative and selling expenses	10	(274)	(311)
Other operating expenses, net	11	(117)	(142)
Impairment of non-current assets, net	14	(126)	(825)
Share of loss in joint ventures	16	(2)	-
Operating profit/(loss)		1,047	(167)
Foreign exchange loss, net		(174)	(32)
Gain/(loss) on disposal of subsidiaries	3	113	(2)
Change in fair value of financial instruments	20	(8)	(20)
Finance expenses	12	(162)	(119)
Finance income		27	8
Profit/(loss) before income tax		843	(332)
Income tax	13	(315)	44
Profit/(loss) for the year		528	(288)
Profit/(loss) for the year attributable to: Equity shareholders of the Parent		528	(288)
		528	(288)
Earnings/(loss) per share (US\$)			
Basic	21	1.11	(0.61)
Diluted	21	1.11	(0.61)

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2023 US\$m	Year ended 31 December 2022 US\$m
Profit/(loss) for the year		528	(288)
Other comprehensive (loss)/income, net of income tax		(528)	338
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Effect of translation to presentation currency		17	-
<i>Items that may be reclassified to profit or loss</i>			
Fair value (loss)/gain arising on hedging instruments during the year	20	(8)	16
Exchange differences on translating foreign operations		(592)	365
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax		55	(43)
Total comprehensive income for the year		-	50
Total comprehensive income for the year attributable to: Equity shareholders of the Parent		-	50

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Note	31 December 2023 US\$m	31 December 2022 US\$m
Property, plant and equipment	15	2,998	3,392
Right-of-use assets		76	131
Goodwill		11	14
Investments in associates and joint ventures	16	129	13
Non-current accounts receivable		107	31
Other non-current financial assets		9	24
Deferred tax asset	13	192	142
Non-current inventories	17	115	133
Total non-current assets		3,637	3,880
Current inventories	17	1,178	1,057
Prepayments to suppliers		180	185
Income tax prepaid		46	64
VAT receivable		131	148
Trade and other receivables		261	103
Other financial assets at FVTPL		5	10
Cash and cash equivalents	23	842	633
Total current assets		2,643	2,200
Total assets		6,280	6,080
Liabilities and shareholders' equity			
Current borrowings	18	(1,005)	(514)
Accounts payable and accrued liabilities		(240)	(270)
Income tax payable		(20)	(11)
Other taxes payable		(81)	(68)
Current portion of contingent consideration liability	20	(15)	(9)
Current lease liabilities	23	(18)	(25)
Total current liabilities		(1,379)	(897)
Non-current borrowings	18	(2,220)	(2,512)
Contingent and deferred consideration liabilities	20	(29)	(112)
Deferred tax liability	13	(252)	(107)
Environmental obligations		(69)	(76)
Non-current lease liabilities	23	(52)	(106)
Other non-current liabilities		(26)	(28)
Total non-current liabilities		(2,648)	(2,941)
Total liabilities		(4,027)	(3,838)
NET ASSETS		2,253	2,242
Stated capital account	21	-	2,450
Share capital	21	14	-
Share premium	21	2,436	-
Share-based compensation reserve		33	35
Cash flow hedging reserve		8	16
Translation reserve		(2,063)	(1,543)
Retained earnings		1,825	1,284
Total equity		2,253	2,242
Total liabilities and shareholders' equity		(6,280)	(6,080)

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2023 US\$m	Year ended 31 December 2022 US\$m
Net cash generated by operating activities	23	575	206
Cash flows from investing activities			
Purchases of property, plant and equipment		(679)	(794)
Net cash (outflow)/inflow on asset acquisitions	3	(24)	123
Proceeds from disposal of subsidiaries, net of cash disposed of	3	21	5
Loans advanced		(60)	(19)
Repayment of loans provided		29	3
Contingent consideration received		7	3
Net cash used in investing activities		(706)	(679)
Cash flows from financing activities			
Borrowings obtained	23	1,324	3,885
Repayments of borrowings	23	(944)	(3,029)
Repayments of principal under lease liabilities	23	(21)	(18)
Acquisition of non-controlling interest		-	(24)
Contingent consideration paid	23	-	(27)
Net cash from financing activities		359	787
Net increase in cash and cash equivalents		228	314
Cash and cash equivalents at the beginning of the year	23	633	417
Effect of foreign exchange rate changes on cash and cash equivalents		(19)	(98)
Cash and cash equivalents at the end of the year	23	842	633

POLYMETAL INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Stated capital	Share capital	Share premium	Share-based	Cash flow	Translation	Retained	Total equity
	account			compensation	hedging			
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at 1 January 2022	2,450	-	-	31	-	(1,865)	1,587	2,203
Loss for the year	-	-	-	-	-	-	(288)	(288)
Other comprehensive income, net of income tax	-	-	-	-	16	322	-	338
Total comprehensive income/(loss)	-	-	-	-	16	322	(288)	50
Share-based compensation	-	-	-	13	-	-	-	13
Acquisition of non-controlling interest	-	-	-	-	-	-	(24)	(24)
Transfer to retained earnings	-	-	-	(9)	-	-	9	-
Balance at 31 December 2022	2,450	-	-	35	16	(1,543)	1,284	2,242
Profit for the year	-	-	-	-	-	-	528	528
Other comprehensive loss, net of income tax	-	-	-	-	(8)	(520)	-	(528)
Total comprehensive income/(loss)	-	-	-	-	(8)	(520)	528	-
Redomiciation to AIFC	21 (2,450)	14	2,436	-	-	-	-	-
Share-based compensation	-	-	-	11	-	-	-	11
Transfer to retained earnings	-	-	-	(13)	-	-	13	-
Balance at 31 December 2023	-	14	2,436	33	8	(2,063)	1,825	2,253

1. GENERAL

Corporate information

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

Polymetal International plc (the “Company”) is the ultimate parent entity of Polymetal Group. The Company was incorporated on 29 July 2010 as a public limited company under Companies (Jersey) Law. On 8 August 2023, the Group completed the re-domiciliation of the Company from Jersey to the Astana International Financial Centre (“AIFC”), Republic of Kazakhstan. The Company is listed on the AIX, which has become the Company’s primary stock exchange, while its listing on London stock exchange was cancelled on 28 August 2023. The Company also maintains a secondary listing on Moscow Exchange (MOEX).

On 19 May 2023, JSC Polymetal, the holding company for the Group’s assets located in the Russian Federation, and its subsidiaries were designated by the U.S. Department of State pursuant to Executive Order 14024 for operating in the metals and mining sector of the Russian economy. Following the designation the Board of Directors of the Company (the “Board”) set up a special committee of independent non-executive directors to ensure full and comprehensive compliance with U.S. sanctions. The Company and its non-Russian subsidiaries are not subject to blocking sanctions.

In the light of these developments, and in the interests of preserving shareholder value, the Board and the Special Committee undertook a strategic process to review all possible options in respect of JSC Polymetal and its subsidiaries (JSC Polymetal Group) divestment in order to restore value for Polymetal shareholders and de-risk its ongoing operations.

Based on circumstances existing as of 31 December 2023, the Group has determined that JSC Polymetal and its subsidiaries did not meet the definition of the disposal group in accordance IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

In February 2024, the Group entered into contracts for the divestment of its Russian business through a sale of 100% JSC Polymetal’s shares to a third party, JSC Mangazeya Plus, as described in Note 24. On 16 February 2024, US Department of the Treasury’s Office of Foreign Asset Control (“OFAC”) confirmed to the Company that it would not impose sanctions on non-US persons, including Polymetal International Plc, for participating in or facilitating such a transaction. On 7 March 2024, following receipt of required regulatory and shareholder approvals, the transaction was completed.

Going concern

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

In the going concern assessment, the Group also considered the implications of sanctions imposed by U.S. Department of State on JSC Polymetal, the Company’s subsidiary in the Russian Federation, and the imminent sale of Russian business in March 2024, as described above. The Group determined that these implications did not have any material effect on the Group’s liquidity position and its ability to finance its obligations.

On 7 March 2024 the transaction was approved by the Shareholders General Meeting and, following receipt of required regulatory approvals, the transaction was completed on the same day.

To assess the resilience of the Group’s going concern assessment in light of the macroeconomic volatility, management performed the stress downside scenario that is considered plausible over the next 12 months from the date of approval of the 2023 condensed consolidated financial statements. As such, this does not represent the Group’s ‘best estimate’ forecast, but was considered in the Group’s assessment of going concern, reflecting the current evolving circumstances and the most significant and plausible changes in macro assumptions identified at the date of performing of the going concern assessment.

The Group has already taken precautionary measures to manage liquidity and provide flexibility for the future. In addition, it was assumed that the Group has adapted its sales routes and supply chain and the net cash flows generated will be available for use within the Group. Under the stress scenario, the Group’s income and profits are affected by simultaneous decrease of gold prices by 5% and local currency appreciation by 10%, as well as 10% overrun of development capital expenditure.

At the reporting date, the Group holds US\$ 329 million of cash and US\$ 100 million of undrawn credit facilities (excluding assets sold in March 2024), which when combined with the forecast net cash flows under the stress scenario above, is considered to be adequate to meet the Group’s financial obligations as they fall due over the next 12 months. No borrowing covenant requirements are expected to be breached in the stress scenario. The Group expects to settle

obligations as they fall due but also has mitigating actions available such as reducing production volumes and variable mining costs where possible, reducing and deferring non-essential and non-committed capital expenditure.

The Board is therefore satisfied that the Group's forecasts and projections, including the stress scenario above, demonstrate that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the 2023 condensed consolidated financial statements and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements for the year ended 31 December 2023.

Basis of presentation

The Group's annual condensed consolidated financial statements for the year ended 31 December 2023 are prepared in accordance with the recognition, derecognition, measurement and classification principles of International Financial Reporting Standards (IFRS). The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value as of end of the reporting period and share-based payments which are recognised at fair value as of the measurement date.

The accounting policies and methods of computation applied are consistent with those adopted and disclosed in the Group's annual report for the year ended 31 December 2022 on pages 177 to 187, except as described below.

During the year ended 31 December 2023 management has reviewed the segmental presentation of financial information it requires to assess performance and allocate resources, as a result the presentation of segmental information was re-assessed, including comparative information as described in Note 4.

The Group determined that starting from August 2023, following the re-domiciliation of the Company from Jersey to AIFC in Kazakhstan and due to the accumulation over time of those factors which are the main determinants of functional currency, there had been a change in facts and circumstances surrounding the operations of the Company, indicating that the functional currency of the Company and some of its intermediate holding companies had changed from the US Dollar to the KZT. In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, this change has been accounted for prospectively from 1 August 2023.

New standards adopted by the Group

- IFRS 17 *Insurance Contracts*, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 1 and IFRS Practice Statement 2 requiring that an entity discloses its material accounting policies, instead of its significant accounting policies, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 12 clarifying that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, effective for annual period beginning on or after 1 January 2023 with earlier application permitted;
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules, introducing a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and
- Amendments to IAS 8 replacing the definition of a change in accounting estimates with a definition of accounting estimates, effective for annual period beginning on or after 1 January 2023 with earlier application permitted.

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

New accounting standards issued but not yet effective

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

- Amendments to IAS 1 *Presentation of Financial Statements* regarding non-current liabilities with covenants, effective for annual periods beginning on or after 1 January 2024, with early application permitted;
- Amendments to IFRS 16 *Leases* regarding lease liabilities in sale and leaseback transactions, effective for annual period beginning on or after 1 January 2024 with earlier application permitted;
Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* regarding supplier finance arrangements, effective for annual period beginning on or after 1 January 2024 with earlier application permitted;
- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: Disclosures* of information that enables users of financial statements to understand the impact of a currency not being exchangeable, effective for annual period beginning on or after 1 January 2025 with earlier application permitted; and
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* regarding the sale or contribution of assets between an investor and its associate or joint venture,

the effective date of the amendments has yet to be set. However, earlier application of the amendments is permitted.

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical accounting judgements

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

Re-assessment and impairment of Amursk POX CGU

Impairment charges are assessed at the CGU level. Significant management judgement is applied in determining the Group's CGUs, particularly when assets relate to integrated operations, and where changes in CGU determinations could impact the impairment recognised. It was previously determined that Amursk POX represented a shared corporate asset in accordance with IAS 36 *Impairment of assets*. During the year ended 31 December 2023, the Group has determined that due to the changes in the mode of assets utilisation that generate a revenue stream for Amursk POX, it became a separate CGU. Such changes included continued use of Amursk POX processing facility to treat Kyzyl refractory concentrate on the terms of tolling agreement, as entailed by provisions of JSC Polymetal divestment (Notes 1, 24) and the offtake arrangement over Veduga concentrate, described below. This judgement was applied to the impairment review as of 31 December 2023, resulting in impairment charge of US\$ 165 million (Note 14).

Indicators of Impairment and reversal of impairment

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

Assets (other than goodwill) that have been previously impaired should be assessed for indicators of both impairment and impairment reversal. Such assets are generally carried on the balance sheet at a value close to their recoverable amount at the last assessment. Therefore in principle any change to operational or macroeconomic parameters could result in further impairment or impairment reversal if an indicator is identified.

During year ended 31 December 2023 the Group determined that due to updated operational plans and further advancement of the project, impairment loss previously recognised for Veduga was fully reversed as detailed in Note 14. As a result the reversal of impairment loss of US\$ 68 million was recorded.

Other significant operating assets that the Group has previously impaired include Nezhda-Prognoz and Kutyn CGU. These assets had a combined carrying value of US\$ 751 million as at 31 December 2023. Despite the external indicators such as commodities' prices and foreign exchange rates showed favorable changes, there is no significant positive change in these CGUs' expected economic performance, and therefore no indicators of the reversal of previously recognised impairment loss were identified.

Veduga (Amikan GRK LLC) Joint Venture

In September 2023, the Group disposed of the stake in Amikan LLC (holder of Veduga deposit license), which resulted in a loss of control over subsidiary, as described in Note 3. The Group retained interest of 49.9% in Amikan and entered into a number of corporate arrangements with the new shareholder regarding project financing, governance and operations.

When the Group enters into an arrangement where it has the power to participate in the financial and operating policy decisions of an investee or into arrangements with other parties for the joint ownership of particular assets or developments, it must assess whether the arrangements constitute significant influence, control, joint operations or a joint venture based on the rights and obligations of the parties to the arrangements.

Based on the governance structure of the investee, it was determined that the arrangement requires the unanimous consent of the parties sharing control. The preliminary offtake arrangement to purchase the output by Amursk POX, entailed by the shareholders agreement, does not indicate that the parties have rights to the substantially all economic benefits of the assets and, therefore, in effect do not have the obligation for liabilities, as pricing mechanism relates only to the market metal price and related adjustments and is in line with the market practice, with no additional financing arrangements.

Therefore it was concluded that the joint arrangement provides the parties with rights to the net assets of the arrangement and, therefore, the retained investment represents a joint venture. The retained investment was initially recognised at fair value as of date of transaction, as described in Note 3.

Accounting for acquisitions

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

Recoverability of exploration and evaluation assets

Exploration and evaluation assets include mineral rights and exploration and evaluation costs, including geophysical, topographical, geological and similar types of costs. Exploration and evaluation costs are capitalised if management concludes that future economic benefits are likely to be realised and determines that economically viable extraction operation can be established as a result of exploration activities and internal assessment of mineral resources.

According to IFRS 6 *Exploration for and evaluation of mineral resources*, the potential indicators of impairment include: management's plans to discontinue the exploration activities, lack of further substantial exploration expenditure planned, expiry of exploration licences in the period or in the nearest future, or existence of other data indicating the expenditure capitalised is not recoverable. At the end of each reporting period, management assesses whether such indicators exist for the exploration and evaluation assets capitalised, which requires significant judgement. During the year ended 31 December 2023 the Group recognised impairment loss related to the individual exploration and evaluation assets of US\$ 29 million as detailed in Note 14.

Use of estimates

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

Key sources of estimation uncertainty

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

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

- *Ore reserves and mineral resources* – Recoverable reserves and resources are based on the proven and probable reserves and resources in existence. Reserves and resources are incorporated in projected cash flows based on ore reserve statements and exploration and evaluation work undertaken by appropriately qualified persons (see below). Mineral resources, adjusted by certain conversion ratios, are included where management

has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the required confidence to convert to ore reserves.

- *Commodity prices* – Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. Polymetal currently uses flat real long-term gold and silver prices of US\$ 1,900 per ounce for 2024, US\$ 1,800 per ounce from 2025 per ounce (2022: of US\$ 1,800 per ounce for 2023, US\$ 1,700 per ounce from 2024) and US\$ 23 per ounce (2022: and US\$ 20 per ounce for 2023, US\$ 21 per ounce from 2024), respectively.
- *Foreign exchange rates* – Foreign exchange rates are based on observable spot rates, or on latest internal forecasts, benchmarked with external sources of information for relevant countries of operation, as appropriate. The RUB/US\$ exchange rates are estimated at 90 RUB/US\$ for 2024 (2022: 65 RUB/US\$ for 2023, at 73 RUB/US\$ for 2024 and 75 RUB/US\$ from 2025). The KZT/US\$ exchange rate are estimated at 450 KZT/US\$ for 2024 and 500 KZT/USD for 2025 and beyond (2022: 450 KZT/US\$ for 2023, at 502 KZT/US\$ from 2024), respectively.
- *Discount rates* – The Group used a post-tax real discount rate of 12.5% for Russia assets and 8.7% for Kazakhstan (2022: 14.1% for Russia assets and 9% for Kazakhstan). Post-tax cash flow projections used in the value in use impairment models are discounted based on these rates.
- *Operating costs, capital expenditure and other operating factors* – Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith. Underlying input cost assumptions are consistent with related output price assumptions. Other operating factors, such as the timelines of granting licences and permits are based on management's best estimate of the outcome of uncertain future events at the balance sheet date.

Sensitivity analysis

The impairment charge of US\$ 165 million for Amursk POX property, plant and equipment was recognised during the year ended 31 December 2023 (Note 14). The recoverable amount was estimated based on a value in use calculation.

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

Management performed an analysis as to whether a reasonably possible adverse change to any of the key assumptions would lead to further impairment. The table below summarises the outcomes of the following isolated scenarios and respective additional impairment that would be recognised.

Scenario	US\$m
10% simultaneous decrease in gold and silver prices over the life of mine	73
10% appreciation in RUB/US\$ exchange rates	6
10% increase in operating expenses over the life of mine	60
1% increase in the discount rate applied	26

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

The sensitivities of contingent consideration liabilities measured at FVTPL of US\$ 44 million at 31 December 2023 (31 December 2022: US\$ 36 million) and inventories held at net realisable value of US\$ 80 million at 31 December 2023 (31 December 2022: US\$ 95 million) to a reasonably possible change in key assumptions described above are not considered material due to materiality of the respective balances.

Recoverability of deferred tax assets

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. This review takes into account the factors such as estimated future production, projected commodity prices, operating costs, future capital expenditure, as described above. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. Deferred tax assets arising from tax losses carried forward, as well as applicable tax legislation, are described in Note 13.

Climate change

We have assessed and set out the Group's climate risks and opportunities as part of our commitment to climate disclosure within the Strategic Report. Mitigation and adaptation measures that may be required in the future to combat

the physical and transition risks of climate change could also have potential implications for the Group's financial statements. This would be the case where assets and liabilities are measured based on an estimate of future cash flows.

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

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

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

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

3. ACQUISITIONS AND DISPOSALS

Veduga (Amikan GRK LLC)

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

In 2020 at the inception of options the Group determined that the call option over 40.6% stake represents a derivative containing potential voting right, that provided the Group access to the returns associated with related ownership interest, and thus 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 consolidated 100% interest in Amikan with the option exercise price recognised as a deferred consideration payable. At the disposal date, the fair value of deferred consideration payable amounted to US\$ 88 million, which was recognised as a part of the consideration received on disposal.

As a result of this transaction the Group has effectively disposed of 50.1% interest of the investee. The retained interest of 49.9% was valued at the fair value of US\$ 110 million at the date when control was lost in accordance with IFRS 10 requirements. The fair value was determined based on consideration received from third party for 9.5% stake, which was supported by life-of-mine model.

Based on the governance structure of the investee, policy-making processes and the board of directors composition, it was determined that all key decisions require the unanimous consent of the parties sharing control and provides the parties of the joint arrangement with rights to its net assets, therefore, the investment was classified as a joint venture. Subsequently, the investment is accounted for using the equity method.

The summary of transaction is presented below.

	US\$m
Property, plant and equipment	162
Inventories	22
Other assets	3
Income tax	(14)
Accounts payable	(3)
Intercompany loans and other accounts	(64)
Net assets disposed of	106
Cash consideration received	21
Deferred consideration cancelled	88
Fair value of the investment retained	110
Less net assets disposed of	(106)
Gain on disposal of subsidiary	113

Other acquisitions

Other individually insignificant acquisitions of exploration assets during the year ended 31 December 2023 of US\$ 52 million in total, related to consolidation of certain former joint ventures, including the Baksy project project in Kazakhstan (Note 16), and the acquisition a number of exploration interests in Russia. All transactions represented asset acquisitions in accordance with IFRS 3 *Business Combinations*, as the acquired companies did not have any substantive processes required to create outputs. The summary of net assets acquired is presented below:

	Baksy US\$m	NORK LLC US\$m	OGK LLC US\$m	Utkinskaya US\$m	Uenma US\$m	TOTAL \$m
Property, plant and equipment	19	5	3	19	6	52
Other assets/(liabilities), net	(1)	-	1	-	-	-
Intercompany loans and other accounts	(5)	(4)	(1)	-	-	(10)
Net assets acquired	13	1	3	19	6	42
Cost of equity investment reclassified	-	-	1	-	-	1
Loan assignment	-	-	-	17	-	17
Cash consideration	13	1	2	2	6	24
Total consideration	13	1	3	19	6	42

4. SEGMENT INFORMATION

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

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

As a result of these changes management of the Company has re-assessed presentation of financial information by segments it requires to assess performance and allocate resources. It was concluded that jurisdiction-based reporting format is more meaningful from a management and forecasting perspective, as well as better aligned to the new management structure, internal reporting and processes. The comparative information was presented in line with the current year format.

Therefore the Group has identified two reportable segments in 2023:

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

The measure which management and the CODM use to evaluate the performance of the Group is a segment Adjusted EBITDA, which is an Alternative Performance Measure (APM).

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

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

4. SEGMENT INFORMATION (CONTINUED)

	Period ended 31 December 2023			Period ended 31 December 2022		
	KAZAKHSTAN	RUSSIA	Total	KAZAKHSTAN	RUSSIA	Total
Revenue from external customers	893	2,132	3,025	933	1,868	2,801
Cost of sales, excluding depreciation, depletion and write-down of inventories to net realisable value	378	833	1,211	340	1,015	1,355
Cost of sales	442	1,017	1,459	415	1,275	1,690
Depreciation included in Cost of sales	(64)	(190)	(254)	(75)	(197)	(272)
Reversal/(write-down) of metal inventories to net realisable value	-	8	8	-	(65)	(65)
(Write-down)/reversal of non-metal inventories to net realisable value	-	(2)	(2)	-	1	1
Rehabilitation expenses	-	-	-	-	1	1
General, administrative and selling expenses, excluding depreciation, amortisation and share-based compensation	58	198	256	47	241	288
General, administrative and selling expenses	71	203	274	62	249	311
Depreciation included in SGA	(2)	(5)	(7)	(2)	(8)	(10)
Share-based compensation	(11)	-	(11)	(13)	-	(13)
Other operating expenses excluding additional tax charges	18	80	98	30	111	141
Other operating expenses, net	18	99	117	32	110	142
Bad debt and expected credit loss allowance	-	(19)	(19)	-	1	1
Additional tax charges/fines/penalties	-	-	-	(2)	-	(2)
Share of losses of associates and joint ventures	-	2	2	-	-	-
Adjusted EBITDA	439	1,019	1,458	516	501	1,017
Depreciation	66	195	261	77	205	282
Rehabilitation expenses	-	-	-	-	(1)	(1)
Write-down/(reversal) of non-metal inventories to net realisable value	-	2	2	-	(1)	(1)
(Reversal)/write-down of metal inventories to net realisable value	-	(8)	(8)	-	65	65
Impairment of non-current assets, net	16	110	126	-	825	825
Share-based compensation	11	-	11	13	-	13
Bad debt and expected credit loss allowance	-	19	19	-	(1)	(1)
Additional tax charges/fines/penalties	-	-	-	2	-	2
Operating profit	346	701	1,047	424	(591)	(167)
Foreign exchange loss			(174)			(32)
Gain/(loss) on disposal of subsidiaries			113			(2)
Change in fair value of financial instruments			(8)			(20)
Finance expenses			(162)			(119)
Finance income			27			8
Profit/(loss) before income tax			843			(332)
Income tax			(315)			44
Profit/(loss) for the year			528			(288)
Current metal inventories	171	647	818	111	594	705
Current non-metal inventories	62	298	360	46	306	352
Non-current segment assets:						
Property, plant and equipment, net	810	2,188	2,998	696	2,696	3,392
Goodwill	-	11	11	-	14	14
Non-current inventories	41	74	115	34	99	133
Investments in associates	6	123	129	-	13	13
Total segment assets	1,090	3,341	4,431	887	3,722	4,609
Additions to non-current assets:						
Property, plant and equipment	150	606	756	108	775	883
Acquisition of assets	19	33	52	-	49	49
Total segment liabilities						
Net debt	(174)	(2,209)	(2,383)	(277)	(2,116)	(2,393)

5. REVENUE

	Year ended 31 December 2023			
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price (\$ per oz/t payable) (unaudited)	US\$m
Gold (thousand ounces)	1,438	1,400	1,886	2,640
Silver (thousand ounces)	17,461	16,595	21.9	363
Copper (tonnes)	3,037	2,693	8,168	22
Total				3,025

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

Included in revenues for the year ended 31 December 2023 are those arisen from the sales to the Group's largest customers, whose contribution to the Group's revenue presented 10% or more of the total revenue. In 2023 revenues from such customers amounted to US\$ 547 million, US\$ 357 million and US\$ 292 million (2022: US\$ 754 million, US\$ 446 million, US\$ 452 million and US\$ 233).

Geographical analysis of revenue by destination is presented below:

	Year ended	
	31 December 2023 US\$m	31 December 2022 US\$m
Sales within the Russian Federation	1,251	296
Sales to Asia	969	1,284
Sales to Kazakhstan	805	1,205
Sales to Europe	-	16
Total	3,025	2,801

Presented below is an analysis per revenue streams:

	Year ended	
	31 December 2023 US\$m	31 December 2022 US\$m
Bullions	1,582	1,104
Concentrate	865	915
Doré	547	754
Ore	31	28
Total	3,025	2,801

6. COST OF SALES

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Cash operating costs		
On-mine costs (Note 7)	632	741
Smelting costs (Note 8)	532	567
Purchase of metal inventories from third parties	127	69
Mining tax	163	136
Total cash operating costs	1,454	1,513
Depreciation and depletion of operating assets (Note 9)	280	324
Rehabilitation expenses	-	(1)
Total costs of production	1,734	1,836
Increase in metal inventories	(276)	(216)
(Reversal)/write-down of inventories to net realisable value (Note 17)	(6)	64
Idle capacities and abnormal production costs	7	6
Total	1,459	1,690

7. ON-MINE COSTS

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Services	283	363
Labour	153	175
Consumables and spare parts	190	196
Other expenses	6	7
Total (Note 6)	632	741

8. SMELTING COSTS

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Consumables and spare parts	216	242
Services	207	213
Labour	104	110
Other expenses	5	2
Total (Note 6)	532	567

9. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
On-mine	182	228
Smelting	98	96
Total in cost of production (Note 6)	280	324
Less: absorbed into metal inventories	(26)	(52)
Depreciation included in cost of sales	254	272

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.

10. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Labour	215	243
Share-based compensation	11	13
Depreciation	7	10
Services	19	15
Other	22	30
Total	274	311

11. OTHER OPERATING EXPENSES, NET

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Exploration expenses	35	62
Social payments	34	44
Bad debt allowance	19	(1)
Expenses related to the investment in Special Economic Zone	15	14
Taxes, other than income tax	14	17
Change in estimate of environmental obligations	(7)	(2)
Other expenses	7	8
Total	117	142

For the operations held in the Special Economic Zone of the Russian Far East, Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17%, as well as decreased mining tax rate (paying 60% of standard mining tax rates). In return for obtaining this tax relief the members of the regional free Economic Zone are obliged to invest 50% of their tax savings each year in the Special Economic Zone Development Programme, amounting to US\$ 15 million in 2023 (2022: US\$ 14 million).

Operating cash flows spent on exploration activities amounted to US\$ 34 million (2022: US\$ 61 million).

12. FINANCE EXPENSES

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Interest expense on borrowings	141	94
Unwinding of discount on contingent consideration liability (Note 23)	7	10
Unwinding of discount on environmental obligations	7	8
Unwinding of discount on lease liabilities (Note 23)	7	7
Total	162	119

During the year ended 31 December 2023 interest expense on borrowings excluded borrowing costs capitalised in the cost of qualifying assets of US\$ 49 million (2022: US\$ 35 million). These amounts were calculated based on the Group's general borrowing pool and by applying an effective interest rate of 5.57% (2022: 4.53%) to weighted average balance of expenditure associated with qualifying assets.

13. INCOME TAX

Income tax expense for the years ended 31 December 2023 and 2022 recognised in the condensed consolidated income statement was as follows:

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Current income taxes	(235)	(164)
Deferred income taxes	(80)	208
Total	(315)	44

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

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Profit before income tax	843	(332)
Theoretical income tax (expense)/benefit at the tax rate of 20%	(169)	66
Effect of Special Economic Zone and Regional Investment project decreased tax rates	16	(19)
Tax effect of withholding tax on intercompany dividends	(161)	15
Non taxable net foreign exchange gains	37	25
Disposal of subsidiary	11	-
Effect of different tax rates of subsidiaries operating in other jurisdictions and windfall tax	(7)	9
Change in unrecognised deferred taxes	(9)	(14)
Non-deductible interest expense	(17)	(6)
Other non-taxable income and non-deductible expenses, net	(14)	(27)
Adjustments in respect of prior periods	(2)	(5)
Total income tax expense	(315)	44

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.

The Group has a number of tax concessions, therefore the tax rate varies for each separate entity from 0% to 20%.

Tax exposures related to the income tax

In 2023 and 2022 no individual material exposures were identified as probable and therefore provided for. Management has identified a total exposure in respect of contingent liabilities (Note 19) (covering taxes and related interest and penalties) of approximately US\$ 38 million being uncertain tax positions (31 December 2022: US\$ 122 million) which relate to income tax. This is connected largely to the more assertive position of the Russian tax authorities in their interpretation of tax legislation in several recent court cases for other taxpayers. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three and five calendar years preceding the year of tax review for Russia and Kazakhstan respectively. In case of Regional Investment Project in Russian Federation fiscal period remains open to review for five years as well. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group.

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

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 assets and liabilities recognised by the Group and movements thereon during the reporting period.

	Mineral rights	Exploration in progress	Borrowings and other liabilities	Environmental obligation	Tax losses	Undistributed earnings	Other	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
At 1 January 2022	(184)	(66)	18	11	100	(22)	4	(139)
Charge to income statement	88	12	(23)	1	86	22	22	208
Exchange differences	(22)	(9)	2	-	3	-	(8)	(34)
At 31 December 2022	(118)	(63)	(3)	12	189	-	18	35
Charge to income statement	(4)	(17)	92	2	(39)	(151)	37	(80)
Disposal of subsidiaries	12	10	(1)	-	(2)	-	(5)	14
Exchange differences	15	15	(23)	(2)	(28)	(1)	(5)	(29)
At 31 December 2023	(95)	(55)	66	12	119	(152)	45	(60)

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

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Deferred tax liabilities	(252)	(107)
Deferred tax assets	192	142
Total	(60)	35

The Group believes that recoverability of the recognised deferred tax asset (DTA) of US\$ 119 million at 31 December 2023 (2022: US\$ 189 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. It was 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.

In accordance with Russian Federation tax law regarding loss carryforwards, they are limited to 50% of taxable profit in tax years through to 2026. Starting from 2027, the limitation will expire and it will be possible to fully utilise loss carryforwards against the corporate tax base in a given year. Losses incurred from 2007 can be carried forward for an indefinite period until fully utilised.

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\$ 31 million (2022: US\$ 95 million) of losses as it was not considered probable that there will be future taxable profits against which these losses can be utilised.

In 2023 the Group paid withholding income tax of US\$ 10 million (2022: US\$ 7 million) related to intercompany dividends, which were remitted during the year. As of 31 December 2023 the Group recognised deferred tax liability of US\$ 152 million (31 December 2022: nil) in respect of the undistributed retained earnings of certain of the Group subsidiaries, which are expected to be remitted from these subsidiaries in foreseeable future (judged to be one year). No deferred tax liabilities for taxes that would be payable on the unremitted earnings of the Group subsidiaries is recognised where the Group determines that the undistributed profit of its subsidiaries will not be distributed in a foreseeable future (judged to be one year). The temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognised, amounted to US\$ 2.3 billion (2022: US\$ 4.1 billion).

14. IMPAIRMENT OF NON-CURRENT ASSETS, NET

During year ended 31 December 2023 due to the updated operational plans and further advancement of the Veduga project (Amikan GRK LLC), the Group carried out an impairment review of the property, plant and equipment, related to this CGU. As a result of this review an impairment loss of US\$ 68 million previously recognised for Veduga CGU was fully reversed.

An impairment charge of US\$ 165 million in respect to Amursk POX is mainly attributable to the classification of Amursk POX as a separate CGU due to changes in the mode of assets utilisation (Note 2). Additionally, as a result of review of recoverability of exploration and evaluation assets, the Group recognised an impairment loss of US\$ 29 million.

Total net impairment loss of US\$ 126 million recognised comprised the following:

	Amikan	Amursk POX	Viksha	Bolshevik	TOTAL
	US\$m	US\$m	US\$m	US\$m	US\$m
Property, plant and equipment					
Exploration assets	2	-	(13)	(16)	(27)
Development assets	8	-	-	-	8
Mining assets	48	(29)	-	-	19
Capital construction in-progress	10	(136)	-	-	(126)
Total	68	(165)	(13)	(16)	(126)

Amikan, Amursk POX and Viksha related to Russia reporting segment, Bolshevik was included in Kazakhstan reporting segment (Note 4).

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

15. PROPERTY, PLANT AND EQUIPMENT

	Development assets	Exploration assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Cost						
Balance at 1 January 2022	384	74	3,343	74	783	4,658
Additions	65	19	255	11	533	883
Transfers	(13)	-	245	2	(234)	-
Change in environmental obligations	-	-	12	-	8	20
Acquisitions	29	1	-	-	19	49
Eliminated on disposal of subsidiaries	-	(8)	(10)	-	-	(18)
Disposals and write-offs including fully depleted mines	-	-	(152)	-	(1)	(153)
Translation to presentation currency	35	(1)	50	6	39	129
Balance at 31 December 2022	500	85	3,743	93	1,147	5,568
Additions	47	26	255	7	421	756
Transfers	(282)	(18)	491	2	(193)	-
Change in environmental obligations	-	-	7	-	(1)	6
Acquisitions (Note 3)	-	52	-	-	-	52
Eliminated on disposal of subsidiaries (Note 3)	(18)	(4)	(113)	(2)	(36)	(173)
Disposals and write-offs including fully depleted mines	-	(16)	(55)	(3)	(17)	(91)
Translation to presentation currency	(82)	(14)	(603)	(23)	(263)	(985)
Balance at 31 December 2023	165	111	3,725	74	1,058	5,133
	Development assets	Exploration assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Accumulated depreciation, amortisation						
Balance at 1 January 2022	-	-	(1,304)	(40)	-	(1,344)
Charge for the year	-	-	(345)	(9)	-	(354)
Eliminated on disposal of subsidiaries (Note 3)	-	-	10	-	-	10
Impairment recognised during the year (Note 14)	(334)	(2)	(418)	(4)	(43)	(801)
Disposals and write-offs including fully depleted mines	-	-	148	-	-	148
Translation to presentation currency	82	-	75	-	8	165
Balance at 31 December 2022	(252)	(2)	(1,834)	(53)	(35)	(2,176)
Charge for the year	-	-	(297)	(7)	-	(304)
Transfers	202	-	(214)	-	12	-
Eliminated on disposal of subsidiaries (Note 3)	-	-	10	1	-	11
Reversal of Impairment/(Impairment) recognised during the year, net (Note 14)	8	(27)	19	-	(126)	(126)
Disposals and write-offs including fully depleted mines	-	16	52	2	-	70
Translation to presentation currency	35	2	334	13	6	390
Balance at 31 December 2023	(7)	(11)	(1,930)	(44)	(143)	(2,135)
Net book value						
31 December 2022	248	83	1,909	40	1,112	3,392
31 December 2023	158	100	1,795	30	915	2,998

Mining, exploration and development assets at 31 December 2023 included mineral rights with a net book value of US\$ 621 million (31 December 2022: US\$ 713 million) and capitalised stripping costs with a net book value of US\$ 262 million (31 December 2022: US\$ 277 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries.

Disposed and written off assets included fully depreciated items of US\$ 21 million (year ended 31 December 2022: US\$ 153 million and US\$ 121 million, respectively).

No property, plant and equipment was pledged as collateral at 31 December 2023 and at 31 December 2022.

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2023		31 December 2022	
	Voting power %	Carrying Value US\$m	Voting power %	Carrying Value US\$m
Interests in associates and joint ventures				
GRK Amikan LLC (Veduga) (Note 3)	49.9	121	n/a	-
Individually immaterial investments		6		6
Total		127		6
Loans forming part of net investment in joint ventures				
Individually immaterial investments		2		7
Total		2		7
Total investments in associates and joint ventures		129		13

Movement during the reporting periods was as follows:

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
At 1 January	13	28
Impairment recognised	-	(24)
Fair value of interest in joint venture retained (Note 3)	110	3
Consolidated as subsidiaries (Note 3)	(11)	-
Loans advanced forming part of net investment	11	4
Share of loss in joint ventures	(2)	-
Currency translation adjustment	8	2
Total at 31 December	129	13

Summarised financial position of the investments

	31 December 2023		31 December 2022	
	Amikan US\$m	Non-significant investments US\$m	Non-significant investments US\$m	
Non-current assets	364	4		13
Current assets	12	1		5
Non-current liabilities	(40)	(2)		(5)
Current liabilities	(94)	-		(1)
Net assets	242	3		12

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

Group interest	49,9%
Net assets	242
Group's ownership interest	121
Carrying value of the investment	121

17. INVENTORIES

Year ended

	31 December 2023 US\$m	31 December 2022 US\$m
Inventories expected to be recovered after twelve months		
Ore stock piles	51	89
Work in-process	13	-
Copper, gold and silver concentrate	8	10
Consumables and spare parts	43	34
Total non-current inventories	115	133
Inventories expected to be recovered in the next twelve months		
Copper, gold and silver concentrate	324	277
Ore stock piles	208	229
Work in-process	146	121
Doré	70	55
Metal for refining	25	20
Refined metals	45	3
Total current metal inventories	818	705
Consumables and spare parts	360	352
Total current inventories	1,178	1,057

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 2023 US\$m	31 December 2022 US\$m
Ore stock piles	(6)	(28)
Ore in heap leach piles	15	(31)
Copper, gold and silver concentrate	(1)	(6)
Total	8	(65)

The key assumptions used as of 31 December 2023 in determining net realisable value of inventories (including the commodity price assumptions for long-term stockpiles) are described in Note 2 "Use of estimates" section. For short-term metal inventories, applicable quoted forward prices as of 31 December 2023 were used: gold and silver prices of US\$ 2,128 per ounce (2022: US\$ 1,874) and US\$ 24.8 per ounce (2022: US\$ 24.6), respectively.

During the year ended 31 December 2023 the Group recognised a write-down of consumables and spare parts of US\$ 2 million (year ended 31 December 2022: reversal of US\$ 1 million).

The amount of inventories held at net realisable value at 31 December 2023 amounted to US\$ 81 million (31 December 2022: US\$ 95 million).

18. BORROWINGS

	Actual interest rate at		31 December 2023			31 December 2022			
	Type of rate	31		Current	Non-current	Total	Current	Non-current	Total
		31 Dec 2023	Dec 2022						
Secured loans from third parties									
<i>US Dollar denominated</i>	fixed	4.32%	2.68%	27	114	141	33	158	191
Total secured loans from third parties				27	114	141	33	158	191
Unsecured loans from third parties									
<i>US Dollar denominated</i>	floating	6.74%	5.69%	240	100	340	149	339	488
<i>US Dollar denominated</i>	fixed	3.50%	3.75%	432	274	706	43	1,206	1,249
<i>Euro denominated</i>	floating	4.32%	0.98%	2	18	20	2	19	21
<i>RUB denominated</i>	floating	17.95%	9.35%	20	694	714	132	518	650
<i>RUB denominated</i>	fixed	13.17%	8.03%	19	142	161	3	202	205
<i>CNY denominated</i>	floating	4.95%	3.50%	-	70	70	69	70	139
<i>CNY denominated</i>	fixed	5.54%	5.99%	265	808	1,073	83	-	83
Total unsecured loans from third parties				978	2,106	3,084	481	2,354	2,835
Total loans from third parties				1,005	2,220	3,225	514	2,512	3,026

Bank loans

The Group has a number of borrowing arrangements with various lenders. These borrowings consist of unsecured and secured loans and credit facilities as detailed above.

Movements in borrowings are presented in Note 23. The Group complied with its debt covenants throughout 2023 and 2022. The table below summarises maturities of borrowings:

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Less than 1 year	1,005	514
1-5 years	2,208	2,332
More than 5 years	12	180
Total	3,225	3,026

19. COMMITMENTS AND CONTINGENCIES

Commitments

Capital commitments

The Group's contractual capital expenditure commitments as of 31 December 2023 amounted to US\$ 171 million (2022: US\$ 279 million).

Nezhda power line

The Group's lease commitments, representing variable lease payments related to the Nezhda grid power line and substation, were estimated at US\$ 24 million (undiscounted), which will be expensed as incurred (2022: US\$ 36 million).

Contingent liabilities

Taxation

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

Management has identified a total exposure (covering taxes and related interest and penalties) of US\$ 41 million in respect of contingent liabilities (2022: US\$ 125 million), mainly related to income tax as described in Note 13.

20. FINANCIAL INSTRUMENTS

Major categories of financial instruments

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Financial assets		
<i>Derivatives designated in hedge relationships</i>		
Interest rate swaps	8	16
<i>Financial assets at FVTPL</i>		
Receivables from provisional copper, gold and silver concentrate sales	135	54
Contingent consideration receivable	4	17
Shares held at FVTPL	2	1
<i>Financial assets at amortised cost, including cash and cash equivalents</i>		
Cash and cash equivalents (Note 23)	842	633
Other receivables	126	49
Non-current loans and receivables	87	15
Total financial assets	1,204	785
Financial liabilities		
<i>Financial liabilities at FVTPL</i>		
Contingent consideration liability (Note 23)	44	36
Royalty payable (Note 23)	24	24
<i>Financial liabilities at amortised cost</i>		
Borrowings (Note 18)	3,225	3,026
Deferred consideration (Note 23)	-	85
Trade and other payables	148	171
Total financial liabilities	3,441	3,342

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

Trade and other payables exclude employee benefits and social security.

Interest expense, calculated using effective interest method, arising on financial liabilities at amortised costs is disclosed in Note 23.

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

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

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

As of 31 December 2023, accounts receivable with embedded derivatives recognised at fair value amounted to US\$ 135 million (31 December 2022: US\$ 54 million) and represented receivables from provisional metal concentrate sales. In 2023 gains recognised on revaluation of these instruments amounted to US\$ 4 million (2022: US\$ 17 million) and was recorded within revenue.

Fair value of financial instruments

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

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

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

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

At 31 December 2023 and 31 December 2022, the Group held the following financial instruments:

	31 December 2023			Total US\$m
	Level 1	Level 2	Level 3	
	US\$m	US\$m	US\$m	
Receivables from provisional copper, gold and silver concentrate sales	-	135	-	135
Interest rate swaps	-	8	-	8
Contingent consideration receivable	-	-	4	4
Shares held at FVTPL	2	-	-	2
Royalty liabilities payable	-	-	(24)	(24)
Contingent consideration liability (Note 23)	-	-	(44)	(44)
Total	2	143	(64)	81

	31 December 2022			Total US\$m
	Level 1	Level 2	Level 3	
	US\$m	US\$m	US\$m	
Receivables from provisional copper, gold and silver concentrate sales	-	54	-	54
Interest rate swaps	-	16	-	16
Contingent consideration receivable	-	-	17	17
Shares held at FVTPL	1	-	-	1
Royalty liabilities payable	-	-	(24)	(24)
Contingent consideration liability (Note 23)	-	-	(36)	(36)
Total	1	70	(43)	28

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

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

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Loss on contingent consideration receivable revaluation	(4)	(17)
(Loss)/gain on contingent consideration payable revaluation	(4)	3
Change in fair value of shares held at FVTPL	-	(4)
Loss on royalty payable revaluation	-	(2)
Total change in fair value of financial instruments	(8)	(20)

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. Long-term loans to related parties (Note 22) are discounted at rates obtained from active capital markets. The estimated fair value of the Group's debt, calculated using the market interest rate available to the Group as of 31 December 2023, was US\$ 2,699 million (2022: US\$ 2,615 million), and the carrying value as of 31 December 2023 was US\$ 3,225 million (2022: US\$ 3,026 million) (see Note 18).

As of 31 December 2023 the Group held several interest rate swap contracts, recognised within non-current accounts receivables and other financial instruments in the amount of US\$ 8 million (31 December 2022: US\$ 16 million). All interest rate swap contracts to pay fixed and receive floating interest payments are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. As of 31 December 2023 and 31 December 2022 it was determined that there is no hedge ineffectiveness identified and therefore change of fair value was recognised within other comprehensive income.

Receivables from provisional copper, gold and silver concentrate sales

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

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

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

- The relevant valuation model simulates expected production of metals at respective mines and are based on life of mine models prepared using applicable ore reserves and mineral resource estimations;
- Commodity prices - Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. The prices applied are consistent with those described in Note 2.
- Discount rates – The Group used a post-tax real discount rate of 12.5% (2022: 14.1%) as described in Note 2. For the Monte-Carlo modelling, where inflation is incorporated into volatility estimation, a nominal discount rate of 15.1% (2022: 16%) is applied.
- Where the percentage of net smelter return (NSR) or royalty receivable or payable depends on commodity prices or foreign exchange rates reaching certain levels, the Group applies the Monte-Carlo modelling to incorporate the volatility measure into the valuation, which is applied to the prevailing market prices/rates as of the valuation date. The Monte-Carlo modelling is applied to Prognoz (NSR) contingent considerations payable and all contingent considerations receivable.

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

	Price as of valuation date per ounce/tonne, US\$	Volatility, %%	Constant correlation to gold, %%
Gold	2,062	12.15%-15.18%	n/a
Silver	23.79	26.93%	65.88%
Copper	8,476	16.34%	(37.98)%
Zinc	2,641	24.89%	29.53%
RUB rate	89.6883	21.51%	43.13%

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

21. STATED CAPITAL ACCOUNT

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

	Stated capital account no. of shares	Stated capital account US\$m	Share capital US\$m	Share premium US\$m	Treasury shares no. of shares
Balance at 31 December 2021	473,626,239	2,450	-	-	-
Own shares exchanged during the year	(39,070,838)	-	-	-	39,070,838
Own shares issued in exchange	39,070,838	-	-	-	-
Balance at 31 December 2022	473,626,239	2,450	-	-	39,070,838
Redomiciation to AIFC	-	(2,450)	14	2,436	-
Own shares exchanged during the year	(2,543,840)	-	-	-	2,543,840
Own shares issued in exchange	2,543,840	-	-	-	-
Deferred shares issued	18,902	-	-	-	-
Balance at 31 December 2023	473,645,141	-	14	2,436	41,614,678

As a part of the re-domiciliation described in Note 1, in order to comply with the AIFC companies rules, the Company's shares were converted from 512,697,077 ordinary shares of no par value to 512,697,077 ordinary shares of US\$ 0.03 each in the share capital of the Company. As result the Company recognised Share capital of US\$ 14 million and Share premium of US\$ 2,436 million, calculated as difference between Share capital and Stated capital account, previously recorded.

On 22 September 2022, the Board announced its intention to conduct an exchange offer. The exchange offer invited shareholders whose rights have been affected by the sanctions imposed on NSD, subject to fulfilling eligibility criteria, to tender such shares for exchange in consideration for the issuance of a certificated share, on a one-for-one basis.

The first exchange offer which was completed on 11 October 2023. 2,543,840 shares were repurchased during year ended 31 December 2023 (31 December 2022: 39,070,838 shares). The exchange of shares did not give rise to any cash settlement and hence does not give rise to any financial liability. The shares were exchanged at par, on a one-for-one basis and does not affect the Company's net asset and resources position or capital structure.

As of 31 December 2023 total number of voting rights in the Company amounted to 473,645,141 ordinary shares of nominal value US\$ 0.03 each (31 December 2022: 473,626,239 ordinary shares with no par value), each carrying one vote, and additionally the Company held 41,514,678 shares in treasury and such shares did not enjoy any voting or economic rights (31 December 2022: 39,070,838 shares).

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 2023	31 December 2022
Weighted average number of outstanding common shares	473,645,141	473,626,239
Weighted average number of outstanding common shares after dilution	473,645,141	473,626,239

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share during the year ended 31 December 2023 (year ended 31 December 2022: nil). There are no dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are out of money as of the reporting date (2022: no dilutive potential ordinary shares).

22. RELATED PARTIES

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

During the period ended 31 December 2023 transactions with the related parties, represented by equity method investments, included miscellaneous purchases of US\$ 4 million (year ended 31 December 2022: US\$ 0.7 million) and various sales of US\$ 0.5 million (year ended 31 December 2022: US\$ 0.5 million).

Outstanding balances as of 31 December 2023 were represented by accounts receivable of US\$ 1.2 million (31 December 2022: US\$ 1.2 million) from equity method investments and long-term loans advanced to the joint venture amounting to US\$ 64 million (Note 16). The loans bear 0% interest date up to the start of production with maturity of 5 years.

Loans provided to equity method investments, classified as loans forming part of net investment in joint ventures, are presented in Note 16.

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

	Year ended	
	31 December 2023	31 December 2022
	US\$m	US\$m
Share-based payments	-	1
Short-term benefits of board members	3	3
Short-term employee benefits	1	6
Total	4	10

23. SUPPLEMENTARY CASH FLOW INFORMATION

	Note	Year ended 31 December 2023 US\$m	Year ended 31 December 2022 US\$m
Profit before tax		843	(332)
Adjustments for:			
Depreciation and depletion recognised in the statement of comprehensive income	4	261	282
Impairment of non-current assets, net	14	126	825
(Gain)/loss on disposal of subsidiaries	3	(113)	2
(Reversal)/write-down of inventories to net realisable value	6	(6)	64
Share-based compensation	10	11	13
Finance expenses	12	162	119
Finance income		(27)	(8)
Change in fair value of financial instruments	20	8	20
Foreign exchange loss		174	32
Other non-cash items		21	12
		1,460	1,029
Movements in working capital			
Change in inventories		(328)	(269)
Change in VAT and other taxes		18	8
Change in trade and other receivables		(159)	(18)
Change in prepayments to suppliers		(25)	(31)
Change in trade and other payables		(4)	(29)
Change in prepayments received		-	(134)
Cash generated from operations		962	556
Interest paid		(190)	(123)
Interest received		19	7
Income tax paid		(216)	(234)
Net cash generated by operating activities		575	206

There were no significant non-cash transactions during the years ended 31 December 2023 and 31 December 2022, other than in respect of exchange of the ordinary shares (Note 21).

Cash outflows related to capitalised exploration amounted to US\$ 11 million for the year ended 31 December 2023 (2022: US\$ 15 million). During the year ended 31 December 2023, the capital expenditure related to the new projects, which increase the Group's operating capacity amounts to US\$ 237 million (2022: US\$ 208 million).

Cash and cash equivalents

		31 December 2023 US\$m	31 December 2022 US\$m
Bank deposits	-USD	17	468
	- CNY	364	-
	- KZT	104	15
	- other currencies	39	75
Current bank accounts	- USD	159	68
	- CNY	107	-
	- other currencies	52	7
Total		842	633

At 31 December 2023 cash balances included US\$ 513 million of cash and cash equivalents (31 December 2022: US\$ 118 million) held in Russia, that are subject to certain legal and sanctions restrictions and are therefore not available for general use of the Company (but fully available for use by Russian subsidiaries). The Group determined that these restrictions would not have any material effect on the Group's liquidity position and its ability to finance its obligations.

Bank deposits as of 31 December 2023 were mainly presented by the US Dollar and CNY deposits, bearing an average interest rate of 2.98% and 4.04% per annum, respectively (2022: US Dollar deposits, bearing an average interest rate of 3.9% per annum).

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities from financing activities are those for which cash flow were, or future cash flows will be, classified in the Group's condensed consolidated cash flow statements as cash flows from financing activities.

	Year ended 31 December 2023				
	Borrowings	Contingent consideration payable at fair value	Deferred consideration payable at amortised cost	Royalty payable	Lease liabilities
1 January	3,026	36	85	24	131
Cash inflow	1,324	-	-	-	-
Cash outflow	(944)	-	-	-	(21)
Changes from financing cash flows	380	-	-	-	(21)
Disposal of subsidiary	-	-	(88)	-	-
Change in fair value, included in profit or loss	-	4	-	-	-
Unwind of discount	1	4	3	-	7
New leases and modifications	-	-	-	-	(14)
Lease termination	-	-	-	-	(7)
Net foreign exchange losses	371	6	4	6	-
Exchange differences on translating foreign operations	(553)	(6)	(4)	(6)	(26)
Other changes	(181)	8	(85)	-	(40)
31 December	3,225	44	-	24	70
Less current portion	(1,005)	(15)	-	(5)	(18)
Total non-current liabilities at 31 December	2,220	29	-	19	52

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

24. SUBSEQUENT EVENTS

On 18 February 2024 the Group entered into contracts for the divestment of its Russian business through a sale of 100% JSC Polymetal's shares to a third party, JSC Mangazeya Plus (the Purchaser). On 7 March 2024, following the receipt of required regulatory and shareholder approvals, the transaction was completed.

The transaction entailed US\$ 50 million cash consideration which was paid to the Company at completion.

Prior to completion, an aggregate dividend of US\$ 1,429 million (before tax) was paid by JSC Polymetal to the Company, of which US\$ 278 million will be retained by the Company for its general corporate purposes and US\$ 1,151

million were used to repay, and fully discharge, the intra-group debt and related interest owed to JSC Polymetal. Combined net cash proceeds from the Purchaser and through dividends retained by the Company, after tax of US\$ 28 million, amounted to US\$ 300 million.

Major classes of assets and liabilities of JSC Polymetal Group, net of dividends payable and intercompany loans receivable, that were settled in March 2024 before the actual disposal date and which will not be part of assets and liabilities of the divested subsidiaries, are presented below. Cash and cash equivalents balance as of 31 December 2023 was adjusted for the net outflow accordingly, including dividends tax effect.

	31 December 2023
	US\$m
Assets	
Property, plant and equipment	2,189
Investments in associates and joint ventures	123
Non-current accounts receivable	80
Deferred tax asset	186
Non-current inventories	74
Other non-current assets	87
Total non-current assets	2,739
Current inventories	904
Prepayments to suppliers	156
Income tax prepaid	9
VAT receivable	73
Trade and other receivables	310
Cash and cash equivalents	121
Total current assets	1,573
Total assets	4,312
Accounts payable and accrued liabilities	(189)
Current borrowings	(860)
Income tax payable	(20)
Other taxes payable	(57)
Other current liabilities	(30)
Total current liabilities	(1,156)
Non-current borrowings	(1,863)
Deferred tax liability	(44)
Other non-current liabilities	(138)
Total non-current liabilities	(2,045)
Total liabilities	(3,201)
NET ASSETS	1,111

The rationale for the transaction is associated with the significant political and financial risks that the pre-divestment structure poses to the Group, as well as the difficulty and related uncertainty of executing any alternative transaction. Therefore management believes that the transaction terms do not represent an indicator of further impairment of any CGU within the JSC Polymetal Group. The impairment review conducted as of 31 December 2023 is described in Note 2.

25. SUPPLEMENTARY FINANCIAL INFORMATION ON DIVESTMENT (UNAUDITED)

The financial information below is to illustrate the financial effect of the divestment, so each caption of the consolidated statement of financial position and consolidated income statement was adjusted to exclude the amounts of JSC Polymetal Group. In contrast with the statement of financial position presented on the face of these consolidated financial statements intra-group balances with JSC Polymetal Group are not eliminated, instead they are treated as balances with a related party. Unrealised profits or losses are excluded from the inventory balances and accumulated profits of Polymetal International plc.

Additionally, the table below presents post-disposal Polymetal International plc pro forma financial information, which illustrates the impact of the sale transaction on the net assets of the Polymetal International plc as of 31 December 2023 as if it had taken place at that date and the results of operations of the Polymetal International plc as if the transaction had taken place at 1 January 2023.

	Year ended		Post-disposal pro forma based on year ended 31 December 2023
	31 December 2022 US\$m	31 December 2023 US\$m	
Assets			
Property, plant and equipment	717	809	809
Investments in associates and joint ventures	10	6	6
Non-current accounts receivable	13	27	27
Other non-current financial assets	-	9	9
Non-current inventories	24	41	41
Total non-current assets	764	892	892
Current inventories	146	274	274
Prepayments to suppliers	36	24	24
Income tax prepaid	21	37	37
VAT receivable	25	58	58
Trade and other receivables	17	24	24
Receivables from related parties	100	-	-
Dividends receivable from JSC Polymetal	-	1,429	-
Other financial assets at FVTPL	10	5	5
Cash and cash equivalents	515	328	628
Total current assets	870	2,179	1,050
Total assets	1,634	3,071	1,942
Accounts payable and accrued liabilities	(43)	(126)	(131)
Current borrowings	(75)	(145)	(145)
Intercompany balances	(1,097)	(270)	-
Income tax payable	-	-	(6)
Other taxes payable	(19)	(24)	(24)
Current portion of contingent consideration liability	-	(3)	(3)
Total current liabilities	(1,234)	(568)	(309)
Non-current borrowings	(716)	(357)	(357)
Non-current borrowings to related parties	(32)	(766)	-
Contingent and deferred consideration liabilities	(98)	(14)	(14)
Deferred tax liability	(57)	(208)	(65)
Environmental obligations	(8)	(17)	(17)
Non-current lease liabilities	(1)	(1)	(1)
Other non-current liabilities	(5)	(6)	(6)
Total non-current liabilities	(917)	(1,369)	(460)
Total liabilities	(2,151)	(1,937)	(769)
NET ASSETS	(517)	1,134	1,173

	Year ended		Post-disposal pro forma
	31 December 2022	31 December 2023	based on
	US\$m	US\$m	31 December 2023
Revenue	913	826	826
Cost of sales	(407)	(420)	(420)
Gross profit	506	406	406
General, administrative and selling expenses	(48)	(59)	(59)
Other operating expenses, net ¹	(30)	(16)	(21)
Impairment of non-current assets	-	(16)	(16)
Operating profit	428	315	310
Foreign exchange gain, net	214	171	171
Loss on disposal of subsidiaries	(2)	-	-
Change in fair value of financial instruments	(1)	(2)	(2)
Finance expenses	(55)	(90)	(90)
Finance income	5	6	6
Profit before income tax	589	400	395
Income tax	(51)	(218)	(75)
Profit from continuing operations	538	182	320
Loss from discontinued operations ²	-	-	(1,210)
Translation differences recycling on disposal of foreign operation ³	-	-	(979)
Total from continuing and discontinued operations	538	182	(1,869)

¹ Adjustment of US\$ 5 million in post-disposal proforma represents the estimated costs of the disposal

² Loss from discontinued operation was calculated as cash consideration receivable of US\$ 50 million less the carrying amount of the net assets of the Polymetal Russia Group as of 31 December 2023 net of dividends payable (including applicable taxation) and intercompany loans receivable (Note 24).

³ The functional currency of the Polymetal Russia Group is the Russian rouble, which is different from the Polymetal International plc functional currency (US dollar to 1 January 2015 and Kazakh tenge from 1 August 2023). The exchange differences arising on translation of the assets, liabilities and income statements of the Polymetal Russia Group were recorded in other comprehensive income and accumulated in the separate component of equity. On disposal of the Polymetal Russia Group the cumulative amount of the exchange differences relating to Polymetal Russia operations is to be recycled to the Polymetal International plc's income statement.

ALTERNATIVE PERFORMANCE MEASURES

Introduction

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

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

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

Purpose

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

- Widely used by the investor and analyst community in the mining sector and, together with IFRS measures, provide a holistic view of the Group;
- Applied by investors to assess earnings quality, facilitate period to period trend analysis and forecasting of future earnings, and understand performance through eyes of management;
- Highlight key value drivers within the business that may not be obvious in the financial statements;
- Ensure comparability of information between reporting periods and operating segments by adjusting for uncontrollable or one-off factors which impact upon IFRS measures;
- Used internally by management to assess the financial performance of the Group and its operating segments;
- Used in the Group's dividend policy; and
- Certain APMs are used in setting 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 Group 	<ul style="list-style-type: none"> • Write-down of metal inventory to net realisable value (post-tax) • Impairment/reversal of previously recognised impairment of non-current 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.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
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.
Underlying return on equity	<ul style="list-style-type: none"> No equivalent 	<ul style="list-style-type: none"> Underlying net earnings (as defined above) 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 Group 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) 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 Impairment/reversal of previously recognised impairment of non-current 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 elements, 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 borrowings¹ 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.

¹ Excluding lease liabilities and royalty payments.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
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 Group in turning profit into cash through the strong management of working capital and capital expenditure.
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 costs and costs related to 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 Group 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 paid. 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.