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Polymetal International plc

Half-yearly report for the six months ended 30 June 2019

“Our strong earnings during the period reflect solid operational delivery, and most notably excellent results from Kyzyl”, said Vitaly Nesis, Group CEO, commenting on the results. “Traditionally, we expect seasonally lower costs, higher production and materially stronger cash flow generation in the second half of the year, allowing us to meet our full year cost and production guidance”.

FINANCIAL HIGHLIGHTS

- Revenue in 1H 2019 increased by 20% to US\$ 946 million compared to 1H 2018 (“year-on-year”), primarily driven by gold equivalent (GE) production growth of 22%. Gold sales were 604 Koz, up 36% year-on-year, while silver sales were down 15% to 10.3 Moz, in line with production volume dynamics. Average realised prices largely tracked market dynamics: gold prices achieved were broadly flat year-on-year, while silver prices were down 7%.
- Group Total cash costs (“TCC”)¹ were US\$ 667/GE oz for 1H 2019, down 3% year-on-year, and 3% above the Company’s full year guidance of US\$ 600-650/GE oz owing to the seasonality of sales. All-in sustaining cash costs (“AISC”)¹ amounted to US\$ 904/GE oz, increasing by 1% year-on-year due to one-off investments at Varvara (locomotive and mining fleet) and Dukat (scheduled tailings storage facility upgrade). Both cost metrics are expected to decline in the second half of the year on the back of seasonally higher production, notably at Svetloye and Mayskoye, and due to a closer alignment of sales to production at Dukat and Kyzyl.
- Adjusted EBITDA¹ was US\$ 403 million, an increase of 34% year-on-year, mostly driven by higher production volumes. The Adjusted EBITDA margin increased by 5 p.p. to 43% (1H 2018: 38%), reflecting a successful launch and ramp-up of Kyzyl delivering at full capacity during the period.
- Net earnings² were US\$ 153 million versus US\$ 175 million in 1H 2018, mostly impacted by the foreign exchange loss on USD denominated intercompany loans between entities with different functional currencies. Underlying net earnings¹ increased by 21% to US\$ 188 million (1H 2018: US\$ 155 million) on the back of higher operating profit.
- A final dividend for 2018 of US\$ 0.31 per share (total of US\$ 146 million) was paid in May 2019. An interim dividend of US\$ 0.20 per share (1H 2018: US\$ 0.17 per share) representing 50% of the Group’s underlying net earnings for 1H 2019 has been approved by the Board in accordance with the dividend policy, while complying with the hard ceiling of 2.5x Net debt/Adjusted EBITDA .
- Net debt¹ increased to US\$ 1,698 million during the period (31 December 2018: US\$ 1,520 million), representing 1.92x of last twelve months Adjusted EBITDA, driven by a seasonal working capital increase and payment of FY 2018 final dividend. Seasonally higher production and a working capital drawdown are expected to drive stronger free cash flow generation in 2H 2019.
- Polymetal remains on track to meet its 2019 production guidance of 1.55 Moz of gold equivalent. TCC and AISC are expected to be within the guidance range of US\$ 600-650/GE oz and US\$ 800-850/GE oz, respectively. This guidance remains contingent on the RUB/USD and KZT/USD exchange rates that have a significant effect on the Group’s local currency denominated operating costs.

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 Profit for the financial period.

FINANCIAL HIGHLIGHTS¹²	1H 2019	1H 2018	Change, %
Revenue, US\$m	946	789	+20%
Total cash cost, US\$/GE oz	667	689 ³	-3%
All-in sustaining cash cost, US\$/GE oz	904	898	+1%
Adjusted EBITDA, US\$m	403	300	+34%
Average realised gold price, US\$/ oz	1,332	1,313	+1%
Average realised silver price, US\$/ oz	15.2	16.4	-7%
Net earnings, US\$m	153	175	-13%
Underlying net earnings, US\$m	188	155	+21%
Return on Assets, %	14%	13%	+1%
Return on Equity (underlying),%	13%	12%	+1%
Basic EPS, US\$/share	0.33	0.40	-18%
Underlying EPS, US\$/share	0.40	0.35	+14%
Dividend declared during the period, US\$/share ⁴	0.31	0.30	+3%
Dividend proposed for the period, US\$/share	0.20	0.17	+18%
Net debt, US\$m	1,698	1,520 ⁵	+12%
Net debt/Adjusted EBITDA ⁶	1.92	1.95	-1%
Net operating cash flow, US\$m	127	93	+37%
Capital expenditure, US\$m	189	169	+12%
Free cash flow, US\$m	(63)	(64)	NM ⁷
Free cash flow post-M&A, US\$m	(23)	(91)	NM

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

² For more information on the APMs used by the Group refer to the "Alternative performance measures" section below.

³ Restated on Dukat's TCC including the effect of concentrate treatment charges. Previously reported TCC for 1H 2018 were US\$ 683/GE oz.

⁴ 1H 2019: Final dividend for FY 2018 paid in May 2019. 1H 2018: Final dividend for FY 2017 paid in May 2018.

⁵ As at 31 December 2018.

⁶ On a last twelve months basis. Adjusted EBITDA for 2H 2018 was US\$ 475 million.

⁷ NM – Not meaningful.

CONFERENCE CALL AND WEBCAST

Polymetal will hold a conference call and webcast on Tuesday, 27 August 2019 at 12:00 London time (14:00 Moscow time).

To participate in the call, please dial:
8 800 500 98 63 access code 23612986# (free from Russia), or
44 203 009 24 83 (free from the UK), or
1 646 502 51 26 (free from the US), or

follow the link: <https://webcasts.eqs.com/polymetal20190827>

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

Webcast replay will be available on Polymetal's website (www.polymetalinternational.com) and at <https://webcasts.eqs.com/polymetal20190827>. A recording of the call will be available immediately after the call at +44 20 3364 5147 (from within the UK), +1 646 722 4969 (from within the USA) and +7 495 249 16 71 (from within Russia), access code 418870681#, from 14:30 Moscow time Tuesday, 27 August, till 14:30 Moscow time Tuesday, 3 September, 2019.

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OPERATING REVIEW

MARKET SUMMARY

Precious metals

In 1H 2019, gold prices reached US\$ 1,400/oz for the first time since 2013 on the back of expectations of lower interest rates and on-going geopolitical uncertainty, with further support coming from strong central bank buying. Gold closed the half-year period at US\$ 1,409/oz, an increase of 10% year-to-date, although the average LBMA gold price for the period was US\$ 1,308/oz, down 1% year-on-year as the material price increase only started in June.

Global official gold reserves continued to grow at a rapid pace, as a diverse range of countries added to their holdings. Gold demand for the 1H 2019 rose to a three-year high of 2,182¹ tonnes, largely due to record-breaking central bank purchases (largely in emerging markets) and healthy ETF inflows (driven by continued concerns over a US-China trade deal and related economic growth implications, Brexit and emerging tensions between certain Western countries and Iran). Growth in jewellery demand was largely the product of a more positive environment for Indian consumers. Demand for gold in the technology sector was down 2%¹ due to challenging global conditions. The 1H total of bar and coin investment ended at a ten-year low, mostly driven by a drop in China. Solid growth in both mine production and recycling fed into a 2%¹ increase in total 1H gold supply.

Silver price dynamics were influenced by increasing levels of volatility: the average LBMA price decreased by 9% from US\$ 16.7/oz for 1H 2018 to US\$ 15.2/oz for 1H 2019. The spot price at 30 June 2019 was US\$ 15.2/oz decreasing by 2% compared to 1 January 2019 although the silver/gold price ratio subsequently recovered in July.

Foreign exchange

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

During 1H 2019 the Russian Rouble weakened moderately on the back of continued geopolitical tensions and sanctions risks. The Russian Rouble depreciated 10% year-on-year from an average of 59.3 RUB/USD in 1H 2018 to 65.3 RUB/USD in 1H 2019, while the spot rate as at 30 June 2019 appreciated by 9% to 63.1 RUB/USD compared to 31 December 2018. This had a positive impact on the mining sector in Russia, resulting in lower Dollar value of Rouble-denominated operating costs and higher margins.

The economics of Kazakh gold mining operations were also supported by weakening of the Kazakh Tenge (down 16% year-on-year, from 326 KZT/USD in 1H 2018 to 379 KZT/USD in 1H 2019).

OPERATING HIGHLIGHTS²

	1H 2019	1H 2018	Change, %
Waste mined, Mt	77.6	60.9	+27%
Underground development, km	54.3	64.4	-16%
Ore mined, Mt	8.6	6.5	+32%
Open-pit	6.5	4.2	+55%
Underground	2.1	2.4	-13%
Ore processed, Mt	7.6	7.0	+9%
Average grade processed, GE g/t	4.1	3.8	+9%
Production			
Gold, Koz	602	446	+35%
Silver, Moz	11.0	12.7	-13%
Copper, Kt	1.4	1.6	-13%
Gold equivalent, Koz³	756	619	+22%
Sales			
Gold, Koz	604	445	+36%
Silver, Moz	10.3	12.1	-15%

¹ Gold Demand Trends Q2 2019 published by World Gold Council.

² In December 2018 Polymetal sold Khakanja operations (Khabarovsk operating segment). In January 2019 Polymetal completed the sale of Kapan (Armenia operating segment). The results of Khakanja operations and Kapan are shown as discontinued operations (refer to Note 3 of the condensed consolidated financial statements).

³ Based on 1:80 Ag/Au, 5:1 Cu/Au and 2:1 Zn/Au conversion ratios.

Copper, Kt	1.0	1.5	-33%
Gold equivalent, Koz¹	722	601	+20%
Headcount ²	11,715	10,626	+10%
Health and safety			
LTIFR ³	0.23	0.16	+44%
Fatalities	2	1	+1

- GE production in 1H 2019 was 756 Koz, up 22% year-on-year. Stronger production in the 2H will be driven by traditional seasonal concentrate de-stockpiling at Mayskoye and heap leach production at Svetloye. The Company remains on track to meet its FY2019 production guidance of 1.55 Moz of gold equivalent.
- Kyzyl delivered at full capacity with 160 Koz of gold produced in the period, exceeding design specifications on throughput and grade. The processing plant is now running at a rate of 2 Mt per annum - above its nameplate capacity of 1.8 Mtpa.

¹ Based on actual realised prices.

² Excluding discontinued operations.

³ LTIFR = lost time injury frequency rate per 200,000 hours worked.

FINANCIAL REVIEW

REVENUE

		1H 2019	1H 2018	Change, %
Sales volumes				
Gold	Koz	604	445	+36%
Silver	Moz	10.3	12.1	-15%
Copper	Kt	1.0	1.5	-30%
Gold equivalent sold¹	Koz	722	601	+20%

Sales by metal (US\$ mln unless otherwise stated)		1H 2019	1H 2018	Change, %	Volume variance, US\$ mln	Price variance, US\$ mln
Gold		791	584	+35%	208	(1)
Average realised price ²	US\$/oz	1,332	1,313	+1%		
Average LBMA closing price	US\$/oz	1,308	1,318	-1%		
Share of revenues	%	84%	74%	+10%		
Silver		149	189	-21%	(28)	(12)
Average realised price ²	US\$/oz	15.2	16.4	-7%		
Average LBMA closing price	US\$/oz	15.2	16.7	-9%		
Share of revenues	%	16%	24%	-8%		
Other metals		6	16	-63%		
Share of revenues	%	0%	2%	-2%		
Total revenue		946	789	+20%	159	(2)

In 1H 2019, revenue grew by 20% year-on-year to US\$ 946 million driven by a 20% increase of gold equivalent volume sold. Gold sales volume increased by 36%, while silver sales volume decreased by 15% year-on-year, both broadly following production dynamics.

The average realised price for gold was US\$ 1,332/oz in 1H 2019, up 1% from US\$ 1,313/oz in 1H 2018, and slightly above the average market price of US\$ 1,308. The average realised silver price was US\$ 15.2/oz, down 7% year-on-year, and in line with market price dynamics.

The share of gold sales as a percentage of total revenue increased from 74% in 1H 2018 to 84% in 1H 2019, driven by a corresponding shift in production and sales volume by metal.

¹ Based on actual realised prices

² Excluding effect of treatment charges deductions from revenue.

Analysis by segment/operation		Revenue, US\$m			Gold equivalent sold, Koz (silver equivalent for Dukat, Moz)		
Segment	Operation	1H 2019	1H 2018	Change, %	1H 2019	1H 2018	Change, %
Magadan	Dukat	174	191	-9%	11.9	12.3	-4%
	Omolon	132	99	+33%	100	75	+33%
	Mayskoye	11	-	NA	9	-	NA
	Total Magadan	317	290	+9%	240	223	+7%
Khabarovsk	Albazino/Amursk	212	216	-2%	155	163	-5%
	Svetloye	50	61	-18%	38	47	-20%
	Total Khabarovsk	262	277	-5%	192	210	-8%
Kazakhstan	Kyzyl	199	-	NA	162	-	NA
	Varvara	88	90	-2%	68	65	+4%
	Total Kazakhstan	287	90	+219%	230	65	+252%
Ural	Voro	75	71	+6%	57	54	+4%
Continued operations	Total revenue	941	728	+29%	719	553	+4%
Khabarovsk	Okhotsk ¹	-	32	-100%	-	25	-100%
Armenia	Kapan ²	5	29	-83%	4	24	-84%
Continued and discontinued operations	Total revenue	946	789	+20%	722	601	+20%

Sales at all operating mines broadly followed the planned production dynamics. At Svetloye and Dukat, there was a temporary lag between production and sales to be eliminated in 2H 2019. At Mayskoye, there was no meaningful gold production in 1H 2019. With the summer navigation period starting in July, most production at Mayskoye will be booked in the second half of the year once the stockpiled concentrate is shipped to off-takers and loaded carbon produced from the oxidized ore through the combined float-leach circuit (held within metal inventories at 30 June 2019) is stripped at the Amursk POX.

COST OF SALES

Cost of sales

(US\$ mln)

	1H 2019	1H 2018	Change, %
On-mine costs	253	244	+4%
Smelting costs	178	165	+8%
Purchase of ore and concentrates from third and related parties	22	50	-56%
Mining tax	54	43	+26%
Total cash operating costs	507	502	+1%
Depreciation and depletion of operating assets	121	107	+13%
Rehabilitation expenses	1	-	NA
Total costs of production	629	609	+3%
Increase in metal inventories	(95)	(161)	-41%
Write-down of metal inventories to net realisable value	-	7	-100%
Total change in metal inventories	(95)	(154)	-38%
Write-down of non-metal inventories to net realisable value	(1)	1	NM
Idle capacities and abnormal production costs	2	3	-33%
Total cost of sales	535	459	+17%

¹ Sold in 4Q 2018.

² Sold in 1Q 2019.

Cash operating cost structure	1H 2019, US\$ mln	1H 2019, % of total	1H 2018, US\$ mln	1H 2018, % of total
Services	194	38%	163	32%
Consumables and spare parts	134	26%	138	27%
Labour	100	20%	105	21%
Mining tax	54	11%	43	9%
Purchase of ore and concentrates from third and related parties	22	4%	50	10%
Other expenses	3	1%	3	1%
Total	507	+100%	502	+100%

The total cost of sales increased by 17% in 1H 2019 to US\$ 535 million, reflecting a volume-based increase in production and sales (22% and 20% year-on-year respectively in gold equivalent terms), partially offset by the positive impact from the Russian Rouble and Kazakh Tenge depreciating by 10% and 16%, respectively.

The cost of services was up 19% year-on-year, driven both by production growth and higher volume of transportation services during the period, notably at Omolon (ore transportation from the Olcha underground mine) and Kyzyl (concentrate transportation).

The cost of consumables and spare parts was down 3% compared to 1H 2018, caused mostly by the Russian Rouble devaluation combined with the effect of high-cost assets disposal, offsetting increase of gold equivalent production volume and impact of Russian domestic inflation.

The total cost of labour within cash operating costs in 1H 2019 was US\$ 100 million, a 5% decrease, mainly stemming from decrease in average headcount following asset disposals.

Mining tax increased by 26% year-on-year to US\$ 54 million, above production volume increase, mainly impacted by royalties accrued at Kyzyl, as no regional tax benefits are available to Kazakh entities.

Depreciation and depletion was US\$ 121 million, up 13% year-on-year, of which US\$18 million is included within the increase in metal inventories. The increase is mostly attributable to newly launched Kyzyl with a relatively high book value of fixed assets and mineral rights.

In 1H 2019, a seasonal net metal inventory increase of US\$ 95 million (1H 2018: US\$ 161 million) was recorded. The increase was mainly represented by concentrate produced at Mayskoye (awaiting sales to off-takers during the summer navigation period), Kyzyl and Dukat. The Company expects the majority of this increase to be reversed by the end of 2019.

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US\$ mln)	1H 2019	1H 2018	Change, %
Labour	71	66	+8%
Share based compensation	6	6	-
Services	5	7	-29%
Depreciation	3	2	+50%
Other	8	8	-
Total	93	89	+4%

General, administrative and selling expenses ("SGA") increased by 4% year-on-year from US\$ 89 million to US\$ 93 million mostly driven by the increased headcount of administrative personnel with the launch of Kyzyl and at newly acquired Nezhda and Prognoz, as well as regular salary reviews.

OTHER OPERATING EXPENSES

(US\$ mln)	1H 2019	1H 2018	Change, %
Social payments	10	8	+25%
Exploration expenses	8	6	+33%
Provision for investment in Special Economic Zone	5	5	-
Taxes, other than income tax	4	7	-43%
Housing and communal services	2	2	-
Change in estimate of environmental obligations	(2)	(2)	-
Bad debt and expected credit loss allowance	-	4	-100%
Loss on disposal of property, plant and equipment	-	1	-100%
Additional tax charges/fines/penalties	-	(1)	-100%
Other expenses	-	2	-100%
Total	27	32	-16%

Other operating expenses decreased to US\$ 27 million in 1H 2019 compared to US\$ 32 million in 1H 2018 mainly due to the Rouble and Tenge devaluation compared to prior period, as well as a decrease in allowance for bad debt and expected credit loss.

TOTAL CASH COSTS BY MINE

Total cash costs per gold equivalent ounce¹

Segment	Operation	1H 2019	1H 2018 ²	Change, %	2H 2018	Change, %
Magadan	Dukat (SE oz) ³	10.0	9.4	+7%	9.2	+9%
	Omolon	832	713	+17%	601	+39%
	Mayskoye	NM	NM	NM	787	NM
	Total Magadan	871	760	+15%	718	+21%
Khabarovsk	Svetloye	388	368	+6%	265	+46%
	Albazino/Amursk	754	694	+9%	645	+17%
	Okhotsk ⁴	NA	918	NA	688	NA
	Total Khabarovsk	682	652	+5%	546	+25%
Kazakhstan	Kyzyl	407	NA	NA	554	-27%
	Varvara	708	760	-7%	659	+7%
	Total Kazakhstan	504	760	-34%	602	-16%
Ural	Voro	381	412	-8%	369	+3%
Armenia	Kapan ⁵	NA	919	NA	1,042	NA
Total Group		667	689	-3%	633	+5%

In 1H 2019, total cash costs per gold equivalent ounce sold ("TCC") were US\$ 667/GE oz, down 3% year-on-year and up 5% compared to 2H 2018. The depreciation of the Russian Rouble and Kazakh Tenge against the US dollar, combined with high-cost assets disposal and the structural impact from higher production at lower cost mines had a positive impact on cost levels, offsetting domestic inflation and one-off factors at Albazino and Omolon. The table below summarises the major factors that have affected the Group's TCC and AISC dynamics year-on-year:

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

² Restated on Dukat's TCC including the effect of treatment charges.

³ Dukat's total cash cost per gold equivalent was US\$ 878/GE oz (1H 2018: US\$ 791/GE oz) and was included in the Group TCC calculation.

⁴ Sold in 4Q 2018.

⁵ Sold in 1Q 2019.

Reconciliation of TCC and AISC movements	TCC, US\$/oz	Change, %	AISC, US\$/oz	Change, %
Cost per gold equivalent ounce – 1H 2018	689		898	
RUB/USD rate change	(57)	-8%	(74)	-8%
Effect of high-cost assets disposal	(28)	-4%	(22)	-2%
Change in sales structure between mines	(15)	-2%	(15)	-2%
Mining tax change - Au&Ag price	(1)	0%	(1)	0%
Au/Ag ratio change	14	2%	14	2%
Domestic inflation	29	4%	37	4%
Change in average grade processed by mine	34	5%	34	4%
Other	1	0%	31	3%
Cost per gold equivalent ounce – 1H 2019	667	-3%	904	1%

Total cash cost by mine:

- Dukat's total cash cost per silver equivalent ounce sold ("SE oz") increased by 7% year-on-year and 9% half-on-half¹ to US\$ 10.0/SE oz. Cost increase is attributable to the planned moderate decrease in silver grade.
- At Omolon, TCC amounted to US\$ 832/GE oz, an increase of 17% year-on-year and 39% half-on-half, which was driven by grade decline, switch to processing low-grade ore from Birkachan open-pit and high ore transportation costs at Olcha underground.
- At Mayskoye, there were no meaningful sales during 1H 2019 hence the total cash costs for the period are considered unrepresentative of the underlying performance.
- At Svetloye, TCC increased by 6% year-on-year and 46% half-on-half to US\$ 388/GE oz, mostly driven by the seasonality of HL operations and sales. The increase was also caused by rainy weather in 2Q 2019 that impacted the pace of stacking and availability of high-grade material.
- At Albazino/Amursk, TCC was US\$ 754/GE oz, up 9% year-on-year and 17% half-on-half. The cost increase compared to 1H 2018 was mostly attributable to processing of lower grade ore from the Ekaterina-1 open pit.
- Kyzyl's total cash costs were at US\$ 407/GE oz, significantly below Group's average and feasibility study levels and down 27% half-on-half, as the mine delivered in excess of its design capacity and planned grade during the period.
- At Varvara, TCC was US\$ 708/GE oz, down 7% year-on-year due to the Kazakh Tenge depreciation, and up 7% half-on-half. The cost increase compared to 2H 2018 mainly stemmed from higher cost of mining at Komar.
- Voro was the lowest cost operation in 1H 2019, with TCC of US\$ 381/GE oz, 8% lower year-on-year and almost flat half-on-half despite moderate grade declines.

¹ 1H 2019 compared to 2H 2018.

ALL-IN CASH COSTS¹

	Total, US\$ mln			US\$/GE oz		
	1H 2019	1H 2018	Change, %	1H 2019	1H 2018	Change, %
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value² (Note 4)	434	382	14%	598	628	-5%
<i>adjusted for:</i>						
Idle capacities	(2)	(3)	-53%	(2)	(5)	-60%
Inter-segment realised profit on metal inventory	(3)	(4)	-3%	(5)	(6)	-17%
Treatment charges deductions reclassification to cost of sales	22	10	126%	30	16	+88%
SGA expenses, excluding depreciation, amortization and share based compensation² (Note 4)	37	39	-5%	51	64	-20%
<i>adjusted for:</i>						
SGA expenses for Kyzyl pre-commercial production	-	(5)	-100%	-	(8)	-100%
SGA expenses for development projects	(4)	-	n/a	(6)	-	n/a
Total cash costs	484	419	+16%	667	689	-3%
SGA expenses for Corporate and Other segment and other operating expenses	66	59	+12%	91	99	-8%
Capital expenditure excluding development projects	71	37	+89%	97	62	+58%
Exploration expenditure (expensed and capitalised)	12	18	-31%	17	29	-41%
Capitalised stripping	23	13	+80%	32	21	+52%
All-in sustaining cash costs¹	657	547	+20%	904	898	+1%
Finance cost	42	31	+35%	58	52	+13%
Capitalised interest	4	5	-16%	6	8	-28%
Income tax expense	57	35	+63%	78	58	+34%
After-tax All-in cash costs¹	760	617	+23%	1,046	1,011	+3%
Capital expenditure for development projects	93	107	-13%	128	178	-28%
SGA and other expenses for development projects	8	11	-30%	11	19	-42%
All-in costs¹	861	736	+17%	1,185	1,208	-2%

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

² Total continuing segments and discontinued operations.

All-in sustaining cash costs amounted to US\$ 904/GE oz in 1H 2019 and remained broadly unchanged year-on-year. AISC by mines were represented as follows:

All-in sustaining cash cost by segment/operation, US\$/GE oz				
Segment	Operation	1H 2019	1H 2018	Change, %
Magadan	Dukat (SE oz)	12.5	11.2	+11%
	Omolon	969	897	+8%
	Mayskoye	NA	NA	NA
	Total Magadan	1,089	940	+16%
Khabarovsk	Svetloye	552	494	+12%
	Albazino/Amursk	861	798	+8%
	Okhotsk ¹	NA	1,091	NA
	Total Khabarovsk	801	767	+4%
Kazakhstan	Kyzyl	510	NA	NA
	Varvara	1,187	941	+26%
	Total Kazakhstan	721	941	-23%
Ural	Voro	435	497	-12%
Armenia	Kapan ²	NA	1,067	NA
Total Group		904	898	+1%

All-in sustaining cash costs at all operating mines, except for Varvara, generally followed total cash cost dynamics. At Varvara, AISC increase by 26% to US\$ 1,187/oz on the back of acquisition of a railway locomotive and capital expenditure on mining equipment at Komarovskoye. Mayskoye half-yearly AISC are not representative of the expected full year performance as the production and sales occur in the second half of the year.

ADJUSTED EBITDA³ AND EBITDA MARGIN

Reconciliation of Adjusted EBITDA (US\$ mln)	1H 2019	1H 2018	Change, %
Profit for the financial period	153	175	-13%
Finance cost (net)	39	30	+30%
Income tax expense	57	35	+63%
Depreciation expense	106	74	+43%
EBITDA	355	314	+13%
Net foreign exchange loss/(gain)	24	(2)	NM
Loss/(gain) on disposal of subsidiaries	13	(5)	NA
Share based compensation	6	6	-
Change in fair value of contingent consideration liability	5	-	NA
Revaluation of initial share in Prognoz	-	(24)	-100%
Other non-cash items	-	11	-100%
Adjusted EBITDA	403	300	+34%
Adjusted EBITDA margin	43%	38%	+5%

¹ Disposed in 4Q 2018.

² Disposed in 1Q 2019.

³Adjusted EBITDA is a key measure of the Company's operating performance and cash generation capacity (excluding impact of financing, depreciation and tax) and a key industry benchmark allowing to perform peer comparison. Adjusted EBITDA also excludes the impact of certain accounting adjustments (mainly non-cash items) that can mask underlying changes in core operating performance. The Company defines Adjusted EBITDA (a non-IFRS measure) as profit for the period adjusted for depreciation and amortisation, write-downs/reversals of inventory to net realisable value, share-based compensation, gains/losses on disposal/revaluation of investments in subsidiaries, JVs and associates, rehabilitation expenses, bad debt allowance, foreign exchange gains or losses, changes in fair value of contingent consideration, finance income, finance costs, income tax expense and other tax exposures accrued within other operating expenses. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue.

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

Segment	Operation	1H 2019	1H 2018	Change, %
Khabarovsk	Albazino/Amursk	90	100	-10%
	Svetloye	33	41	-20%
	Okhotsk ¹	-	9	-100%
	Total Khabarovsk	123	150	-18%
Magadan	Dukat	54	73	-26%
	Omolon	42	42	-
	Mayskoye	-	(8)	-100%
	Total Magadan	96	107	-10%
Kazakhstan	Varvara	36	39	-8%
	Kyzyl	146	(6)	NM
	Total Kazakhstan	182	33	+452%
Ural	Voro	52	47	+11%
Armenia	Kapan ²	-	8	-100%
Corporate and other and intersegment operations		(50)	(45)	+11%
Total		403	300	+34%

In 1H 2019, Adjusted EBITDA was US\$ 403 million, 34% higher year-on-year, with an Adjusted EBITDA margin of 43%, reflecting a 20% increase in sales volumes combined with an increased share of low-cost production at Kyzyl. In 1H 2019, Kyzyl contributed more than one-third of total Adjusted EBITDA amounting to US\$ 146 million. At Albazino/Amursk, Svetloye and Dukat, Adjusted EBITDA decreased on the back of increase in TCC, while Voro demonstrated increase of Adjusted EBITDA driven by lower cash costs. At Omolon and Varvara, Adjusted EBITDA remained almost flat year-on-year.

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange loss in 1H 2019 of US\$ 24 million compared to an exchange gain of US\$ 2 million in 1H 2018, mostly attributable to intercompany loans with different functional currencies in the lending and borrowing subsidiaries. This foreign exchange loss was partially offset by the revaluation of the US Dollar-denominated borrowings of Russian operating companies, the functional currency of which is the Russian Rouble. The Group's average gross debt during 1H 2019 was US\$ 1,899 million, mostly denominated in US Dollars, while the RUB/USD exchange rate decreased from 69.5 RUB/USD as at 31 December 2018 to 63.1 RUB/USD as at 30 June 2019.

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

In 1H 2019 the Group has completed disposal of the Kapan mine to Chaarat Gold Holdings Limited. The total consideration received amounted to US\$ 55 million, of which US\$ 10 million was settled in Chaarat's convertible notes. Subsequent to the reporting date, the Group signed a settlement agreement with Chaarat, delivering the convertible bonds back to Chaarat and receiving its newly issued ordinary shares. This resulted in total loss on disposal of US\$ 13 million recognised in the income statement in the period. For more information refer to Note 2 of the condensed consolidated financial statements.

Income tax expense for 1H 2019 was US\$ 57 million compared to US\$ 35 million in 1H 2018. The increase was mainly attributable to the increased profit before foreign exchange and tax, combined with the effect of non-deductible foreign exchange losses and interest expense incurred in 1H 2019, which were not offset by non-taxable consolidation gains compared to 1H 2018. For details refer to Note 14 of the condensed consolidated financial statements.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded a net income of US\$ 153 million in 1H 2019 versus US\$ 175 million in 1H 2018. The underlying net earnings attributable to the shareholders of the parent were US\$ 188 million compared to US\$ 155 million in 1H 2018.

¹ Disposed in 4Q 2018.

² Disposed in 1Q 2019.

Reconciliation of underlying net earnings¹*(US\$ mln)*

	1H 2019	1H 2018	Change, %
Profit for the financial period attributable to the shareholders of the Parent	152	175	-13%
Write-down of metal inventory to net realisable value	-	7	-100%
Tax effect on write-down of metal inventory to net realisable value	-	(1)	-100%
Foreign exchange loss/(gain)	24	(2)	NM
Tax effect on foreign exchange loss	(5)	-	NA
Change in fair value of contingent consideration liability	5	-	NA
Tax effect on change in fair value of contingent consideration liability	(1)	-	NA
Revaluation of initial share in Prognoz	-	(24)	-100%
Loss on disposal of subsidiaries	13	-	NA
Underlying net earnings	188	155	+21%

Basic earnings per share were US\$ 0.33 per share compared to US\$ 0.40 per share in 1H 2018. Underlying basic EPS² was US\$ 0.40 per share compared to US\$ 0.35 per share in 1H 2018.

In accordance with the Company's dividend policy, the Board has declared an interim dividend of US\$ 0.20 per share (delivering a total expected dividend of US\$ 94 million) representing 50% of the Group's underlying net earnings for the period. During 1H 2019, Polymetal paid a total of US\$ 146 million in dividends, representing the final dividend for FY 2018.

CAPITAL EXPENDITURE³*(US\$ mln)*

	1H 2019	1H 2018	Change, %
Nezhda	57	-	NA
Albazino/Amursk	26	39	-34%
Varvara	22	7	+212%
Dukat	20	8	+153%
Kyzyl	5	42	-88%
Omolon	5	4	+18%
Mayskoye	5	1	+385%
Voro	1	1	+2%
Kapan	-	3	-100%
Svetloye	-	2	-100%
Okhotsk	-	1	-100%
Corporate and other	-	4	-100%
Exploration	24	27	-10%
Capitalised stripping	24	30	-20%
Total capital expenditure	189	169	+12%

In 1H 2019, total capital expenditure was US\$ 189⁴ million, up 12% year-on-year mainly on the back of capital expenditure at Nezhda and POX-2. Capital expenditure excluding capitalised stripping costs was US\$ 165 million in 1H 2019 (1H 2018: US\$ 139 million).

The major capital expenditure items in 1H 2019 were as follows:

- Across all operating mines, except for Varvara and Dukat, capital expenditure declined or remained almost unchanged year-on-year and was mainly represented by routine mining fleet replacements and maintenance expenditure at processing facilities;
- At Varvara, the increased capital expenditure of US\$ 22 million is mainly related to purchase of a railroad locomotive and freight cars, and upgrade of mining fleet at Komar.

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

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

³ On a cash basis.

⁴ On an accrual basis, capital expenditure was US\$ 213 million in 1H 2019 (1H 2018: US\$ 185 million).

- At Dukat, capital expenditure in 1H 2019 comprised US\$ 20 million, mainly representing the scheduled upgrade of the tailing storage facility, purchases of mining fleet and Perevalnoye development.
- Capital expenditure at Albazino/Amursk was US\$ 26 million, mostly related to the construction of the second POX and represented by the contracting for equipment for the concentrate preparation section (roll crushers, acid-resistant mills, steep-angle conveyors), intensive cyanidation unit and construction of a new concentrate storage facility.
- US\$ 57 million was invested at Nezhda mostly related to pouring of concrete for the concentrator building and mill, construction of the mine camp and facilities, as well as capitalised pre-stripping of US\$ 22 million. The construction of the haulage road between the mine and the concentrator commenced in May.
- The Company invests in standalone exploration projects. Capital expenditures for exploration in 1H 2019 was US\$ 24 million compared to US\$ 27 million in 1H 2018, with the most notable exploration expenditure at Prognoz of US\$ 9 million.
- Capitalised stripping costs totalled US\$ 24 million in 1H 2019 (1H 2018: US\$ 30 million) and are attributable to operations with stripping ratios exceeding their life of mine averages during the period, including in particular Kyzyl and Varvara.

CASH FLOWS

<i>(US\$ mln)</i>	1H 2019	1H 2018	Change, %
Operating cash flows before changes in working capital	324	221	+47%
Changes in working capital	(197)	(128)	+54%
Total operating cash flows	127	93	+37%
Capital expenditure	(189)	(169)	+12%
Acquisition costs in business combinations and investments in associates and joint ventures	-	(27)	-100%
Disposal cash proceeds	40	-	NA
Other	(1)	12	NM
Investing cash flows	(150)	(184)	-18%
Financing cash flows			
Net increase in borrowings	-	235	-100%
Dividends paid	(146)	(136)	+7%
Contingent consideration payment	(8)	(4)	+100%
Total financing cash flows	(154)	95	NM
Net (decrease)/increase in cash and cash equivalents	(177)	4	NM
Cash and cash equivalents at the beginning of the year	379	36	+953%
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	(2)	-50%
Cash and cash equivalents at the end of the period	201	38	+429%

Total operating cash flows in 1H 2019 strengthened significantly year-on-year. Operating cash flows before changes in working capital grew by 47% year-on-year to US\$ 324 million. Net operating cash flows were US\$ 127 million, compared to US\$ 93 million in 1H 2018. This was affected by a traditional seasonal increase in working capital in 1H 2019 of US\$ 197 million (US\$ 128 million in 1H 2018), mainly represented by concentrate produced at Mayskoye, Dukat and Kyzyl, and seasonal advances paid for fuel and consumables.

Total cash and cash equivalents increased significantly compared to 1H 2018 and comprised US\$ 201 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US\$ 127 million;
- Investment cash outflows totalled US\$ 150 million, down 18% year-on-year and mainly represented by capital expenditure (up 12% year-on-year to US\$ 189 million), offset by cash proceeds on disposal of Kapan (US\$ 40 million);
- Payment of final dividends for 2018 in May 2019 amounting to US\$ 146 million;
- The gross borrowings remained unchanged during the period.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	30-Jun-19	31-Dec-18	Change, %
Short-term debt and current portion of long-term debt	196	117	+68%
Long-term debt	1,703	1,782	-4%
Gross debt	1,899	1,899	-
Less: cash and cash equivalents	201	379	-47%
Net debt	1,698	1,520	+12%
Net debt / Adjusted EBITDA¹	1.92	1.95	-1%

The Group's net debt increased to US\$ 1,698 million as of 30 June 2019, representing a Net debt / Adjusted EBITDA (over the last 12 months) ratio of 1.92x.

The proportion of long-term borrowings comprised 90% as at 30 June 2019 (94% as at 31 December 2018). In addition, as at 30 June 2019 the Group had US\$ 1.05 billion (31 December 2018: US\$ 1.1 billion) of available undrawn facilities, of which US\$ 0.9 billion is committed², from a wide range of lenders that maintain its operational flexibility in the current environment.

The average cost of debt remained low at 4.47% in 1H 2019 (1H 2018: 4.11%), supported by the ability to negotiate competitive margins given the solid financial position of the Company and its excellent credit history. The Group is confident in its ability to repay its existing borrowings as they fall due.

2019 YEAR-END OUTLOOK

Polymetal maintains a positive outlook for the second half of the year, both in terms of earnings and free cash flow, with the following factors expected to drive the operating and financial performance towards the year-end:

- The Company remains on track to meet its FY2019 production guidance of 1.55 Moz of gold equivalent at TCC of US\$ 600-650/GE oz and AISC of US\$ 800-850/GE oz.
- The cost guidance remains contingent on the RUB/USD and KZT/USD exchange rates that have a significant effect on the Group's local currency-denominated operating costs.
- Free cash flow generation will be significantly stronger in the second half of the year driven by higher production and the traditional seasonal working capital drawdown.

¹ 1H 2019 – on a last twelve months basis.

² Facilities are considered to be committed when subject only to customary events of default and material adverse change clauses.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The directors do not consider that the principal risks and uncertainties have changed materially since the publication of the Annual report for the year ended 31 December 2018. As such, these risks continue to apply to the Group for the remaining six months of the financial year.

The principal risks and uncertainties disclosed in the 2018 Annual report were categorised as:

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

A detailed explanation of these risks and uncertainties can be found on pages 79 to 83 of the 2018 Annual report which is available at www.polymetalinternational.com.

GOING CONCERN

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 30 June 2019, the Group's net debt was US\$ 1,698 million and it had US\$ 1,049 million of undrawn facilities of which US\$ 919 million were committed.

The Board has considered the cash flow projections for the period to the end of December 2020 and is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing these condensed consolidated financial statements.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
- the interim report includes a fair review of the information required by DTR 4.2.7 (being an indication of important events that have occurred during the first six months of the financial year, and their impact on the interim report and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
- the interim report includes a fair review of the information required by DTR 4.2.8R (being disclosure of related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year).

By order of the Board,

Ian Cockerill

Chairman of the Board of Directors

26 August 2019

Vitaly Nesis

Group Chief Executive Officer

26 August 2019

INDEPENDENT REVIEW REPORT TO POLYMETAL INTERNATIONAL PLC

We have been engaged by Polymetal International PLC (“the company”) to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and related notes 1 to 25. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

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

Directors’ responsibilities

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

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting,” as adopted by the European Union.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP

Recognized Auditor
London, United Kingdom
26 August 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

Notes	Six months ended 30 June 2019			Six months ended 30 June 2018			Year ended 31 December 2018			
	Continuing operations	Discontinued operations	Total Group	Continuing operations	Discontinued operations	Total Group	Continuing operations	Discontinued operations	Total Group	
	(unaudited) US\$m	(unaudited) US\$m	(unaudited) US\$m	(unaudited) US\$m	(unaudited) US\$m	(unaudited) US\$m	(audited) US\$m	(audited) US\$m	(audited) US\$m	
Revenue	5	941	5	946	728	61	789	1,706	176	1,882
Cost of sales	6	(531)	(4)	(535)	(412)	(47)	(459)	(971)	(125)	(1,096)
Gross profit		410	1	411	316	14	330	735	51	786
		-								
General, administrative and selling expenses	10	(92)	(1)	(93)	(83)	(6)	(89)	(164)	(11)	(175)
Other operating expenses, net	11	(27)	-	(27)	(31)	(1)	(32)	(47)	(28)	(75)
Share of profit of associates and joint ventures		-	-	-	-	-	-	(1)	-	(1)
Operating profit		291	-	291	202	7	209	523	12	535
Foreign exchange gain/(loss), net		(24)	-	(24)	2	-	2	(37)	(3)	(40)
Revaluation of initial share on business combination	2	-	-	-	24	-	24	41	-	41
(Loss)/gain on disposal of subsidiaries, net		(13)	-	(13)	5	-	5	(54)	-	(54)
Change in fair value of contingent consideration liability	22	(5)	-	(5)	-	-	-	7	-	7
Finance income	3	3	-	3	1	-	1	8	-	8
Finance costs	13	(42)	-	(42)	(31)	-	(31)	(71)	-	(71)
Profit before income tax		210	-	210	203	7	210	417	9	426
Income tax expense	14	(57)	-	(57)	(34)	(1)	(35)	(65)	(6)	(71)
Profit for the financial period		153	-	153	169	6	175	352	3	355
Profit for the financial period attributable to:										
Equity shareholders of the Parent		152	-	152	169	6	175	351	3	354
Non-controlling interest		1	-	1	-	-	-	1	-	1
		153	-	153	169	6	175	352	3	355
Earnings per share (US\$)										
Basic	15	0.33	-	0.33	0.38	0.02	0.40	0.79	-	0.79
Diluted	15	0.33	-	0.33	0.38	0.02	0.40	0.78	-	0.79

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2019 (unaudited) US\$m	Six months ended 30 June 2018 (unaudited) US\$m	Year ended 31 December 2018 (audited) US\$m
Profit for the period	153¹	175²	355³
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences on translating foreign operations	285	(216)	(485)
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	(37)	20	17
Currency exchange differences recycled to income statement on disposal of foreign operation	-	-	19
Total comprehensive income/(loss) for the period	401	(21)	(94)
Total comprehensive income/(loss) for period attributable to:			
Equity shareholders of the Parent	400	(21)	(95)
Non-controlling interest	1	-	1
	401	(21)	(94)

¹ Profit for the period ended 30 June 2019 includes loss of US\$ 13 million arising on the disposal of discontinued operations, profit/(loss) for the period relating to discontinued operations amounts to nil.

² Profit for the period ended 30 June 2018 included US\$ 6 million of profits relating to discontinued operations.

³ Profit for the period ended 31 December 2018 included US\$ 3 million of profits relating to discontinued operations and a loss of US\$ 63 million arising on the disposal of such operations, amounting to a net loss of US\$ 60 million.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2019 (unaudited) US\$m	31 December 2018 (audited) US\$m	30 June 2018 (unaudited) US\$m
Assets				
Property, plant and equipment	17	2,676	2,426	2,313
Right of use assets	1	37	-	-
Goodwill		16	15	16
Investments in associates and joint ventures		2	2	88
Non-current loans and receivables		18	6	7
Deferred tax asset		68	73	67
Non-current inventories	18	112	95	112
Total non-current assets		2,929	2,617	2,603
Assets held for sale		-	74	-
Current inventories	18	675	537	616
VAT receivable		127	95	91
Trade receivables and other financial instruments		79	81	75
Prepayments to suppliers		104	44	90
Income tax prepaid		12	8	11
Cash and cash equivalents		201	379	38
Total current assets		1,198	1,218	921
Total assets		4,127	3,835	3,524
Liabilities and shareholders' equity				
Accounts payable and accrued liabilities		(137)	(146)	(124)
Prepayments received		(92)	(100)	(69)
Current borrowings	19	(196)	(117)	(173)
Income tax payable		(5)	(8)	(15)
Other taxes payable		(41)	(37)	(35)
Current portion of contingent consideration liability	22	(4)	(5)	(5)
Current lease liabilities	1	(3)	-	-
Liabilities associated with assets classified as held for sale		-	(8)	-
Total current liabilities		(478)	(421)	(421)
Non-current borrowings	19	(1,703)	(1,782)	(1,517)
Contingent consideration liability	22	(48)	(49)	(58)
Deferred tax liability		(164)	(152)	(122)
Environmental obligations		(40)	(32)	(36)
Non-current lease liabilities	1	(35)	-	-
Other non-current liabilities		(1)	(2)	(4)
Total non-current liabilities		(1,991)	(2,017)	(1,737)
Total liabilities		(2,469)	(2,438)	(2,158)
Net assets		1,658	1,397	1,366
Stated capital account	21	2,424	2,414	2,250
Share-based compensation reserve		20	24	18
Translation reserve		(1,351)	(1,599)	(1,347)
Retained earnings		546	540	445
Shareholders' equity		1,639	1,379	1,366
Non-controlling interest		19	18	-
Total equity		1,658	1,397	1,366

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

These condensed consolidated financial statements are approved and authorised for issue by the Board of Directors on 26 August 2019 and signed on its behalf by

Ian Cockerill

Chairman of the Board of Directors

Vitaly Nesis

Group Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June 2019 (unaudited) US\$m	Six months ended 30 June 2018 (unaudited) US\$m	Year ended 31 December 2018 (audited) US\$m
Net cash generated by operating activities	24	127	93	513
Cash flows from investing activities				
Purchases of property, plant and equipment	17	(189)	(169)	(344)
Disposal of joint venture		-	3	-
Loans forming part of net investment in joint ventures		-	(27)	(51)
Net cash outflow on acquisitions		-	-	(6)
Proceeds from disposal of subsidiaries	2	40	-	15
Loans advanced		(1)	(12)	(28)
Receipt of repayment of loans provided		-	21	35
Net cash used in investing activities		(150)	(184)	(379)
Cash flows from financing activities				
Borrowings obtained	19	20	893	1,697
Repayments of borrowings	19	(19)	(658)	(1,254)
Repayments of principal under lease liabilities		(1)	-	-
Dividends paid	16	(146)	(136)	(213)
Contingent consideration payment	22	(8)	(4)	(6)
Net cash (used in)/generated by financing activities		(154)	95	224
Net change in cash and cash equivalents		(177)	4	358
Cash and cash equivalents at the beginning of the period		379	36	36
Effect of foreign exchange rate changes on cash and cash equivalents		(1)	(2)	(15)
Cash and cash equivalents at the end of the period		201	38	379

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Number of shares outstanding (unaudited) no. of shares	Stated capital account US\$m	Share based compensation reserve US\$m	Translation reserve US\$m	Retained earnings US\$m	Total equity attributable to the parent US\$m	Non-controlling interest US\$m	Total equity US\$m
Balance at 31 December 2017 (audited)		430,115,480	2,031	21	(1,151)	406	1,307	-	1,307
Profit for the financial period		-	-	-	-	175	175	-	175
Other comprehensive loss, net of income tax		-	-	-	(196)	-	(196)	-	(196)
Shares based compensation		-	-	6	-	-	6	-	6
Shares allotted to employees		997,418	9	(9)	-	-	-	-	-
Issue of share for Prognoz acquisition	21	20,459,668	200	-	-	-	200	-	200
Issue of shares for contingent consideration liabilities		1,015,113	10	-	-	-	10	-	10
Dividends	16	-	-	-	-	(136)	(136)	-	(136)
Balance at 30 June 2018 (unaudited)		452,587,679	2,250	18	(1,347)	445	1,366	-	1,366
Profit for the financial period		-	-	-	-	178	178	2	180
Other comprehensive loss, net of income tax		-	-	-	(252)	-	(252)	(1)	(253)
Shares based compensation		-	-	6	-	-	6	-	6
Shares allotted to employees		3,947	-	-	-	-	-	-	-
Issue of shares for business combinations	21	15,942,628	158	-	-	-	158	17	175
Issue of shares to acquire non-controlling interest		834,055	6	-	-	(6)	-	-	-
Dividends	16	-	-	-	-	(77)	(77)	-	(77)
Balance at 31 December 2018 (audited)		469,368,309	2,414	24	(1,599)	540	1,379	18	1,397
Profit for the financial period		-	-	-	-	152	152	1	153
Other comprehensive income, net of income tax		-	-	-	248	-	248	-	248
Shares based compensation		-	-	6	-	-	6	-	6
Shares allotted to employees	21	792,815	10	(10)	-	-	-	-	-
Dividends	16	-	-	-	-	(146)	(146)	-	(146)
Balance at 30 June 2019 (unaudited)		470,161,124	2,424	20	(1,351)	546	1,639	19	1,658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

Basis of presentation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union ('EU'), and the Disclosure and Transparency Rules of the Financial Conduct Authority effective for the Company's reporting for the period ended 30 June 2019. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the 2018 Annual Report of Polymetal International plc and its subsidiaries ("2018 Annual Report") available at www.polymetalinternational.com.

The half-yearly financial report does not constitute the Company's statutory financial statements. The Group's most recent statutory financial statements, which comprise the annual report and audited financial statements for the year ended 31 December 2018, were approved by the directors on 8 March 2019 and have been filed with the Jersey Registrar of Companies.

Accounting policies

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

The accounting policies and methods of computation applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2018, except for as described below.

Critical accounting judgements and estimation uncertainties

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The significant judgements made by management in applying the Group's accounting policies and key sources of estimation are consistent with those that were applied in the Group's annual consolidated financial statements for the year ended 31 December 2018.

New standards adopted by the Company and changes in accounting policies

IFRS 16 *Leases*. IFRS 16 replaced the following standards and interpretations: IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. The new standard provides a single lessee accounting model for the recognition, measurement, presentation and disclosure of leases. IFRS 16 applies to all leases including subleases and requires lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. The principal impact of IFRS 16 is the change of lessee's accounting treatment for the contracts which were previously classified as operating leases.

The Group has elected to adopt the modified retrospective transition approach and so any cumulative effect of transition to IFRS 16 would be recognised in retained earnings with no restatement of the comparative period. The comparative period was not restated and is presented in accordance with the accounting policy set out in the 2018 Annual Report.

On transition, lease liabilities were recognised as the present value of lease payments still to be made, discounted at the appropriate incremental borrowing rate of 9.96% applicable at 1 January 2019 to the borrowings in Russian Roubles or Kazakh Tenge. For the majority of leased assets, the corresponding right of use asset was recognised equal to the value of the lease liability at 1 January 2019, adjusted for any accrued or prepaid lease payments. Total right of use assets and respective lease liabilities, recognised at 1 January 2019, amount to US\$ 31 million and principally relate to the leased office buildings and other property. The Group has determined that surface lease arrangements with municipal government for the purposes of mining and exploration activities fall out of the IFRS 16 scope.

From 1 January 2019 in the Group's Income Statement depreciation of right of use assets and interest expense on the lease liabilities are recognised instead of operating lease expenses under IAS 17. During the six months ended 30 June 2019, in relation to leases under IFRS 16 the Group recognised the depreciation of right of use assets of

US\$ 2 million and unwind of discount on lease liabilities of US\$ 2 million, which are excluded from EBITDA. For the six months ended 30 June 2018, US\$ 4 million of operating lease costs were charged and deducted from EBITDA.

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019. The Group has previously disclosed the minimum lease payments under non-cancellable operating leases based on contract terms. For the purposes of IFRS 16, the amount was revised based on the available extension options and management estimation of whether the Group is reasonably certain to exercise these options.

	<u>US\$m</u>
Operating non-cancellable lease commitments disclosed under IAS 17 at 31 December 2018	12
Adjustment to the expected lease term	38
Effect of discounting	(19)
Lease liabilities recognised at 1 January 2019	<u>31</u>

Going concern

The Group has assessed its going concern status taking into account the financial position, forecast trading performance, borrowings and available credit facilities and contractual maturities, forecast covenant compliance on those borrowings and capital expenditure commitments. As at 30 June 2019, the Group's net debt was US\$ 1,698 million and it had US\$ 1,049 million of undrawn facilities of which US\$ 919 million were considered committed.

The Board has considered the cash flow projections for the period to the end of December 2020 and is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing these condensed consolidated financial statements.

Functional and presentation currencies

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all Russian entities the functional currency is the Russian Rouble (RUB). The functional currency of the Group's entities located and operating in Kazakhstan (Varvarinskoye JSC, Komarovskoye Mining Company LLC, Bakyrchik Mining Venture LLC) is the Kazakh Tenge (KZT). The functional currency of the Group's entities located and operating in Armenia (Kapan MPC CJSC) was Armenian Dram. The functional currency of the parent company Polymetal International plc and its intermediate holding companies is U.S. Dollar.

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

Exchange rates used in the preparation of the condensed consolidated financial statements were as follows:

	<u>Russian Rouble/U.S. Dollar</u>	<u>Kazakh Tenge/U.S. Dollar</u>	<u>Armenian Dram/U.S. Dollar</u>
30 June 2019			
Period ended	63.08	380.53	477.11
Average	65.34	379.30	484.08
Maximum monthly rate	67.35	382.02	488.33
Minimum monthly rate	64.23	377.87	478.50
30 June 2018			
Period ended	59.09	321.46	480.47
Average	59.34	326.45	482.13
Maximum monthly rate	62.71	336.08	484.13
Minimum monthly rate	56.79	320.70	480.45
31 December 2018			
Year ended	69.47	384.20	483.75
Average	62.68	344.76	483.03
Maximum monthly rate	67.66	372.41	486.30
Minimum monthly rate	56.79	320.70	480.45

2. DISPOSALS

In October 2018 the Group entered into a legally binding agreement to sell its 100% interest in the Kapan mine to Chaarat Gold Holdings Limited (Chaarat), an unrelated party. The disposal was effected as a part of the programme to dispose of smaller short-lived assets. Kapan was the major part of the Armenia cash-generating unit and the Armenia operating segment, and therefore as of 31 December 2018 it met the definition of a discontinued operation and an asset held for sale in accordance with IFRS 5 *Assets held for sale and discontinued operations*. As of 31 December 2018 the proceeds from the Kapan disposal were expected to approximate to its carrying amount, so no impairment loss was recognised following the classification of this operation as held for sale.

On 30 January 2019, the transaction was completed. The total consideration received amounted to US\$ 55 million, subject to working capital adjustments. US\$ 10 million was settled in Chaarat's convertible notes maturing in 2021 and the remaining US\$ 45 million was received in cash.

Notes conversion price was set at US\$ 0.25 million per 527,871 ordinary shares, which equals 21,114,840 Chaarat ordinary shares. The convertible notes meet the definitions of financial asset under IFRS 9 *Financial instruments* and therefore are to be classified as a financial asset in their entirety. The convertible notes fail the solely payments of principal and interest (SPPI) criterion and are accounted for at fair value through profit and loss. The fair value of the convertible bonds as of date of transaction approximated to US\$ 11 million. The convertible bonds were recognised within non-current loans and receivables.

As part of the transaction an intercompany loan of US\$ 11 million outstanding as of 31 December 2018 and 30 January 2019 was assigned to Chaarat for no consideration.

The resulting loss on disposal at 30 January 2019 amounted to US\$ 8 million.

On 29 July 2019, the Company signed a settlement agreement with Chaarat delivering the convertible bonds back to Chaarat and receiving its 14,638,020 newly issued ordinary shares, as well as finalising the working capital adjustment at US\$ nil and releasing Polymetal from warranties and indemnities under the sale and purchase agreement (see Note 25). The adjustment to the consideration resulting from this settlement agreement (US\$ 5 million, being the expected loss on conversion of the convertible notes) is an adjusting post-balance sheet event as it is considered to be indicative of the conditions that existed at the reporting date. The total loss on disposal of Kapan recognised in the period therefore amounted to US\$ 13 million.

The net assets of the disposed subsidiary at the date of disposal were as follows:

	<u>US\$m</u>
Property, plant and equipment	40
Deferred tax asset	7
Inventories	17
Cash and cash equivalents	2
Other current assets	7
Accounts payable and accrued liabilities	(9)
Net assets disposed of	64
<hr/>	
Cash consideration received	45
Fair value of the convertible bonds received	11
Working capital adjustment	-
Adjustment per settlement agreement	(5)
Total consideration received	51
<hr/>	
Loss on disposal of a subsidiary	13

3. DISCONTINUED OPERATIONS

In December 2018 the Group disposed of its Khakanja operations, which was identified as a separate cash generating unit and a separate major line of business, included in the Khabarovsk segment, and therefore it met the definition of a discontinued operation in accordance with IFRS 5 *Assets held for sale and discontinued operations*.

Kapan (Note 2) was identified as the major part of the Armenia cash generating unit and the Armenia operating segment, and therefore it met the definition of a discontinued operation and an asset held for sale in accordance with IFRS 5 *Assets held for sale and discontinued operations*.

The results of Khakanja operations and Kapan are shown as discontinued operations in the consolidated income statement and statement of consolidated statement of cash flows:

	Six months ended 30 June 2019		Six months ended 30 June 2018			Year ended 31 December 2018		
	Kapan	Total	Kapan	Khakanja	Total	Kapan	Khakanja	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Revenue	5	5	29	32	61	61	115	176
Expenses, net	(5)	(5)	(25)	(29)	(54)	(81)	(86)	(167)
Profit before income tax	-	-	4	3	7	(20)	29	9
Attributable income tax expense	-	-	(1)	-	(1)	(2)	(4)	(6)
Profit for the financial period	-	-	3	3	6	(22)	25	3
Loss on disposal of discontinued operations	(13)	(13)	-	-	-	-	(63)	(63)
Attributable tax expense	-	-	-	-	-	-	-	-
Net loss attributable to discontinued operations (attributable to equity shareholders of the Parent)	(13)	(13)	3	3	6	(22)	(38)	(60)
Net cash generated by/(used in)								
Operating activities	-	-	(1)	(20)	(21)	5	15	20
Investing activities	-	-	(4)	(3)	(7)	(10)	(8)	(18)
Financing activities	-	-	-	-	-	-	25	25

4. SEGMENT INFORMATION

The Group has five reportable segments:

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

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

From 1 January 2019 the management identified Yakutia segment, comprising Nezhda and Prognoz development operations, acquired during the year ended 31 December 2018, which were previously reported in the Corporate and other. The comparative information has been restated on a consistent basis.

The measure which management and the Chief Operating Decision Maker (the CODM) use to evaluate the performance of the Group is segment Adjusted EBITDA, which is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 50.

The accounting policies of the reportable segments are consistent with those of the Group's accounting policies under IFRS.

Revenue shown as corporate and other comprises, principally, intersegment revenue relating to the supply of inventories, spare parts and fixed assets, and rendering management services to the Group's production entities. The Group treats revenue and cost of sales, related to its productions entities, as external where processing is performed on behalf of that segment by another hub. Intersegment revenue is recognised based on costs incurred plus a fixed margin basis. From 1 January 2019 the Group reports revenue and cost of sales, pertaining to its productions entities, net of any intersegmental revenue and cost of sales, related to the intercompany sales of ore and concentrates, as well as intercompany smelting services, as this presentation is more meaningful from management and forecasting perspective. The comparative information has been restated on a consistent basis.

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

4. Segment information (continued)

Period ended 30 June 2019 (US\$m)	KAZAKHSTAN	KHABAROVSK	MAGADAN	URAL	YAKUTIA	Total continuing segments	Total discontinued operations	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	287	262	317	75	-	941	5	-	-	946
Intersegment revenue	-	-	-	-	-	-	-	116	(116)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	93	127	191	19	-	430	4	62	(64)	432
Cost of sales	134	149	227	23	-	533	4	62	(64)	535
Depreciation included in Cost of sales	(41)	(22)	(36)	(4)	-	(103)	-	-	-	(103)
Write-down of metal inventory to net realisable value	-	-	-	-	-	-	-	-	-	-
Write-down of non-metal inventory to net realisable value	-	-	1	-	-	1	-	-	-	1
Rehabilitation expenses	-	-	(1)	-	-	(1)	-	-	-	(1)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	6	8	16	2	4	36	1	53	(6)	84
General, administrative and selling expenses	9	15	30	6	4	64	1	62	(34)	93
Intercompany management services	(2)	(7)	(14)	(4)	-	(27)	-	(1)	28	-
Depreciation included in SGA	(1)	-	-	-	-	(1)	-	(2)	-	(3)
Share-based compensation	-	-	-	-	-	-	-	(6)	-	(6)
Other operating expenses excluding additional tax charges	6	4	14	2	-	26	-	3	(2)	27
Other operating expenses	6	3	13	2	-	24	-	5	(2)	27
Additional tax charges/fines/penalties	-	1	1	-	-	2	-	(2)	-	-
Share of income of associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	182	123	96	52	(4)	449	-	(2)	(44)	403
Depreciation expense	42	22	36	4	-	104	-	2	-	106
Rehabilitation expenses	-	-	1	-	-	1	-	-	-	1
Write-down of non-metal inventory to net realisable value	-	-	(1)	-	-	(1)	-	-	-	(1)
Write-down of metal inventory to net realisable value	-	-	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	-	-	-	-	6	-	6
Additional tax charges/fines/penalties	-	(1)	(1)	-	-	(2)	-	2	-	-
Operating profit/(loss)	140	102	61	48	(4)	347	-	(12)	(44)	291
Net foreign exchange gains	-	-	-	-	-	-	-	-	-	(24)
Loss on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(13)
Change in fair value of contingent consideration liability	-	-	-	-	-	-	-	-	-	(5)
Finance income	-	-	-	-	-	-	-	-	-	3
Finance costs	-	-	-	-	-	-	-	-	-	(42)
Profit before tax										210
Income tax expense	-	-	-	-	-	-	-	-	-	(57)
Profit for the financial period										153
Current metal inventories	81	102	288	35	-	506	-	5	(28)	483
Current non-metal inventories	27	37	99	4	8	175	-	26	(9)	192
Non-current segment assets:										
Property, plant and equipment, net	825	438	399	19	718	2 399	-	277	-	2 676
Goodwill	-	-	16	-	-	16	-	-	-	16
Non-current inventory	24	7	79	3	-	113	-	-	(1)	112
Investments in associates	-	-	-	-	-	-	-	2	-	2
Total segment assets	957	584	881	61	726	3 209	-	310	(38)	3 481
Additions to non-current assets:										
Property, plant and equipment	49	38	44	2	70	203	-	10	-	213
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-

4. Segment information (continued)

Period ended 30 June 2018 (US\$m)	KAZAKHSTAN	KHABAROVSK	MAGADAN	URAL	YAKUTIA	Total reportable segments	Total discontinued operations	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	90	277	290	71	-	728	61	-	-	789
Intersegment revenue	-	-	-	-	-	-	-	93	(93)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	46	124	154	20	-	344	37	56	(58)	379
Cost of sales	57	150	186	25	-	418	43	56	(58)	459
Depreciation included in Cost of sales	(10)	(26)	(25)	(5)	-	(66)	(6)	-	-	(72)
Write-down of metal inventory to net realisable value	-	-	(7)	-	-	(7)	-	-	-	(7)
Write-down of non-metal inventory to net realisable value	(1)	-	-	-	-	(1)	-	-	-	(1)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	8	7	17	2	-	34	6	49	(8)	81
General, administrative and selling expenses	11	13	28	6	-	58	8	57	(34)	89
Intercompany management services	(2)	(6)	(11)	(4)	-	(23)	(2)	(1)	26	-
Depreciation included in SGA	(1)	-	-	-	-	(1)	-	(1)	-	(2)
Share-based compensation	-	-	-	-	-	-	-	(6)	-	(6)
Other operating expenses excluding additional tax charges	3	4	12	2	-	21	1	4	3	29
Other operating expenses	3	4	12	2	-	21	1	7	3	32
Bad debt and expected credit loss allowance	-	-	-	-	-	-	-	(4)	-	(4)
Additional tax charges/fines/penalties	-	-	-	-	-	-	-	1	-	1
Share of income of associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	33	142	107	47	-	329	17	(16)	(30)	300
Depreciation expense	11	26	25	5	-	67	6	1	-	74
Rehabilitation expenses	-	-	-	-	-	-	-	-	-	-
Write-down of non-metal inventory to net realisable value	1	-	-	-	-	1	-	-	-	1
Write-down of metal inventory to net realisable value	-	-	7	-	-	7	-	-	-	7
Share-based compensation	-	-	-	-	-	-	-	6	-	6
Bad debt and expected credit loss allowance	-	-	-	-	-	-	-	4	-	4
Additional tax charges/fines/penalties	-	-	-	-	-	-	-	(1)	-	(1)
Operating profit/(loss)	21	116	75	42	-	254	11	(26)	(30)	209
Net foreign exchange gains	-	-	-	-	-	-	-	-	-	2
Revaluation of initial share in Prognoz	-	-	-	-	-	-	-	-	-	24
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	5
Change in fair value of contingent consideration liability	-	-	-	-	-	-	-	-	-	-
Finance income	-	-	-	-	-	-	-	-	-	1
Finance costs	-	-	-	-	-	-	-	-	-	(31)
Profit before tax										210
Income tax expense	-	-	-	-	-	-	-	-	-	(35)
Profit for the financial period										175
Current metal inventories	46	91	235	39	-	411	39	1	(11)	440
Current non-metal inventories	20	33	90	5	3	151	13	22	(10)	176
Non-current segment assets:										
Property, plant and equipment, net	919	404	412	35	318	2,088	89	136	-	2,313
Goodwill	-	-	16	-	-	16	-	-	-	16
Non-current inventory	23	8	73	2	-	106	7	-	(1)	112
Investments in associates	-	-	-	-	-	-	-	88	-	88
Total segment assets	1,008	536	826	81	321	2,772	148	247	(22)	3,145
Additions to non-current assets:										
Property, plant and equipment	81	51	29	3	5	169	9	7	-	185
Acquisition of subsidiaries	-	-	-	-	321	321	-	-	-	321

4. Segment information (continued)

Year ended 31 December 2018 (US\$m)	KAZAKHSTAN	KHABAROVSK	MAGADAN	URAL	YAKUTIA	Total reportable segments	Total discontinued operations	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	272	575	725	134	-	1,706	176	-	-	1,882
Intersegment revenue	-	-	-	-	-	-	-	235	(235)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	121	245	392	38	-	796	107	144	(158)	889
Cost of sales	159	298	487	47	-	991	119	144	(158)	1 096
Depreciation included in Cost of sales	(37)	(53)	(71)	(9)	-	(170)	(13)	-	-	(183)
Write-down of metal inventory to net realisable value	-	-	(21)	-	-	(21)	-	-	-	(21)
Write-down of non-metal inventory to net realisable value	(1)	-	(2)	-	-	(3)	1	-	-	(2)
Rehabilitation expenses	-	-	(1)	-	-	(1)	-	-	-	(1)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	15	15	32	4	2	68	11	95	(14)	160
General, administrative and selling expenses	20	28	56	12	2	118	15	112	(70)	175
Intercompany management services	(4)	(13)	(24)	(8)	-	(49)	(4)	(3)	56	-
Depreciation included in SGA	(1)	-	-	-	-	(1)	-	(2)	-	(3)
Share-based compensation	-	-	-	-	-	-	-	(12)	-	(12)
Other operating expenses excluding additional tax charges	8	8	23	5	-	44	3	5	-	52
Other operating expenses	8	8	23	5	-	44	28	3	-	75
Lichkvaz exploration expenses and mineral rights write-off	-	-	-	-	-	-	(24)	-	-	(24)
Additional tax charges/fines/penalties	-	-	-	-	-	-	(1)	2	-	1
Share of income of associates and joint ventures	-	-	-	-	-	-	-	(1)	-	(1)
Adjusted EBITDA	128	307	278	87	(2)	798	55	(10)	(63)	780
Depreciation expense	38	53	71	9	-	171	13	2	-	186
Rehabilitation expenses	-	-	1	-	-	1	-	-	-	1
Lichkvaz exploration expenses and mineral rights write-off	-	-	-	-	-	-	24	-	-	24
Write-down of non-metal inventory to net realisable value	1	-	2	-	-	3	(1)	-	-	2
Write-down of metal inventory to net realisable value	-	-	21	-	-	21	-	-	-	21
Share-based compensation	-	-	-	-	-	-	-	12	-	12
Additional tax charges/fines/penalties	-	-	-	-	-	-	1	(2)	-	(1)
Operating profit/(loss)	89	254	183	78	(2)	602	18	(22)	(63)	535
Net foreign exchange gains	-	-	-	-	-	-	-	-	-	(40)
Revaluation of initial on business combination	-	-	-	-	-	-	-	-	-	41
Loss on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(54)
Change in fair value of contingent consideration liability	-	-	-	-	-	-	-	-	-	7
Finance income	-	-	-	-	-	-	-	-	-	8
Finance costs	-	-	-	-	-	-	-	-	-	(71)
Profit before tax										426
Income tax expense	-	-	-	-	-	-	-	-	-	(71)
Profit for the financial period										355
Current metal inventories	57	92	194	33	-	376	-	3	(11)	368
Current non-metal inventories	22	36	99	5	5	167	-	9	(7)	169
Non-current segment assets:										
Property, plant and equipment, net	823	387	364	20	585	2,179	3	244	-	2,426
Goodwill	-	-	15	-	-	15	-	-	-	15
Non-current inventory	22	8	65	2	-	97	-	-	(2)	95
Investments in associates	-	-	-	-	-	-	-	2	-	2
Total segment assets	924	523	737	60	590	2,834	3	258	(20)	3,075
Additions to non-current assets:										
Property, plant and equipment	134	101	74	5	21	335	15	27	-	377
Acquisition of subsidiaries	-	-	-	-	612	612	-	104	-	716

5. REVENUE

Presented below is an analysis of revenue from gold, silver, copper and zinc sales:

Continuing operations

	Six months ended 30 June 2019 (unaudited)				Six months ended 30 June 2018 (unaudited)			
	Thousand ounces/tonnes shipped	Thousand ounces/tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US\$m	Thousand ounces/tonnes shipped	Thousand ounces/tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US\$m
Gold (Koz)	626	601	1,309	787	421	417	1,315	548
Silver (Koz)	10,466	10,264	15	149	11,407	11,247	16	175
Copper (t)	936	886	5,643	5	825	780	6,407	5
Total				941				728

	Year ended 31 December 2018			
	Thousand ounces/tonnes shipped	Thousand ounces/tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US\$m
Gold (Koz)	1,120	1,096	1,227	1,345
Silver (Koz)	24,110	23,735	14.8	351
Copper (t)	1,932	1,827	5,474	10
Total				1,706

Total continuing and discontinued operations

	Six months ended 30 June 2019 (unaudited)				Six months ended 30 June 2018 (unaudited)			
	Thousand ounces/tonnes shipped	Thousand ounces/tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US\$m	Thousand ounces/tonnes shipped	Thousand ounces/tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US\$m
Gold (Koz)	629	604	1,310	791	450	445	1,312	584
Silver (Koz)	10,497	10,295	14	149	12,275	12,086	16	189
Copper (t)	1,088	1,023	5,865	6	1,535	1,454	6,189	9
Zinc (t)	(8)	(7)	(3,753)	(0)	2,723	2,314	3,025	7
Total				946				789

	Year ended 31 December 2018			
	Thousand ounces/tonnes shipped	Thousand ounces/tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	US\$m
Gold (Koz)	1,224	1,198	1,226	1,468
Silver (Koz)	26,118	25,675	14.8	380
Copper (t)	3,542	3,348	5,675	19
Zinc (t)	6,625	5,625	2,667	15
Total				1,882

Revenue analysed by geographical regions of customers is presented below:

Continuing operations	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m
Sales within the Russian Federation	479	492	1,038
Sales within and to Kazakhstan	255	163	338
Sales to Europe	24	37	85
Sales to East Asia	183	36	245
Total	941	728	1,706

Total continuing and discontinued operations	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m
Sales within the Russian Federation	479	524	1,153
Sales within and to Kazakhstan	255	163	338
Sales to Europe	29	57	128
Sales to East Asia	183	45	263
Total	946	789	1,882

Included in revenues for the six months ended 30 June 2019 are revenues from customers whose share of total revenue was greater than 10%. These were US\$ 351 million, US\$ 158 million, US\$ 153 million and US\$ 96 million, respectively (year ended 2018: to US\$ 490 million, US\$ 228 million, US\$ 203 million and US\$ 173 million, respectively; period ended 30 June 2018: US\$ 291 million, US\$ 96 million, US\$ 82 million and US\$ 81 million, respectively).

Revenue is derived principally from the sale of gold and silver bullions and copper, gold and silver concentrate and doré. The Group sells gold and silver bullions to banks through long-term agreements. The sales price, as determined in the agreement, based on the spot London Bullion Market Association (LBMA) price.

During the period ended 30 June 2019 and the year ended 31 December 2018 the Group had several prepaid bullion sales arrangements, which are settled solely through bullion shipments and are priced similar to the long-term sales arrangement described above. The arrangements fall under IFRS 15 *Revenue from Contracts with Customers* and respective advances received are presented within contract liabilities.

As of 30 June 2019 the contract liabilities amount to US\$ 92 million (31 December 2018: US \$100 million, 30 June 2018: US\$ 69 million).

Copper, zinc, gold and silver concentrate and doré is sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale.

Presented below is an analysis by revenue streams:

	MAGADAN	KHABAROVSK	URAL	KAZAKHSTAN	Discontinued operations	TOTAL
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Six months ended 30 June 2019 (unaudited)						
Bullions	188	227	75	-	-	490
Concentrate and doré	129	35	-	287	5	456
	317	262	75	287	5	946
Six months ended 30 June 2018 (unaudited)						
Bullions	152	269	71	-	32	524
Concentrate and doré	138	8	-	90	29	265
	290	277	71	90	61	789
Year ended 31 December 2018						
Bullions	362	563	134	-	115	1,174
Concentrate and doré	363	12	-	272	61	708
	725	575	134	272	176	1,882

6. COST OF SALES

	Continuing operations			Total continuing and discontinued operations		
	Six months ended		Year ended	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Cash operating costs						
On-mine costs (Note 7)	250	214	417	253	244	482
Smelting costs (Note 8)	177	147	314	178	165	349
Purchase of ore and concentrates from third parties	22	33	66	22	39	78
Purchase of ore from related parties (Note 23)	-	11	22	-	11	22
Mining tax	54	40	87	54	43	97
Total cash operating costs	503	445	906	507	502	1,028
Depreciation and depletion of operating assets (Note 9)	121	98	210	121	107	228
Rehabilitation expenses	1	-	1	1	-	1
Total costs of production	625	543	1,117	629	609	1,257
Increase in metal inventories	(95)	(142)	(174)	(95)	(161)	(187)
Write-down of metal inventories to net realisable value (Note 18)	-	7	21	-	7	21
Write-down of non-metal inventories to net realisable value (Note 18)	(1)	1	4	(1)	1	2
Idle capacities and abnormal production costs	2	3	3	2	3	3
Total	531	412	971	535	459	1,096

Mining tax includes royalties payable in Russian Federation, Kazakhstan and Armenia. Mining tax in Russian Federation and Kazakhstan 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, 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. Royalties payable in Armenia are calculated as a percentage of actual sales during the reporting period.

7. ON-MINE COSTS

	Continuing operations			Total continuing and discontinued operations		
	Six months ended		Year ended	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Services	124	97	185	125	113	222
Labour	67	63	122	68	69	133
Consumables and spare parts	58	53	107	58	60	121
Other expenses	1	1	3	2	2	6
Total (Note 6)	250	214	417	253	244	482

8. SMELTING COSTS

	Continuing operations			Total continuing and discontinued operations		
	Six months ended		Year ended	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Consumables and spare parts	76	69	143	76	78	159
Services	68	47	109	69	50	118
Labour	32	30	60	32	36	70
Other expenses	1	1	2	1	1	2
Total (Note 6)	177	147	314	178	165	349

9. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Continuing operations			Total continuing and discontinued operations		
	Six months ended		Year ended	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
On-mine	91	71	154	91	78	169
Smelting	30	27	56	30	29	59
Total (Note 6)	121	98	210	121	107	228

Depletion and depreciation of operating assets excludes depreciation relating to non-operating assets (included in general, administrative and selling expenses) and depreciation related to assets employed in development projects where the charge is capitalised. Depreciation expense, which is excluded in the Group's calculation of Adjusted EBITDA (see Note 4), also excludes amounts absorbed into unsold metal inventory balances.

10. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Continuing operations			Total continuing and discontinued operations		
	Six months ended		Year ended	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Labour	70	62	120	71	66	127
Share-based compensation	6	6	12	6	6	12
Services	5	6	14	5	7	16
Depreciation	3	2	3	3	2	3
Other	8	7	15	8	8	17
Total	92	83	164	93	89	175

11. OTHER OPERATING EXPENSES, NET

	Continuing operations			Total continuing and discontinued operations		
	Six months ended		Year ended	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Social payments	10	7	14	10	8	16
Exploration expenses	8	5	12	8	6	13
Provision for investment in Special Economic Zone	5	5	11	5	5	11
Taxes, other than income tax	4	7	13	4	7	13
Housing and communal services	2	2	4	2	2	4
Bad debt and expected credit loss allowance	-	4	-	-	4	-
Lichkvaz exploration expenses and mineral rights write-off	-	-	-	-	-	24
Loss on disposal of property, plant and equipment	-	1	-	-	1	(1)
Change in estimate of environmental obligations	(2)	(2)	(1)	(2)	(2)	(1)
Additional tax charges/fines/penalties	-	(1)	(2)	-	(1)	(1)
Other expenses	-	3	(4)	-	2	(3)
Total	27	31	47	27	32	75

For the operations held in the Special Economic Zone of the Russian Far East, Omolon Gold Mining Company LLC and JSC Magadan Silver are entitled to the decreased statutory income tax rate of 17%, as well as decreased mining tax rate (paying 60% of standard mining tax rates). In return for obtaining this tax relief the members of the Special Economic Zone are obliged to invest 50% of their tax savings each year to the Special Economic Zone Development Programme, amounting to US\$ 5 million for six months ended 30 June 2019 (six months ended 30 June 2018: US\$ 5 million; year ended 31 December 2018: US\$ 11 million).

Operating cash outflow from exploration activities amounts to US\$ 4 million for six months ended 30 June 2019 (six months ended 30 June 2018: US\$ 5 million; year ended 31 December 2018: US\$ 12 million).

Additional mining taxes, VAT, penalties and accrued interest have been accrued in respect of various disputes with the Russian tax authorities.

12. EMPLOYEE COSTS

	Continuing operations			Total continuing and discontinued operations		
	Six months ended		Year ended	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Wages and salaries	154	140	278	156	153	303
Social security costs	40	37	68	40	41	72
Share-based compensation	6	6	12	6	6	12
Total employee costs	200	183	358	202	200	387
Reconciliation:						
Less: employee costs capitalised	(20)	(17)	(35)	(20)	(18)	(37)
Less: employee costs absorbed into unsold metal inventory balances	(19)	(28)	(30)	(19)	(32)	(32)
Employee costs included in costs of sales	161	138	293	163	150	318

The weighted average number of employees was:

	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018
Magadan	4,065	4,015	4,048
Khabarovsk	2,257	2,867	2,807
Kazakhstan	2,488	2,038	2,163
Armenia	452	975	953
Ural	759	814	809
Yakutia	479	-	-
Corporate and other	1,667	1,564	1,940
Total	12,167	12,273	12,720
Less discontinued operations	452	1,647	1,539
Total continued operations	11,715	10,626	11,181

13. FINANCE COSTS

	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m
Interest expense on borrowings	37	28	67
Unwinding of discount on lease liabilities	2	-	-
Unwinding of discount on environmental obligations	2	2	3
Unwinding of discount on contingent considerations	1	1	1
Total	42	31	71

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

Interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US\$ 4 million, US\$ 5 million and US\$ 11 million during the six months ended 30 June 2019, the six months ended 30 June 2018, and the year ended 31 December 2018, respectively. These amounts were calculated based on the Group's general borrowing pool and by applying an effective interests rate of 4.47% (annualised), 4.11% (annualised) and 4.19%, respectively, to cumulative expenditure on such assets.

Unwinding of discount on lease liabilities was recognised for the six months ended 30 June 2019 following IFRS 16 Leases application as described in Note 1.

14. INCOME TAX

Income tax for the six months ended 30 June 2019 is charged at 26% (six months ended 30 June 2018: 17%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

	Continuing operations			Total continuing and discontinued operations		
	Six months ended		Year ended	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Current income taxes	43	53	101	43	54	108
Deferred income taxes	14	(19)	(36)	14	(19)	(37)
	57	34	65	57	35	71

The actual tax credit/expense differs from the amount which would have been determined by applying the statutory rate of 20% for the Russian Federation and Kazakhstan to profit before income tax as a result of the application of relevant

jurisdictional tax regulations, which disallow certain deductions which are included in the determination of accounting profit. These deductions include share-based compensation, social related expenditures and other non-production costs, certain general and administrative expenses, financing expenses, foreign exchange related costs and other costs.

For the operations held in the Special Economic Zone of the Russian Far East Omolon Gold Mining Company LLC and JSC Magadan Silver are entitled to the decreased statutory income tax rate of 17%. 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. Accordingly this was incorporated in calculation of the average annual effective tax .

Income tax amounts included in other comprehensive income

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

	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018
	US\$m	US\$m	US\$m
Net foreign exchange gains/(losses) on net investment in foreign operation			
Current tax expense/(benefit)	(3)	2	(1)
Deferred tax expense/(benefit)	(7)	4	(1)
Total income tax recognised in other comprehensive income	(10)	6	(2)

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

Tax exposures recognised in income tax

During the period ended 30 June 2019, year ended 31 December 2018 and period ended 30 June 2018 no new individual significant exposures were identified as probable and provided for.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Weighted average number of shares: Diluted earnings per share

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

	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018
Weighted average number of outstanding common shares	469,665,406	439,092,385	449,016,966
Dilutive effect of share appreciation plan	2,109,870	812,907	1,497,087
Weighted average number of outstanding common shares after dilution	471,775,276	439,905,292	450,514,053

There were no adjustments required to earnings for the purposes of calculating the diluted earnings per share in the current period (year ended 31 December 2018 and period ended 30 June 2018: nil).

At 30 June 2019 the outstanding LTIP awards issued under 2016 and 2018 tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are in the money as of the reporting date (at 31 December 2018: 2015-2016 tranches, 30 June 2018: 2015-2018 tranches were dilutive).

The awards issued under management bonus deferral award plan are dilutive as of 30 June 2019, 31 December 2018 and 30 June 2018 as being contingently issued shares. The awards are included in the calculation of diluted EPS based on the weighted average number of shares that would be issuable if the end of the reporting period were the end of the contingency period.

16. DIVIDENDS

Dividends recognised during the period ended 30 June 2019 and comparative periods are detailed in the tables below:

	Cents per share	US\$m	Dividends		
			Deducted from the equity during the period	Proposed in relation to the period	Paid in
Final dividend 2017	30	136	2018	2017	May 2018
Interim dividend 2018	17	77	2018	2018	September 2018
Final dividend 2018	31	146	2019	2018	May 2019
Interim dividend 2019	20	94	n/a	2019	n/a

	Total dividends		
	Deducted from the equity	Proposed for the period	Paid in
	US\$m	US\$m	US\$m
Period ended 30 June 2018	136	77	136
Year ended 31 December 2018	213	223	213
Period ended 30 June 2019	146	94	146

17. PROPERTY, PLANT AND EQUIPMENT

Cost	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
Balance at 31 December 2018	466	365	2,356	50	150	3,387
Additions	38	21	100	3	51	213
Transfers	(51)	(8)	95	-	(36)	-
Change in decommissioning liabilities	-	-	5	-	-	5
Disposals and write-offs including fully depleted mines	-	(4)	(10)	-	-	(14)
Translation to presentation currency	47	36	155	5	13	256
Balance at 30 June 2019	500	410	2,701	58	178	3,847

Accumulated depreciation, amortisation	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
Balance at 31 December 2018	-	-	(934)	(27)	-	(961)
Charge for the period	-	-	(133)	(2)	-	(135)
Disposals and write-offs including fully depleted mines	-	-	8	-	-	8
Translation to presentation currency	-	-	(81)	(2)	-	(83)
Balance at 30 June 2019	-	-	(1,140)	(31)	-	(1,171)

Net book value	Development assets	Exploration assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
31 December 2018	466	365	1,422	23	150	2,426
30 June 2019	500	410	1,561	27	178	2,676

Mining assets, exploration and development assets at 30 June 2019 included mineral rights with net book value which amounted to US\$ 1,273 million (31 December 2018: US\$ 1,216 million) and capitalised stripping costs with net book value of US\$ 95 million (31 December 2018: US\$ 76 million). Mineral rights of the Group comprise assets acquired upon acquisition of subsidiaries and asset acquisitions.

No property, plant and equipment was pledged as collateral at 30 June 2019 or at 31 December 2018.

18. INVENTORIES

	<u>30 June 2019</u> US\$m	<u>31 December 2018</u> US\$m	<u>30 June 2018</u> US\$m
Inventories expected to be recovered after twelve months			
Ore stock piles	81	68	76
Consumables and spare parts	31	27	36
Total non-current inventories	112	95	112
Inventories expected to be recovered in the next twelve months			
Copper, gold and silver concentrate	166	116	137
Ore stock piles	201	174	206
Work in-process	73	55	65
Doré	12	14	5
Refined metals	-	1	-
Metal for refining	31	9	28
Total metal inventories	483	369	441
Consumables and spare parts	192	168	175
Total	675	537	616

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

During the six months ended 30 June 2019, the Group recognised certain write-downs of metal inventories. Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. In the net realisable tests performed, the flat real long-term price for gold and silver of US\$ 1,200 per ounce and US\$ 15 per ounce respectively were used for long-term inventories. For short-term metal inventories applicable forward prices as of 30 June 2019 were used.

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

	<u>Six months ended 30 June 2019</u>		<u>Six months ended 30 June 2018</u>	<u>Year ended 31 December 2018</u>
	<u>Magadan</u>	<u>Total operating segments</u>	<u>Total operating segments</u>	<u>Total operating segments</u>
	US\$m	US\$m	US\$m	US\$m
Ore stock piles	(5)	(5)	(2)	(9)
Ore in heap leach piles	2	2	(2)	(9)
Copper, gold and silver concentrate	3	3	(3)	(3)
Total	-	-	(7)	(21)

During the six month period ended 30 June 2019 the Group also recognised a reversal of previous write-down consumables and spare parts inventory of US\$ 1 million (six months ended 30 June 2018: write-down consumables and spare parts inventory of US\$ 1 million; year ended 31 December 2018: write-down consumables and spare parts inventory of US\$ 2 million).

The amount of inventories held at net realisable value at 30 June 2019 was US\$ 66 million (30 June 2018: US\$ 113 million; 31 December 2018: US\$ 99 million).

19. BORROWINGS

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

Type of rate	Actual interest rate at		30 June 2019			31 December 2018		
	30 June 2019	31 Dec 2018	Current US\$m	Non-current US\$m	Total US\$m	Current US\$m	Non-current US\$m	Total US\$m
Secured loans from third parties								
<i>U.S. Dollar denominated</i> fixed	4.00%	4.00%	97	324	421	64	372	436
Total			97	324	421	64	372	436
Unsecured Loans from third parties								
<i>U.S. Dollar denominated</i> floating	4.10%	4.35%	30	936	966	11	940	951
<i>U.S. Dollar denominated</i> fixed	4.56%	4.56%	69	435	504	34	470	504
<i>Euro denominated</i> fixed	2.85%	2.85%	-	8	8	8	-	8
Total			99	1,379	1,478	53	1,410	1,463
			196	1,703	1,899	117	1,782	1,899

Type of rate	Actual interest rate at		30 June 2018		
	30 June 2018		Current US\$m	Non-current US\$m	Total US\$m
Secured loans from third parties					
<i>U.S. Dollar denominated</i> fixed	4.00%		15	421	436
Total			15	421	436
Unsecured Loans from third parties					
<i>U.S. Dollar denominated</i> floating	4.12%		-	884	884
<i>U.S. Dollar denominated</i> fixed	4.81%		150	212	362
<i>Euro denominated</i> fixed	2.85%		8	-	8
			158	1,096	1,254
			173	1,517	1,690

Movements in borrowings are reconciled as follows:

	Six months ended 30 June 2019 US\$m	Year ended 31 December 2018 US\$m	Six months ended 30 June 2018 US\$m
1 January	1,899	1,456	1,456
Borrowings obtained	20	1,697	893
Acquisition of subsidiaries	-	26	-
Subsidiaries disposed	-	(25)	-
Repayments of borrowings	(19)	(1,254)	(658)
Net foreign exchange losses	(56)	(110)	37
Exchange differences on translating foreign operations	56	110	(38)
Arrangement fee amortisation	(1)	(1)	-
Period end	1,899	1,899	1,690

The table below summarises maturities of borrowings:

	30 June 2019 US\$m	31 December 2018 US\$m	30 June 2018 US\$m
31 December 2018	-	-	136
Period ended, 30 June 2019	-	27	37
31 December 2019	109	90	62
Period ended, 30 June 2020	87	87	62
31 December 2020	176	176	182
31 December 2021	508	500	536
31 December 2022	446	446	460
31 December 2023	369	469	165
31 December 2024	204	104	50
Total	1,899	1,899	1,690

20. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group's budgeted capital expenditure commitments as at 30 June 2019 amounted to US\$ 106 million (31 December 2018: US\$ 87 million, 30 June 2018: US\$ 37 million).

Social and infrastructure commitments

During the year ended 31 December 2016 the Group signed a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government), where the Group (namely its subsidiaries Bakyrchik Mining Venture LLP and Inter Gold Capital LLP) agreed to participate in financing of certain social and infrastructure development project of the region. Total social expenses commitment at 30 June 2019 amounts to US\$ 26 million, allocated to the future periods as follows:

	<u>30 June 2019</u>
	<u>US\$m</u>
Within one year	2
From one to five years	20
Thereafter	4
Total	<u>26</u>

Operating environment

Emerging markets such as Russia and Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia and Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Taxation

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

Management has identified a total exposure (covering taxes and related interest and penalties) of approximately US\$ 53 million in respect of contingent liabilities (31 December 2018: US\$ 47 million; 30 June 2018: US\$ 5 million) which relate to mining tax and other tax exposures.

21. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

At 30 June 2019, the Company's issued share capital consisted of 470,161,124 ordinary shares of no par value, each carrying one vote (31 December 2018: 469,368,309 ordinary shares; 30 June 2018: 452,587,679).

The movements in stated capital account during the six months ended 30 June 2019 were as follows:

	<u>Stated capital account,</u>	<u>Stated capital</u>
	<u>no. of shares</u>	<u>account,</u>
		<u>US\$m</u>
Balance at 31 December 2018	469,368,309	2,414
Issue of shares in accordance with LTIP	143,384	1
Issue of shares in accordance with Deferred Share Awards plan	649,431	9
Balance at 30 June 2019	470,161,124	2,424

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

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law. As Russian and Kazakh legislation identifies the basis of distribution of the dividends as accumulated profit, the ability to distribute cash up to the Company from the Russian and Kazakh operating companies will be based on the statutory historical information of each stand-alone entity. Statutory financial statements in the Russian Federation are prepared

in accordance with Russian accounting standards which differs from IFRS, while Kazakhstan has adopted IFRS. Also, current legislation and other statutory regulations dealing with distribution rights are open to legal interpretation; consequently, actual distributable reserves may differ from the amount of accumulated profit in accordance with statutory financial statements. However, the Group has unremitted accumulated retained earnings of approximately US\$ 3 billion (31 December 2018: US\$ 2.5 billion, 30 June 2018: US\$ 2.2 billion), which if remitted without restrictions would fund the Group's anticipated dividends for a number of years, after allowing for related tax payments.

22. FAIR VALUE ACCOUNTING

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

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

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

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

At 30 June 2019, 31 December 2018 and 30 June 2018, the Group held the following financial instruments:

	30 June 2019			
	Level 1 US\$m	Level 2 US\$m	Level 3 US\$m	Total US\$m
Receivables from provisional copper, gold and silver concentrate sales	-	54	-	54
Chaarat convertible bonds (Note 2)	-	11	-	11
Contingent consideration liability	-	-	(52)	(52)
	<u>-</u>	<u>65</u>	<u>(52)</u>	<u>13</u>
	31 December 2018			
	Level 1 US\$m	Level 2 US\$m	Level 3 US\$m	Total US\$m
Receivables from provisional copper, gold and silver concentrate sales	-	60	-	60
Contingent consideration liability	-	-	(54)	(54)
	<u>-</u>	<u>60</u>	<u>(54)</u>	<u>6</u>
	30 June 2018			
	Level 1 US\$m	Level 2 US\$m	Level 3 US\$m	Total US\$m
Receivables from provisional copper, gold and silver concentrate sales	-	39	-	39
Nezhda option	-	-	12	12
Contingent consideration liability	-	-	(63)	(63)
	<u>-</u>	<u>39</u>	<u>(51)</u>	<u>(12)</u>

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

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

The estimated fair value of the Group's debt, calculated using the market interest rate available to the Group as at 30 June 2019 is US\$ 1,700 million (31 December 2018: US\$ 1,660 million; 30 June 2018: US\$ 1,490 million), and the carrying value as at 30 June 2019 is US\$ 1,899 million (31 December 2018: US\$ 1,899 million; 30 June 2018: US\$ 1,690 million) (see Note 19).

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.

Location of gain/(loss) recorded in profit or loss	Period ended		Year ended	
	30 June 2019	30 June 2018	31 December 2018	
	US\$m	US\$m	US\$m	
Receivable from provisional copper, gold and silver concentrate sales	Revenue	1	(2)	5

Contingent consideration liabilities

The table below sets forth a summary of changes in the fair value of the Group's Level 3 financial liabilities for the period ended 30 June 2019 and year ended 31 December 2018:

	30 June 2019					31 December 2018
	Omolon US\$m	Prognoz US\$m	Kapan US\$m	Komar US\$m	Total US\$m	Total US\$m
Opening balance	11	14	8	21	54	62
Additions	-	-	-	-	-	14
Change in fair value, included in profit or loss	-	-	(2)	7	5	(7)
Unwind of discount	1	-	-	-	1	1
Settlement through issue of shares	-	-	-	-	-	(10)
Cash settlement	(2)	-	(6)	-	(8)	(6)
Total contingent consideration	10	14	-	28	52	54
Less current portion of contingent consideration liability	(4)	-	-	-	(4)	(5)
	6	14	-	28	48	49

In 2008, the Group recorded a contingent consideration liability related to the acquisition of 98.1% of the shares in JSC Omolon Gold Mining Company (Omolon). The fair value of the contingent consideration liability was determined using a valuation model which simulates expected production of gold and silver at the Kubaka mine and future gold and silver prices to estimate future revenues of Omolon. This liability is revalued at each reporting date based on 2% of the life-of-mine revenues with the resulting gain or loss recognised in the consolidated income statement. The liability recognised at 30 June 2019 was US\$ 10 million, including current portion of US\$ 4 million.

On 1 August 2016 the Group completed the acquisition of Orion Minerals LLP, the holding company for the Komarovskoye Gold Deposit ("Komarovskoye") in the Republic of Kazakhstan. The seller is entitled to the contingent consideration that was determined based on the life of mine model of the Komarovskoye mine and calculated using Monte Carlo modelling. In addition, a deferred consideration contingent upon future production levels and gold price performance will be paid to the seller. The royalty is calculated on a quarterly basis, based on contained gold in ore mined per relevant quarter and is payable at gold prices above US\$ 1,250 per ounce. The royalty is capped at a total consideration of US\$ 80 million. As of 30 June 2019, the fair value of the contingent consideration was estimated at US\$ 28 million.

During year ended 31 December 2018 the Group completed acquisition of Prognoz silver property. The consideration transferred included two separate contingent consideration liabilities. The first contingent liability represents a net smelter return ("NSR") royalty of between 2 and 4% pro-rated for the 45%, and dependent on the applicable statutory mineral extraction tax rate at the time when the asset enters commercial production. The royalty agreement is subject to a cap that increases progressively with the silver price. The fair value of the contingent liability is determined using a valuation model based on expected silver production and forecasted long-term flat silver prices.

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

calculated using Monte Carlo modelling, which simulates expected production silver and the silver prices to estimate Prognoz future revenues.

As of 30 June 2019, the fair value of the total contingent consideration for Prognoz was estimated at US\$ 14 million.

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

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

- Gold price volatility: 15.92%
- Silver price volatility: 31.19%
- Average gold price as of valuation date/ounce: US\$ 1,309
- Average silver price as of valuation date/ounce: US\$ 14.88

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

23. 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.

As of 30 June 2019 and for the period ended 30 June 2019 the Group does not have any significant balances outstanding or significant transactions with the related parties. For comparative periods transactions with related parties were represented by purchases of ore from equity method investments (period ended 30 June 2018: US\$ 11 million, year ended 31 December 2018: US\$ 22 million) and sales of machinery and equipment to the joint ventures (period ended 30 June 2018: US\$ 8 million, year ended 31 December 2018: US\$ 15 million).

The balances outstanding with the related parties were represented by the loans advanced to joint ventures and associates (31 December 2018: nil, 30 June 2018: US\$ 50 million) and accounts receivable and payable related to the transactions described above (31 December 2018: nil, 30 June 2018: US\$ 4 million accounts receivable and US\$ 6 accounts payable).

During the year ended 31 December 2018 the Group has for the first time consolidated its interest in its joint ventures Prognoz and Nezhda and the associate GRK Amikan, as well as disposed of its interest in Aktogai Mys (Dolinnoye) joint venture.

As of 30 June 2019 and 31 December 2018 the share of non-controlling interest in Amikan GRK amounting to the US\$ 5 million was held by a related party.

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	Six months ended 30 June 2019 US\$m	Six months ended 30 June 2018 US\$m	Year ended 31 December 2018 US\$m
Profit before tax		210	210	426
Adjustments for:				
Depreciation and depletion recognised in statement of comprehensive income		107	74	186
Write-down of exploration assets and construction in progress		4	2	24
Write-down of metal inventories to net realisable value	18	-	7	21
Write-down of non-metal inventories to net realisable value	18	(1)	1	2
Additional tax charges/fines/penalties	11	-	(1)	(2)
Provision for investment in Special Economic Zone	11	5	5	11
Share-based compensation	12	6	6	12
Finance costs	13	42	31	71
Finance income		(3)	(1)	(8)
Loss on disposal of property, plant and equipment	11	-	1	-
Rehabilitation expenses		1	-	1
Change in contingent consideration liability		5	-	(7)
Bad debt and expected credit loss allowance	11	-	4	-
Share of loss of associates and joint ventures		-	-	1
Foreign exchange (gain)/loss		24	(2)	40
Change in estimate of environmental obligations		(2)	(2)	(1)
Revaluation of initial share on business combination	2	-	(24)	(41)
(Gain)/Loss on disposal of subsidiaries, net	2	13	(5)	54
Other non-cash expenses		1	3	6
Movements in working capital				
Increase in inventories		(76)	(118)	(150)
(Increase)/Decrease in VAT receivable		(24)	2	(19)
Increase in trade and other receivables		1	(13)	(24)
Increase in prepayments to suppliers		(54)	(59)	(34)
Increase in trade and other payables		(45)	57	123
Increase in other taxes payable		1	3	3
Cash generated from operations		215	181	695
Interest paid		(43)	(32)	(74)
Interest received		3	1	4
Income tax paid		(48)	(57)	(112)
Net cash generated by operating activities		127	93	513

There were no significant non-cash transactions during the six months ended 30 June 2019. Significant non-cash transactions during the six months ended 30 June 2018 and the year ended 31 December 2018 represent the issuance of 21,474,781 and 38,251,464 shares, respectively, for several business combinations and other transactions.

Cash flow related to capitalised exploration amounts to US\$ 19 million for six months ended 30 June 2019 and is shown within Property, plant and equipment acquisitions (six months ended 30 June 2018: US\$ 16 million; year ended 31 December 2018: US\$ 43 million). During the period ended 30 June 2019, the capital expenditure related to the new projects, increasing the operating capacity amounts to US\$ 80 million (period ended 30 June 2018: US\$ 107 million; year ended 31 December 2018: US\$ 146 million).

25. SUBSEQUENT EVENTS

Following the sale of the Kapan mine in January 2019 to Chaarat as described in Note 2, on 29 July 2019 Polymetal has agreed to exchange the US\$ 10 million of Chaarat's convertible notes received as part of original consideration for 14,638,020 newly issued Chaarat ordinary shares of US\$ 0.01 each (see Note 2 for more details). The transaction was closed on 19 August 2019, when the fair value of the Chaarat's shares received amounted to US\$ 4 million.

ALTERNATIVE PERFORMANCE MEASURES

Introduction

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

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

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

Purpose

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

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

APMs and justification for their use

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying net earnings	<ul style="list-style-type: none"> • Profit/(loss) for the financial period attributable to equity shareholders of the Company 	<ul style="list-style-type: none"> • Write-down of metal inventory to net realisable value (post-tax) • Write-down of development and exploration assets (post-tax) • Foreign exchange (gain)/loss (post-tax) • Change in fair value of contingent consideration liability (post-tax) • Gains/losses on acquisition, revaluation and disposals of interests in subsidiaries, associates and joint ventures (post-tax) 	<ul style="list-style-type: none"> • Exclude the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Underlying earnings per share	<ul style="list-style-type: none"> No equivalent 	<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"> Exclude the impact of key significant one-off non-recurring items and significant non-cash items (other than depreciation) that can mask underlying changes in core performance.
Underlying return on equity	<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 company's profitability Measures the efficiency with which a company generates income using the funds that shareholders have invested.
Return on assets	<ul style="list-style-type: none"> No equivalent 	<ul style="list-style-type: none"> Underlying net earnings (as defined above) before interest and tax Average total assets at the beginning and the end of reporting year 	<ul style="list-style-type: none"> A financial ratio that shows the percentage of profit a company earns in relation to its overall resources.
Adjusted EBITDA	<ul style="list-style-type: none"> Profit/(loss) before income tax 	<ul style="list-style-type: none"> Finance cost (net) Depreciation and depletion Write-down of metal and non-metal inventory to net realisable value Write-down of development and exploration assets 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"> Exclude the impact of certain non-cash element, either recurring or non-recurring, that can mask underlying changes in core operating performance, to be a proxy for operating cash flow generation.
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"> NA 	<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.

¹ Excluding lease liabilities.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
Net debt/EBITDA ratio	<ul style="list-style-type: none"> No equivalent 	<ul style="list-style-type: none"> NA 	<ul style="list-style-type: none"> Used by creditors, credit rating agencies and other stakeholders.
Free cash flow	<ul style="list-style-type: none"> Cash flows from operating activity less cash flow from investing activities 	<ul style="list-style-type: none"> Acquisition costs in business combinations and investments in associates and joint ventures Proceeds from disposal of subsidiaries 	<ul style="list-style-type: none"> Reflect cash generating from operations after meeting existing capital expenditure commitments. Measures the success of the Company in turning profit into cash through the strong management of working capital and capital expenditure.
Free cash flow post M&A	<ul style="list-style-type: none"> Cash flows from operating activity less cash flow from investing activities 	<ul style="list-style-type: none"> NA 	<ul style="list-style-type: none"> Reflect 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 unrealized profit elimination Idle capacities and abnormal production costs Exclude Corporate and Other segment and development assets 	<ul style="list-style-type: none"> Calculated according to common mining industry practice using the provisions of Gold Institute Production Cost Standard. Give a picture of a Company's current ability to extract its resources at a reasonable cost and generate earnings and cash flows for use in investing and other activities.
All-in sustaining cash costs (AISC)	<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 finance cost, capitalised interest and income tax expense. All-in costs includes additional adjustments on that for development capital. 	<ul style="list-style-type: none"> Include the components identified in World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a non-IFRS financial measure. Provide investors with better visibility into the true cost of production.