

**Release time** IMMEDIATE  
**Date** 20 June 2018

## **Polymetal International plc**

### **Report on payments to governments for the year 2017**

**Polymetal International plc (LSE, MOEX: POLY, ADR: AUCOY) (together with its subsidiaries – “Polymetal”, the “Company”, or the “Group”) issues its report on payments to government for the year ended 31 December 2017.**

#### **INTRODUCTION**

This Report provides an overview of the payments to governments made by Polymetal International plc and its subsidiary undertakings (hereinafter referred to as “Polymetal”) for the year 2017 as required under the UK’s Report on Payments to Governments Regulations 2014 (as amended in December 2015). These UK Regulations enact domestic rules in line with Directive 2013/34/EU (the EU Accounting Directive (2013)) and apply to large extractive companies, whose securities are publicly listed on a UK-regulated stock market, that are involved in the exploration, prospection, discovery, development and extraction of minerals, oil, natural gas deposits or other materials. This Report is also intended to satisfy the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority in the United Kingdom.

#### **BASIS OF PREPARATION**

##### **Legislation**

This report is prepared in accordance with The Reports on Payments to Governments Regulations 2014 as enacted in the UK in December 2014 and as amended in December 2015.

##### **Reporting entities**

This Report includes payments to governments made by Polymetal plc and its subsidiary undertakings (Polymetal). Payments made by entities over which Polymetal has joint control or significant influence are excluded from this Report.

##### **Activities**

Payments made by Polymetal to governments arising from activities involving the exploration, prospection, discovery, development and extraction of minerals are disclosed in this Report. It excludes payments related to refining activities made to the refineries owned by the government agencies and any payments which are not directly attributable to the production and exploration activities.

##### **Government**

Government includes any national, regional or local authority of a country, and includes a department, agency or entity that is a subsidiary of a government.

##### **Project**

Payments are reported at project level except that payments that are not attributable to a specific project are reported at legal entity level. Project is defined as operational activities which are governed by a single contract, or licence agreement, and form the basis for payment liabilities with a government. If such agreements are substantially interconnected, those agreements are to be treated as a single project.

“Substantially interconnected” means forming a set of operationally and geographically integrated contracts, or licence agreements that are signed with a government giving rise to payment liabilities. Indicators of integration include, but are not limited to, geographic proximity, the use of shared infrastructure and common operational management.

License agreements are aggregated for the purposes of reporting as a single project only when those legal agreements have substantially similar terms and are both geographically and operationally integrated.

##### **Payments**

The information is reported under the following payment types:

### *Income taxes*

These are taxes paid by Polymetal on its income and profits in accordance with legislation enacted in the applicable jurisdiction. Payments are reported net of refunds. Value added tax, personal income taxes, social taxes, property taxes are excluded.

The maximum income tax in Russia is set at 20% and is allocated between federal budget and the budgets of the relevant constituent regions. In 2017 the following proportion was applied: 3% to the federal budget, whereas 17% allocated to the regional budgets (2016: 2% to the federal budget, whereas 18% allocated to the regional budgets). From 1 January 2017 Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17% (2018:18%) for the operations held in the Special Economic Zone of the Russian Far East, as well as decreased mining tax rate (paying at 60% of the 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 Program. From 1 January 2017 Svetloye LLC has received tax relief as Regional Investment Project and is entitled to the statutory income tax rate of 0% up to 2021, as well as decreased Mining tax rates.

In Kazakhstan and Armenia income taxes are set at 20% and there are no regional or local income taxes in these countries.

### *Mining tax*

Mining tax is a royalty payable in Russian Federation, Kazakhstan and Armenia, which is calculated based on the value of the precious metals extracted in the period. This value is usually determined based on the realised selling price of precious metals or, in case if there were no sales during the period, cost of production of metals extracted (Russian Federation) or the average market price (Kazakhstan) during the period. Royalty payable in Armenia is calculated as a percentage of actual sales during the reporting period.

Mining tax in Russia is levied at federal level, and then is reallocated between federal and respective regional budgets based on the following proportion: 40% of total tax collected to the federal budget, 60% to regional budgets. Mining tax and royalties in Kazakhstan and Armenia are levied at republican level.

### *Licence fees*

These are fees and other sums paid as consideration for acquiring a licence for gaining access to an area where extractive activities are performed. Administrative government fees that are not specifically related to the extractive sector, or to access to extractive resources, are excluded. No significant licence fees individually more than 86,000 GBP were paid during the year ended 31 December 2017.

### *Rental fees*

The land in the Russian Federation and Kazakhstan on which the Group's production facilities are located is owned by the state. The Group leases this land through operating lease agreements.

### *Other payments*

Other payments include payments made and social commitments in accordance with subsoil contracts attributable to the Kyzyl project and investment in the Special Economic Zone Development Program of Omolon Gold Mining Company LLC and Magadan Silver JSC.

### *Cash and in-kind payments*

Payments are reported on cash basis. No in-kind payments were made during years ended 31 December 2017 and 31 December 2016.

### **Materiality Level**

Any payment, whether made as a single payment or as a series of related payments, below GBP 86,000 within a financial year is excluded from this Report.

Payments made to a governments by a joint ventures or associates of the Group in proportion to the company's interest in the respective venture or associate are insignificant to this Report based on materiality level set.

### **Exchange Rate**

Relevant payments are made by Polymetal in Russian Rubles, Kazakh Tenge and Armenian Dram and for the purpose of this Report are translated to the US Dollar based on the foreign exchange rate at the relevant monthly average rate.

PAYMENTS PER GOVERNMENT  
FOR THE YEAR 2017

Government	000'\$		Income tax	Mining tax	Rental fees	Licence fees	Other <sup>1</sup>	Total
Russia			79,692	61,728	2,096	31	18,267	161,814
Kazakhstan			12,960	8,911	61	-	4,370	26,302
Armenia			-	3,961	222	-	1,302	5,485
<b>Total</b>			<b>92,652</b>	<b>74,600</b>	<b>2,379</b>	<b>31</b>	<b>23,939</b>	<b>193,601</b>

PAYMENTS PER  
PROJECT<sup>1</sup>

Entity	000'\$	Project	Country/ Government	Region	Income tax	Mining tax	Rental fees	Licence fees	Other <sup>1</sup>	Total
Gold of Northern Urals CJSC		Voro	Russia	Svedlovsk Region	23,305	8,102	98	5	65	31,575
Okhotskaya Mining and Exploration Company LLC		Okhotsk	Russia	Khabarovsk Region	9,211	7,382	287	2	34	16,916
Svetloye LLC		Svetloye	Russia	Khabarovsk Region	-	-	217	-	14	231
Magadan Silver JSC		Dukat	Russia	Magadan Region	21,548	8,814	655	13	14,172	45,202
Mayskoye Gold Mining Company LLC		Mayskoye	Russia	Chukotka Autonomous Region	-	9,644	-	-	28	9,672
Omolon Gold Mining Company LLC		Omolon	Russia	Magadan Region	14,587	9,715	403	9	3,890	28,604
Albazino Resources Ltd		Albazino	Russia	Khabarovsk Region	11,041	18,071	436	2	64	29,614
Varvarinskoye JSC		Varvara	Kazakhstan	n/a	9,803	3,370	11	-	511	13,695
Komarovskoye Mining Company LLC		Komar	Kazakhstan	n/a	2,637	5,527	11	-	307	8,482
Bakyrchik Mining Venture LLC		Kyzyl	Kazakhstan	n/a	484	14	36	-	3,522	4,056
Inter Gold Capital LLC		Kapan	Kazakhstan	n/a	36	-	3	-	30	69
Kapan MPC CJSC		Kapan	Armenia	n/a	-	3,961	222	-	1,302	5,485
<b>Total</b>					<b>92,652</b>	<b>74,600</b>	<b>2,379</b>	<b>31</b>	<b>23,939</b>	<b>193,601</b>

<sup>1</sup> Includes payments under Special Economic Zone Development Program of kUS\$ 3,822 for Omolon Gold Mining Company LLC and kUS\$ 13,952 for Magadan Silver JSC.

PAYMENTS PER  
GOVERNMENT FOR  
THE YEAR 2016<sup>1</sup>

Government 000'\$	Income tax	Mining tax	Rental fees	Licence fees	Other	Total
Russia	133,114	76,503	1,231	18	443	211,309
Kazakhstan	5,324	4,501	49	-	1,522	11,395
Armenia	-	3,046	1	-	9	3,056
<b>Total</b>	<b>138,438</b>	<b>84,050</b>	<b>1,281</b>	<b>18</b>	<b>1,973</b>	<b>225,760</b>

PAYMENTS PER  
PROJECT<sup>1</sup>

Entity 000'\$	Project	Country/ Government	Region	Income tax	Mining tax	Rental fees	Licence fees	Other	Total
JSC Gold of Northern Urals	Voro	Russia	Sverdlovsk Region	21,983	11,023	7	0	53	33,066
LLC Okhotskaya Mining and Exploration Company	Okhotsk	Russia	Khabarovsk Region	13,056	8,206	143	8	20	21,433
JSC Magadan Silver <sup>2</sup>	Dukat	Russia	Magadan Region	66,728	22,690	435	-	206	90,058
Mayskoye Gold Mining Company LLC	Mayskoye	Russia	Chukotka Autonomous Region	-	7,459	1	-	16	7,476
Omolon Gold Mining Company LLC	Omolon	Russia	Magadan Region	12,838	9,100	338	10	32	22,318
Albazino Resources Ltd	Albazino	Russia	Khabarovsk Region	18,509	18,025	307	-	117	36,958
JSC Varvarinskoye	Varvara	Kazakhstan	n/a	4,271	4,501	11	-	612	9,396
JSC Komarovskoye Mining Company	Komar	Kazakhstan	n/a	905	-	-	-	87	992
Bakyrchik Mining Venture LLP	Kyzyl	Kazakhstan	n/a	147	-	34	-	799	979
JSC Inter Gold Capital	Kyzyl	Kazakhstan	n/a	-	-	4	-	25	28
Kapan MPC CJSC	Kapan	Armenia	n/a	-	3,046	1	-	9	3,056
<b>Total</b>				<b>138,438</b>	<b>84,050</b>	<b>1,281</b>	<b>18</b>	<b>1,973</b>	<b>225,760</b>

<sup>1</sup> For the entities, acquired during the year ended 31 December 2016, payments to governments are reported from the acquisition date, namely for Kapan MPC CJSC and JSC Komarovskoye Mining Company from 28 April 2016 and 1 August 2016, respectively.

<sup>2</sup> Individually less than GBP 86,000

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