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Polymetal International plc

Report on payments to governments for the year 2018

Polymetal issues the report on payments to government for the year ended 31 December 2018.

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 2018 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 rate in Russia is set at 20% and is allocated between federal budget and the budgets of the relevant constituent regions. In 2018 and 2017 the following proportion was applied: 3% was remitted to the federal budget, whereas 17% were 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% 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 special 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 to 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 is then 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 central government 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 2018.

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 2018 and 31 December 2017.

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 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 2018**

Government 000'\$	Income tax	Mining tax	Rental fees	Licence fees	Other ¹	Total
Russia	94,652	68,408	2,161	130	9,643	174,994
Kazakhstan	9,611	15,898	60	-	5,425	30,994
Armenia	388	13,241	228	-	12	13,869
Total	104,651	97,547	2,449	130	15,080	219,857

**PAYMENTS PER
PROJECT¹**

Entity 000'\$	Project	Country/ Government	Region	Income tax	Mining tax	Rental fees	Licence fees	Other ¹	Total
Gold of Northern Urals CJSC	Voro	Russia	Svedlovskaya oblast'	25,962	8,180	83	-	79	34,304
Okhotskaya Mining and Exploration Company LLC	Okhotsk	Russia	Khabarovskiy Kray	8,328	5,751	301	34	42	14,456
Svetloye LLC	Svetloye	Russia	Khabarovskiy Kray	-	-	290	3	33	326
Magadan Silver JSC	Dukat	Russia	Magadanskaya oblast'	34,420	14,527	604	45	5,111	54,707
Mayskoye Gold Mining Company LLC	Mayskoye	Russia	Chukotka Autonomous Okrug	-	12,322	6	-	25	12,353
Omolon Gold Mining Company LLC	Omolon	Russia	Magadanskaya oblast'	6,929	8,603	403	31	4,230	20,196
Albazino Resources Ltd	Albazino	Russia	Khabarovskiy Kray	19,013	19,025	474	17	123	38,652
Varvarinskoye JSC	Varvara	Kazakhstan	n/a	4,701	2,370	11	-	444	7,526
Komarovskoye Mining Company LLC	Komar	Kazakhstan	n/a	3,004	5,333	11	-	467	8,815
Bakyrchik Mining Venture LLC	Kyzyl	Kazakhstan	n/a	1,906	8,195	34	-	4,489	14,624
Inter Gold Capital LLC		Kazakhstan	n/a	-	-	4	-	25	29
Kapan MPC CJSC	Kapan	Armenia	n/a	388	13,241	228	-	12	13,869
Total				104,651	97,547	2,449	130	15,080	219,857

¹ Includes payments under Special Economic Zone Development Program of kUS\$ 4,172 for Omolon Gold Mining Company LLC and kUS\$ 4,979 for Magadan Silver JSC.

**PAYMENTS PER GOVERNMENT
FOR THE YEAR 2017**

Government 000'\$	Income tax	Mining tax	Rental fees	Licence fees	Other ¹	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
Total	92,652	74,600	2,379	31	23,939	193,601

**PAYMENTS PER
PROJECT¹**

Entity 000'\$	Project	Country/ Government	Region	Income tax	Mining tax	Rental fees	Licence fees	Other ¹	Total
Gold of Northern Urals CJSC	Voro	Russia	Svedlovskaya oblast'	23,305	8,102	98	5	65	31,575
Okhotskaya Mining and Exploration Company LLC	Okhotsk	Russia	Khabarovskiy Kray	9,211	7,382	287	2	34	16,916
Svetloye LLC	Svetloye	Russia	Khabarovskiy Kray	-	-	217	-	14	231
Magadan Silver JSC	Dukat	Russia	Magadanskaya oblast'	21,548	8,814	655	13	14,172	45,202
Mayskoye Gold Mining Company LLC	Mayskoye	Russia	Chukotka Autonomous Okrug	-	9,644	-	-	28	9,672
Omolon Gold Mining Company LLC	Omolon	Russia	Magadanskaya oblast'	14,587	9,715	403	9	3,890	28,604
Albazino Resources Ltd	Albazino	Russia	Khabarovskiy Kray	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		Kazakhstan	n/a	36	-	3	-	30	69
Kapan MPC CJSC	Kapan	Armenia	n/a	-	3,961	222	-	1,302	5,485
Total				92,652	74,600	2,379	31	23,939	193,601

¹ 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.

About Polymetal

Polymetal International plc (LSE, MOEX, AIX: POLY, ADR: AUCOY) (together with its subsidiaries – “Polymetal”, the “Company”, or the “Group”) is a top-20 global gold producer and top-5 global silver producer with assets in Russia and Kazakhstan. The Company combines strong growth with a robust dividend yield.

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