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Polymetal International plc

Report on payments to governments for the year 2019

Polymetal issues the report on payments to government for the year ended 31 December 2019.

INTRODUCTION

This Report provides an overview of the payments to governments made by Polymetal International plc and its subsidiary undertakings (hereinafter referred to as “Polymetal”) for the year 2019 as required under the UK’s Report on Payments to Governments Regulations 2014 (as amended in December 2015). These UK Regulations enact domestic rules in line with Directive 2013/34/EU (the EU Accounting Directive (2013)) and apply to large extractive companies, whose securities are publicly listed on a UK-regulated stock market, that are involved in the exploration, prospection, discovery, development and extraction of minerals, oil, natural gas deposits or other materials. This Report is also intended to satisfy the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority in the United Kingdom.

BASIS OF PREPARATION

Legislation

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

Reporting entities

This Report includes payments to governments made by Polymetal. Payments made by entities over which Polymetal has joint control or significant influence are excluded from this Report.

Activities

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

Government

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

Project

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

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

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

Payments

The information is reported under the following payment types:

Income taxes

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

The maximum income tax in Russia is set at 20% and is allocated between federal budget and the budgets of the relevant constituent regions. In 2019 and 2018 the following proportion was applied: 3% to the federal budget, whereas 17% allocated to the regional budgets. From 1 January 2017 Omolon Gold Mining Company LLC and Magadan Silver JSC are entitled to the decreased statutory income tax rate of 17% for the operations held in the Special Economic Zone of the Russian Far East, as well as decreased mining tax rate (paying at 60% of the standard mining tax rates). In return for obtaining this tax relief the members of the regional free economic zone are obliged to invest 50% of their tax savings each year in the Special Economic Zone Development Program. From 1 January 2017 Svetloye LLC has received tax relief as Regional Investment Project and is entitled to the statutory income tax rate of 0% up to 2021, as well as decreased Mining tax rates.

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

Mining tax

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

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

Licence fees

These are fees and other sums paid as consideration for acquiring a licence for gaining access to an area where extractive activities are performed. Administrative government fees that are not specifically related to the extractive sector, or to access to extractive resources, are excluded. No significant licence fees individually more than 86,000 GBP were paid during the year ended 31 December 2019.

Rental fees

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

Other payments

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

Cash and in-kind payments

Payments are reported on cash basis. No in-kind payments were made during years ended 31 December 2019 and 31 December 2018.

Materiality Level

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

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

Exchange Rate

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

**PAYMENTS PER GOVERNMENT
FOR THE YEAR 2019**

Government 000'\$	Income tax	Mining tax	Rental fees	Licence fees	Other	Total
Russia	84,619	70,396	2,727	29	12,235 ¹	170,006
Kazakhstan	19,057	45,326	44	-	8,016 ²	72,443
Total	103,676	115,722	2,771	29	20,251	242,449

**PAYMENTS PER
PROJECT¹**

Entity 000'\$	Project	Country/ Government	Region	Income tax	Mining tax	Rental fees	Licence fees	Other	Total
Gold of Northern Urals CJSC	Voro	Russia	Sverdlovskaya oblast'	26,568	9,101	103	-	46	35,818
Svetloye LLC	Svetloye	Russia	Khabarovskiy Kray	-	2,189	348	5	48	2,590
Magadan Silver JSC	Dukat	Russia	Magadanskaya oblast'	27,962	15,881	747	2	7,970 ¹	52,562
Mayskoye Gold Mining Company LLC	Mayskoye	Russia	Chukotka Autonomous Okrug	-	12,380	71	11	20	12,482
Omolon Gold Mining Company LLC	Omolon	Russia	Magadanskaya oblast'	11,390	10,450	319	4	3,825 ¹	25,988
Albazino Resources Ltd	Albazino	Russia	Khabarovskiy Kray	16,007	18,940	608	7	239	35,801
GRK Amikan LLC	Veduga	Russia	Krasnoyarskiy Kray	2,692	1,455	265	-	23	4,435
South-Verkhoyansk Mining Company JSC	Nezhda	Russia	Yakutia	-	-	266	-	64	330
Varvarinskoye JSC	Varvara	Kazakhstan	n/a	15,528	3,791	11	-	556	19,886
Komarovskoye Mining Company LLC	Komar	Kazakhstan	n/a	3,076	7,483	-	-	-	10,559
Bakyrchik Mining Venture LLC	Kyzyl	Kazakhstan	n/a	450	34,052	30	-	7,435 ²	41,967
Inter Gold Capital LLC		Kazakhstan	n/a	-	-	3	-	25	31
Total				103,676	115,722	2,771	29	20,251	242,449

¹ Includes payments under Special Economic Zone Development Program of kUS\$ 3,522 for Omolon Gold Mining Company LLC and kUS\$ 7,945 for Magadan Silver JSC.

² In accordance with a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government) Polymetal participates in financing of certain social and infrastructure development project of the region. During the year ended 31 December 2019 Polymetal paid \$5 million under this programme.

**PAYMENTS PER GOVERNMENT
FOR THE YEAR 2018**

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

**PAYMENTS PER
PROJECT¹**

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

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

² In accordance with a memorandum with East-Kazakhstan Oblast Administration (local Kazakhstan government) Polymetal participates in financing of certain social and infrastructure development project of the region. During the year ended 31 December 2018 Polymetal paid \$2 million under this programme.

About Polymetal

Polymetal International plc (together with its subsidiaries – “Polymetal”, the “Company”, or the “Group”) is a top-10 global gold producer and top-5 global silver producer with assets in Russia and Kazakhstan. The Company combines strong growth with a robust dividend yield.

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Forward-looking statements

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