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Date	26 August 2020	

Polymetal International plc

Half-yearly report for the six months ended 30 June 2020

"We are pleased to report a strong financial performance in the first half of the year amidst a challenging global backdrop. Favourable commodity prices and our tight cost control, as well as the impact of foreign exchange and improved grades, drove a significant increase in the Group's earnings, cash flow and dividends. Importantly, we've been able to minimise the impact of the COVID-19 pandemic on our people, communities, and operations. Our key development projects continue to progress on schedule", said Vitaly Nesis, Group CEO, commenting on the results.

FINANCIAL HIGHLIGHTS

- Revenue in 1H 2020 increased by 21% to US$ 1,135 million compared to 1H 2019 ("year-on-year") on the back of higher gold and silver prices. Gold equivalent ("GE") production was 723 Koz, an increase of 4% year-on-year. Gold sales were 595 Koz, down 1% year-on-year, as there was a lag between gold concentrate production and sales, which is expected to close in 2H 2020. Silver sales were down 4% to 9.9 Moz, in line with production. Average realised prices tracked market dynamics: gold prices achieved were up 25% year-on-year, while silver prices were up 10%.
- Group Total Cash Costs ("TCC")[1] were US$ 638/GE oz for 1H 2020, down 4% year-on-year, and 2% below the lower end of the Company's full year guidance of US$ 650-700/GE oz mostly due to a weakness in the Russian Rouble and the Kazakh Tenge combined with a positive impact of change in production structure towards the lower cost operations (notably Kyzyl).
- All-in Sustaining Cash Costs ("AISC")[1] amounted to US$ 880/GE oz, down 3% year-on-year, within the Company's full year guidance of US$ 850-900/GE oz.
- Adjusted EBITDA[1] was US$ 616 million, an increase of 53% year-on-year, against the backdrop of higher commodity prices and lower cash costs. The Adjusted EBITDA margin increased by 11 p.p. and reached an all-time high of 54% (1H 2019: 43%).
- Net earnings[2] were US$ 381 million (1H 2019: US$ 153 million), with basic EPS of US$ 0.81 per share (1H 2019: US$ 0.33 per share), reflecting the increase in operating profit. Underlying net earnings[1] increased by 98% to US$ 373 million (1H 2019: US$ 188 million).
- Capital expenditure was US$ 248 million[3], up 31% compared to US$ 189 million in 2019, reflecting the construction at POX-2. The Group is on track with the development activities at both POX-2 and Nezhda.
- An interim dividend of US$ 0.40 per share (1H 2019: US$ 0.20 per share) representing 50% of the Group's underlying net earnings for 1H 2020 has been approved by the Board in accordance with the dividend policy. In 1H 2020, the Group has paid dividends totalling US$ 0.62 per share (including special dividend and final dividend for FY 2019).
- Net debt[1] increased to US$ 1,690 million during the period (31 December 2019: US$ 1,479 million), representing 1.3x last twelve months Adjusted EBITDA. Increase in debt was driven by seasonal working capital build-up and payment of special and final dividends in the amount of US$ 291 million. Free cash flow[1] was US$ 53 million, compared to US$ 63 million net outflow a year earlier. As usual, FCF is expected to be stronger in the second half of the year due to seasonally higher production and working capital drawdown.
- Polymetal is on track to meet its 2020 production guidance of 1.5 Moz of gold equivalent. The company maintains its guidance range of US$ 650-700/GE oz and US$ 850-900/GE oz for TCC and AISC, respectively, as depreciation

[1] 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). 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.
[3] On a cash basis, representing cash outflow on purchases of property, plant and equipment in the consolidated statement of cash flows.

of the Russian Rouble and Kazakh Tenge is currently counterbalanced by COVID-related costs and increase in mining tax on the back of rising gold and silver prices.

FINANCIAL HIGHLIGHTS[1]	1H 2020	1H 2019[2]	Change, %
Revenue, US$m	1,135	941	+21%
Total cash cost[3], US$/GE oz	638	667	-4%
All-in sustaining cash cost[3], US$/GE oz	880	904	-3%
Adjusted EBITDA[3], US$m	616	403	+53%
Average realised gold price[4], US$/oz	1,661	1,332	+25%
Average realised silver price[4], US$/oz	16.7	15.2	+10%
Net earnings, US$m	381	153	+149%
Underlying net earnings[3], US$m	373	188	+98%
Return on Assets[3], %	23%	14%	+9 p.p.
Return on Equity (underlying)[3],%	23%	13%	+10 p.p.
Basic EPS, US$/share	0.81	0.33	+145%
Underlying EPS, US$/share	0.79	0.40	+98%
Dividend declared during the period[5], US$/share	0.62	0.31	+100%
Dividend proposed for the period[6], US$/share	0.40	0.20	+100%
Net debt[3], US$m	1,690	1,479	+14%
Net debt/Adjusted EBITDA[7]	1.31	1.38	-5%
Net operating cash flow, US$m	300	127	+136%
Capital expenditure, US$m	248	189	+31%
Free cash flow[3], US$m	53	(63)	n/a
Free cash flow post-M&A[3], US$m	55	(23)	n/a

COVID-19 IMPACT ON GROUP'S PERFORMANCE TO DATE

- No material COVID-19 outbreaks have so far occurred at our operations. Multiple employees tested positive for the virus with the vast majority of confirmed cases occurring during intra-shift breaks away from mines or during mandatory observatory period.
- At Olcha (Omolon hub), mining operations have been temporarily suspended in August due to COVID-19 on-site cases. Olcha employs 164 employees, including contractors, and approximately a third of them tested positive. Employees are under constant medical supervision. This will not have a material impact on the Group's annual production, as the mine has been outperforming the plan to date. Olcha is expected to resume normal operational activity within 10-14 days.
- In both Russia and Kazakhstan, Polymetal has had no interruptions in supply chain. The vast majority of operating consumables and spares are sourced domestically and from China.
- Sales and refining activities remain unaffected. Refineries in Russia and Kazakhstan continue to operate normally.

[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] Excluding Kapan in 1H 2019 (disposed in January 2019). This note applies to all tables in this release.
[3] Defined in the "Alternative performance measures" section below.
[4] In accordance with IFRS, revenue is presented net of treatment charges which are subtracted in calculating the amount to be invoiced. Average realised prices are calculated as revenue divided by gold and silver volumes sold, excluding effect of treatment charges deductions from revenue.
[5] 1H 2020: Special and final dividend for FY 2019 paid in 2020. 1H 2019: Final dividend for FY 2018 paid in May 2019.
[6] 1H 2020: interim dividend for FY2020. 1H 2019: interim dividend for FY2019.
[7] On a last twelve months basis. Adjusted EBITDA for 2H 2019 was US$ 672 million.

OPERATING HIGHLIGHTS

- There were no fatal accidents during 1H 2020 within Polymetal and the Company's contractors. LTIFR improved by 70% year-on-year to 0.07 with only four minor injuries recorded for the period.

- GE production in 1H 2020 was 723 Koz, up 4% year-on-year. Stronger production in the 2H will be driven by traditional seasonal concentrate de-stockpiling at Mayskoye. The Company remains on track to meet its FY2020 production guidance of 1.5 Moz of gold equivalent.
- Construction and development activities at Nezhda and POX-2 progressed on schedule. COVID-related restrictions and cautionary measures have not slowed down execution progress of these projects.

	1H 2020	1H 2019	Change, %
Waste mined, Mt	79.1	77.6	+2%
Underground development, km	46.4	54.3	-15%
Ore mined, Mt	**8.1**	**8.6**	**-6%**
Open-pit	6.0	6.5	-7%
Underground	2.0	2.1	-4%
Ore processed, Mt	7.8	7.6	+2%
Average grade processed, GE g/t	**4.0**	**3.7**	**+7%**
Production			
Gold, Koz	642	602	+7%
Silver, Moz	9.8	11.0	-11%
Gold equivalent, Koz[1]	**723**	**694**	**+4%**
Sales			
Gold, Koz	595	601	-1%
Silver, Moz	9.9	10.3	-4%
Gold equivalent, Koz[2]	**695**	**719**	**-3%**
Headcount	12,083	11,715	+3%
Health and safety			
LTIFR[3]	0.07	0.23	-70%
Fatalities	-	2	-100%

CORPORATE UPDATE

- In March 2020, Polymetal acquired a 9.1% stake in ThreeArc, 100% owner of the Tomtor project, through a US$ 20 million cash investment into newly issued share capital. The proceeds will be used to complete the Tomtor pre-feasibility study and initial JORC-compliant ore reserve and mineral resource estimate. Tomtor is one of the largest and highest grade rare earth elements (REE) projects in Russia and considered to be the highest grade development stage niobium (Nb) project globally.
- In April 2020, VTB invested US$ 35 million in cash in exchange for newly issued Amikan (Veduga) share capital resulting in VTB holding a 40.6% stake in the asset. These cash-in proceeds will be used to fund the Project's ongoing exploration and development costs. As part of transaction VTB was granted a put option to sell its stake in Amikan to Polymetal at certain conditions, along with the similar call option granted to Polymetal. Both put and call options are to be settled in Polymetal shares.
- In June 2020, Polymetal entered into a preliminary lease agreement to lease on pre-agreed terms the single-circuit 110 kV grid power line running from Khandyga to Nezhda production site and the related substation. The power line will be built, owned and operated by an independent grid management company. The construction will be funded with the Far East and Arctic Development Fund 10-year senior loan, guaranteed by the Group, and Credit Bank of Moscow subordinated loan facility. The completion and commencement date of lease scheduled for second quarter 2022.
- During 1H 2020, the Group disposed non-core assets (Irbychan Gold, PGGK and North Kaluga) with the total consideration amounting to US$ 32 million, including cash proceeds of US$ 23 million and deferred consideration of US$ 9 million.

[1] Based on 120:1 Ag/Au conversion ratio.
[2] Based on actual realised prices.
[3] LTIFR = lost time injury frequency rate per 200,000 hours worked.

CONFERENCE CALL AND WEBCAST

Polymetal will hold a conference call and webcast on Wednesday, 26 August 2020 at 12:00 London time (14:00 Moscow time).

To participate in the call, please dial:

From the UK:
+44 330 336 9125 (local access)
0800 358 6377 (toll free)

From the US:
+1 646 828 8143 (local access)
800 263 0877 (toll free)

From Russia:
+7 495 213 1767 (local access)
8 800 500 9283 (toll free)

To participate from other countries, please dial any of the local access numbers listed above.

Conference code: 5168315

To participate in the webcast follow the link: https://webcasts.eqs.com/polymetal20200826.

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

A recording of the call will be available at +44 207 660 0134 (from the UK), +1 719 457 0820 (from the USA) and 8 10 800 2702 1012 (from Russia), access code 5168315, from 17:30 Moscow time Wednesday, 26 August till 17:30 Moscow time Wednesday, 2 September 2020. Webcast replay will be available on Polymetal's website (www.polymetalinternational.com) and at https://webcasts.eqs.com/polymetal20200826.

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.

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FINANCIAL REVIEW

MARKET SUMMARY

Precious metals

In 1H 2020, gold prices had a remarkable performance, increasing by 16% year-to-date and significantly outperforming all other major asset classes, on the back of increasing uncertainty surrounding the COVID-19 pandemic and the low interest rate environment supporting investors' need to reduce risk. This resulted in strong flight-to-safety flows, with the recognition of gold as a hedge that is evidenced by the record inflows seen in gold-backed ETFs. At 30 June 2020, the LBMA gold price was trading at US$1,769/oz, a record level since 2012. The average LBMA gold price for the period was US$ 1,646/oz, up 26% year-on-year.

Gold demand for the first half was 6% weaker year-on-year at 2,076[1] tonnes. The pandemic was the key driver of the gold market during the period, curtailing consumer demand while providing support for investment. Inflows into gold-backed ETFs were at a record-breaking 734[1] tonnes, offsetting weakness in other sectors. Investment in gold bars and coins slowed sharply in 1H 2020, down by 17% year-on-year to 397[1] tonnes – an eleven year low. Jewellery demand almost halved to 572[1] tonnes as markets remained in lockdown and consumers were deterred by the high price and a squeeze on income. Similar factors were behind a 13% fall in gold used in technology to 140[1] tonnes. Central banks bought 233[1] tonnes of gold during the period, 39% below 2019's record level. Buying has become more concentrated, with fewer banks adding to reserves so far in 2020. The supply of gold was also impacted by the pandemic, falling 6% to 2,192[1] tonnes as both mine production and recycling were affected by lockdown restrictions.

Silver price dynamics were influenced by increasing levels of volatility. Silver started the year at the US$ 18/oz level after a strong second half of 2019. It moved up to the US$ 19/oz level in February, before dropping by 38% to an 11-year low in March with the shutdown of industrial activity around the world, particularly in China, reduced physical demand for silver. In 2Q 2020, the silver market bounced up strongly from the initial sell-off, moving back toward US$ 17.8/oz at 30 June 2020, down 1% year-to-date. The average LBMA price increased by 9% from US$ 15.2/oz for 1H 2019 to US$ 16.6/oz for 1H 2020.

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 2020 the Russian Rouble weakened on the back of falling oil prices (Brent crude oil price ended June 2020 at $41.6 per barrel, a decrease of 37% year-to-date) and risk aversion as investors remain concerned about the global economic recovery. The Russian Rouble depreciated 6% year-on-year from an average of 65.3 RUB/USD in 1H 2019 to 69.3 RUB/USD in 1H 2020, while the spot rate as at 30 June 2020 depreciated by 13% to 70.0 RUB/USD compared to 31 December 2019.

Kazakh Tenge also weakened along with the Rouble (the exchange rate was down 7% year-on-year, from 379 KZT/USD in 1H 2019 to 404 KZT/USD in 1H 2020).

This had a positive impact on our operations in Russia and Kazakhstan, resulting in lower Dollar value of local currency-denominated operating costs and higher margins.

REVENUE

		1H 2020	1H 2019	Change, %
Sales volumes				
Gold	Koz	595	601	-1%
Silver	Moz	9.9	10.3	-4%
Gold equivalent sold[2]	**Koz**	**695**	**719**	**-3%**

[1] Gold Demand Trends Q2 2020 published by World Gold Council.
[2] Based on actual realised prices.

Sales by metal *(US$ mln unless otherwise stated)*		**1H 2020**	**1H 2019**	**Change, %**	**Volume variance, US$ mln**	**Price variance, US$ mln**
Gold		**977**	**787**	**+24%**	**(8)**	**198**
Average realised price[1]	*US$/oz*	1,661	1,332	+25%		
Average LBMA closing price	*US$/oz*	1,646	1,308	+26%		
Share of revenues	*%*	86%	84%			
Silver		**158**	**149**	**+6%**	**(5)**	**14**
Average realised price[1]	*US$/oz*	16.7	15.2	+10%		
Average LBMA closing price	*US$/oz*	16.6	15.2	+9%		
Share of revenues	*%*	14%	16%			
Other metals		**0**	**5**	**-100%**		
Share of revenues	*%*	0%	0%			
Total revenue		**1,135**	**941**	**+21%**	**(37)**	**231**

In 1H 2020, revenue grew by 21% year-on-year to US$ 1,135 million driven by growth of gold and silver average realised prices. Gold sales volume decreased by 1%, while gold production moved higher by 7%. Gold concentrate sales lagged production which is expected to be reversed before the year-end. Silver sales volume decreased by 4% year-on-year, broadly following production volume.

The average realised price for gold was US$ 1,661/oz in 1H 2020, up 25% from US$ 1,332/oz in 1H 2019, and slightly above the average market price of US$ 1,646/oz. The average realised silver price was US$ 16.7/oz, up 10% year-on-year, and in line with market price dynamics.

The share of gold sales as a percentage of total revenue increased from 84% in 1H 2019 to 86% in 1H 2020, driven by a corresponding shift in production and sales volume by metal.

Analysis by segment/operation		**Revenue,** *US$m*			**Gold equivalent sold,** *Koz (silver equivalent for Dukat, Moz)*		
Segment	**Operation**	**1H 2020**	**1H 2019**	**Change, %**	**1H 2020**	**1H 2019**	**Change, %**
Magadan	Dukat	196	174	+13%	12.2	11.9	+3%
	Omolon	143	132	+8%	87	100	-12%
	Mayskoye	1	11	-88%	0	9	-97%
	Total Magadan	**340**	**317**	**+7%**	**209**	**240**	**-13%**
Khabarovsk	Albazino/Amursk	213	212	+0%	129	155	-16%
	Svetloye	78	50	+56%	47	38	+25%
	Total Khabarovsk	**290**	**262**	**+11%**	**176**	**192**	**-8%**
Kazakhstan	Kyzyl	331	199	+66%	203	162	+25%
	Varvara	103	88	+17%	63	68	-6%
	Total Kazakhstan	**434**	**287**	**+51%**	**266**	**230**	**+16%**
Urals	Voro	70	75	-7%	42	57	-26%
	Total	**1,135**	**941**	**+21%**	**695**	**719**	**-3%**

The increase in commodity prices during the period affected revenues at all operating mines, although at Voro revenue was down 7% year-on-year as a result of the decrease in GE volume sold. At Varvara and Albazino, there was a temporary lag between production and sales, which will be eliminated in 2H 2020. Among all other operating mines, physical sales volumes broadly followed the production dynamics.

At Mayskoye, there was no meaningful gold production in 1H 2020. With the summer navigation period starting in July, gold production at Mayskoye will be booked in the second half of the year once the stockpiled concentrate is shipped to off-takers.

[1] Excluding effect of treatment charges deductions from revenue.

COST OF SALES

Cost of sales
(US$ mln)

	1H 2020	1H 2019	Change, %
On-mine costs	228	250	-9%
Smelting costs	169	177	-5%
Purchase of ore and concentrates from third and related parties	56	22	+155%
Mining tax	64	54	+19%
Total cash operating costs	**517**	**503**	**+3%**
Depreciation and depletion of operating assets	103	121	-15%
Rehabilitation expenses	-	1	-100%
Total costs of production	**620**	**625**	**-1%**
Increase in metal inventories	(141)	(95)	+48%
(Reversal)/write-down of metal inventories to net realisable value	(2)	-	n/a
Total change in metal inventories	**(143)**	**(95)**	**+51%**
Write-down/(reversal) of non-metal inventories to net realisable value	6	(1)	-700%
Idle capacities and abnormal production costs	1	2	-50%
Total cost of sales	**484**	**531**	**-9%**

Cash operating cost structure	**1H 2020, US$ mln**	**1H 2020, % of total**	**1H 2019, US$ mln**	**1H 2019, % of total**
Services	177	34%	192	38%
Consumables and spare parts	126	24%	134	27%
Labour	92	18%	99	20%
Mining tax	64	12%	54	11%
Purchase of ore and concentrates from third parties	56	11%	22	4%
Other expenses	2	0%	2	-
Total	**517**	**100%**	**503**	**100%**

The total cost of sales decreased by 9% in 1H 2020 to US$ 484 million, reflecting a positive impact from the Russian Rouble and Kazakh Tenge depreciating by 6% and 7%, respectively, combined with a volume-based decrease in sales (4% in gold equivalent terms). In turn, this more than offset domestic inflation (3% year-on-year).

The cost of services and the cost of consumables and spare parts were down 8% and 6% year-on-year, respectively, caused mostly by a weaker Rouble and Tenge compared to 1H 2019.

The total cost of labour within cash operating costs in 1H 2020 was US$ 92 million, a 7% decrease, mainly stemming from local currency devaluation and the decline in the average number of employees at Voro and Dukat operations, which collectively offset the annual salary increase (tracking domestic CPI inflation).

Increase in purchases of third-party ore was driven by larger volumes of high-grade third-party ore processed at the Varvara flotation circuit.

Mining tax increased by 19% year-on-year to US$ 64 million, compared to a 4% production volume increase, mainly impacted by the significant increase in average realised prices.

Depreciation and depletion was US$ 103 million, down 15% year-on-year, and largely driven by the positive effect of a weaker Rouble and Tenge and a specific decrease attributable to Omolon where Yolochka, as well as capitalised stripping costs at Birkachan were fully depreciated in 2019. US$12 million of depreciation cost is included within the increase in metal inventories (1H 2019: US$18 million).

In 1H 2020, a seasonal net metal inventory increase of US$ 141 million (1H 2019: US$ 95 million) was recorded. The increase was mainly represented by concentrate produced at Mayskoye (awaiting sales to off-takers during the summer navigation period) and concentrate at Varvara, as well as heap leach work-in-progress at Omolon. The Company expects the bulk of this increase to be reversed by the end of 2020.

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US$ mln)	1H 2020	1H 2019	Change, %
Labour	72	70	+3%
Share based compensation	7	6	+17%
Services	4	5	-20%
Depreciation	4	3	+33%
Other	8	8	-
Total	**95**	**92**	**+3%**

General, administrative and selling expenses ("SGA") increased by 3% year-on-year from US$ 92 million to US$ 95 million mostly driven by the increased headcount of administrative personnel due to commencement of POX-2 and Nezhda project development, as well as regular salary reviews.

OTHER OPERATING EXPENSES

(US$ mln)	1H 2020	1H 2019	Change, %
Social payments	13	10	+30%
Exploration expenses	10	8	+25%
Provision for investment in Special Economic Zone	7	5	+40%
Taxes, other than income tax	7	4	+75%
Additional tax charges/fines/penalties	6	-	n/a
Other expenses	8	-	n/a
Total	**51**	**27**	**+89%**

Other operating expenses increased to US$ 51 million in 1H 2020 compared to US$ 27 million in 1H 2019. Increase in social payments was mostly attributable to social expenditures at Kyzyl and Amursk POX-2 project. Additional tax charges recognised in 1H 2020 were recorded by the Group in relation to the mining tax exposure. Other expenses are represented by individually insignificant items, notably, bad debt allowance, housing, COVID-19-related expenses and loss on disposal.

TOTAL CASH COSTS

Total cash costs per gold equivalent ounce[1]

Segment	Operation	1H 2020	1H 2019	Change, %	2H 2019	Change, %
Magadan	Dukat (SE oz)[2]	9.8	10.0	-2%	10.0	-2%
	Omolon	602	832	-28%	672	-10%
	Mayskoye	n/a	NM	n/a	1,059	n/a
	Total Magadan	**841**	**871**	**-4%**	**863**	**-3%**
Khabarovsk	Svetloye	410	388	+6%	280	+46%
	Albazino/Amursk	735	754	-2%	707	+4%
	Total Khabarovsk	**648**	**682**	**-5%**	**506**	**+28%**
Kazakhstan	Kyzyl	386	407	-5%	393	-2%
	Varvara	881	708	+24%	735	+20%
	Total Kazakhstan	**504**	**504**	**+0%**	**493**	**+2%**
Urals	Voro	440	381	+16%	386	+14%
Total Group		**638**	**667**	**-4%**	**645**	**-1%**

[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] Dukat's total cash cost per gold equivalent was US$ 985/GE oz (1H 2019: US$ 878/GE oz) and was included in the Group TCC calculation.

In 1H 2020, total cash costs per gold equivalent ounce sold ("TCC") were US$ 638/GE oz, down 4% year-on-year and down 1% compared to 2H 2019. The depreciation of the Russian Rouble and Kazakh Tenge against the US dollar, combined with the structural shift to production from lower cost mines had a positive impact on cost levels, offsetting domestic inflation, fuel prices increase and asset-specific factors at Varvara and Voro.

Total cash cost by operation:

- Dukat's total cash cost per silver equivalent ounce sold ("SE oz") decreased by 2% both year-on-year and half-on-half to US$ 9.8/SE oz. Cost decrease is attributable to the Russian Rouble depreciation offsetting the planned moderate decrease in silver grade at the Dukat underground mine.
- At Omolon, TCC amounted to US$ 602/GE oz, a decrease of 28% year-on-year and 10% half-on-half, as Kubaka mill processed gold-rich ore from Yolochka and Birkachan underground at the CIP circuit during the period, while heap leach production also positively contributed on the back of stacking of larger volumes of higher-grade ore stockpiles.
- At Mayskoye, there were no meaningful sales during 1H 2020 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$ 410/GE oz, mostly driven by lower stacking volumes impacted by maintenance shutdown of the ore crushing complex in 2Q 2020.
- At Albazino/Amursk, TCC was US$ 735/GE oz, down 2% year-on-year on the back of Rouble depreciation, and up 4% half-on-half. The cost increase compared to 2H 2019 was mostly attributable to higher-cost 3rd party concentrate processed at the Amursk POX.
- Kyzyl's total cash costs were at US$ 386/GE oz, significantly below Group's average and feasibility study levels and down 5% year-on-year and 2% half-on-half, as the mine outperformed its design capacity and planned grade during the period.
- At Varvara, TCC was US$ 881/GE oz, up 24% year-on-year, and up 20% half-on-half. The cost increase mainly stemmed from treatment of additional volumes of higher cost 3rd party ore.
- At Voro, TCC were US$ 440/GE oz, up 16% year-on-year and 14% half-on-half on the back of planned grade declines.

ALL-IN SUSTAINING AND ALL-IN CASH COSTS

All-in sustaining cash costs[1] amounted to US$ 880/GE oz in 1H 2020, down 3% year-on-year. AISC by operations were represented as follows:

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

Segment	Operation	1H 2020	1H 2019	Change, %
Magadan	Dukat (SE oz)	11.3	12.5	-9%
	Omolon	793	969	-18%
	Mayskoye	n/a	NA	n/a
	Total Magadan	**1,048**	**1,089**	**-4%**
Khabarovsk	Svetloye	525	552	-5%
	Albazino/Amursk	944	861	+10%
	Total Khabarovsk	**832**	**801**	**+4%**
Kazakhstan	Kyzyl	503	510	-1%
	Varvara	1,073	1,187	-10%
	Total Kazakhstan	**639**	**721**	**-11%**
Urals	Voro	593	435	+36%
Total Group		**880**	**904**	**-3%**

[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.

All-in sustaining cash costs at all operating mines, except for Albazino and Varvara, generally followed total cash cost dynamics.

At Albazino, AISC increased by 10% to US$ 944/oz that was mostly driven by development pre-stripping costs capitalised at Ekaterina-2 and Farida pits. At Varvara, AISC decreased by 10% to US$ 1,073/oz, as the cost level in 1H 2019 was affected by acquisition of 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.

Reconciliation of all-in costs	**Total, US$ mln**			**US$/GE oz**		
	1H 2020	**1H 2019**	**Change, %**	**1H 2020**	**1H 2019**	**Change, %**
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value (Note 4)	**392**	**429**	**-9%**	**565**	**598**	**-6%**
adjusted for:						
Idle capacities	(1)	(2)	-45%	(1)	(2)	-50%
Inter-segment unrealised profit on metal inventory	(4)	(3)	2%	(5)	(5)	-
Treatment charges deductions reclassification to cost of sales	20	22	-11%	28	30	-7%
SGA expenses, excluding depreciation, amortization and share based compensation (Note 4)	**39**	**37**	**5%**	**56**	**51**	**+10%**
adjusted for:						
SGA expenses for development projects	(4)	(4)	-13%	(5)	(6)	-17%
Total cash costs	**443**	**479**	**-7%**	**638**	**667**	**-4%**
SGA expenses for Corporate and Other segment and other operating expenses	81	65	+25%	116	91	+27%
Capital expenditure excluding development projects	42	71	-40%	61	97	-37%
Exploration expenditure (capitalised)	29	12	+140%	42	17	+147%
Capitalised stripping	16	23	-32%	23	32	-28%
All-in sustaining cash costs	**612**	**649**	**-6%**	**880**	**904**	**-3%**
Finance cost	33	42	-21%	48	58	-17%
Capitalised interest	6	4	+36%	8	6	+33%
Income tax expense	95	57	+67%	137	79	+73%
After-tax All-in cash costs	**745**	**753**	**-1%**	**1,073**	**1,047**	**+2%**
Capital expenditure for development projects	172	93	+85%	248	129	+92%
SGA and other expenses for development projects	12	8	+55%	18	11	+64%
All-in costs[1]	**930**	**854**	**+9%**	**1,339**	**1,186**	**+13%**

[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.

The table below summarises the major factors that have affected the Group's TCC and AISC dynamics year-on-year:

Reconciliation of TCC and AISC movements	TCC, US$/oz	Change, %	AISC, US$/oz	Change, %
Cost per gold equivalent ounce – 1H 2019	**667**		**904**	
USD rate change	(38)	-6%	(49)	-5%
Change in sales structure	(27)	-4%	(36)	-4%
Change in average grade processed	(19)	-3%	(25)	-3%
Domestic inflation	18	3%	24	3%
Mining tax change	14	2%	14	2%
COVID-19-related extra costs	10	1%	10	1%
Au/Ag ratio change	6	1%	11	1%
Other	7	1%	28	3%
Cost per gold equivalent ounce – 1H 2020	**638**	**-4%**	**880**	**-3%**

ADJUSTED EBITDA[1] AND EBITDA MARGIN

Reconciliation of Adjusted EBITDA *(US$ mln)*	1H 2020	1H 2019	Change, %
Profit for the financial period	381	153	+149%
Finance cost (net)[2]	33	39	-15%
Income tax expense	95	57	+67%
Depreciation expense	95	106	-11%
EBITDA	**604**	**355**	**+70%**
Net foreign exchange (gain)/loss	(14)	24	-158%
(Gain)/loss on disposal of subsidiaries, net	(7)	13	-154%
Share based compensation	7	6	+17%
Change in fair value of contingent consideration liability	23	5	+360%
Other non-cash items	3	-	n/a
Adjusted EBITDA	**616**	**403**	**+53%**
Adjusted EBITDA margin	**54%**	**43%**	**+12%**

[1]Adjusted 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, impairment/reversal of previously recognised impairment of operating assets, 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.
[2] Net of finance income.

Adjusted EBITDA by segment/operation
(US$ mln)

Segment	Operation	1H 2020	1H 2019	Change, %
Khabarovsk	Albazino/Amursk	112	90	+24%
	Svetloye	56	34	+65%
	Total Khabarovsk	**168**	**124**	**+35%**
Magadan	Dukat	74	54	+37%
	Omolon	85	42	+101%
	Mayskoye	(4)	-	n/a
	Total Magadan	**155**	**96**	**+62%**
Kazakhstan	Varvara	45	36	+25%
	Kyzyl	256	146	+76%
	Total Kazakhstan	**301**	**182**	**+66%**
Urals	Voro	47	51	-7%
Corporate and other and intersegment operations		(56)	(50)	+12%
Total		**616**	**403**	**+53%**

In 1H 2020, Adjusted EBITDA was US$ 616 million, 53% higher year-on-year, with an Adjusted EBITDA margin of 54%, reflecting 25% and 10% increase in gold and silver average realised prices, respectively, combined with increased share of low-cost production from Kyzyl. In 1H 2020, Kyzyl contributed more than 40% of total Adjusted EBITDA amounting to US$ 256 million.

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange gain in 1H 2020 of US$ 14 million compared to an exchange loss of US$ 24 million in 1H 2019, mostly attributable to intercompany loans with different functional currencies in the lending and borrowing subsidiaries. This foreign exchange gain 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 2020 was US$ 1,888 million, mostly denominated in US Dollars. The RUB/USD exchange rate increased from 61.91 RUB/USD as at 31 December 2019 to 69.95 RUB/USD as at 30 June 2020.

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 2020, the Group has reversed previously recognised impairment charges related to Omolon and Varvara, amounting to US$ 3 and US$ 5 million, respectively. This reversal resulted from a positive change in commodity prices estimates used to determine the CGU's recoverable amount since the impairment loss was initially recognised. For details refer to Note 17 of the condensed consolidated financial statements.

Income tax expense for 1H 2020 was US$ 95 million compared to US$ 57 million in 1H 2019, charged at effective tax rate of 20% (1H 2019: 26%). The increase was mainly attributable to the increased profit before foreign exchange and tax. 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$ 381 million in 1H 2020 versus US$ 153 million in 1H 2019. The underlying net earnings attributable to the shareholders of the parent were US$ 373 million compared to US$ 188 million in 1H 2019.

Reconciliation of underlying net earnings[1] *(US$ mln)*	**1H 2020**	**1H 2019**	**Change, %**
Profit for the financial period attributable to the shareholders of the Parent	381	152	+151%
(Reversal)/write-down of metal inventory to net realisable value	(2)	-	NA
Foreign exchange (gain)/loss, net	(14)	24	-158%
Tax effect on foreign exchange gain/(loss)	3	(5)	+154%
Change in fair value of contingent consideration liability	23	5	+360%
Tax effect on change in fair value of contingent consideration liability	(5)	(1)	+360%
(Gain)/loss on disposal of subsidiaries, net	(7)	13	-100%
Reversal of previously recognised impairment	(8)	-	NA
Tax effect on reversal of previously recognised impairment	2	-	NA
Underlying net earnings	**373**	**188**	**+98%**

Basic earnings per share were US$ 0.81 per share compared to US$ 0.33 per share in 1H 2019. Underlying basic EPS[2] was US$ 0.79 per share compared to US$ 0.40 per share in 1H 2019.

In accordance with the Company's dividend policy, the Board has declared an interim dividend of US$ 0.40 per share (delivering a total expected dividend of US$ 189 million) representing 50% of the Group's underlying net earnings for the period. During 1H 2020, Polymetal paid a total of US$ 291 million in dividends, representing the special dividend and final dividend for FY 2019.

CAPITAL EXPENDITURE[3]

(US$ mln)	**1H 2020**	**1H 2019**	**Change, %**
Growth projects			
Nezhda[4]	68	57	+17%
POX-2	62	17	+272%
Existing operations			
Albazino/Amursk	21	9	+135%
Dukat	14	20	-32%
Voro	11	2	+354%
Mayskoye	9	5	+89%
Kyzyl	8	5	+51%
Varvara	7	22	-69%
Omolon	6	5	+33%
Svetloye	2	-	n/a
Corporate and other	11	-	n/a
Exploration	14	24	-43%
Capitalised stripping	16	22	-26%
Total capital expenditure	**248**	**189**	**+31%**

In 1H 2020, total capital expenditure was US$ 248[5] million, up 31% year-on-year mainly on the back of capital expenditure at POX-2. Capital expenditure excluding capitalised stripping costs was US$ 231 million in 1H 2020 (1H 2019: US$ 167 million).

The major capital expenditure items in 1H 2020 were as follows:

- Across all operating mines, except for Albazino, Mayskoye and Voro, capital expenditure declined or remained roughly flat year-on-year and was mainly represented by regular mining fleet replacements and maintenance capital expenditure at processing facilities;

[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] Incl. capitalised stripping of US$ 19 million.
[5] On an accrual basis, capital expenditure was US$ 275 million in 1H 2020 (1H 2019: US$ 213 million).

- Capital expenditure at Albazino of US$ 21 million was mostly represented by development of Ekaterina-2, scheduled technical upgrades and purchases of underground mining fleet.
- At Mayskoye, capital expenditure in 1H 2020 comprised US$ 9 million, mainly representing the upgrade of the tailing dam and construction of the conveyor ore transportation system.
- At Voro, capital expenditure of US$ 11 million is mainly related to the flotation project.
- Capital expenditure at POX-2 was US$ 62 million, mostly represented by the completion of the autoclave vessel construction and testing, construction of the oxygen plant, construction and commissioning of the new concentrate storage, detailed engineering and contracting of auxiliary equipment.
- US$ 68 million was invested at Nezhda mostly related to the installation of internal walls and structural steel for the equipment installation, installation of apron feeder and flotation cells, installation of the SAG mill, gravity concentration equipment and concentrate thickeners, as well as stripping costs (US$ 19 million) capitalised within development asset.
- Corporate and other investing is mainly represented by the construction of infrastructure at Kutyn.
- The Group continues to invest in standalone exploration projects. Capital expenditures for exploration in 1H 2020 was US$ 14 million compared to US$ 24 million in 1H 2019. The decrease was mostly attributable to completion of exploration campaigns at Yolochka (Omolon) and Perevalnoye (Dukat), as well as lower drilling volumes at Prognoz.
- Capitalised stripping costs totalled US$ 16 million in 1H 2020 (1H 2019: US$ 22 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

(US$ mln)	**1H 2020**	**1H 2019**	**Change, %**
Operating cash flows before changes in working capital	513	324	+58%
Changes in working capital	(213)	(197)	+3%
Total operating cash flows	**300**	**127**	**+136%**
Capital expenditure	(248)	(189)	+31%
Acquisition costs in business combinations and investments in associates and joint ventures	(20)	-	n/a
Asset disposal cash proceeds	22	40	-70%
Other	2	(1)	-300%
Investing cash flows	**(245)**	**(150)**	**+63%**
Financing cash flows			
Net increase in borrowings	308	-	n/a
Dividends paid	(291)	(146)	+100%
Veduga VTB investment	35	-	n/a
Contingent consideration payment	(8)	(8)	-
Total financing cash flows	**44**	**(154)**	**-129%**
Net increase/(decrease) in cash and cash equivalents	**99**	**(177)**	**-156%**
Cash and cash equivalents at the beginning of the year	253	379	-33%
Effect of foreign exchange rate changes on cash and cash equivalents	1	(1)	-200%
Cash and cash equivalents at the end of the period	**353**	**201**	**+76%**

Total operating cash flows in 1H 2020 strengthened significantly year-on-year. Operating cash flows before changes in working capital grew by 58% year-on-year to US$ 513 million. Net operating cash flows were US$ 300 million, compared to US$ 127 million in 1H 2019. This was affected by a traditional seasonal increase in working capital in 1H 2020 of

US$ 213 million (US$ 197 million in 1H 2019), mainly represented by concentrate produced at Mayskoye and Varvara, and seasonal advances paid for fuel and consumables.

Total cash and cash equivalents increased significantly compared to 1H 2019 and comprised US$ 353 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US$ 300 million;
- Investment cash outflows totalled US$ 245 million, up 63% year-on-year, mainly represented by capital expenditure (up 31% year-on-year to US$ 248 million) and investment in Tomtor (US$ 20 million), offset by cash proceeds on asset disposal (Irbychan Gold, US$ 12 million, and advance received for North Kaluga, US$ 10 million);
- Payment of special dividend and final dividend for 2019 in March and May 2020 amounting to US$ 291 million;
- Cash inflow of US$ 35 million recognised for the VTB investment in exchange for the newly issued Amikan (Veduga) share capital resulting in VTB holding a 40.6% stake in the asset;
- The gross borrowings increase of US$ 308 million.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	**30-Jun-20**	**31-Dec-19**	**Change, %**
Short-term debt and current portion of long-term debt	672	214	+214%
Long-term debt	1,371	1,518	-10%
Gross debt	**2,043**	**1,732**	**+18%**
Less: cash and cash equivalents	353	253	+40%
Net debt	**1,690**	**1,479**	**+14%**
Net debt / Adjusted EBITDA[1]	**1.31**	**1.38**	**-5%**

The Group's net debt increased to US$ 1,690 million as of 30 June 2020, representing a Net debt / Adjusted EBITDA (over the last 12 months) ratio of 1.31x.

The proportion of long-term borrowings comprised 67% as at 30 June 2020 (88% as at 31 December 2019) as the Group has proactively increased its cash balances in Q1 2020 as a buffer against COVID-19 related risks, mainly through further short-term borrowings. In addition, as at 30 June 2020 the Group had US$ 1.9 billion (31 December 2019: US$ 1.9 billion) of available undrawn facilities, of which US$ 0.7 billion is committed[2], from a wide range of lenders that maintain its operational flexibility in the current environment.

The average cost of debt remained low at 3.6% in 1H 2020 (1H 2019: 4.47%), supported by lower benchmark interest rates and our 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.

2020 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 FY2020 production guidance of 1.5 Moz of gold equivalent at TCC of US$ 650-700/GE oz and AISC of US$ 850-900/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 2020 – 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 principal risks and uncertainties facing the Group are categorised as:

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

A detailed explanation of these risks and uncertainties, as well as identified emerging risks, can be found on pages 78 to 87 of the 2019 Annual report which is available at www.polymetalinternational.com.

Subsequent to the publication of the Annual Report, and following the emergence of the Covid-19 pandemic and its potential impact on our operations, the Group has included a new principal risk within sustainability category: employee risk, incorporating implications of international and domestic travel restrictions, quarantine and self-isolation requirements, and inability to hire qualified personnel at remote sites.

Given the comfortable leverage position of the Group, historical low level of the Group's cost of debt and ability to raise funding at acceptable rates, interest rate risk has been downgraded from the principal risks.

The directors consider that, except for the changes mentioned above, the other principal risks and uncertainties have not changed materially since the publication of the Annual report for the year ended 31 December 2019 and continue to apply to the Group for the remaining six months of the financial year.

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 2020, the Group's net debt was US$ 1,690 million and it had US$ 1,885 million of undrawn facilities of which US$ 715 million were committed.

The Board has considered the cash flow projections for the period to the end of December 2021 and is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance and COVID-19 pandemic impact, 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

25 August 2020

Vitaly Nesis

Group Chief Executive Officer

25 August 2020

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 2020 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 27. 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.

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 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 2020 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.

Use of our report

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.

Deloitte LLP
Recognized Auditor
London, United Kingdom
25 August 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2020 (unaudited) US$m	Six months ended 30 June 2019 (unaudited) US$m	Year ended 31 December 2019 (audited) US$m
Revenue	5	1,135	941	2,241
Cost of sales	6	(484)	(531)	(1,197)
Gross profit		**651**	**410**	**1,044**
General, administrative and selling expenses	10	(95)	(92)	(181)
Other operating expenses, net	11	(51)	(27)	(68)
Reversal of previously recognised impairment	17	8	-	-
Write-down of investment in associates	18	(2)	-	-
Operating profit		**511**	**291**	**795**
Foreign exchange gain/(loss), net		14	(24)	(36)
Income/(loss) on disposal of subsidiaries, net	2	7	(13)	(16)
Write-down of assets held for sale	2	-	-	(28)
Change in fair value of contingent consideration liability	24	(23)	(5)	(23)
Finance income		3	3	7
Finance costs	13	(36)	(42)	(81)
Profit before income tax		**476**	**210**	**618**
Income tax expense	14	(95)	(57)	(135)
Profit for the financial period[1]		**381**	**153**	**483**
Profit for the financial period attributable to:				
Equity shareholders of the Parent		381	152	480
Non-controlling interest	24	-	1	3
		381	**153**	**483**
Earnings per share (US$)				
Basic	15	0.81	0.33	1.02
Diluted	15	0.80	0.33	1.01

[1] Profit for the year ended 31 December 2019 and the period ended 30 June 2019 includes a loss of US$ 13 million arising on the disposal of Kapan discontinued operation in January 2019. Profit/(loss) from Kapan discontinued operation for these periods amounts to nil.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	US$m	US$m	US$m
Profit for the period[1]	381	153	483
Items that may be reclassified to profit and loss			
Currency exchange differences on translating foreign operations	(381)	285	353
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	27	(37)	(54)
Total comprehensive income for the period	**27**	**401**	**782**
Total comprehensive income for period attributable to:			
Equity shareholders of the Parent	30	400	777
Non-controlling interest	(3)	1	5
	27	**401**	**782**

[1] Profit for the year ended 31 December 2019 and the period ended 30 June 2019 includes a loss of US$ 13 million arising on the disposal of Kapan discontinued operation in January 2019. Profit/(loss) relating to Kapan discontinued operation for these periods amounts to nil.

CONDENSED CONSOLIDATED BALANCE SHEET

Assets	Note	30 June 2020 (unaudited) US$m	31 December 2019 (audited) US$m	30 June 2019 (unaudited) US$m
Property, plant and equipment	17	2,680	2,810	2,668
Right of use assets		37	31	37
Goodwill		14	16	16
Investments in associates and joint ventures	18	21	2	2
Non-current loans and receivables		14	10	18
Long-term VAT receivable		23	-	-
Deferred tax asset		72	73	68
Non-current inventories	19	107	114	120
Total non-current assets		**2,968**	**3,056**	**2,929**
Assets held for sale	3	17	14	-
Current inventories	19	712	644	675
VAT receivable		120	149	127
Trade receivables and other financial instruments		93	48	79
Prepayments to suppliers		102	62	104
Income tax prepaid		31	18	12
Cash and cash equivalents		353	253	201
Total current assets		**1,428**	**1,188**	**1,198**
Total assets		**4,396**	**4,244**	**4,127**
Liabilities and shareholders' equity				
Accounts payable and accrued liabilities		(169)	(153)	(137)
Prepayments received	5	(8)	(5)	(92)
Current borrowings	20	(672)	(214)	(196)
Income tax payable		(23)	(7)	(5)
Other taxes payable		(52)	(41)	(41)
Current portion of contingent and deferred consideration liabilities	24	(26)	(7)	(4)
Current lease liabilities		(3)	(3)	(3)
Liabilities associated with assets classified as held for sale	3	-	(1)	-
Total current liabilities		**(953)**	**(431)**	**(478)**
Non-current borrowings	20	(1,371)	(1,518)	(1,703)
Contingent and deferred consideration liabilities	24	(128)	(59)	(48)
Deferred tax liability		(201)	(196)	(164)
Environmental obligations		(49)	(57)	(40)
Non-current lease liabilities		(34)	(29)	(35)
Other non-current liabilities		(3)	(3)	(1)
Total non-current liabilities		**(1,786)**	**(1,862)**	**(1,991)**
Total liabilities		**(2,739)**	**(2,293)**	**(2,469)**
Net assets		**1,657**	**1,951**	**1,658**
Stated capital account	22	2,435	2,424	2,424
Share-based compensation reserve		22	26	20
Translation reserve		(1,653)	(1,302)	(1,351)
Retained earnings		853	780	546
Shareholders' equity		**1,657**	**1,928**	**1,639**
Non-controlling interest	24	-	23	19
Total equity		**1,657**	**1,951**	**1,658**

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 August 2020 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

	Note	Six months ended 30 June 2020 (unaudited) US$m	Six months ended 30 June 2019 (unaudited) US$m	Year ended 31 December 2019 (audited) US$m
Net cash generated by operating activities	26	**300**	**127**	**696**
Cash flows from investing activities				
Purchases of property, plant and equipment	17	(248)	(189)	(436)
Acquisitions of joint venture and associate	18	(20)	-	-
Proceeds from disposal of subsidiaries	2	12	40	43
Advance received for the sale of disposal group	3	11	-	-
Loans advanced		(4)	(1)	(6)
Repayment of loans provided		5	-	2
Net cash used in investing activities		**(244)**	**(150)**	**(397)**
Cash flows from financing activities				
Borrowings obtained	20	1,018	20	1,244
Repayments of borrowings	20	(708)	(19)	(1,410)
Repayments of principal under lease liabilities		(2)	(1)	(3)
Dividends paid	16	(292)	(146)	(240)
Proceeds from shares issued by subsidiary[1]	24	35	-	-
Contingent consideration payment		(8)	(8)	(13)
Net cash (used in)/generated by financing activities		**43**	**(154)**	**(422)**
Net change in cash and cash equivalents		99	(177)	(123)
Cash and cash equivalents at the beginning of the period		253	379	379
Effect of foreign exchange rate changes on cash and cash equivalents		1	(1)	(3)
Cash and cash equivalents at the end of the period		**353**	**201**	**253**

[1] Additionally, the Group consolidated the non-controlling interest in its subsidiary Amikan through a non-cash transaction of US$ 36 million as described in Note 24.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Number of shares outstanding (unaudited)	Stated capital account	Share based compensation reserve	Translation reserve	Retained earnings	Total equity attributable to the parent	Non-controlling interest	Total equity
		no. of shares	US$m	US$m	US$m	US$m	US$m	US$m	US$m
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 loss, net of income tax		-	-	-	248	-	248	-	248
Shares-based compensation		-	-	6	-	-	6	-	6
Shares allotted to employees		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**
Profit for the financial period		-	-	-	-	328	328	2	330
Other comprehensive loss, net of income tax		-	-	-	49	-	49	2	51
Shares-based compensation		-	-	6	-	-	6	-	6
Shares allotted to employees		27,077	-	-	-	-	-	-	-
Dividends	16	-	-	-	-	(94)	(94)	-	(94)
Balance at 31 December 2019 (audited)		**470,188,201**	**2,424**	**26**	**(1,302)**	**780**	**1,928**	**23**	**1,951**
Profit for the financial period		-	-	-	-	381	381	-	381
Other comprehensive income, net of income tax		-	-	-	(351)	-	(351)	(3)	(354)
Shares-based compensation		-	-	7	-	-	7	-	7
Shares allotted to employees		1,613,690	11	(11)	-	-	-	-	-
Consolidation of non-controlling interest	24	-	-	-	-	(16)	(16)	(20)	(36)
Dividends	16	-	-	-	-	(292)	(292)	-	(292)
Balance at 30 June 2020 (unaudited)		**471,801,891**	**2,435**	**22**	**(1,653)**	**853**	**1,657**	**-**	**1,657**

NOTES TO THE CONDENSED 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 stock exchanges and Astana International Exchange.

Basis of presentation

The unaudited condensed 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 2020. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the 2019 Annual Report of Polymetal International plc and its subsidiaries ("2019 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 2019, were approved by the directors on 3 March 2020 and have been filed with the Jersey Registrar of Companies.

Accounting policies

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

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 2019, except for as described below.

Critical accounting judgments and estimation uncertainties

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The significant judgments 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 2019.

Additionally, the Group applied judgement to determine the appropriate accounting approach to be followed for a number of corporate transactions, which were completed during the period ended 30 June 2020, as set out below.

Nezhda power line

In June 2020 the Group entered into a preliminary lease agreement to lease on pre-agreed terms the single-circuit 110 kV grid power line running from Khandyga to the Nezhda production site and the related substation. The power line will be built, owned and operated by an independent grid management company. The construction will be funded with a Far East and Arctic Development Fund 10-year senior loan, guaranteed by the Group, and a Credit Bank of Moscow subordinated loan facility. The completion of the power line and the commencement date of the lease is scheduled for the second quarter of 2022. The Group applied judgement to determine whether there are indicators of control over the project entity and concluded there are none, as well as to determine the classification and valuation of guarantees issued that were accounted for as a single contract with the lease agreement, as described in Note 21.

Veduga

In April 2020 VTB Bank (VTB) invested US$ 71 million in exchange for a 40.6% stake in Veduga, by acquiring 25.7% stake in Amikan from the existing minority shareholders for cash consideration of US$ 36 million and investing a further US$ 35 million in cash in exchange for newly issued Amikan share capital. As part of the transaction VTB was granted a put option to sell its stake in Amikan to Polymetal at certain conditions, along with a similar call option granted to Polymetal, as described in Note 24. The Group applied judgement to determine whether the options represent potential voting rights. The Group has determined that the call option over the 40.6% stake represents a derivative containing potential voting rights, that currently gives the Group access to the returns associated with the related ownership interest, and therefore it falls within the scope IFRS 10 Consolidated financial statements requirements. The accounting approach followed is described in Note 24.

New standards adopted by the Group

The following amendments to accounting standards become applicable for annual reporting periods commencing on or after 1 January 2020. The Group has determined these standards and interpretations will not have a significant impact on its condensed consolidated financial statements:

- Definition of Material - amendments to IAS 1 and IAS 8;
- Definition of a Business – amendments to IFRS 3 *Business Combinations;*
- Revised Conceptual Framework for Financial Reporting;
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7.

New accounting standards issued but not yet effective

The following standards and interpretations were in issue but not yet effective as of the reporting date:

- IFRS 9 *Financial Instruments* Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities), effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 1 *Presentation of Financial Statements* regarding the classification of liabilities, effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16 *Property, Plant and Equipment* prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use, effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* regarding the costs to include when assessing whether a contract is onerous, effective for annual periods beginning on or after 1 January 2022;
- IFRS 17 *Insurance Contracts*, effective for annual period beginning on or after 1 January 2023 with earlier application is permitted;
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, the effective date of the amendments has yet to be set; however, earlier application of the amendments is permitted.

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

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 2020, the Group's net debt was US$ 1,690 million and it had US$ 1,885 million of undrawn facilities of which US$ 715 million were considered committed.

The Board has considered the cash flow projections for the period to the end of December 2021 and is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance and COVID-19 pandemic impact, 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 parent company Polymetal International plc and its intermediate holding companies is the U.S. Dollar. Armenian entities were disposed of during the year ended 31 December 2019.

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

	Russian Rouble/U.S. Dollar	Kazakh Tenge/U.S. Dollar	Armenian Dram/U.S. Dollar
30 June 2020			
Period ended	69.95	403.83	n/a
Average	69.34	404.45	n/a
Maximum monthly rate	75.23	433.58	n/a
Minimum monthly rate	61.78	377.81	n/a
30 June 2019			
Period ended	59.09	321.46	480.47
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
31 December 2019			
Year ended	61.91	381.18	479.70
Average	64.74	382.84	480.53
Maximum monthly rate	67.35	389.23	488.33
Minimum monthly rate	62.94	377.87	476.00

2. DISPOSALS

Irbychan Gold

In November 2019 the Group carved out a group of assets, including the Omolon low grade ore stock pile and related mining and exploration licenses, into a separate legal entity as a part of the programme to dispose of smaller short-lived assets. It was determined that Irbychan Gold met the definition of a disposal group as per IFRS 5 *Assets held for sale and discontinued operations*, so it was presented separately in the balance sheet as of 31 December 2019. The disposal group did not represent a separate major line of business or geographical area of operations or a part of a single co-ordinated plan to dispose of such, thus it was concluded that it did not meet the definition of discontinued operation.

Based on the non-binding agreement signed in 2019 with a third party, owned by a Polymetal former employee and long-term Polymetal business partner, the expected sale price was US$ 13 million. In accordance with the measurement requirements of IFRS 5, at 31 December 2019, the disposal group was measured at the lower of its carrying amount and fair value less costs to sell, and the Group recognised a loss of US$ 28 million as detailed below:

	31 December 2019		
	Carrying value	Write-down	Fair value less cost to sell
	US$m	US$m	US$m
Property, plant and equipment	11	(9)	2
Non-current inventories	31	(20)	11
Other assets and liabilities	1	-	1
Total assets held for sale	**43**	**(29)**	**14**
Deferred tax liability	(1)	1	-
Environmental obligations	(1)	-	(1)
Total liabilities associated with assets classified as held for sale	**(2)**	**1**	**(1)**
Net assets classified as held for sale	**41**	**(28)**	**13**

On 31 March 2020 the sale was completed. In accordance with the finalised agreement, the consideration receivable comprised of US$ 10 million fixed upfront cash payment (being RUB 800 million at the RUB/USD exchange rate of 78.85 as of the date of closing) and a 1% annual net smelter return (NSR) payable if the gold price exceeds US$ 1,500/oz. The royalty proceeds are capped at US$ 50 million in Rouble equivalent. Additionally, if the average gold price in 2022 exceeds US$ 1,600/oz simultaneously with RUB appreciation, Polymetal will receive any positive foreign exchange difference between the US$ values of the Rouble fixed cash payment made (RUB 800 million) at 31 December 2022 and at 30 January 2020.

The NSR royalty and the foreign exchange compensation payment meet definition of contingent consideration receivable and are accounted for at their fair value at the disposal date. The fair value was determined based on life of the mine (LOM) model of the mines sold and calculated using Monte Carlo modelling. The fair value of the total consideration receivable was estimated at US$ 2 million by applying the key assumptions set out below:

Gold price volatility	16.52%
Gold price per ounce as at disposal date	US$ 1,605
RUR/USD exchange rate volatility	12.7%
RUR/USD exchange as at disposal date	78.85
Discount rate	11%

The net assets of the subsidiary at the date of disposal and the gain on disposal are as follows:

	US$m
Property, plant and equipment	2
Non-current ore stock piles	9
Total assets classified as held for sale	**11**
Environmental obligations	(1)
Total liabilities associated with assets classified as held for sale	**(1)**
Net assets of disposal group	**10**
Cash consideration received	10
Contingent consideration receivable	2
Total consideration	**12**
Gain on disposal	**2**

PGGK disposal

In June 2020 the Group sold its 100% interest in its minor subsidiary PGGK to the third party for US$ 2 million in cash and further repayment of intercompany debt of US$ 4 million. PGGK's net assets approximated to US$ 1 million and a gain on disposal of US$ 5 million was recorded.

3. ASSETS HELD FOR SALE

North Kaluga

In May 2020 Polymetal has entered into a legally binding agreement to sell North Kaluga deposit to a third party North Kaluga Mining Limited, as a part of the Group strategy to dispose of smaller and low-margin assets.

The transaction consideration consists of a US$ 11 million fixed upfront cash payment, 5% net smelter return (NSR) and a 50% royalty on excess revenue. Excess revenue is defined as actual revenue less base revenue, where the latter is revenue calculated based on actual grades and the following metal prices: Cu = US$ 5,500/t, Zn = US$ 2,310/t, Au = US$ 1,650/oz, Ag = US$ 18.7/oz. Both NSR and the excess revenue royalty are capped at US$ 300 million.

The fair value of the royalties is estimated at US$ 7 million as of the date of the agreement. The fair value of the NSR receivable was determined using a valuation model based on the expected production and was calculated using Monte Carlo modelling. The key assumptions used in the contingent consideration calculations are set out below:

Metal	Price as of disposal date per ounce/tonne	Price volatility, %%	Constant correlation to gold, %%
Gold	1,761.85	13.43%	n/a
Silver	17.86	23.8%	54%
Copper	5,825	19.2%	(62)%
Zinc	2,070	23.6%	(62)%
Discount rate 11.7%			

The sale agreement was signed in June 2020, yet the Group determined that the control was not transferred until the state registration of the sale, which was finalised in July 2020 (Note 27).

As of 30 June 2020, the cash consideration had been received and was recognised as advance received within accounts payable and accrued liabilities.

As of the reporting date, North Kaluga meets definition of a disposal group as per IFRS 5 *Assets held for sale and discontinued operations* and presented as assets held for sale as of 30 June 2020. The proceeds of US$ 18 million from the disposal are expected to exceed the carrying amount of the related net assets and accordingly no impairment loss has been recognised following the classification of these operations as held for sale.

The classes of assets held for sale and associated liabilities are detailed below:

	Carrying value at 30 June 2020
	US$m
Property, plant and equipment	14
Other assets and liabilities	3
Total assets held for sale	**17**
Intercompany debt	(4)
Net assets classified as held for sale	**13**

Irbychan Gold

As detailed above in Note 2, Irbychan Gold was classified as disposal group as of 31 December 2019 and was measured at the lower of its carrying amount of US$ 41 million and fair value less costs to sell of US$ 13 million with a loss of US$ 28 million recognised in income statement.

4. SEGMENT INFORMATION

The Group has five reportable segments:

- Kazakhstan (Varvarinskoye JSC, Komarovskoye Mining Company LLC, Bakyrchik Mining Venture LLC);
- Khabarovsk (Albazino Resources Ltd, Amur Hydrometallurgical Plant LLC, GRK Amikan LLC, Svetloye LLC);
- Magadan (Omolon Gold Mining Company LLC, Magadan Silver JSC, Mayskoye Gold Mining Company LLC);
- Ural (Gold of Northern Urals JSC);
- 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, purchasing, other companies) 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.

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. From 1 January 2020 the segmental amounts of metal inventories is presented net of unrealised profit, as this presentation is more meaningful from management perspective. During the period ended 30 June 2020 the Group reclassified several development projects from Corporate and other to Dukat and Voro segments. The comparative information was restated accordingly.

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. Revenue and cost of sales of the production entities are reported net of any intersegmental revenue and cost of sales, related to the intercompany sales of ore and concentrates, as well as intercompany smelting services, as this presentation is more meaningful from management and forecasting perspective.

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 2020 (US$m)	KAZAKHSTAN	KHABAROVSK	MAGADAN	URAL	YAKUTIA	Total continuing segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	434	291	340	70	-	1,135	-	-	1,135
Intersegment revenue	-	-	-	-	-	-	168	(168)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	113	108	155	16	-	392	106	(109)	389
Cost of sales	152	134	184	17	-	487	106	(109)	484
Depreciation included in Cost of sales	(38)	(24)	(26)	(3)	-	(91)	-	-	(91)
Write-down of metal inventory to net realisable value	-	-	-	2	-	2	-	-	2
Write-down of non-metal inventory to net realisable value	(1)	(2)	(3)	-	-	(6)	-	-	(6)
Rehabilitation expenses	-	-	-	-	-	-	-	-	-
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	8	9	15	3	4	39	55	(10)	84
General, administrative and selling expenses	10	9	15	3	4	41	64	(10)	95
Depreciation included in SGA	(2)	-	-	-	-	(2)	(2)	-	(4)
Share-based compensation	-	-	-	-	-	-	(7)	-	(7)
Other operating expenses excluding additional tax charges	9	6	16	4	3	38	7	(1)	44
Other operating expenses	9	12	16	5	3	45	7	(1)	51
Bad debt and expected credit loss allowance	-	(1)	-	-	-	(1)	-	-	(1)
Additional tax charges/fines/penalties	-	(5)	-	(1)	-	(6)	-	-	(6)
Share of loss of associates and joint ventures	-	-	-	-	-	-	2	-	2
Adjusted EBITDA	**304**	**168**	**154**	**47**	**(7)**	**666**	**(2)**	**(48)**	**616**
Depreciation expense	40	24	26	3	-	93	2	-	95
Rehabilitation expenses	-	-	-	-	-	-	-	-	-
Write-down of non-metal inventory to net realisable value	1	2	3	-	-	6	-	-	6
Write-down of metal inventory to net realisable value	-	-	-	(2)	-	(2)	-	-	(2)
Reversal of previously recognised impairment	(5)	-	(3)	-	-	(8)	-	-	(8)
Share-based compensation	-	-	-	-	-	-	7	-	7
Bad debt and expected credit loss allowance	-	1	-	-	-	1	-	-	1
Additional tax charges/fines/penalties	-	5	-	1	-	6	-	-	6
Operating profit	**268**	**136**	**128**	**45**	**(7)**	**570**	**(11)**	**(48)**	**511**
Foreign exchange gain, net									14
Profit on disposal of subsidiaries, net									7
Change in fair value of contingent consideration liability									(23)
Finance income									3
Finance costs									(36)
Profit before tax									**476**
Income tax expense									(95)
Profit for the financial period									**381**
Current metal inventories	105	112	278	25	-	520	1	-	521
Current non-metal inventories	31	31	90	4	8	164	27	-	191
Non-current segment assets:						-			-
Property, plant and equipment, net	765	576	365	51	798	2,555	125	-	2,680
Goodwill	-	-	14	-	-	14	-	-	14
Non-current inventory	35	26	43	3	-	107	-	-	107
Investments in associates	-	-	-	-	-	-	21	-	21
Total segment assets	**936**	**745**	**790**	**83**	**806**	**3,360**	**174**	**-**	**3,534**
Additions to non-current assets:									
Property, plant and equipment	30	95	36	12	78	251	24	-	275

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[1]	Intersegment operations and balances[2]	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	3	4	37	1	51	(5)	84
General, administrative and selling expenses	7	8	16	3	4	38	1	59	(5)	93
Depreciation included in SGA	(1)	-	-	-	-	(1)	-	(2)	-	(3)
Share-based compensation	-	-	-	-	-	-	-	(6)	-	(6)
Other operating expenses excluding additional tax charges	6	3	14	2	-	25	-	3	(1)	27
Other operating expenses	6	4	13	2	-	25	-	3	(1)	27
Additional tax charges/fines/penalties	-	(1)	1	-	-	-	-	-	-	-
Share of income of associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**182**	**124**	**96**	**51**	**(4)**	**449**	**-**	**-**	**(46)**	**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)	-	-	-	-	-	-	-
Operating profit	**140**	**101**	**61**	**47**	**(4)**	**345**	**-**	**(8)**	**(46)**	**291**
Net foreign exchange loss, net										(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	74	89	284	35	-	482	-	1	-	483
Current non-metal inventories	27	36	94	3	8	168	-	24	-	192
Non-current segment assets:										
Property, plant and equipment, net	825	540	418	54	718	2,555	-	113	-	2,668
Goodwill	-	-	16	-	-	16	-	-	-	16
Non-current inventory	24	14	79	3	-	120	-	-	-	120
Investments in associates	-	-	-	-	-	-	-	2	-	2
Total segment assets	**950**	**679**	**891**	**95**	**726**	**3,341**	**-**	**140**	**-**	**3,481**
Additions to non-current assets:										
Property, plant and equipment	49	43	44	3	70	209	-	4	-	213

[1] During the period ended 30 June 2020 the Group reclassified several development projects from Corporate and other to Dukat and Voro segments.
[2] From 1 January 2020 the segmental amounts of metal inventories is presented net of unrealised profit, as this presentation is more meaningful from management perspective. The comparative information was restated accordingly.

4. Segment information (continued)

Year ended 31 December 2019 (US$m)	KAZAKHSTAN	KHABAROVSK	MAGADAN	URAL	YAKUTIA	Total continuing segments	Total discontinued operations	Corporate and other[1]	Intersegment operations and balances[2]	Total
Revenue from external customers	681	569	842	149	-	2,241	5	-	-	2,246
Intersegment revenue	-	-	-	-	-	-	-	249	(249)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	207	228	476	37	-	948	4	155	(164)	943
Cost of sales	295	278	582	51	-	1,206	4	155	(164)	1,201
Depreciation included in Cost of sales	(87)	(49)	(92)	(7)	-	(235)	-	-	-	(235)
Write-down of metal inventory to net realisable value	-	-	(12)	(7)	-	(19)	-	-	-	(19)
Write-down of non-metal inventory to net realisable value	-	-	1	-	-	1	-	-	-	1
Rehabilitation expenses	(1)	(1)	(3)	-	-	(5)	-	-	-	(5)
General, administrative and selling expenses, excluding depreciation, amortization and share-based compensation	14	17	31	6	8	76	1	100	(15)	162
General, administrative and selling expenses	16	18	32	6	8	80	1	116	(15)	182
Depreciation included in SGA	(2)	(1)	(1)	-	-	(4)	-	(4)	-	(8)
Share-based compensation	-	-	-	-	-	-	-	(12)	-	(12)
Other operating expenses excluding additional tax charges	12	15	27	5	(1)	58	-	9	(1)	66
Other operating expenses	12	18	26	5	(1)	60	-	9	(1)	68
Bad debt and expected credit loss allowance	-	(1)	-	-	-	(1)	-	-	-	(1)
Additional tax charges/fines/penalties	-	(2)	1	-	-	(1)	-	-	-	(1)
Share of income of associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**448**	**309**	**308**	**101**	**(7)**	**1,159**	**-**	**(15)**	**(69)**	**1,075**
Depreciation expense	89	50	93	7	-	239	-	4	-	243
Rehabilitation expenses	1	1	3	-	-	5	-	-	-	5
Write-down of non-metal inventory to net realisable value	-	-	(1)	-	-	(1)	-	-	-	(1)
Write-down of metal inventory to net realisable value	-	-	12	7	-	19	-	-	-	19
Share-based compensation	-	-	-	-	-	-	-	12	-	12
Bad debt and expected credit loss allowance	-	1	-	-	-	1	-	-	-	1
Additional tax charges/fines/penalties	-	2	(1)	-	-	1	-	-	-	1
Operating profit	**358**	**255**	**202**	**87**	**(7)**	**895**	**-**	**(31)**	**(69)**	**795**
Net foreign exchange loss, net										(36)
Loss on disposal of subsidiaries										(16)
Write-down of assets held for sale										(28)
Change in fair value of contingent consideration liability										(23)
Finance income										7
Finance costs										(81)
Profit before tax										**618**
Income tax expense										(135)
Profit for the financial period										**483**
Current metal inventories	77	109	226	30	-	442	-	1	-	443
Current non-metal inventories	26	38	107	5	8	184	-	17	-	201
Non-current segment assets:										
Property, plant and equipment, net	815	584	415	46	817	2,677	-	133	-	2,810
Goodwill	-	-	16	-	-	16	-	-	-	16
Non-current inventory	41	23	47	3	-	114	-	-	-	114
Investments in associates	-	-	-	-	-	-	-	2	-	2
Total segment assets	**959**	**754**	**811**	**84**	**825**	**3,433**	**-**	**153**	**-**	**3,586**
Additions to non-current assets:										
Property, plant and equipment	89	114	87	12	155	457	-	13	-	470

[1] During the period ended 30 June 2020 the Group reclassified several development projects from Corporate and other to Dukat and Voro segments.
[2] From 1 January 2020 the segmental amounts of metal inventories is presented net of unrealised profit, as this presentation is more meaningful from management perspective. The comparative information was restated accordingly.

5. REVENUE

	Six months ended 30 June 2020				Six months ended 30 June 2019			
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price (US Dollar per oz/t payable) (unaudited)	US$m	Volume shipped (unaudited)	Volume payable (unaudited)	Average price (US Dollar per oz/t payable) (unaudited)	US$m
Gold (Koz)	608	595	1,642	977	626	601	1,309	787
Silver (Koz)	10,107	9,919	15.9	158	10,466	10,264	14.5	149
Copper (t)	12	12	13,840	-	936	886	5,643	5
Total				**1,135**				**941**

	Year ended 31 December 2019			
	Volume shipped (unaudited)	Volume payable (unaudited)	Average price (US Dollar per oz/t payable) (unaudited)	US$m
Gold (Koz)	1,410	1,363	1,377	1,878
Silver (Koz)	22,507	22,076	15.8	349
Copper (t)	2,864	2,705	5,176	14
Total				**2,241**

Revenue analysed by geographical regions of customers is presented below:

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019
	US$m	US$m	US$m
Continuing operations			
Sales within the Russian Federation	541	479	1 044
Sales within and to Kazakhstan	385	255	655
Sales to East Asia	185	183	70
Sales to Europe	24	24	472
Total	**1,135**	**941**	**2,241**

Included in revenues for the six months ended 30 June 2020 are revenues from customers whose share of total revenue was greater than 10%. These were US$ 483 million, US$ 285 million, US$ 100 million and US$ 75 million, respectively (year ended 2019: to US$ 659 million, US$ 439 million, US$ 338 million and US$ 266 million, respectively; period ended 30 June 2019: US$ 351 million, US$ 158 million, US$ 153 million and US$ 96 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 agreements, is based on the spot London Bullion Market Association (LBMA) price.

During the period ended 30 June 2019, the Group entered into 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 2020, there were no such contract liabilities (31 December 2019: nil; 30 June 2019: US$ 92 million).

Copper, gold and silver concentrate and doré are 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:

	KAZAKHSTAN	KHABAROVSK	MAGADAN	URAL	TOTAL
	US$m	US$m	US$m	US$m	US$m
Six months ended 30 June 2020 (unaudited)					
Bullions	-	281	190	70	541
Concentrate	149	10	150	-	309
Dore	285	-	-	-	285
	434	**291**	**340**	**70**	**1,135**
Six months ended 30 June 2019 (unaudited)					
Bullions	-	227	188	75	490
Concentrate	129	35	129	-	293
Dore	158	-	-	-	158
	287	**262**	**317**	**75**	**941**
Year ended 31 December 2019					
Bullions	-	513	412	149	1,074
Concentrate	245	34	430	-	709
Dore	436	22	-	-	458
	681	**569**	**842**	**149**	**2,241**

6. COST OF SALES

	Six months ended		Year ended
	30 June 2020	**30 June 2019**	**31 December 2019**
	US$m		**US$m**
Cash operating costs			
On-mine costs (Note 7)	228	250	485
Smelting costs (Note 8)	169	177	359
Purchase of ore and concentrates from third parties	56	22	59
Mining tax	64	54	115
Total cash operating costs	**517**	**503**	**1,018**
Depreciation and depletion of operating assets (Note 9)	103	121	250
Rehabilitation expenses	-	1	5
Total costs of production	**620**	**625**	**1,273**
Increase in metal inventories	(141)	(95)	(98)
Write-down of metal inventories to net realisable value (Note 19)	(2)	-	19
Write-down of non-metal inventories to net realisable value (Note 19)	6	(1)	(1)
Idle capacities and abnormal production costs	1	2	4
Total	**484**	**531**	**1,197**

Mining tax includes royalties payable in the Russian Federation and Kazakhstan. Mining tax in the 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.

7. ON-MINE COSTS

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019
	US$m	US$m	US$m
Services	111	124	229
Labour	60	67	132
Consumables and spare parts	56	58	119
Other expenses	1	1	5
Total (Note 6)	**228**	**250**	**485**

8. SMELTING COSTS

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019
	US$m	US$m	US$m
Consumables and spare parts	70	76	155
Services	66	68	139
Labour	32	32	63
Other expenses	1	1	2
Total (Note 6)	**169**	**177**	**359**

9. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019
	US$m	US$m	US$m
On-mine	71	91	188
Smelting	32	30	62
Total (Note 6)	**103**	**121**	**250**

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

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019
	US$m	US$m	US$m
Labour	72	70	136
Services	4	5	8
Share-based compensation	7	6	12
Depreciation	4	3	8
Other	8	8	17
Total	**95**	**92**	**181**
including			
Mine site expenses	40	37	78
Corporate head office expenses	55	55	103
Total	**95**	**92**	**181**

11. OTHER OPERATING EXPENSES, NET

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019
	US$m	US$m	US$m
Social payments	13	10	24
Exploration expenses	10	8	19
Taxes, other than income tax	7	4	11
Provision for investment in Special Economic Zone	7	5	11
Additional tax charges/fines/penalties	6	-	-
Other expenses	8	-	3
Total	**51**	**27**	**68**

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$ 7 million for six months ended 30 June 2020 (six months ended 30 June 2019: US$ 5 million; year ended 31 December 2019: US$ 11 million).

Operating cash outflow from exploration activities amounts to US$ 9 million for six months ended 30 June 2020 (six months ended 30 June 2019: US$ 4 million; year ended 31 December 2019: US$ 10 million).

12. EMPLOYEE COSTS

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019
	US$m	US$m	US$m
Wages and salaries	151	156	313
Social security costs	42	40	71
Share-based compensation	7	6	12
Total employee costs	**200**	**202**	**396**
Reconciliation:			
Less: employee costs capitalised	(23)	(20)	(43)
Less: employee costs absorbed into unsold metal inventory balances	(20)	(19)	(15)
Employee costs included in costs of sales	**157**	**163**	**338**

The weighted average number of employees was:

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019
Magadan	3,814	4,065	4,026
Khabarovsk	2,580	2,257	2,305
Kazakhstan	2,571	2,488	2,472
Ural	736	778	776
Yakutia	616	479	478
Corporate and other	1,766	1,648	1,685
Total	**12,083**	**11,715**	**11,742**

13. FINANCE COSTS

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019
	US$m	US$m	US$m
Interest expense on borrowings	30	37	72
Unwinding of discount on lease liabilities	2	2	3
Unwinding of discount on environmental obligations	2	2	4
Unwinding of discount on contingent considerations	2	1	2
Total	**36**	**42**	**81**

Interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$ 6 million, US$ 4 million and US$ 9 million during the six months ended 30 June 2020, the six months ended 30 June 2019, and the year ended 31 December 2019, respectively. These amounts were calculated based on the Group's general borrowing pool and by applying an effective interest rate of 3.60% (annualised), 4.47% (annualised) and 4.26%, respectively, to cumulative expenditure on such assets.

14. INCOME TAX

Income tax for the six months ended 30 June 2020 is charged at 20% (six months ended 30 June 2019: 26%), 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.

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019
	US$m	US$m	US$m
Current income taxes	79	43	101
Deferred income taxes	16	14	34
	95	**57**	**135**

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 Magadan Silver JSC 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. Amur Hydrometallurgical Plant LLC is entitled to the decreased statutory income tax rate of 0% during the period 2019 - 2022 and of 12% during 2023 – 2027 as a participant of a Territory of Advanced Social and Economic Development.

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 2020	30 June 2019	31 December 2019
	US$m	US$m	US$m
Net foreign exchange gains/(losses) on net investment in foreign operation			
Current tax expense/(benefit)	(3)	(3)	(5)
Deferred tax expense/(benefit)	1	(7)	-
Total income tax recognised in other comprehensive income	**(2)**	**(10)**	**(5)**

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 condensed consolidated financial statements within foreign currency translation reserve.

Tax exposures recognised in income tax

During the period ended 30 June 2020, year ended 31 December 2019 and period ended 30 June 2019 no new individual significant exposures were identified as probable and provided for. Management has identified a total exposure in respect of contingent liabilities (Note 21) (covering taxes and related interest and penalties) of approximately US$ 88 million being uncertain tax positions (31 December 2019: US$ 99 million; 30 June 2019: US$ 53 million) which relate to income tax. Management do not believe that it is probable that material tax will be payable in respect of these items.

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 2020	**30 June 2019**	**31 December 2019**
Weighted average number of outstanding common shares	470,739,681	469,665,406	469,926,157
Dilutive effect of share appreciation plan	6,226,665	2,109,870	6,475,641
Weighted average number of outstanding common shares after dilution	**476,966,346**	**471,775,276**	**476,401,798**

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 2019 and period ended 30 June 2019: nil).

At 30 June 2020 the outstanding LTIP awards issued under 2017-2019 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 (31 December 2019: 2016-2019 tranches; 30 June 2019: 2016 and 2018 tranches were dilutive).

The awards issued under management bonus deferral award plan are dilutive as of 30 June 2020, 31 December 2019 and 30 June 2019 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 2020 and comparative periods are detailed in the tables below:

			Dividends		
	cents per share	**US$m**	**deducted from the equity during the period**	**proposed in relation to the period**	**Paid in**
Final dividend 2018	31	146	2019	2018	May 2019
Interim dividend 2019	20	94	2019	2019	September 2019
Special dividend 2019	20	94	2020	2019	March 2020
Final dividend 2019	42	198	2020	2019	May 2020
Interim dividend 2020	40	189	n/a	2020	n/a
Total dividends for the period ended 30 June 2019			146	94	146
Total dividends for the year ended 31 December 2019			240	386	240
Total dividends for the period ended 30 June 2020			**292**	**189**	**292**

17. PROPERTY, PLANT AND EQUIPMENT

Cost	Development assets US$m	Exploration assets US$m	Mining assets US$m	Non-mining assets US$m	Capital construction in-progress US$m	Total US$m
Balance at 31 December 2019	**589**	**387**	**2,653**	**64**	**274**	**3,967**
Additions	42	15	54	4	160	275
Transfers	-	-	13	1	(14)	-
Change in decommissioning liabilities	-	-	(1)	-	-	(1)
Eliminated on disposal of subsidiary	-	(2)	-	-	-	(2)
Transfer to assets held for sale	(12)	-	-	(2)	-	(14)
Disposals and write-offs including fully depleted mines	-	-	(23)	(1)	-	(24)
Translation to presentation currency	(68)	(44)	(245)	(6)	(30)	(393)
Balance at 30 June 2020	**551**	**356**	**2,451**	**60**	**390**	**3,808**

Accumulated depreciation, amortisation	Development assets US$m	Exploration assets US$m	Mining assets US$m	Non-mining assets US$m	Capital construction in-progress US$m	Total US$m
Balance at 31 December 2019	-	**-**	**(1,124)**	**(33)**	**-**	**(1,157)**
Charge for the period	-	-	(116)	(3)	-	(119)
Disposals and write-offs including fully depleted mines	-	-	22	-	-	22
Reversal of the impairment	-	-	8	-	-	8
Translation to presentation currency	-	-	114	4	-	118
Balance at 30 June 2020	**-**	**-**	**(1,096)**	**(32)**	**-**	**(1,128)**
Net book value						
31 December 2019	**589**	**387**	**1,529**	**31**	**274**	**2,810**
30 June 2020	**551**	**356**	**1,355**	**28**	**390**	**2,680**

Mining assets, exploration and development assets at 30 June 2020 included mineral rights with net book value which amounted to US$ 1,110 million (31 December 2019: US$ 1,258 million) and capitalised stripping costs with net book value of US$ 107 million (31 December 2019: US$ 109 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 2020 or at 31 December 2019.

Reversal of previously recognised impairments

The Group has reversed previously recognised impairment charge related to the Magadan (Omolon Gold Mining Company LLC) and Kazakhstan (Varvarinskoye JSC) segments, amounting to US$ 3 and US$ 5 million, respectively. This reversal resulted from a positive change in commodity prices estimates used to determine the CGU’s recoverable amount since the impairment loss was initially recognised.

The reversal of the previously booked impairment charge relate to the mining assets not amortised to the reporting date and is included in the statement of profit or loss and other comprehensive income as a separate line.

The carrying amounts of the cash-generating units were assessed against their recoverable amounts determined based on a fair value less costs to sell calculation. Fair value is based on the application of the Discounted Cash Flow Method (DCF) using post-tax cash flows to the development of proved and probable ore reserves.

The Group used a post-tax real discount rate of 9.04% (2019: 9.04%) in the DCF calculations which is equal to its nominal weighted average cost of capital of 11.7% (2019: 11.7%) translated into real terms. The DCF method used is based on the following key assumptions:

Commodity prices
Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. In the tests performed at 30 June 2020, for 2021-2022 the real price for gold and silver of US$ 1,500 per ounce and US$ 17 per ounce respectively were used. The flat real long-term price for gold and silver of US$ 1,400 per ounce and US$ 15 per ounce respectively were used from 2023 onwards.

Proved and probable reserves
Production volumes are derived from the detailed long-term life of mine plans which are based on JORC proven and probable reserves.

Production costs
Production costs are based on management's best estimates over the life of the mine, and reflect past experience.

18. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2020		31 December 2019		30 June 2019	
	Voting power %	Carrying Value	Voting power %	Carrying Value	Voting power %	Carrying Value
		US$m		US$m		US$m
Investment in associates and joint ventures						
Tomtor (ThreeArc Mining Ltd)	9.1	20	n/a	-	n/a	-
Matenvunai LLC	25.0	1	n/a	-	n/a	-
Proeks LLC	30.0	-	30	2	30.0	2
Total		**21**		**2**		**2**

Tomtor (ThreeArc Mining Ltd)

In March 2020 Polymetal entered into a legally binding agreement to invest US$ 20 million in exchange for a 9.1% stake in ThreeArc Mining Ltd. (ThreeArc). ThreeArc owns 100% of the world-class Tomtor niobium and rare-earth metals exploration project (Tomtor). The transaction was completed in April 2020.

The project is comprised of the Tomtor open-pittable deposit and the Krasnokamensk Hydromet Facility (KHF) which will be built near the town of Krasnokamensk. Krasnokamensk, located in South-Eastern Siberia close to the border with China, is the location of Russia's largest uranium mine and associated processing and tailings storage infrastructure.

Tomtor is located in the north-west of Yakutia. It is estimated to be one of the largest and highest grade rare earth elements (REE) projects in Russia and considered to be the highest grade development stage niobium (Nb) project globally. In 2018, statutory PFS and updated GKZ reserves were approved totaling 30.5 Mt of ore at 4.0% Nb2O51+10.6% REO2 grade containing 1.2 Mt of Nb2O5 and 3.2 Mt of REO.

The investment represents high-grade, large, long-lived project, which provides exposure to green technology with significant potential to contribute to active climate change management and leverages Polymetal' s leading technical capabilities in hydrometallurgy and already established regional presence in Yakutia.

The Group has determined that it exercises significant influence over the investee through participation in policy-making processes and agreed presentation on board of directors, and therefore ThreeArc constitutes an associate under IAS 28 *Investments in Associates and Joint Ventures*. The investment was accounted for using the equity method.

The transaction represents a related party transaction as ICT Holding Ltd. (ICT), a substantial shareholder of Polymetal International plc, is the majority owner of ThreeArc. The transaction was entered into based on pre-money enterprise value estimated at US$ 259 million.

During the period ended 30 June 2020 no significant share of profit/(loss) from Tomtor was recognised.

Matenvunai LLC

In May 2019 the Group signed the term sheet with Mineral Exploration Network (Finland) Ltd ("MEN") to participate in early-stage exploration in the Chaunsk region of Chukotka, Russia. In March 2020 the deal was finalised and the Group invested US$ 0.3 in exchange for a 25% stake in Matenvunai LLC. Polymetal has also entered into an "earn-in" agreement for financing of exploration, technical research and a JORC feasibility study in exchange for a right to increase its share in the project up to 80% after the completion of these tasks. The Group determined that the arrangement constitutes a joint venture in accordance with IFRS 11 *Joint arrangements* and the investment is accounted using the equity method. During the period ended 30 June 2020 no significant share of profit/(loss) from Matenvunai was recognised.

Proeks LLC

In November 2015 the Group acquired a 24.9% share in a diamond exploration project located in North-West of Russian Federation for the cash consideration of a US$ 2 million. During the year ended 31 December 2017 the Group has increased its share in Proeks LLC to 30% for the consideration of US$ 1 million. The Group determined that it has significant influence in the entity and the investment was accounted for using the equity method. As of 30 June 2020, the Group determined that the investment is not recoverable and it was written down to nil.

19. INVENTORIES

	30 June 2020	31 December 2019	30 June 2019
	US$m	US$m	US$m
Inventories expected to be recovered after twelve months			
Ore stock piles	78	78	89
Consumables and spare parts	29	36	31
Total non-current inventories	**107**	**114**	**120**
Inventories expected to be recovered in the next twelve months			
Copper, gold and silver concentrate	183	214	166
Ore stock piles	186	131	201
Work in-process	101	75	73
Doré	36	10	12
Metal for refining	11	12	31
Refined metals	4	1	-
Total metal inventories	**521**	**443**	**483**
Consumables and spare parts	191	201	192
Total current inventories	**712**	**644**	**675**

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

During the six months ended 30 June 2020, the Group recognised certain reversals of metal inventories as a result of increase of metal prices. Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. In the net realisable tests performed for long-term inventories, the flat real price for 2021-2022 for gold and silver of US$ 1,500 per ounce and US$ 17 per ounce respectively were used. The flat real long-term price for gold and silver of US$ 1,400 per ounce and US$ 15 per ounce respectively were used from 2023 onwards. For short-term metal inventories applicable forward prices as of 30 June 2020 were used.

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

	Six months ended 30 June 2020			Six months ended 30 June 2019	Year ended 31 December 2019
	Magadan	Ural	Total operating segments	Total operating segments	Total operating segments
	US$m	US$m	US$m	US$m	US$m
Ore stock piles	(2)	-	**(2)**	(5)	(12)
Ore in heap leach piles	2	2	**4**	2	(10)
Copper, gold and silver concentrate	-	-	**-**	3	3
Total	**-**	**2**	**2**	**-**	**(19)**

During the six month period ended 30 June 2020 the Group also recognised a write-down of consumables and spare parts inventory of US$ 6 million (six months ended 30 June 2019: a reversal of previous write-down of US$ 1 million; year ended 31 December 2019: a reversal of write-down consumables and spare parts inventory of US$ 1 million).

The amount of inventories held at net realisable value at 30 June 2020 was US$ 62 million (30 June 2019: US$ 66 million; 31 December 2019: US$ 44 million).

20. 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, Euros and Russian Roubles. Where security is provided it is in the form of pledges of revenue from certain sales agreements.

		Actual interest rate at		30 June 2020			31 December 2019		
	Type of rate	30 June 2020	31 Dec 2019	Current	Non-current	Total	Current	Non-current	Total
				US$m	US$m	US$m	US$m	US$m	US$m
Secured loans from third parties									
U.S. Dollar denominated	floating	2.05%	3.61%	-	75	75	-	75	75
U.S. Dollar denominated	fixed	4.00%	4.00%	160	164	324	136	236	372
Total secured loans				**160**	**239**	**399**	**136**	**311**	**447**
Unsecured Loans from third parties									
U.S. Dollar denominated	floating	1.87%	3.48%	169	274	443	26	350	376
U.S. Dollar denominated	fixed	3.04%	4.25%	335	850	1,185	52	849	901
Euro denominated	fixed	2.85%	2.85%	8	-	8	-	8	8
RUB denominated	fixed	5.00%	n/a	-	8	8	-	-	-
Total unsecured loans				**512**	**1,132**	**1,644**	**78**	**1,207**	**1,285**
Total				**672**	**1,371**	**2,043**	**214**	**1,518**	**1,732**

		Actual interest rate at	30 June 2019		
	Type of rate	30 June 2018	Current	Non-current	Total
			US$m	US$m	US$m
Secured loans from third parties					
U.S. Dollar denominated	floating	n/a	-	-	-
U.S. Dollar denominated	fixed	4.00%	97	324	421
Total secured loans			**97**	**324**	**421**
Unsecured Loans from third parties					
U.S. Dollar denominated	floating	4.10%	30	936	966
U.S. Dollar denominated	fixed	4.56%	69	435	504
Euro denominated	fixed	2.85%	-	8	8
Total unsecured loans			**99**	**1,379**	**1,478**
Total			**196**	**1,703**	**1,899**

Movements in borrowings are reconciled as follows:

	Six months ended 30 June 2020	Year ended 31 December 2019	Six months ended 30 June 2019
	US$m	US$m	US$m
At 1 January	**1,732**	**1,899**	**1,899**
Borrowings obtained	1,018	1,244	20
Repayments of borrowings	(708)	(1,410)	(19)
Net foreign exchange losses	56	(61)	(56)
Exchange differences on translating foreign operations	(56)	61	56
Arrangement fee amortisation	1	(1)	(1)
At period end	**2,043**	**1,732**	**1,899**

The table below summarises maturities of borrowings:

	30 June 2020	31 December 2019	30 June 2019
	US$m	US$m	US$m
31 December 2019	-	-	109
Period ended, 30 June 2020	-	105	87
31 December 2020	547	109	176
Period ended, 30 June 2021	126	122	196
31 December 2021	120	119	312
31 December 2022	195	241	446
31 December 2023	263	257	369
31 December 2024	286	279	204
31 December 2025	1	-	-
31 December 2026	126	125	-
31 December 2027	126	125	-
31 December 2028	126	125	-
31 December 2029	126	125	-
31 December 2030	1	-	-
Total	**2,043**	**1,732**	**1,899**

21. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group's budgeted capital expenditure commitments as at 30 June 2020 amounted to US$ 192 million, mainly relating to AGMK POX-2 and Nezhda equipment purchases (31 December 2019: US$ 152 million; 30 June 2019: US$ 106 million).

Nezhda power line

In June 2020 the Group entered into preliminary lease agreement to lease on pre-agreed terms the single-circuit 110 kV grid power line running from Khandyga to Nezhda production site and the related substation. The power line will be built, owned and operated by UVES, an independent grid management company with completion and commencement date of lease scheduled for the second quarter 2022.

The construction will be funded with a Far East and Arctic Development Fund (FEDF) 10-year senior loan, guaranteed by the Group, and a Credit Bank of Moscow subordinated loan facility. The FEDF loan is guaranteed by conditional loan assignment agreement and by a guarantee issued by Polymetal, both exercisable in certain events of default as per the loan agreement. Additionally, the conditional loan assignment agreement is exercisable in the event of the construction not being complete by certain date. Simultaneously, Polymetal was granted a call option to acquire 100% interest in project entity in case of its default.

The Group has determined that there are no indicators of control over the project entity, as it neither has the power to direct activities that significantly affect the entity's return, nor does it have the exposure or rights to the variable returns of the project entity, as the Group does not bear risk of capital expenditure overruns.

The preliminary lease agreement is subject to IFRS 16 *Leases* accounting requirements, as the overhead power line is an identified asset with no substantive substitution rights, while how and for what purposes it will be used is predetermined by the nature of the asset and due to its location. The Group is likely to have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use. The right of use assets and corresponding lease liability are to be recognised at commencement date, which scheduled for the second quarter 2022.

The Group has determined that the guarantee and the conditional loan assignment agreement in substance represent mechanisms of conditional acceleration of Polymetal' s lease payments in cases of default and should be accounted for as a single contract with the lease agreement under IFRS 16, therefore not requiring separate valuation, accounting and recognition as of 30 June 2020.

The call option does not represent potential voting rights as it is not currently exercisable, and is valued at nil as of 30 June 2020.

Total expected amount of lease commitments is estimated at US$ 159 million (undiscounted), including variable lease payments, representing reimbursement of maintenance cost of US$ 36 million, which will be expensed as incurred.

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 2020 amounts to US$ 13 million, payable in equal instalments from 2021 to 2023.

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 and Kazakh 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$ 89 million in respect of contingent liabilities (31 December 2019: US$ 100 million; 30 June 2019: US$ 53 million) which relate to mining tax and other tax exposures.

22. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

At 30 June 2020, the Company's issued share capital consisted of 471,801,891 ordinary shares of no par value, each carrying one vote (31 December 2019: 470,188,201 ordinary shares; 30 June 2019: 470,161,124).

The movements in stated capital account during the six months ended 30 June 2020 were as follows:

	Stated capital account no. of shares	Stated capital account US$m
Balance at 31 December 2019	**470,188,201**	**2,424**
Issue of shares in accordance with Deferred Share Awards plan	153,053	2
Issue of shares in accordance with LTIP	1,460,637	9
Balance at 30 June 2020	**471,801,891**	**2,435**

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

During the period ended 30 June 2020 the Group consolidated non-controlling interest in Veduga (GRK Amikan) subsidiary by recognising acquisition of non-controlling interest of US$ 20 million and movement of US$ 16 in retained earnings, as described in Note 24.

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law, and the amounts available for distribution in accordance with the applicable legislation and as reflected in the statutory financial statements of the individual subsidiaries of the Group. The Group has unremitted accumulated retained earnings based on local accounting standards of approximately US$ 3.4 billion (31 December 2019: US$ 3.4 billion; 30 June 2019: US$ 3 billion), which if remitted without restrictions would fund the Group's anticipated dividends for a number of years, after allowing for related tax payments. The directors believe that the Company therefore has access to cash to fund the Group's anticipated dividends for a number of years.

23. 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 2020, 31 December 2019 and 30 June 2019, the Group held the following financial instruments:

	30 June 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$m	**US$m**	**US$m**	**US$m**
Receivables from provisional copper, gold and silver concentrate sales	-	70	-	**70**
Equity financial instruments	7	-	-	**7**
Debt financial instruments (Note 2)	-	-	2	**2**
Contingent consideration liability	-	-	(82)	**(82)**
Total	**7**	**70**	**(80)**	**(3)**

	31 December 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$m	**US$m**	**US$m**	**US$m**
Receivables from provisional copper, gold and silver concentrate sales	-	25	-	**25**
Chaarat shares	7	-	-	**7**
Contingent consideration liability	-	-	(66)	**(66)**
Total	**7**	**25**	**(66)**	**(34)**

	30 June 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$m	**US$m**	**US$m**	**US$m**
Receivables from provisional copper, gold and silver concentrate sales	-	54	-	**54**
Chaarat convertible bonds		11	-	**11**
Contingent consideration liability	-	-	(52)	**(52)**
Total	**-**	**65**	**(52)**	**13**

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 2020 is US$ 1,858 million (31 December 2019: US$ 1,482 million; 30 June 2019: US$ 1,700 million), and the carrying value as at 30 June 2020 is US$ 2,043 million (31 December 2019: US$ 1,732 million; 30 June 2019: US$ 1,899 million) (see Note 20).

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.

24. CONTINGENT AND DEFERRED CONSIDERATION LIABILITIES

The table below sets forth a summary of changes in the carrying value of the Group's contingent liabilities, classified as Level 3 financial liabilities, as well as deferred consideration, measured at amortised cost, for the period ended 30 June 2020 and year ended 31 December 2019:

	30 June 2020						31 December 2019
	Contingent considerations at fair value				Deferred consideration at amortised cost		Contingent considerations at fair value
	Omolon	Prognoz	Komar	Total at fair value	Veduga	Total	Total
	US$m	US$m	US$m	US$m	US$m		US$m
Opening balance	**11**	**16**	**39**	**66**	**-**	**66**	**54**
Additions	-	-	-	-	71	71	-
Change in fair value, included in profit or loss	3	(1)	21	23	-	23	23
Unwind of discount	1	-	-	1	1	2	2
Cash settlement	(2)	-	(6)	(8)	-	(8)	(13)
Total contingent consideration	**13**	**15**	**54**	**82**	**72**	**154**	**66**
Less current portion of contingent consideration liability	(4)	-	(22)	(26)	-	(26)	(7)
Total non-current contingent consideration liability	**9**	**15**	**32**	**56**	**72**	**128**	**59**

Veduga

In October 2018 the Group acquired an additional 31.7% stake in GRK Amikan LLC ("Amikan"), where it was a partial owner since 2006. Amikan is a the licence holder for the Veduga property, which is a high-grade refractory gold deposit with reserves currently estimated at 2.8 Moz of gold at an average grade of 4.6 g/t with further significant potential exploration upside. Following this acquisition, the Group increased its overall ownership in the Veduga gold deposit to 74.3%.

In April 2020 VTB Bank (VTB) invested US$ 71 million in exchange for a 40.6% stake in Veduga, by acquiring 25.7% stake in Amikan from the existing minority shareholders for cash consideration of US$ 36 million and investing further US$ 35 million in cash in exchange for newly issued Amikan share capital. These cash-in proceeds will be used to fund the Veduga ongoing exploration and development costs.

As part of transaction VTB was granted a put option to sell its stake in Amikan to Polymetal during the two-year option window (between the 3rd and the 5th anniversary following signing) at notional amount of US$ 71 million plus a fixed rate of return subject to certain adjustments, including adjustment for any dividends paid to date. Simultaneously Polymetal was granted a call option to acquire VTB's stake in Amikan any time during the 4 years and 9 months following signing at the same notional amount plus a fixed rate of return. Both put and call options are to be settled in Polymetal shares.

The Group has determined that the call option over 40.6% stake represents a derivative containing potential voting right, that currently gives the Group access to the returns associated with related ownership interest, and thus the call and put options described above are not subject to the requirements of IFRS 9 *Financial Instruments*, as it relates to the accounting for derivative financial instruments.

Therefore in accordance with IFRS 10 *Consolidated financial statements* the Group accounted for the options over 40.6% interest as is there were already exercised, and recognised a cash inflow of US$ 35 million, an acquisition of non-controlling interest of US$ 20 million and a deferred consideration payable of US$ 71 million. The corresponding difference of US$ 16 million was recognised within retained earnings.

On the date of origination the fair value of the deferred consideration representing the discounted amount of the expected future cash flows was estimated at US$ 71 million. Subsequently the deferred consideration is measured at amortised cost.

Omolon

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 condensed consolidated income statement. The liability recognised at 30 June 2020 was US$ 13 million, including current portion of US$ 4 million.

Komar

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. 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 2020, the fair value of the contingent consideration was estimated at US$ 54 million, including current portion of US$ 22 million.

Prognoz

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 2020, the fair value of the total contingent consideration for Prognoz was estimated at US$ 15 million.

Assumptions used in the valuation of the Omolon and Prognoz contingent considerations are consistent with those used in the calculation of net realisable value of metal inventories and impairment reversal, 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.

The Monte-Carlo modelling of the Komar and Prognoz contingent consideration was performed using the following inputs, where applicable:

- Gold price volatility: 15.61%
- Silver price volatility: 31.20%
- Average gold price/ounce as of valuation date: US$ 1,711
- Average silver price/ounce as of valuation date: US$ 16.38

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.

25. RELATED PARTIES

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

During the period ended 30 June 2020 the Group entered into a related party transaction with ICT Holding Ltd. (ICT), a substantial shareholder of Polymetal International plc, by acquiring an interest in the associate ThreeArc, as described in Note 18. Other transactions are represented by various purchases of US$ 0.15 million and services rendered of US$ 0.05 million (31 December 2019: various purchases of US$ 0.15 million and services rendered of US$ 0.2 million; 30 June 2019: services rendered of US$ 0.1 million).

As of 31 December 2019 and 30 June 2019, the share of non-controlling interest in Amikan GRK (Veduga) amounting to US$ 7 million and US$ 5 million, respectively, was held by a related party. During the period ended 30 June 2020 the Group consolidated non-controlling interest in Amikan as described in Note 24.

26. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Note	Six months ended 30 June 2020 US$m	Six months ended 30 June 2019 US$m	Year ended 31 December 2019 US$m
Profit before tax		476	210	618
Adjustments for:				
Depreciation and depletion recognised in statement of comprehensive income	4	95	107	243
Reversal of previously recognised impairment		(8)	-	-
Write-down of metal inventories to net realisable value	19	(2)	-	19
Write-down of non-metal inventories to net realisable value	19	6	(1)	(1)
Additional tax charges/fines/penalties	11	6	-	-
Share-based compensation	10,12	7	6	12
Finance costs	13	36	42	81
Finance income		(3)	(3)	(7)
Change in contingent consideration liability	24	23	5	23
Foreign exchange (gain)/loss		(14)	24	36
(Gain)/Loss on disposal of subsidiaries, net	2	(7)	13	16
Write-down of assets held for sale		-	-	28
Other non-cash expenses		5	4	18
Movements in working capital				
Increase in inventories		(134)	(76)	(81)
Increase in VAT receivable		(7)	(24)	(45)
(Increase)/decrease in trade and other receivables		(50)	1	(54)
Increase in prepayments to suppliers		(47)	(54)	(12)
Increase/(decrease) in trade and other payables		14	(40)	(16)
Increase in other taxes payable		11	1	-
Cash generated from operations		**407**	**215**	**878**
Interest paid		(37)	(43)	(81)
Interest received		2	3	6
Income tax paid		(72)	(48)	(107)
Net cash generated by operating activities		**300**	**127**	**696**

During the period ended 30 June 2020 the Group consolidated the non-controlling interest in Amikan through a non-cash transaction as described in Note 24.There were no significant non-cash during the year ended 31 December 2019, other than in respect of share based payments).

Cash flow related to capitalised exploration amounts to US$ 14 million for six months ended 30 June 2020 and is shown within Property, plant and equipment acquisitions (six months ended 30 June 2019: US$ 19 million; year ended 31 December 2019: US$ 39 million). During the period ended 30 June 2020, the capital expenditure related to the new projects, increasing the operating capacity amounts to US$ 172 million (period ended 30 June 2019: US$ 80 million; year ended 31 December 2019: US$ 246 million).

27. SUBSEQUENT EVENTS

In July 2020 the Group completed the sale of North Kaluga, which was classified as held for sale as of 30 June 2020 (Note 3). Total gain on disposal recognised after 30 June 2020 approximated to US$ 5 million.

In August 2020 the Group acquired 75% stake in Novopetrovskoye LCC, the wholly-owned subsidiary of Rosgeo, which owns the license for the Novopetrovskaya area, for a total cash consideration of US$ 7 million.

The arrangement is focused on exploration at the Novopetrovskaya property in the south of the Republic of Bashkortostan to discover pyritic copper-zinc mineralization. Rosgeo carried out the exploration campaign at Novopetrovskaya in 2015-2017 on the area of 28 km2, which identified significant copper, zinc as well as gold and silver potential resources.

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 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	• Profit/(loss) for the financial period attributable to equity shareholders of the Company	• 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)	• 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	• Earnings per share	• Underlying net earnings (as defined above) • Weighted average number of outstanding common shares	• 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	• No equivalent	• Underlying net earnings (as defined above)[1] • Average equity at the beginning and the end of reporting year, adjusted for translation reserve	• 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	• No equivalent	• Underlying net earnings (as defined above)[1] before interest and tax • Average total assets at the beginning and the end of reporting year	• A financial ratio that shows the percentage of profit a company earns in relation to its overall resources.
Adjusted EBITDA	• Profit/(loss) before income tax	• 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 • Impairment/reversal of previously recognised impairment of operating 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	• 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	• Net total of current and non-	• NA	• Measures the Group's net indebtedness that provides an

[1] Annualised basis for half-year results.

Group APM	Closest equivalent IFRS measure	Adjustments made to IFRS measure	Rationale for adjustments
	current borrowings[1] • cash and cash equivalents		indicator of the overall balance sheet strength. • Used by creditors in bank covenants.
Net debt/EBITDA ratio	• No equivalent	• NA	• Used by creditors, credit rating agencies and other stakeholders.
Free cash flow	• Cash flows from operating activity less cash flow from investing activities	• Excluding acquisition costs in business combinations and investments in associates and joint ventures • Excluding loans forming part of net investment in joint ventures • Excluding proceeds from disposal of subsidiaries	• 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	• Cash flows from operating activity less cash flow from investing activities	• NA	• Free cash flow including cash used in/received from acquisition/disposal of assets and joint ventures. • Reflect cash generation to finance returns to shareholders after meeting existing capital expenditure commitments and financing growth opportunities.
Total cash costs (TCC)	• Total cash operating costs • General, administrative & selling expenses	• Depreciation expense • Rehabilitation expenses • Write-down of inventory to net realisable value • Intersegment unrealised profit elimination • Idle capacities and abnormal production costs • Exclude Corporate and Other segment and development assets	• 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)	• Total cash operating costs • General, administrative & selling expenses	• AISC is based on total cash costs, and adds items relevant to sustaining production such as other operating expenses, corporate level SG&A, and capital expenditures and exploration at existing operations (excluding growth capital). After-tax all in cash costs includes additional adjustments for net finance cost, capitalised interest and income tax expense. All-in costs includes additional adjustments on that for development capital.	• 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.

[1] Excluding lease liabilities.