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Polymetal International plc

Half-yearly report for the six months ended 30 June 2017

Polymetal International plc (LSE, MICEX: POLY; ADR: AUCOY) (together with its subsidiaries – "Polymetal", the "Company", or the "Group") is pleased to announce the Group's financial results for the six months ended 30 June 2017.

FINANCIAL HIGHLIGHTS

- Revenue in 1H 2017 increased by 15% to US$ 683 million compared to 1H 2016 ("year-on-year") driven by production growth and tighter management of the seasonal gap between production and sales at Dukat, Omolon and Albazino. Gold sales were 380 Koz, up 19% year-on-year, while silver sales were 12.4 Moz, down 5% year-on-year, in line with production volume dynamics. Average realised gold and silver prices remained largely unchanged from 1H 2016.
- Group Total cash costs ("TCC")[1] were US$ 656 per gold equivalent ounce ("GE oz"), up 28% year-on-year, driven predominantly by the appreciation of the Russian Rouble against the US Dollar (by 21%, from an average rate of 70.2 RUB/USD in 1H 2016 to 58.1 RUB/USD in 1H 2017) on the back of stabilising macroeconomic conditions in Russia and Kazakhstan. All-in sustaining cash costs ("AISC")[1] amounted to US$ 906/GE oz, an increase of 20% year-on-year, driven mostly by the same factors. Both cost measures are expected to decline in 2H on the back of seasonally higher production and sales, particularily at Mayskoye and Okhotsk.
- Adjusted EBITDA[1] was US$ 257 million, down 12% year-on-year as a result of increased costs incurred due to a stronger Russian Rouble which was partially offset by an increase in production. The Adjusted EBITDA margin was 38% compared to 49% in 1H 2016.
- Net earnings[2] were US$ 120 million versus US$ 165 million in 1H 2016, reflecting the decrease in EBITDA and non-cash foreign exchange gains year-on-year. Underlying net earnings (adjusted for the after-tax amount of write-down of metal inventory to net realisable value, foreign exchange gains and change in fair value of contingent consideration liability) were US$ 117 million (1H 2016: US$ 125 million), down 6% year-on year.
- Regular dividends for 2016 of US$ 0.18 per share (total of US$ 77 million) were paid in May 2017. An interim dividend of US$ 0.14 per share (1H 2016: US$ 0.09 per share) representing 50% of the Group's underlying net earnings for 1H 2017 is proposed by the Board in accordance with the revised dividend policy, while complying with hard ceiling of Net debt/Adjusted EBITDA ratio below 2.5x.
- Net debt increased to US$ 1,582 million during the period (31 December 2016: US$ 1,330 million), representing 2.19x of last twelve months Adjusted EBITDA, driven by a seasonal working capital increase and intensive construction activities at Kyzyl as capital expenditure for the project expected to peak this year. As in prior years, free cash flow generation will be skewed towards the second half of the year driven by higher production and an expected seasonal working capital drawdown.
- Polymetal remains on track to meet its 2017 production guidance of 1.40 Moz of gold equivalent. TCC and AISC are expected to trend downward in 2H to meet the original FY 2017 guidance range of US$ 600-650/GE oz and US$ 775-825/GE oz, respectively. This guidance remains dependent on exchange rate and oil price fluctuations.

"Our stable operational results in the first half of the year largely offset the negative impact of a stronger Russian Rouble on our financial performance while free cash flow declined, as expected, primarily due to the peak capex required to advance the Kyzyl project", said Vitaly Nesis, Group CEO, commenting on the results. "We expect stronger production, lower costs and materially higher cash flow generation in the second half of the year".

[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). APMs aim to facilitate analysis of the underlying financial performance of the Group and should not be considered as a substitute for measures of performance reported in accordance with the IFRS. The definition and calculation of non-IFRS APMs used in this report, including Adjusted EBITDA, Total cash costs, All-in sustaining cash costs, Underlying net earnings, Net debt, Free cash flow and the related ratios are explained in the "Financial Review" section below.

[2] Profit for the financial period

FINANCIAL HIGHLIGHTS[1]	1H 2017	1H 2016	Change, %
Revenue, US$m	683	593	+15%
Total cash cost, US$/GE oz	656	514	+28%
All-in sustaining cash cost, US$/GE oz	906	754	+20%
Adjusted EBITDA, US$m	257	293	-12%
Average realised gold price, US$/ oz	1,240	1,224	+1%
Average realised silver price, US$/ oz	16.3	15.5	+5%
Net earnings, US$m	120	165	-27%
Underlying net earnings, US$m	117	125	-6%
Return on Assets, %	12%	20%	-8%
Return on Equity (underlying),%	10%	12%	-2%
Basic EPS, US$/share	0.28	0.39	-28%
Underlying EPS, US$/share	0.27	0.29	-7%
Dividend declared during the period, US$/share[2]	0.18	0.13	+38%
Dividend proposed for the period, US$/share	0.14	0.09	+56%
Net debt, US$m	1,582	1,330[3]	+19%
Net debt/Adjusted EBITDA[4]	2.19	1.75	+25%
Net operating cash flow, US$m	35	65	-46%
Capital expenditure, US$m	193	117	+65%
Free cash flow[5], US$m	(163)	(53)	+208%

[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] 1H 2017: Final dividend for FY 2016 paid in May 2017. 1H 2016: Final dividend for FY 2015 paid in May 2016.

[3] As at 31 Dec 2016.

[4] On a last twelve months basis. Adjusted EBITDA for 2H 2016 was US$ 466 million.

[5] Net cash flows from operating activities less cash flows used in investing activities excluding acquisition costs in business combinations and investments in associates and joint ventures.

CONFERENCE CALL AND WEBCAST

Polymetal will hold a conference call and webcast on Tuesday, August 29, 2017 at 15:00 London time (17:00 Moscow time).

To participate in the call, please dial:

8 10 800 204 140 11 access code 88322264# (free from Russia), or

+44 20 3367 9456 (free from the UK), or

1 855 402 7762 (free from the US), or

follow the link: http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=4961.

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

Webcast replay will be available on Polymetal's website (www.polymetalinternational.com) and at http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=4961. A recording of the call will be available immediately after the call at +44 20 3367 9460 (from within the UK), 1 877 642 3018 (USA Toll Free) and +7 495 745 79 48 (from within Russia), access code 310531#, from 17:00 Moscow time Tuesday, August 29, till 17:00 Moscow time Tuesday, September 5, 2017.

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OPERATING REVIEW

MARKET SUMMARY

Precious metals

Gold prices increased by 8% during the first half of 2017 on the back of US Government policy concerns, Federal Reserve interest rate hikes and political uncertainty outside the US. After a strong start in the first quarter, the gold price stalled in the second quarter as concerns around geopolitical tensions faded. Global gold demand fell by 14% in the first half of the year to 2,004[1] tonnes compared to the same period last year. Despite a dramatic slow-down in ETF inflows during 1H 2017 compared to the strong demand seen during the same period last year, there remains a continued interest in gold investment among institutional investors. The demand for gold by Central Banks continued at a modest pace. In contrast, bar and coin investment improved, as did jewellery demand, although the latter remains weak in the long-term context. Total supply dropped 5%[1] in the first half of the year driven by a precipitous decline in production in China and Australia. The amount of scrap gold also fell, helping drive the decline in supply.

Gold closed the half-year period at US$ 1,242/oz, an increase of 8% year-to-date. The average LBMA gold price for the period was US$ 1,238/oz, up 1% year-on-year. Silver price dynamics generally followed gold albeit with an increased level of volatility: average price increased by 8% from US$ 15.8/oz for 1H 2016 to US$ 17.2/oz for 1H 2017, the spot price at 30 June 2017 comprised US$ 16.5/oz increasing by 1% compared to 1 January 2017. Many market watchers believe the gold price will continue to rise in 2H 2017, supported by further geopolitical tension and US political instability.

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. As a result, changes in exchange rates affect its financial results and performance.

The Russian Rouble has historically moved in line with crude oil prices. The recovery of oil prices in 1H 2017 has helped the Russian Rouble to appreciate in value and recover some of the previous losses seen over the last three years. However, this trend has had a negative impact on the sector with cost increases in US Dollar terms. Following the oil price dynamics, the average exchange rate of Russian Rouble against US Dollar strengthened by 21% year-on-year from 70.2 RUB/USD in 1H 2016 to 58.1 RUB/USD in 1H 2017, while the spot rate as at 30 June 2017 depreciated by 3% to 59.1 RUB/USD compared to 31 December 2016. The higher average Russian Rouble exchange rate in 1H 2017 compared to 1H 2016 had a negative effect on the Dollar value of the Group's Rouble-denominated operating costs and Adjusted EBITDA in the reported period. At the same time, the strengthening of the Russian Rouble exchange rate had a positive impact on the Group's net earnings due to the retranslation of US Dollar debt.

The Kazakh tenge exchange rate remained almost unchanged during 1H 2017 compared to 1 January 2017, while the average rate was 8% stronger year-on-year, from 345 KZT/USD in 1H 2016 to 319 KZT/USD in 1H 2017. The Armenian Dram was the most stable currency in the region, with an average exchange rate of 484 AMD/USD in 1H 2017.

OPERATING RESULTS

	1H 2017	1H 2016	Change, %
Waste mined, Mt	55.1	34.3	+61%
Underground development, km	53.8	43.7	+23%
Ore mined, Kt	6,590	5,732	+15%
Open-pit	4,402	4,043	+9%
Underground	2,189	1,689	+30%
Ore processed, Kt	6,286	5,285	+19%
Average grade processed, GE g/t	4.0	3.8	+5%
Production			
Gold, Koz	389	338	+15%
Silver, Moz	12.8	14.2	-10%
Copper, Kt	1.0	1.0	-
Zinc, Kt	2.3	0.7	NM[2]
Gold equivalent, Koz[3]	558	522	+7%

[1] Gold Demand Trends Q2 2017 published by World Gold Council

[2] NM – not meaningful.

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

Sales			
Gold, Koz	380	319	+19%
Silver, Moz	12.4	13.0	-4%
Copper, Kt	0.5	0.1	+400%
Zinc, Kt	2.2	0.2	NM
Gold equivalent, Koz[1]	551	484	+14%
Headcount	11,575	9,911	+17%
Health and safety			
LTIFR[2]	0.15	0.18	-17%
Fatalities	1	2	-50%

- GE production in 1H 2017 was 558 Koz, up 7% year-on-year and in line with the 2017 production plan. Materially stronger production is expected in the 2H and will be driven by the seasonal concentrate de-stockpiling at Mayskoye, heap leach production at Svetloye, and higher throughput at the Amursk POX plant. The Company remains on track to meet its FY2017 production guidance of 1.4 Moz of gold equivalent.
- At Kyzyl, full-scale construction activities are progressing in line with the project schedule. During the 1H, foundations for the mill and other processing equipment have been completed. The tailings facility diversion dike was finalized, with activities now focused on lining of the tailings pond. The project remains on track to produce first concentrate in Q3 2018.

[1] Calculated based on the unaudited consolidated management accounts. Concentrate sales are recorded based on forward prices for the expected dates of final settlement and concentrate revenue is presented net of refining and treatment charges.

[2] LTIFR = lost time injury frequency rate per 200,000 hours worked.

FINANCIAL REVIEW

REVENUE

		1H 2017	1H 2016	Change, %
Sales volumes				
Gold	Koz	380	319	+19%
Silver	Moz	12.4	13.0	-4%
Copper	Kt	0.5	0.1	+310%
Zinc	Kt	2.2	0.2	NM
Gold equivalent sold[1]	**Koz**	**551**	**484**	**+14%**

Sales by metal *(US$ mln unless otherwise stated)*		1H 2017	1H 2016	Change, %	Volume variance, US$ mln	Price variance, US$ mln
Gold		**471**	**391**	**+20%**	**74**	**6**
Average realised price	*US$/oz*	1,240	1,224	+1%		
Average LBMA closing price	*US$/oz*	1,238	1,221	+1%		
Share of revenues	*%*	69%	66%			
Silver		**202**	**201**	**+0%**	**-9**	**10**
Average realised price	*US$/oz*	16.3	15.5	+5%		
Average LBMA closing price	*US$/oz*	17.2	15.8	+8%		
Share of revenues	*%*	30%	34%			
Other metals		**10**	**1**	**NM**		
Share of revenues	*%*	1%	0%	NM		
Total revenue		**683**	**593**	**+15%**	**81**	**9**

In 1H 2017, revenue grew by 15% year-on-year to US$ 683 million driven by a 14% increase of gold equivalent volume sold, while the average realised gold and silver prices were largerly unchanged compared to prior period. Gold sales volume increased by 19%, while silver sales volume decreased by 4% year-on-year, both broadly following production dynamics.

The average realised price for gold was US$ 1,240/oz in 1H 2017, up 1% from US$ 1,224/oz in 1H 2016, in line with the average market price. The average realised silver price was US$ 16.3/oz, up 5% year-on-year, and 5% below the average market price of US$ 17.2/oz due to a larger volume of Polymetal’s sales being recorded in the end of second quarter when the silver market prices were lower.

The share of gold sales as a percentage of total revenue increased from 66% in 1H 2016 to 69% in 1H 2017, driven by sales volume movements.

Analysis by segment	**Revenue,** *US$ mln*			**Gold equivalent sold,** *Koz (silver equivalent for Dukat, Moz)*		
	1H 2017	1H 2016	Change, %	1H 2017	1H 2016	Change, %
Dukat	203	213	-5%	13	14	-9%
Albazino/Amursk	132	132	-	107	108	-1%
Omolon	122	73	+67%	98	60	+65%
Voro	76	69	+10%	61	56	+9%
Varvara	60	30	+100%	49	24	+101%
Okhotsk	59	50	+18%	47	41	+14%
Kapan	20	3	+567%	17	3	+469%
Mayskoye	11	23	-52%	8	18	-57%
Total revenue	**683**	**593**	**+15%**	**551**	**484**	**+14%**

Sales at all operating mines broadly followed the planned production dynamics. At Mayskoye, gold production was fully generated by in-house POX processing. With the summer navigation period starting in July, the concentrate stockpiled in the seaport of Pevek will be mostly shipped to third-party off-takers as Amursk POX capacity will be taken up by third-party material.

[1] Based on actual realised prices

COST OF SALES

Cost of sales
(US$ mln)

	1H 2017	1H 2016	Change, %
On-mine costs	213	139	+53%
Smelting costs	151	112	+35%
Purchase of ore and semifinished goods from third and related parties	45	7	+543%
Mining tax	39	35	+11%
Total cash operating costs	**448**	**293**	**+53%**
Depreciation and depletion of operating assets	102	65	+57%
Total costs of production	**550**	**358**	**+54%**
Increase in metal inventories	(142)	(81)	+75%
Write-down/(reversal) of metal inventories to net realisable value	2	(4)	-150%
Total change in metal inventories	**(140)**	**(85)**	**+65%**
Write-down of non-metal inventories to net realisable value	1	1	-
Idle capacities and abnormal production costs	4	6	-33%
Total cost of sales	**415**	**280**	**+48%**

Cash operating cost structure	**1H 2017, US$ mln**	**1H 2017, % of total**	**1H 2016, US$ mln**	**1H 2016, % of total**
Services	156	35%	98	33%
Consumables and spare parts	112	25%	85	29%
Labour	93	21%	66	23%
Purchase of ore and semifinished goods from third and related parties	45	10%	7	2%
Mining tax	39	9%	35	12%
Other expenses	3	1%	2	1%
Total	**448**	**+100%**	**293**	**+100%**

The total cost of sales increased by 48% in 1H 2017 to US$ 448 million, mainly on the back of the negative effect of the Russian Rouble appreciating 21% compared to 1H 2016, combined with a volume-based increase in production and sales (7% and 14% year-on-year respectively in gold equivalent terms), as well as an increase in purchases of third-party ore and concentrate.

Compared to 1H 2016, the cost of services and the cost of consumables and spare parts increased by 59% and 32%, respectively, caused mostly by the increase in gold equivalent production volume coupled with Russian Rouble strengthening.

The total cost of labour within cash operating costs in 1H 2017 was US$ 93 million, a 41% increase, mainly stemming from additional labour costs at the new Kapan, Komar and Svetloye operations and annual salary increases (tracking domestic CPI inflation).

Mining tax increased by 11% year-on-year to US$ 39 million, compared to a production volume increase of 7%, mainly due to a slight increase of average realised prices.

Depreciation and depletion was US$ 102 million, up 57% year-on-year mostly driven by the negative effect of Russian Rouble strengthening, and a specific increase attributable to Varvara where depreciation of mineral rights for the new Komar asset has started.

In 1H 2017, a seasonal net metal inventory increase of US$ 140 million was recorded. The increase was mainly represented by concentrate produced at Mayskoye (awaiting sales to off-takers during the summer navigation period), Albazino (due to lengthy POX maintenance shutdown) and Svetloye (all-year-round mining with seasonal heap leaching restarted in May). The Company expects the majority of this increase to be reversed by the end of 2017.

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

(US$ mln)	1H 2017	1H 2016	Change, %
Labour	60	41	+46%
Services	6	4	+50%
Share based compensation	4	3	+33%
Depreciation	2	1	+100%
Other	8	6	+33%
Total	**80**	**55**	**+45%**

General, administrative and selling expenses increased by 45% year-on-year from US$ 55 million to US$ 80 million mostly driven by Russian Rouble appreciation against 1H 2016, combined with the increase in labour costs due to newly acquired operations, increased personnel at stand-alone exploration projects and regular salary reviews.

OTHER OPERATING EXPENSES

(US$ mln)	1H 2017	1H 2016	Change, %
Exploration expenses	6	6	-
Provision for investment in Special economic zone	7	-	NM
Social payments	6	4	+50%
Taxes, other than income tax	5	5	-
Housing and communal services	2	2	-
Loss on disposal of property, plant and equipment	1	-	NM
Bad debt allowance	1	-	NM
Additional mining taxes and VAT exposures, penalties and accrued interest, net	(10)	22	NM
Change in estimate of environmental obligations	(1)	-	NM
Other expenses	(2)	-	NM
Total	**15**	**39**	**-62%**

Other operating expenses decreased to US$ 15 million in 1H 2017 compared to US$ 39 million in 1H 2016.

Additional mining taxes and VAT exposures, penalties and accrued interest recognised in 1H 2016 were recorded by the Company in relation to the tax exposure and related tax penalties at Magadan Silver and Gold of Northern Urals. During 1H 2017 the Group has released US$ 6 million of accrued penalties and interest due to settlement with tax authorities at Kapan, US$ 3 million in tax exposures at JSC Magadan Silver and US$ 1 million JSC Gold of Northern Urals which were recognised as of 31 December 2016. There were no other significant movement in tax provisions. For more information refer to Note 10 of the condensed consolidated financial statements.

The provisions for investment in Special economic zones is attributable to Omolon and Dukat operations which are entitled to the decreased statutory income tax rate of 17% and decreased mining taxes (paying 60% of standard rate). In return, they are obliged to invest 50% of their tax savings towards the Special economic zone Development Programme. For more information refer to Note 10 of the condensed consolidated financial statements.

TOTAL CASH COSTS BY MINE

Total cash costs per gold equivalent ounce [1]	Cash cost per GE ounce, US$/oz				
	1H 2017	**1H 2016**	**Change, %**	**2H 2016**	**Change, %**
Dukat (SE oz) [2]	8.3	5.8	+43%	6.9	+20%
Voro	387	301	+29%	340	+14%
Okhotsk	741	624	+19%	606	+22%
Varvara	758	909	-17%	726	+4%
Omolon	683	610	+12%	444	+54%
Albazino/Amursk	656	468	+40%	581	+13%
Kapan	795	1,186	-33%	865	-8%
Mayskoye	NM	NM	NA	1,063	NA
Total	**656**	**514**	**+28%**	**604**	**+9%**

In 1H 2017, total cash costs per gold equivalent ounce sold ("TCC") were US$ 656/GE oz, up 28% year-on-year and 9% compared to 2H 2016. The continuing appreciation of the Russian Rouble had a negative impact on cost levels reported in US dollars, which was partially offset by the robust operating performance at Varvara, Kapan and Svetloye (Okhotsk hub).

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 2016	**514**		**754**	
USD rate change	94	18%	139	18%
Change in sales structure between mines	37	7%	37	5%
Domestic inflation	19	4%	28	4%
Mining tax change - Au&Ag price	1	0%	1	0%
Change in average grade processed by mine	(5)	-1%	(5)	-1%
Au/Ag ratio change	(6)	-1%	(6)	-1%
Other	1	0%	(41)	-5%
Cost per gold equivalent ounce – 1H 2017	**656**	**28%**	**906**	**20%**

Total cash cost by mine:

- Dukat's total cash cost per silver equivalent ounce sold ("SE oz") increased by 43% year-on-year and 20% half-on-half to US$ 8.3/SE oz. In addition to Russian Rouble appreciation, cost increase is attributable to the planned silver grade decline at the Dukat underground mine of 13% year-on-year.
- Voro continues to be the lowest cost operation at US$ 387/GE oz. TCC increased by 29% year-on-year and 14% half-on-half. Cost increase was mostly attributable to stronger Russian Rouble, while processing at the CIP plant and heap leach operations delivered strong operating results.
- At Okhotsk, TCC was US$ 741/GE oz, a 19% increase year-on-year and 22% half-on-half reflecting the scheduled moderate decline in average gold grade processed, which was offset by positive contribution from Svetloye heap leach operations (the latter to be more pronounced in 2H when most of production and sales will be recorded).
- At Varvara, TCC was US$ 758/GE oz, down 17% year-on-year and up 4% half-on-half. The decrease mainly stemmed from significantly improved head grades at the leaching circuit, enabled by the quick ramp-up in ore railed from Komar displacing lower grade ore from Varvara.

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[1] Total cash costs comprise cost of sales of the operating assets (adjusted for depreciation expense, rehabilitation expenses and write-down of 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.

[2] Dukat's Total cash cost per gold equivalent was US$ 633/GE oz (1H 2016: US$ 468/GE oz) and was included in the Group TCC calculation.

- At Omolon, TCC amounted to US$ 683/GE oz, a 12% increase year-on-year, below the Russian Rouble appreciation, which was achieved by a strong operating performance and higher gold grade in ore processed from Tsokol and Birkachan underground mines. TCC increased by 54% half-on-half, due to the processing of high-grade ore with better metallurgical properties from Oroch in 2H 2016.
- At Albazino/Amursk, TCC was US$ 656/GE oz, up 40% year-on-year and 13% half-on-half. The cost increase compared to 1H 2016 was mostly attributable to a 7-week maintenance and retrofit shutdown that was successfully completed in May, as well as processing of higher cost third party concentrate.
- Kapan's total cash costs were US$ 795/GE oz, significantly improved by 33% year-on year thanks to operational and financial turnaround and the ongoing improvement measures to debottleneck the underground mine.
- At Mayskoye, there were no meaningful sales during 1H 2017 hence the total cash costs for the period are considered unrepresentative of the underlying performance.

ALL-IN CASH COSTS[1]

	US$ / GE oz			Total, US$ mln		
	1H 2017	**1H 2016**	**Change, %**	**1H 2017**	**1H 2016**	**Change, %**
Total cash costs	**656**	**514**	**+28%**	**361**	**249**	**+45%**
SG&A and other operating expenses not included in TCC	46	94	-51%	26	46	-44%
Capital expenditure excluding new projects	138	104	+32%	76	51	+50%
Exploration expenditure (expensed and capitalised)	66	41	+63%	36	20	+85%
All-in sustaining cash costs	**906**	**754**	**+20%**	**499**	**365**	**+37%**
Finance cost	60	69	-13%	33	33	-1%
Income tax charge	54	151	-64%	30	73	-59%
After-tax All-in cash costs	**1,021**	**974**	**+5%**	**562**	**472**	**+19%**
Development capital	139	108	+28%	76	52	+46%
SG&A and other expenses for development assets	12	15	-22%	6	7	-11%
All-in costs	**1,171**	**1,098**	**+7%**	**645**	**531**	**+21%**

All-in sustaining cash costs amounted to US$ 906/GE oz in 1H 2017 and increased by 20% year-on-year, driven mostly by the increase in total cash costs as a result of continued Russian Rouble strengthening.

[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).

All-in sustaining cash costs by mines were represented as follows:

Total all-in sustaining cash costs per gold equivalent ounce	**All-in sustaining cash cost per GE ounce, US$/oz**				
	1H 2017	**1H 2016**	**Change, %**	**2H 2016**	**Change, %**
Dukat (SE oz)	10.2	7.2	+41%	8.7	+18%
Voro	473	387	+22%	446	+6%
Okhotsk	1,040	750	+39%	752	+38%
Varvara	1,026	1,113	-8%	917	+12%
Omolon	901	895	+1%	555	+63%
Albazino/Amursk	893	649	+38%	715	+25%
Kapan	1,197	1,930	-38%	1,184	+1%
Mayskoye	NM	NM	NA	1,190	NA
Total	**906**	**754**	**+20%**	**788**	**+15%**

All-in sustaining cash costs followed total cash cost dynamics and increased year-on-year across all operating mines. This was mainly driven by the exchange rate, except for Varvara and Kapan where AISC decreased on the back of a strong operating performance. Mayskoye half-yearly AISC are not representative of the expected full year performance as most production and sales occur in the second half of the year.

ADJUSTED EBITDA[1] AND EBITDA MARGIN[2]

Reconciliation of Adjusted EBITDA *(US$ mln)*	**1H 2017**	**1H 2016**	**Change, %**
Profit for the financial period	120	165	-27%
Finance cost (net)	28	30	-7%
Income tax expense	30	73	-59%
Depreciation expense	87	52	+67%
EBITDA	**265**	**320**	**-17%**
Share based compensation	4	3	+33%
Write-down/(reversal) of metal inventory to net realisable value	2	(4)	NM
Write-down of non-metal inventory to net realisable value	1	1	-
Bad debt allowance	1	-	NM
Change in fair value of contingent consideration liability	1	17	-94%
Net foreign exchange gain	(7)	(66)	-89%
Additional mining taxes and VAT exposures, penalties and accrued interest, net	(10)	22	-145%
Adjusted EBITDA	**257**	**293**	**-12%**
Adjusted EBITDA margin	**38%**	**49%**	**-11%**

[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.

[2] The Company defines Adjusted EBITDA (a non-IFRS measure) as profit for the period adjusted for depreciation and amortisation, write-downs and reversals of inventory to net realisable value, share-based compensation expenses, rehabilitation expenses, bad debt allowance, foreign exchange gains or losses, changes in fair value of contingent consideration, finance income, finance costs, income tax expense and other tax exposures accrued within other operating expenses. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue.

Adjusted EBITDA by segment *(US$ mln)*	**1H 2017**	**1H 2016**	**Change, %**
Dukat	89	129	-31%
Albazino/Amursk	57	81	-30%
Omolon	53	36	+47%
Voro	49	51	-4%
Varvara	23	7	+229%
Okhotsk	20	19	+5%
Kapan	7	(2)	NM
Mayskoye	(3)	-	NM
Kyzyl	(3)	(4)	-25%
Corporate and other + eliminations	(35)	(24)	+46%
Total	**257**	**293**	**-12%**

In 1H 2017, Adjusted EBITDA was US$ 257 million, 12% lower year-on-year, with an Adjusted EBITDA margin of 38%, reflecting a 28% increase in total cash costs, which was partially offset by a 14% increase in sales volumes. At Omolon, Varvara and Kapan, Adjusted EBITDA increased on the back of a strong operating performance, offsetting the negative impact of Russian Rouble appreciation. Across other operating mines, Adjusted EBITDA declined or remained flat year-on-year.

OTHER INCOME STATEMENT ITEMS

Polymetal recorded a net foreign exchange gain in 1H 2017 of US$ 7 million compared to US$ 66 million in 1H 2016. These unrealised non-cash forex gains in both periods represent 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 2017 was US$ 1,500 million, mostly denominated in US Dollars, while the RUB/USD exchange rate decreased from 60.7 RUB/USD as at 31 December 2016 to 59.1 RUB/USD as at 30 June 2017.

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. Though income statement volatility may arise in the financial reporting, Polymetal believes that the underlying matching of revenue cash flows against debt repayments and related interest represents an economically effective hedging strategy.

NET EARNINGS, EARNINGS PER SHARE AND DIVIDENDS

The Group recorded a net income of US$ 120 million in 1H 2017 versus US$ 165 million in 1H 2016. The underlying net earnings (excluding after-tax impact of write-down/reversals of metal inventory to net realisable value, foreign exchange gain and change in fair value of contingent consideration liability) were US$ 117 million compared to US$ 125 million in 1H 2016.

Reconciliation of underlying net earnings[1] *(US$ mln)*	**1H 2017**	**1H 2016**	**Change, %**
Profit for the financial period	120	165	-27%
Write-down/(reversal) of metal inventory to net realisable value	2	(4)	NM
Tax effect on (write-down)/reversal of metal inventory to net realisable value	(0)	1	NM
Foreign exchange gain	(7)	(66)	-89%
Tax effect on foreign exchange gain	1	13	-91%
Change in fair value of contingent consideration liability	1	17	-94%
Tax effect on change in fair value of contingent consideration	0	(1)	-175%
Underlying net earnings	**117**	**125**	**-6%**

Basic earnings per share were US$ 0.28 per share compared to US$ 0.39 per share in 1H 2016. Underlying basic EPS[2] was US$ 0.27 per share compared to US$ 0.29 per share in 1H 2016.

[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

In accordance with the Company's revised dividend policy, the Board is proposing to pay an interim dividend of US$ 0.14 per share (delivering a total expected dividend of US$ 60 million) representing 50% of the Group's underlying net earnings for the period. During 1H 2017, Polymetal paid a total of US$ 77 million in dividends, representing the final dividend for FY 2016.

CAPITAL EXPENDITURE[1]

(US$ mln)	**1H 2017**	**1H 2016**	**Change, %**
Kyzyl	67	34	+97%
Dukat	14	14	+1%
Albazino/Amursk	24	12	+94%
Okhotsk	6	11	-45%
Mayskoye	8	7	+14%
Omolon	5	7	-29%
Varvara	8	3	+207%
Voro	1	2	-43%
Kapan	13	1	+903%
Corporate and other	5	2	+132%
Exploration	29	19	+53%
Capitalised stripping (excluding Kyzyl)	19	9	+126%
Capitalised interest	3	2	+41%
Total capital expenditure	**202**	**123**	**+65%**

In 1H 2017, total capital expenditure was US$ 202 million, up 65% year-on-year mainly due to investment in construction and pre-stripping at Kyzyl. Capital expenditure excluding capitalised stripping costs was US$ 183 million in 1H 2017 (1H 2016: US$ 114 million).

The major capital expenditure items in 1H 2017 were as follows:

- Across all operating mines, except for Albazino/Amursk and Kapan, capital expenditures declined or remained almost unchanged year-on-year, beyond the major effect of Russian Rouble appreciation, and were mainly represented by routine mining fleet upgrades/replacements and maintenance expenditure at processing facilities;
- Capital expenditure at Albazino/Amursk was US$ 24 million, almost two-fold increase year-on-year, mostly related to the POX debottlenecking project in the amount of US$ 8.5 million during 1H 2017 (planned to reach full expanded capacity in the second half of 2018), underground engineering and other technical re-equipment and construction of the second tailings storage.
- US$ 13 million was invested at Kapan, mostly related to purchases of underground mining equipment and near-mine exploration, including drilling at Lichkvaz.
- At Kyzyl, capital expenditure in 1H 2017 comprised US$ 67 million, mainly representing the main concentrator building, ore-preparation complex, tailings storage facility, mechanical and repair shop and purchases of mining machinery, as well as capitalised pre-stripping of US$ 20 million. All of the major processing equipment is on site with installation expected to commence in Q3 2017.
- The Company invests in standalone exploration projects. Capital expenditures for exploration in 1H 2017 was US$ 29 million compared to US$ 19 million in 1H 2016.
- Capitalised stripping costs totalled US$ 19 million in 1H 2017 (1H 2016: US$ 9 million) and are attributable to operations with stripping ratios exceeding their life of mine ("LOM") averages during the period, including most importantly Albazino and Varvara.
- Total capital expenditure in 1H 2017 includes US$ 3 million of capitalised interest (1H 2016: US$ 2 million).

[1] Total capital expenditure includes amounts payable at the end of the period. On a cash basis, capital expenditure was US$ 191 million in 1H 2017 (1H 2016: US$ 117 million).

CASH FLOWS

(US$ mln)	1H 2017	1H 2016	Change, %
Operating cash flows before changes in working capital	197	195	+1%
Changes in working capital	(162)	(130)	+25%
Total operating cash flows	**35**	**65**	**-46%**
Capital expenditure	(193)	(117)	+65%
Cash outflow on asset acquisition, business combinations and investments in associates and joint ventures	(8)	(26)	-69%
Other	(5)	(1)	+400%
Investing cash flows	**(206)**	**(144)**	**+43%**
Financing cash flows			
Net increase in borrowings	243	104	+134%
Dividends paid	(77)	(55)	+40%
Contingent consideration payment	(2)	(1)	+100%
Total financing cash flows	**164**	**48**	**+242%**
Net decrease in cash and cash equivalents	**(7)**	**(31)**	**-77%**
Cash and cash equivalents at the beginning of the year	48	52	-8%
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	(3)	-67%
Cash and cash equivalents at the end of the period	**40**	**18**	**+122%**

Operating cash flows in 1H 2017 weakened compared to the prior period. Operating cash flows before changes in working capital remained stable year-on-year were US$ 197 million. Net operating cash flows were US$ 35 million, compared to US$ 65 million in 1H 2016 due to a traditional seasonal increase in working capital in 1H 2017 of US$ 162 million (mainly represented by concentrate produced at Mayskoye, Albazino and ore stockpiled at Svetloye) compared to US$ 130 million in 1H 2016.

Total cash and cash equivalents increased compared to 1H 2016 and comprised US$ 40 million, with the following items affecting the cash position of the Group:

- Operating cash flows of US$ 35 million;
- Investment cash outflows totalled US$ 206 million, up 43% year-on-year and mainly represented by capital expenditure (up 65% year-on-year to US$ 193 million) and acquisition of Prognoz (US$ 5 million);
- Payment of regular final dividends for 2016 amounting to US$ 77 million; and
- The net increase in borrowings of US$ 243 million.

BALANCE SHEET, LIQUIDITY AND FUNDING

Net debt	30-Jun-17	31-Dec-16	Change, %
Short-term debt and current portion of long-term debt	133	98	+36%
Long-term debt	1,489	1,280	+16%
Gross debt	**1,622**	**1,378**	**+18%**
Less: cash and cash equivalents	40	48	-17%
Net debt	**1,582**	**1,330**	**+19%**
Net debt / Adjusted EBITDA[1]	**2.19**	**1.75**	**+25%**

The Group aims to maintain a comfortable liquidity and funding profile in the current market environment.

[1] 1H 2017 – on a last twelve months basis.

The Group's net debt increased to US$ 1,582 million as of 30 June 2017, representing a Net debt / Adjusted EBITDA (over the last 12 months) ratio of 2.19x.

The proportion of long-term borrowings comprised 92% as at 30 June 2017 (93% as at 31 December 2016). In addition, as at 30 June 2016 the Group had US$ 1.2 billion (31 December 2016: US$ 1.0 billion) of available undrawn facilities, of which US$ 1.1 billion is committed, from a wide range of lenders, which maintain its operational flexibility in the current environment.

The average cost of debt remained low at 4.16% in 1H 2017 (1H 2016: 4.39%), supported by low base interest rates and the ability to negotiate competitive margins given the solid financial position of the Company and its excellent credit history. The Group is confident in its ability to repay its existing borrowings as they fall due.

2017 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 FY2017 production guidance of 1.4 Moz of gold equivalent at TCC of US$ 600-650/GE oz and AISC of US$ 775-825/GE oz.
- The cost guidance remains contingent on the Rouble/Dollar exchange rate dynamics that has a significant effect on the Group's Rouble-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.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The directors do not consider that the principal risks and uncertainties have changed materially since the publication of the Annual report for the year ended 31 December 2016. As such, these risks continue to apply to the Group for the remaining six months of the financial year.

The principal risks and uncertainties disclosed in the 2016 Annual report were categorised as:

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

A detailed explanation of these risks and uncertainties can be found on pages 66 to 69 of the 2016 Annual report which is available at www.polymetalinternational.com.

GOING CONCERN

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, and its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 30 June 2017, the Group held US$ 40 million of cash and had net debt of US$ 1,582 million, with US$ 1,206 million of additional undrawn facilities of which US$ 1,111 million are considered committed. Debt of US$ 134 million is due for payment within one year. The Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities, but could secure additional financing if and when needed.

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

Directors’ responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting”;
- the interim report includes a fair review of the information required by DTR 4.2.7 (being an indication of important events that have occurred during the first six months of the financial year, and their impact on the interim report and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
- the interim report includes a fair review of the information required by DTR 4.2.8 (being disclosure of related party transactions and changes therein).

By order of the Board,

Bobby Godsell

Chairman of the Board of Directors

25 August 2017

Vitaly Nesis

Group Chief Executive Officer

25 August 2017

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 2017 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and related notes 1 to 25. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed 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 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 Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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 set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Recognized Auditor
London, United Kingdom
25 August 2017

Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2017 (unaudited) mln'$	Six months ended 30 June 2016 (unaudited) mln'$	Year ended 31 December 2016 (audited) mln'$
Revenue	4	683	593	1,583
Cost of sales	5	(415)	(280)	(846)
Gross profit		**268**	**313**	**737**
General, administrative and selling expenses	9	(80)	(55)	(120)
Other operating expenses, net	10	(15)	(39)	(36)
Share of loss of associates and joint ventures		(1)	-	-
Operating profit		**172**	**219**	**581**
Foreign exchange gain, net		7	66	65
Change in fair value of contingent consideration liability	22	(1)	(17)	(22)
Finance income		2	1	3
Finance costs	12	(30)	(31)	(63)
Profit before income tax		**150**	**238**	**564**
Income tax expense	13	(30)	(73)	(169)
Profit for the financial period		**120**	**165**	**395**
Profit for the financial period attributable to:				
Equity shareholders of the Parent		120	165	395
		120	**165**	**395**
Earnings per share (US$)				
Basic	14	0.28	0.39	0.93
Diluted	14	0.28	0.38	0.93

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2017 (unaudited) mln'$	Six months ended 30 June 2016 (unaudited) mln'$	Year ended 31 December 2016 (audited) mln'$
Profit for the period	120	165	395
Items that may be reclassified to profit and loss			
Exchange differences on translating foreign operations	52	161	280
Currency exchange differences on intercompany loans forming net investment in foreign operations, net of income tax	2	(43)	(56)
Total comprehensive income for the period	**174**	**283**	**619**
Total comprehensive income for period attributable to:			
Equity shareholders of the Parent	174	283	619
	174	**283**	**619**

POLYMETAL INTERNATIONAL PLC

Condensed Consolidated Balance Sheet

	Note	30 June 2017 (unaudited) mln'$	31 December 2016 (audited) mln'$	30 June 2016 restated* (unaudited) mln'$
Assets				
Property, plant and equipment	16	1,941	1,805	1,538
Goodwill		17	17	16
Investments in associates and joint ventures	17	34	25	20
Non-current loans and receivables		27	10	14
Deferred tax asset		48	38	60
Non-current inventories	18	116	113	123
Total non-current assets		**2,183**	**2,008**	**1,771**
Current inventories	18	627	493	501
VAT receivable		75	61	60
Trade and other receivables		83	70	78
Prepayments to suppliers		65	31	58
Income tax prepaid		17	18	14
Cash and cash equivalents		40	48	18
Total current assets		**907**	**721**	**729**
Total assets		**3,090**	**2,729**	**2,500**
Liabilities and shareholders' equity				
Accounts payable and accrued liabilities		(151)	(133)	(98)
Current borrowings	19	(133)	(98)	(347)
Income tax payable		(12)	(8)	(6)
Other taxes payable		(30)	(34)	(52)
Current portion of contingent consideration liability	22	(5)	(14)	(11)
Total current liabilities		**(331)**	**(287)**	**(514)**
Non-current borrowings	19	(1,489)	(1,280)	(1,107)
Contingent consideration liability	22	(60)	(62)	(41)
Deferred tax liability		(77)	(78)	(58)
Environmental obligations		(37)	(37)	(43)
Other non-current liabilities		(4)	(4)	(4)
Total non-current liabilities		**(1,667)**	**(1,461)**	**(1,253)**
Total liabilities		**(1,998)**	**(1,748)**	**(1,767)**
NET ASSETS		**1,092**	**981**	**733**
Stated capital account	21	2,031	2,010	1,985
Share-based compensation reserve		15	12	8
Translation reserve		(1,187)	(1,241)	(1,345)
Retained earnings		233	200	85
Total equity		**1,092**	**981**	**733**

**Restated following determination of the final fair value of the assets acquired and the liabilities assumed as at the acquisition date in respect of Kapan business combination. Refer to Note 2.*

Condensed Consolidated Balance Sheet (continued)

These condensed financial statements are approved and authorised for issue by the Board of Directors on 25 August 2017 and signed on its behalf by

Vitaly Nesis	Bobby Godsell
Group Chief Executive Officer	Chairman of the Board of Directors

POLYMETAL INTERNATIONAL PLC

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2017 (unaudited) mln'$	Six months ended 30 June 2016 (unaudited) mln'$	Year ended 31 December 2016 (audited) mln'$
Net cash generated by operating activities	24	**35**	**65**	**530**
Cash flows from investing activities				
Purchases of property, plant and equipment	16	(193)	(117)	(271)
Acquisitions of JV and associate	17	(6)	(18)	(21)
Cash outflow on asset acquisition/business combinations	2	(2)	(8)	(107)
Loans advanced, net		(5)	(1)	(2)
Net cash used in investing activities		**(206)**	**(144)**	**(401)**
Cash flows from financing activities				
Borrowings obtained	19	1,072	518	1,436
Repayments of borrowings	19	(829)	(414)	(1,410)
Dividends paid	15	(77)	(55)	(158)
Contingent consideration payment		(2)	(1)	(2)
Net cash generated by/(used in) financing activities		**164**	**48**	**(134)**
Net decrease in cash and cash equivalents		(7)	(31)	(5)
Cash and cash equivalents at the beginning of the period		48	52	52
Effect of foreign exchange rate changes on cash and cash equivalents		(1)	(3)	1
Cash and cash equivalents at the end of the period		**40**	**18**	**48**

Condensed Consolidated Statement of Changes in Equity

	Notes	Number of shares outstanding	Stated capital account	Share based compensation reserve	Translation reserve	Retained earnings	Total equity
Balance at 31 December 2015 (audited)		**424,650,138**	**1,969**	**6**	**(1,465)**	**(23)**	**487**
Total comprehensive income, net of income tax		-	-	-	119	164	283
Share based compensation		-	-	3	-	-	3
Issue of shares for business acquisition		1,481,785	15	-	-	-	15
Shares allotted to employees		101,537	1	(1)	-	-	-
Dividends	15	-	-	-	-	(55)	(55)
Balance at 30 June 2016 (unaudited)		**426,233,460**	**1,985**	**8**	**(1,346)**	**86**	**733**
Total comprehensive income, net of income tax		-	-	-	105	231	336
Share based compensation		-	-	4	-	-	4
Shares allotted to employees		9,313	-	-	-	-	-
Issue of shares to acquire non-controlling interest		898,875	14	-	-	(14)	-
Issue of shares in exchange for asset acquisition		1,120,690	11	-	-	-	11
Dividends	15	-	-	-	-	(103)	(103)
Balance at 31 December 2016 (audited)		**428,262,338**	**2,010**	**12**	**(1,241)**	**200**	**981**
Total comprehensive income		-	-	-	54	120	174
Share based compensation		-	-	4	-	-	4
Issue of shares to acquire non-controlling interest	21	893,575	10	-	-	(10)	-
Issue of shares for contingent consideration	22	815,348	10	-	-	-	10
Shares allotted to employees		141,400	1	(1)	-	-	-
Dividends	15	-	-	-	-	(77)	(77)
Balance at 30 June 2017 (unaudited)		**430,112,661**	**2,031**	**15**	**(1,187)**	**233**	**1,092**

Notes to the consolidated financial statements

1. GENERAL

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

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 and Moscow stock exchanges.

Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union ('EU'), and the Disclosure and Transparency Rules of the Financial Conduct Authority effective for the Company's reporting for the period ended 30 June 2017. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the 2016 Annual Report of Polymetal International plc and its subsidiaries ("2016 Annual Report") available at www.polymetalinternational.com.

The half-yearly financial report does not constitute the Group'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 2016, were approved by the directors on 14 March 2017 and have been filed with the Jersey Registrar of Companies.

Accounting policies

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

The accounting policies applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2016.

Critical accounting judgements and uncertainties

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The significant judgements made by management in applying the Group's accounting policies and key sources of estimation were consistent with those that were applied in the Group's annual consolidated financial statements for the year ended 31 December 2016.

New accounting standards issued but not yet effective

IFRS 15 *Revenue from Contracts with Customers.* In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), which covers principles that an entity shall apply to report information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after 1 January 2018, with earlier application permitted. The Group is in the process of determining the impact of IFRS 15 on its consolidated financial statements with the primary focus being understanding those sales contracts where the timing and amount of revenue recognised could differ under IFRS 15, which may occur for example if contracts with customers incorporate performance obligations not currently recognised separately, or where such contracts incorporate variable consideration. As the Group's revenue is predominantly derived from arrangements in which the transfer of risks and rewards coincides with the fulfilment of performance obligations (gold and silver bullion sales and concentrate sales with other than CIF terms, as well as associated provisional pricing adjustments), the timing and amount of revenue recognised is unlikely to be materially affected for the majority of sales.

IFRS 9 *Financial instruments.* In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* ("IFRS 9"). This standard is effective for annual periods beginning on or after 1 January 2018, and permits early adoption. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments. IFRS 9 also includes a substantially reformed approach to hedge accounting. The Group is in the process of determining the impact of IFRS 9 on its consolidated financial statements and does not expect it to have a material impact on its consolidated financial statements.

IFRS 16 *Leases.* IFRS 16 replaces the following standards and interpretations: IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. The new standard provides a single lessee accounting model for the recognition, measurement, presentation and disclosure of leases. IFRS 16 applies to all leases including subleases and requires lessees to recognise assets and liabilities for all leases, unless the lease term is

12 months or less, or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. The Group is in the process of determining the impact of IFRS 16 on its consolidated financial statements..

Amendments to IFRS 2 *Share based payment: Classification and Measurement of Share-Based Payment transactions*. On 20 June 2016, the International Accounting Standards Board (IASB) published final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. IASB has now added guidance on accounting for cash-settled share-based payment transactions that include a performance condition, classification of share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. Amendments are effective for annual periods beginning on or after 1 January 2018. The Group is in the process of determining the impact of amendments to IFRS 2 on its consolidated financial statements and does not expect it to have a material impact on its consolidated financial statements.

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 remove an inconsistency between the two standards on the accounting treatment for gains and losses arising on the sale or contribution of assets by an investor to its associate or joint venture. Following the amendment, such gains and losses may only be recognised to the extent of the unrelated investor's interest, except where the transaction involves assets that constitute a business. The Group doesn't expect it to have a material impact on its consolidated financial statements.

Amendments to IFRS that are mandatory effective for the period beginning on 1 January 2017

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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, its forecast compliance with covenants on those borrowings and capital expenditure commitments and plans. As at 30 June 2017, the Group held US$ 40 million of cash and had net debt of US$ 1,582 million, with US$ 1,206 million of undrawn facilities of which US$ 1,111 million are considered committed. Debt of US$ 133 million is due for payment within one year and certain committed but undrawn facilities expire within that period, but the Group's cash generation and liquidity remains strong and the Group believes it will be able to operate within existing facilities, but could secure additional financing if and when needed.

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

Functional and presentation currencies

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

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

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

	Russian Rouble/U.S. Dollar	Kazakh Tenge/U.S. Dollar	Armenian Dram/U.S. Dollar
Period ended 30 June 2017	59.09	321.46	480.47
Average for 6 months 2017:			
January	59.96	331.27	485.49
February	58.40	319.86	486.51
March	58.11	316.20	484.96
April	56.43	312.48	485.03
May	57.17	314.07	483.51
June	57.83	318.50	481.56
Period ended:			
30 June 2016	64.26	338.87	476.68
31 December 2016	60.66	333.29	483.94
Average for 12 months 2016:			
January	76.31	361.53	485.69
February	77.23	359.19	493.83
March	70.51	344.90	486.60
April	66.69	337.31	481.25
May	65.67	332.74	478.41
June	65.31	336.79	477.54
July	64.34	341.09	476.54
August	64.93	344.14	475.45
September	64.60	338.70	474.10
October	62.68	332.19	475.25
November	64.37	339.19	478.44
December	62.20	333.97	482.83

2. ACQUISITIONS

Primorskaya GGK LLC

In May 2017 Polymetal purchased a 100% interest in Primorskaya GGK LLC, a company holding several licences for the silver-gold properties located in the Primorskiy region of Russia, from an unrelated party for a cash consideration of US$ 2 million.

The company does not meet the definition of a business pursuant to IFRS 3, as it represents acquisition of mining licenses through a non-operating corporate entity, and thus it is accounted for as an acquisition of a group of assets. The Group has purchased mineral rights of US$ 2 million.

Komarovskoye purchase price allocation

On 4 April 2016 Polymetal entered into a binding agreement with Kazzinc LTD, a subsidiary of Glencore International plc, for the acquisition of Orion Minerals LL, the holding company for the Komarovskoye Gold Deposit ("Komarovskoye") in the Republic of Kazakhstan.

As at 31 December 2016, purchase price allocation for the acquisition of Komarovskoye was not completed and mineral rights and environmental obligations were accounted for on a provisional basis. The Group completed the purchase price allocation review during the period ended 30 June 2017 and made no adjustments to the provisional calculation.

Kapan mine purchase price allocation

In March 2016 Polymetal entered into binding agreements with Dundee Precious Metals Inc (Dundee) for the acquisition of CJSC Dundee Precious Metals Kapan ("DPMK"), the holding company for the Kapan Gold Mine ("Kapan") in the Republic of Armenia.

As at 30 June 2016, purchase price allocation for the acquisition of Kapan was not completed and its assets and liabilities were accounted for on a provisional basis. The Group completed the purchase price allocation review during the year ended 31 December 2016 and retrospectively adjusted the provisional amounts.

As a result of the determination of the post-closing working capital adjustment and the final fair value of the assets acquired and the liabilities assumed as at the acquisition date, the figures for the consolidated financial statements for the period ended 30 June 2016 have been restated. These adjustments had no significant impact on the condensed consolidated income statement for the period ended 30 June 2016 and no consequent change in the consolidated equity was recognised.

The impact on the Group consolidated financial statements adjustment is presented in the table below:

	30 June 2016 (previously stated) mln'$	Adjustments mln'$	30 June 2016 (restated) mln'$
Property, plant and equipment	1,539	(1)	1,538
Current inventories	495	6	501
Accounts payable and accrued liabilities	(93)	(5)	(98)
Change in equity		-	

3. SEGMENT INFORMATION

The Group has nine reportable segments:

- Voro (CJSC Gold of Northern Urals);
- Okhotsk operations (LLC Okhotskaya Mining and Exploration Company; Svetloye LLC);
- Dukat (JSC Magadan Silver);
- Omolon (Omolon Gold Mining Company LLC);
- Varvara (JSC Varvarinskoye, JSC Komarovskoye Mining Company);
- Amursk-Albazino (Albazino Resources Ltd, Amur Hydrometallurgical Plant LLC);
- Mayskoye (Mayskoye Gold Mining Company LLC);
- Kyzyl (Bakyrchik Mining Venture LLP, Inter Gold Capital LLP); and
- Armenia (Kapan MPC CJSC, LV Gold Mining CJSC).

Reportable segments are determined based on the Group's internal management reports and are separated based on the Group's geographical structure. Minor companies and activities (management, exploration, purchasing and other companies) which do not meet the reportable segment criteria are disclosed within 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, Kazakhstan and Armenia.

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 defined as profit for the period adjusted for depreciation and amortisation, write-downs and reversals of inventory to net realisable value, share-based compensation expenses, rehabilitation expenses, bad debt allowance, foreign exchange gains or losses, changes in the fair value of contingent consideration, finance income, finance costs, income tax expenses and tax exposures accrued within other operating expenses. The accounting policies of the reportable segments are consistent with those of the Group's accounting policies under IFRS.

Revenue shown as corporate and other comprises, principally, intersegment revenue relating to the supply of inventories, spare parts and fixed assets, and rendering management services to the Group's production entities. Intersegment revenue is recognised based on costs incurred plus a fixed margin basis.

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

3. Segment information (continued)

Period ended 30 June 2017 (US$m)	Voro	Okhotsk operations	Dukat	Omolon	Varvara	Amursk - Albazino	Armenia	Mayskoye	Kyzyl	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	76	59	203	122	60	132	20	11	-	683	-	-	683
Intersegment revenue	-	-	-	-	4	4	-	-	-	8	104	(112)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	21	32	100	62	36	72	10	7	-	340	66	(79)	**327**
Cost of sales	28	42	119	78	49	92	12	8	-	428	66	(79)	415
Depreciation included in cost of sales	(7)	(6)	(19)	(16)	(12)	(20)	(3)	(2)	-	(85)	-	-	(85)
Write-down of metal inventory to net realisable value	- -	(1)-	-	(1)	(1) -	- -	-	1	-	(2)	- -	-	(2)
Write-down of non-metal inventory to net realisable value	-	(3)	-	1	-	-	1	-	-	(1)	-	-	(1)
Rehabilitation expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	3	4	6	4	4	5	2	5	2	35	45	(6)	**74**
General, administrative and selling expenses	6	8	10	8	5	9	2	8	3	59	51	(30)	80
Intercompany management services	(3)	(3)	(4)	(4)	(1)	(4)	-	(3)	-	(22)	(2)	24	-
Depreciation included in SGA	-	(1)	-	-	-	-	-	-	(1)	(2)	-	-	(2)
Share based compensation	-	-	-	-	-	-	-	-	-	-	(4)	-	(4)
Other operating expenses excluding additional tax charges	3	3	8	3	1	2	1	2	1	24	1	(1)	24
Other operating expenses	2	4	5	4	1	2	(5)	1	1	15	1	(1)	15
Bad debt allowance	-	(1)	-	-	-	-	-	-	-	(1)	-	-	(1)
Reversal/accrual of additional mining taxes and VAT exposures, penalties and accrued interest	1	-	3	(1)	-	-	6	1	-	10	-	-	10
Share of income of associates and joint ventures											(1)		(1)
Adjusted EBITDA	**49**	**20**	**89**	**53**	**23**	**57**	**7**	**(3)**	**(3)**	**292**	**(9)**	**(26)**	**257**
Depreciation expense	7	7	19	16	12	20	3	2	1	87	-	-	**87**
Rehabilitation expenses	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-down of non-metal inventory to net realisable value	-	3	-	(1)	-	-	(1)	-	-	1	-	-	**1**
Write-down of metal inventory to net realisable value	-	1	-	1	1	-	-	(1)	-	2	-	-	**2**
Share-based compensation	-	-	-	-	-	-	-	-	-	**-**	4	-	**4**
Bad debt allowance	-	1	-	-	-	-	-	-	-	1	-	-	**1**
Reversal/accrual of additional mining taxes and VAT exposures, penalties and accrued interest	(1)	-	(3)	1	-	-	(6)	(1)	-	(10)	-	-	**(10)**
Operating profit / (loss)	**43**	**8**	**73**	**36**	**10**	**37**	**11**	**(3)**	**(4)**	**211**	**(13)**	**(26)**	**172**
Net foreign exchange gains													**7**
Change in fair value of contingent consideration liability													**(1)**
Finance income													**2**
Finance costs													**(30)**
Profit before tax													**150**
Income tax expense													**(30)**
Profit for the financial period													**120**
Current metal inventories	42	60	58	51	53	106	12	87	-	469	1	(15)	**455**
Current non-metal inventories	5	15	27	29	17	22	7	21	5	148	31	(7)	**172**
Non-current segment assets:													
Property, plant and equipment, net	45	101	183	105	224	292	61	163	637	1,811	130	-	**1,941**
Goodwill	-	-	5	-	-	-	-	12	-	17	-	-	**17**
Non-current inventory	2	6	8	81	5	6	2	7	-	117	-	(1)	**116**
Investments in associates	-	-	-	-	-	-	-	-	-	-	34	-	**34**
Total segment assets	**94**	**182**	**281**	**266**	**299**	**426**	**82**	**290**	**642**	**2,562**	**196**	**(23)**	**2,735**
Additions to non-current assets:										-			
Property, plant and equipment	4	10	19	18	16	33	14	11	67	191	11	-	**203**
Acquisition of group of assets	-	-	-	-	-	-	-	-	-	-	2	-	**2**

3. Segment information (continued)

Six months ended 30 June 2016 (US$m)	Voro	Okhotsk operations	Dukat	Omolon	Varvara	Amursk - Albazino	Armenia	Mayskoye	Kyzyl	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	69	50	213	73	30	132	3	23	-	593	-	-	593
Intersegment revenue	-	-	-	-	-	4	-	-	-	4	82	(86)	-
Cost of sales, excluding depreciation, depletion and write-down of inventory to net realisable value	15	25	76	33	20	50	3	18	-	240	58	(66)	**232**
Cost of sales	19	27	91	36	24	67	3	21	-	288	58	(66)	280
Write-down of metal inventory to net realisable value	-	1	-	3	-	-	-	-	-	4			4
Depreciation included in cost of sales	(4)	(2)	(15)	(6)	(4)	(17)	-	(3)	-	(51)			(51)
Write-down of non-metal inventory to net realisable value	-	(1)	-	-	-	-	-	-	-	(1)			(1)
Rehabilitation expenses	-	-	-	-	-	-	-	-	-	-			-
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	2	4	4	3	2	3	1	3	3	25	30	(4)	**51**
General, administrative and selling expenses	5	6	7	6	2	6	1	6	3	42	35	(22)	55
Intercompany management services	(3)	(2)	(3)	(3)	-	(3)	-	(3)	-	(17)	(1)	18	-
Depreciation included in SGA	-	-	-	-	-	-	-	-	-	-	(1)	-	(1)
Share based compensation	-	-	-	-	-	-	-	-	-	-	(3)	-	(3)
Other operating expenses excluding additional tax charges	1	2	4	1	1	2	1	2	1	15	1	1	**17**
Other operating expenses	10	2	17	1	1	2	1	2	1	37	1	1	39
Bad debt allowance	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal/accrual of additional mining taxes and VAT exposures, penalties and accrued interest	(9)	-	(13)	-	-	-	-	-	-	(22)	-	-	(22)
Share of income of associates and joint ventures											-		-
Adjusted EBITDA	**51**	**19**	**129**	**36**	**7**	**81**	**(2)**	**-**	**(4)**	**317**	**(7)**	**(17)**	**293**
Depreciation expense	4	2	15	6	4	17	-	3	-	51	1	-	**52**
Rehabilitation expenses	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-down of non-metal inventory to net realisable value	-	1	-	-	-	-	-	-	-	1	-	-	**1**
Write-down of metal inventory to net realisable value	-	(1)	-	(3)	-	-	-	-	-	(4)	-	-	**(4)**
Share-based compensation	-	-	-	-	-	-	-	-	-	**-**	3	-	**3**
Bad debt allowance	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Reversal/accrual of additional mining taxes and VAT exposures, penalties and accrued interest	9	-	13	-	-	-	-	-	-	22	-	-	**22**
Operating profit / (loss)	**38**	**17**	**101**	**33**	**3**	**64**	**(2)**	**(3)**	**(4)**	**247**	**(11)**	**(17)**	**219**
Net foreign exchange gains													**66**
Change in fair value of contingent consideration liability													**(17)**
Finance income													**1**
Finance costs													**(31)**
Profit before tax													**238**
Income tax expense													**(73)**
Profit for the financial period													**165**
Current metal inventories	35	40	69	49	31	51	6	61	-	**342**	-	(4)	**338**
Current non-metal inventories	6	21	25	28	10	19	4	23	3	**139**	26	(8)	**157**
Non-current segment assets:											-	-	
Property, plant and equipment, net	49	83	178	97	66	270	46	152	496	**1,437**	122	(20)	**1,539**
Goodwill	-	-	5	-	-	-	-	11	-	**16**	-	-	**16**
Non-current inventory	1	18	6	76	5	7	2	9	-	**124**	-	(1)	**123**
Investments in associates										**-**	20		**20**
Total segment assets	**91**	**162**	**283**	**250**	**112**	**347**	**58**	**256**	**499**	**2,058**	**168**	**(33)**	**2,193**
Additions to non-current assets:													
Property, plant and equipment	4	16	16	16	4	16	2	7	38	**119**	4	-	**123**
Business combination	-	-	-	-	-	-	23	-	-	**23**			**23**

3. Segment information (continued)

Year ended 31 December 2016 (US$m)	Voro	Okhotsk operations	Dukat	Omolon	Varvara	Amursk-Albazino	Armenia	Mayskoye	Kyzyl	Total reportable segments	Corporate and other	Intersegment operations and balances	Total
Revenue from external customers	157	179	497	207	101	294	29	119	-	1,583	-	-	1,583
Intersegment revenue	-	-	-	-	-	6	-	-	-	6	196	(202)	-
Cost of sales, excluding depreciation, depletion and write-down of inventories to net realisable value	36	82	188	78	61	121	19	96	-	681	134	(149)	**666**
Cost of sales	47	98	224	112	72	160	23	125	-	861	134	(149)	846
Write-down of metal inventories to net realisable value	-	(5)	1	(14)	-	-	-	(3)	-	(21)	-	-	(21)
Depreciation included in cost of sales	(11)	(10)	(37)	(20)	(11)	(37)	(4)	(22)	-	(152)	-	-	(152)
Write-down of non-metal inventories to net realisable value	-	(1)	-	1	-	(2)	-	(4)	-	(6)	-	-	(6)
Rehabilitation expenses	-	-	-	(1)	-	-	-	-	-	(1)	-	-	(1)
General, administrative and selling expenses, excluding depreciation, amortization and share based compensation	4	7	10	7	4	7	3	6	5	53	69	(12)	**110**
General, administrative and selling expenses	10	13	16	13	5	14	3	12	6	92	79	(51)	120
Intercompany management services	(6)	(5)	(6)	(6)	(1)	(7)	-	(6)	-	(37)	(2)	39	-
Depreciation included in SGA	-	(1)	-	-	-	-	-	-	(1)	(2)	(1)	-	(3)
Share based compensation	-	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Other operating expenses excluding additional tax charges	4	1	16	6	-	5	1	4	3	40	10	(2)	48
Other operating expenses	5	1	2	6	-	5	3	3	3	28	10	(2)	36
Bad debt allowance	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal/accrual of additional mining taxes and VAT exposures, penalties and accrued interest	(1)	-	14	-	-	-	(2)	1	-	12	-	-	12
Share of income of associates and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**113**	**89**	**283**	**116**	**36**	**167**	**6**	**13**	**(8)**	**815**	**(17)**	**(39)**	**759**
Depreciation expense	11	11	37	20	11	37	4	22	1	154	1	-	**155**
Rehabilitation expenses	-	-	-	1	-	-	-	-	-	1	-	-	**1**
Write-down of non-metal inventories to net realisable value	-	1	-	(1)	-	2	-	4	-	6	-	-	**6**
Write-down of metal inventories to net realisable value	-	5	(1)	14	-	-	-	3	-	21	-	-	**21**
Share-based compensation	-	-	-	-	-	-	-	-	-	-	7	-	**7**
Bad debt allowance	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal/accrual of additional mining taxes and VAT exposures, penalties and accured interest	1	-	(14)	-	-	-	2	(1)	-	(12)	-	-	**(12)**
Operating profit / (loss)	**101**	**72**	**261**	**82**	**25**	**128**	**-**	**(15)**	**(9)**	**645**	**(25)**	**(39)**	**581**
Net foreign exchange gains													**65**
Change in fair value of contingent consideration liability													**(22)**
Finance income													**3**
Finance costs													**(63)**
Profit before tax													**564**
Income tax expense													**(169)**
Profit for the financial period													**395**
Current metal inventories	38	43	52	49	43	62	6	29	-	**322**	-	(7)	**315**
Current non-metal inventories	5	32	28	30	13	18	7	28	3	**164**	23	(9)	**178**
Non-current segment assets:													
Property, plant and equipment, net	49	96	182	92	217	281	50	162	556	**1,685**	144	(24)	**1,805**
Goodwill	-	-	5	-	-	-	-	12	-	**17**	-	-	**17**
Non-current inventories	2	7	8	78	4	6	1	8	-	**114**	-	(1)	**113**
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	-	**-**	25	-	**25**
Total segment assets	**94**	**178**	**275**	**249**	**277**	**367**	**64**	**239**	**559**	**2,302**	**192**	**(41)**	**2,453**
Additions to non-current assets:													
Property, plant and equipment	7	32	33	23	16	41	13	22	92	**279**	9	-	**288**
Acquisitions	-	-	-	-	140	-	21	-	-	**161**	10	-	**171**

4. REVENUE

Revenue analysed by geographical regions of customers is presented below:

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	mln'$	mln'$	mln'$
Sales within the Russian Federation	399	363	899
Sales to Kazakhstan	135	122	295
Sales to Europe	109	55	205
Sales to East Asia	40	53	184
Total	**683**	**593**	**1,583**

Included in revenues for the six months ended 30 June 2017 are revenues which arose from the Group's largest customers, those share in revenue exceeds 10% of the total, amounting to US$ 206 million, US$ 94 million, US$ 82 million and US$ 78 million, respectively (year ended 2016: to US$ 416 million, US$ 281 million and US$ 206 million, respectively; period ended 30 June 2016: US$ 168 million, US$ 125 million and US$ 93 million, respectively).

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

	Six months ended 30 June 2017 (unaudited)				Six months ended 30 June 2016 (unaudited)			
	Thousand ounces/ tonnes shipped	Thousand ounces/ tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	mln'$	Thousand ounces/ tonnes shipped	Thousand ounces/ tonnes payable	Average price (US Dollar per troy ounce/tonne payable)	mln'$
Gold (thousand ounces)	383	380	1,240	471	320	319	1,225	391
Silver (thousand ounces)	12,645	12,426	16.3	202	13,171	12,992	15.5	201
Copper (tonnes)	588	537	7,454	4	149	131	4,176	1
Zinc (tonnes)	2,684	2,245	2,673	6	-	-	-	-
Total				**683**				**593**

	Year ended 31 December 2016			
	Thousand ounces/ tonnes (unaudited) shipped	Thousand ounces/ tonnes (unaudited) payable	Average price (US Dollar per troy ounce/tonne payable) (unaudited)	mln'$
Gold (thousand ounces)	882	880	1,216	1,070
Silver (thousand ounces)	31,099	30,666	16.3	500
Copper (tonnes)	1,689	1,634	4,896	8
Zinc (tonnes)	3,246	2,800	1,786	5
Total				**1,583**

5. COST OF SALES

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	mln'$	mln'$	mln'$
Cash operating costs			
On-mine costs (Note 6)	213	139	320
Smelting costs (Note 7)	151	112	259
Purchase of ore and semifinished goods from third parties	21	7	27
Purchase of ore from equity method investments (Note 23)	24	-	11
Mining tax	39	35	82
Total cash operating costs	**448**	**293**	**699**
Depreciation and depletion of operating assets (Note 8)	102	65	162
Rehabilitation expenses	-	-	1
Total costs of production	**550**	**358**	**862**
Increase in metal inventories (Note 18)	(142)	(81)	(51)
Write-downs/(Reversals of metal inventories to net realisable value (Note 18)	2	(4)	21
Write-down of non-metal inventories to net realisable value (Note 18)	1	1	6
Idle capacities and abnormal production costs	4	6	8
Total	**415**	**280**	**846**

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

Mining tax in respect of the metal inventories produced or sold during the year is recognised within cost of sales, while any additional mining tax accruals in respect of various disputes with tax authorities are recognised within other expenses (see Note 10).

Idle capacities and abnormal production costs are expensed as incurred and relate to idle capacities when processing plants are stopped for general maintenance.

6. ON-MINE COSTS

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	mln'$	mln'$	mln'$
Services	103	61	139
Labour	61	43	97
Consumables and spare parts	48	34	79
Other expenses	1	1	5
Total (Note 5)	**213**	**139**	**320**

7. SMELTING COSTS

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	mln'$	mln'$	mln'$
Consumables and spare parts	64	51	114
Services	53	37	93
Labour	32	23	50
Other expenses	2	1	2
Total (Note 5)	**151**	**112**	**259**

8. DEPLETION AND DEPRECIATION OF OPERATING ASSETS

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	mln'$	mln'$	mln'$
On-mine	74	45	117
Smelting	28	20	45
Total (Note 5)	**102**	**65**	**162**

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 3), also excludes amounts absorbed into unsold metal inventory balances.

9. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	mln'$	mln'$	mln'$
Labour	60	41	87
Services	6	4	10
Share based compensation	4	3	7
Depreciation	2	1	3
Other	8	6	13
Total	**80**	**55**	**120**

10. OTHER OPERATING EXPENSES, NET

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	mln'$	mln'$	mln'$
(Reversal)/accrual of additional mining taxes and VAT exposures, penalties and accrued interest	(10)	22	(12)
Exploration expenses	6	6	10
Provision for investment in Special economic zone	7	-	14
Social payments	6	4	10
Taxes, other than income tax	5	5	11
Housing and communal services	2	2	4
Other expenses	(1)	-	(1)
Total	**15**	**39**	**36**

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% (2016: 18%) , 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 regional free 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 2017 (year ended 31 December 2016: US$ 14 million).

Operating cash outflow from exploration activities amounts to US$ 7 million (six months ended 30 June 2016: US$ 4 million; year ended 31 December 2016: US$ 11 million).

Total provision for additional mining taxes and VAT exposures, penalties and accrued interest as of 30 June 2017 is US$ 3 million (2016: 31 December 2016: US$ 14 million; 30 June 2016: US$ 33 million). During the period ended 30 June 2017 the Group has paid US$ 6 million related to royalty provisions identified as of 31 December 2016 and released US$ 6 million of accrued penalties and interest due to settlement with tax authorities at Kapan. Also the Group has released US$ 3 million tax exposures at JSC Magadan Silver and US$ 1 million JSC Gold of Northern Urals. There were no other significant movement in tax provisions.

During the period ended 30 June 2016 the Group provided for several mining tax exposures related to exempt technical loss calculation at JSC Magadan Silver, JSC Gold of Northern Urals and Mayskoye Gold Mining Company LLC for a total amount US$ 17 million. These exposure were released as of 31 December 2016 following a release of clarified implementation guidance by the regulators and favourable court decisions.

11. EMPLOYEE COSTS

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	mln'$	mln'$	mln'$
Wages and salaries	139	96	215
Social security costs	42	27	51
Share-based compensation	4	3	7
Total payroll costs	**185**	**126**	**273**
Reconcilation:			
Less: employee costs capitalised	(19)	(11)	(26)
Less: employee costs absorbed into unsold metal inventory balances	(20)	(15)	(5)
Employee costs included in operating costs	**146**	**100**	**242**

The weighted average number of employees was:

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Dukat	1,898	1,901	1,910
Okhotsk operations	1,215	1,232	1,263
Amursk-Albazino	1,439	1,342	1,356
Varvara	1,141	781	1,111
Armenia	1,083	398	770
Omolon	778	746	759
Mayskoye	1,012	869	895
Voro	878	881	878
Kyzyl	550	353	406
Corporate and other	1,581	1,408	1,465
Total	**11,575**	**9,911**	**10,813**

For the periods ended 30 June 2016 and 31 December 2016, the weighted average number of employees in Armenia was calculated based on the period from 28 April to 30 June 2016 and from 28 April to 31 December 2016, respectively.

12. FINANCE COSTS

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	mln'$	mln'$	mln'$
Interest expense on borrowings	28	29	59
Unwinding of discount on environmental obligations	2	2	4
Total	**30**	**31**	**63**

Interest expense on borrowings excludes borrowing costs capitalised in the cost of qualifying assets of US$ 3 million, US$ 2 million and US$ 5 million during the six months ended 30 June 2017, the six months ended 30 June 2016, and the year ended 31 December 2016, respectively. These amounts were calculated based on the Group's general borrowing pool and by applying an effective interests rate of 4.16% (annualised), 4.39% (annualised) and 4.33%, respectively, to cumulative expenditure on such assets.

13. INCOME TAX

Income tax for the six months ended 30 June 2017 is charged at 20% (six months ended 30 June 2016: 32%), 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 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	mln'$	mln'$	mln'$
Current income taxes	41	61	139
Deferred income taxes	(11)	12	30
	30	**73**	**169**

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, Kazakhstan and Armenia 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 nonproduction costs, certain general and administrative expenses, financing expenses, foreign exchange related costs and other costs.

For the operations held in the Special economic zone of the Russian Far East Omolon Gold Mining Company LLC and JSC Magadan Silver are entitled to the decreased statutory income tax rate of 17% (2016: 18%) (Note 10). Accordingly the rate of 17% (2016: 18%) was used in the calculation of the current tax and deferred tax positions for those entities.

In the normal course of business, the Group is subject to examination by the tax authorities throughout the Russian Federation, Kazakhstan and Armenia. Of the large operating companies of the Group, the tax authorities have audited LLC Okhotskaya Mining and Exploration Company CJSC up to 2014, Omolon Gold Mining Company LLC up to 2013, CJSC Gold of Northern Urals and CJSC Magadan Silver up to 2012, Mayskoye Gold Mining Company LLC up to 2010, and JSC Varvarinskoye for the period up to 2010. According to Russian, Kazakhstan and Armenian tax legislation, previously completed audits do not fully preclude subsequent claims relating to the audited period.

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 2017	**30 June 2016**	**31 December 2016**
	mln'$	**mln'$**	**mln'$**
Net foreign exchange gains/(losses) on net investment in foreign operation			
Current tax expense/(benefit)	2	(5)	(6)
Deferred tax expense/(benefit)	2	-	(1)
Total income tax recognised in other comprehensive income	**4**	**(5)**	**(7)**

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

Tax exposures recognised in income tax

During the period ended 30 June 2017, year ended 31 December 2016 and period ended 30 June 2016 no new individual significant exposures were identified as probable and provided for. Management has not identified any new significant possible exposures in respect of uncertain tax positions (31 December 2016: US$ 4 million) which relate to income tax.

14. 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 2017	**30 June 2016**	**31 December 2016**
Weighted average number of outstanding common shares	429,643,911	425,213,832	426,135,182
Dilutive effect of share appreciation plan	5,384,717	1,329,521	259,452
Weighted average number of outstanding common shares after dilution	**435,028,627**	**426,543,353**	**426,394,634**

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 2016 and period ended 30 June 2016: nil).

At 30 June 2017 the outstanding LTIP awards issued under 2014-2017 tranches represent dilutive potential ordinary shares with respect to earnings per share from continuing operations as these are in the money as of reporting date (30 June 2016: the outstanding LTIP awards issued under 2014 and 2015 tranches represent dilutive potential ordinary shares; 31 December 2016: all tranches represent anti-dilutive potential ordinary shares as these were out of money).

The awards issued under management bonus deferral award plan are dilutive as of 30 June 2017, 31 December 2016 and 30 June 2016 being contingently issued shares and 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.

15. DIVIDENDS

Dividends recognised during the period ended 30 June 2017 and comparative periods are detailed in the below:

			Dividends		
	cents per share	mln'$	deducted from the equity during the period	proposed in relation to the period	Paid in
Final dividend 2015	13	55	May 2016	2015	May 2016
Interim dividend 2016	9	38	September 2016	2016	September 2016
Special dividend 2016	15	65	December 2016	2016	December 2016
Final dividend 2016	18	77	March 2017	2016	May 2017
Interim dividend 2017	14	60	N/A	2017	N/A
Total dividends for the period ended 30 June 2016			**55**	**38**	**55**
Total dividends for the year ended 31 December 2016			**158**	**180**	**158**
Total dividends for the period ended 30 June 2017			**77**	**60**	**77**

16. PROPERTY, PLANT AND EQUIPMENT

	Development assets	Exploration assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
	mln'$	mln'$	mln'$	mln'$	mln'$	mln'$
Cost						
Balance at 31 December 2016	**564**	**140**	**1,750**	**65**	**150**	**2,669**
Additions	39	14	77	2	71	203
Transfers	(10)	(4)	44	(9)	(21)	-
Change in decommissioning liabilities	-	-	1	-	-	1
Acquisitions (Note 2)	-	2	-	-	-	2
Disposals and write-offs including fully depleted mines	-	-	(24)	-	(1)	(25)
Translation to presentation currency	20	4	48	1	4	77
Balance at 30 June 2017	**613**	**156**	**1,896**	**59**	**203**	**2,927**

Accumulated depreciation, amortisation	Development assets	Exploration assets	Mining assets	Non-mining assets	Capital construction in-progress	Total
	mln'$	mln'$	mln'$	mln'$	mln'$	mln'$
Balance at 31 December 2016	-	**-**	**(839)**	**(25)**	**-**	**(864)**
Charge for the period	-	-	(120)	(2)	-	(122)
Disposals and write-offs including fully depleted mines	-	-	23	-	-	23
Translation to presentation currency	-	-	(22)	(1)	-	(23)
Balance at 30 June 2017	**-**	**-**	**(958)**	**(28)**	**-**	**(986)**

Net book value

31 December 2016	**564**	**140**	**911**	**40**	**150**	**1,805**
30 June 2017	**613**	**156**	**938**	**31**	**203**	**1,941**

Mining assets, exploration and development assets at 30 June 2017 included mineral rights with net book value which amounted to US$ 767 million (31 December 2016: US$ 756 million) and capitalised stripping costs with net book value of US$ 42 million (31 December 2016: US$ 32 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 2017 or at 31 December 2016.

17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in associates and joint ventures as at 30 June 2017, 30 June 2016 and 31 December 2016 consisted of the following:

	30 June 2017		**31 December 2016**		**30 June 2016**	
	Voting power %	**Carrying Value mln'$**	**Voting power %**	**Carrying Value mln'$**	**Voting power %**	**Carrying Value mln'$**
JSC South-Verkhoyansk Mining Company (Nezhda)	17.66	20	17.66	21	15.30	18
GRK Amikan	42.65	6	42.65	2	42.65	-
Prognoz Serebro LLC	5	5	n/a	-	n/a	-
Proeks LLC	24.9	2	24.9	2	24.9	2
Aktogai Mys LLC (Dolinnoye)	50	1	25	-	25	-
Total		**34**		**25**		**20**

Prognoz Serebro LLC

In January 2017 the Group entered into an agreement with Polar Acquisition Ltd (PAL), under which Polymetal will participate in the development of the Prognoz silver deposit in Yakutia, Russia ("Prognoz"). Under the agreement, Polymetal acquired a 5% interest in Prognoz for US$ 5 million (including US$ 2 million of related expenses) in cash through the purchase of 10% of Polar Silver Resources' share capital, the entity holding a 50% interest in Prognoz, with the remaining 50% owned by a group of private investors. The arrangement allows Polymetal to acquire from PAL their remaining 45% interest in Prognoz for a consideration based on the JORC compliant reserves estimate upon completion of the technical study. The Group has determined that Prognoz constitutes a joint venture under IFRS 11 *Joint Arrangements* and therefore the investment was accounted for using the equity method.

Aktogai Mys LLC

In June 2015 Polymetal purchased a 25% stake in the company Aktogai Mys LLC that owns Dolinnoye exploration licence in Kazakhstan Republic (including part of intracompany loan) from the unrelated party. At the same time Polymetal has also entered into agreement to finance, organize and ensure execution of exploration activities: to obtain permission and approvals for drilling from competent authorities, to perform no more than 20 km of exploration drilling, technical research as well as JORC feasibility study in exchange for a right to increase its share in the project up to 50% after the completion of these tasks.

By 2017 the earn-in conditions have been satisfied by extensive exploration and the preparation of a JORC-compliant reserve estimate for the property. In June 2017 the earn-in arrangement between Polymetal and its partner was completed and Polymetal has acquired an additional 25% interest in the Aktogai Mys LLC for a net consideration of US$ 1 million.

The Dolinnoye deposit is expected to become another source of high-grade free-milling feedstock for the Polymetal Varvara processing plant, with transportation of feedstock to the plant facilitated by the proximity of low-cost rail access. Ore reserves (based on Polymetal's 50% share) in accordance with the JORC code comprise 2.6 Mt at 2.4 g/t gold for 202 Koz of gold contained. Additional mineral resources are estimated at 6.1 Mt at 2.5 g/t for 494 Koz of gold contained.

The Group has determined that Aktogai Mys LLC continues to constitute a joint venture under IFRS *11 Joint Arrangements* and the investment is accounted for using the equity method.

18. INVENTORIES

	30 June 2017	31 December 2016	30 June 2016 restated*
	mln'$	mln'$	mln'$
Inventories expected to be recovered after twelve months			
Ore stock piles	82	80	85
Consumables and spare parts	34	33	33
Work in-process	-	-	5
Total non-current inventories	**116**	**113**	**123**
Inventories expected to be recovered in the next twelve months			
Copper, gold and silver concentrate	170	95	140
Ore stock piles	187	157	136
Work in-process	61	42	33
Doré	17	12	17
Refined metals	1	3	-
Metal for refining	19	6	15
Total metal inventories	**455**	**315**	**341**
Consumables and spare parts	172	178	160
Total	**627**	**493**	**501**

**Restated following determination of the final fair value of the assets acquired and the liabilities assumed as at the acquisition date in respect of the Kapan business combination. Refer to Note 2.*

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

During the six months ended 30 June 2017, the Group recognised certain write-downs and reversals of the previously recorded write-downs. Commodity prices are based on latest internal forecasts, benchmarked against external sources of information. In the net realisable tests performed, the flat real long-term price for gold and silver of US$ 1,200 per ounce (31 December 2016: US$ 1,200; 30 June 2016: US$ 1,250) and US$ 16 per ounce (31 December 2016: US$ 16; 30 June 2016: US$ 17) are used, respectively.

For short-term metal inventories applicable forward prices as of 30 June 2017 were used.

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

	Six months ended 30 June 2017					Six months ended 30 June 2016	Year ended 31 December 2016
	Okhotsk operations	Omolon	Varvara	Maysko ye	Total operating segments	Total operating segments	Total operating segments
	mln'$	mln'$	mln'$	mln'$	mln'$	mln'$	mln'$
Ore stock piles	(1)	-	(1)	(1)	(3)	3	(14)
Ore in heap leach piles	-	(1)	-	-	(1)	-	(5)
Copper, gold and silver concentrate	-	-	-	2	2	1	(2)
Total	**(1)**	**(1)**	**(1)**	**1**	**(2)**	**4**	**(21)**

During the six month period ended 30 June 2017 the Group also recognised a write-down of consumables and spare parts inventory of US$ 1 million (six months ended 30 June 2016: US$ 1.3 million; year ended 31 December 2016: $ 6 million).

The amount of inventories held at net realisable value at 30 June 2017 was US$ 78 million (31 December 2016: US$ 45 million; 30 June 2016: US$ 32.1 million).

19. BORROWINGS

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

	Actual interest rate at			30 June 2017			31 December 2016		
	Type of rate	30 June 2017	31 Dec 2016	Current	Non-current	Total	Current	Non-current	Total
				mln'$	**mln'$**	**mln'$**	**mln'$**	**mln'$**	**mln'$**
Secured loans from third parties									
U.S. Dollar denominated	floating	4.27%	3.85%	42	540	582	98	638	736
U.S. Dollar denominated	fixed	4.23%	4.10%	-	261	261	-	61	61
Total				**42**	**801**	**843**	**98**	**699**	**797**
Unsecured Loans from third parties									
U.S. Dollar denominated	floating	3.52%	3.96%	-	615	615	-	500	500
U.S. Dollar denominated	fixed	4.15%	7.50%	91	69	160	-	78	78
Euro denominated	fixed	2.85%	2.85%	-	4	4	-	3	3
Total				**91**	**688**	**779**	**-**	**581**	**581**
				133	**1,489**	**1,622**	**98**	**1,280**	**1,378**

	Type of rate	30 June 2016	30 June 2016 Current	Non-current	Total
			mln'$	**mln'$**	**mln'$**
Secured loans from third parties					
U.S. Dollar denominated	floating	3.95%	229	628	857
U.S. Dollar denominated	fixed	n/a	-	-	-
Total			**229**	**628**	**857**
Unsecured Loans from third parties					
U.S. Dollar denominated	floating	3.41%	18	400	418
U.S. Dollar denominated	fixed	4.41%	100	78	178
Euro denominated	fixed	2.20%	-	1	1
			118	**479**	**597**
			347	**1,107**	**1,454**

In the period ended 30 June 2017, the Group has drawn down a total of US$ 1,072 million and repaid US$ 829 million, with a net drawdown of US$ 243 million.

The table below summarises maturities of borrowings:

	30 June 2017	31 December 2016	30 June 2016
	mln'$	**mln'$**	**mln'$**
Period ended, 30 June 2017	-	-	347
31 December 2017	82	98	89
Period ended, 30 June 2018	51	107	160
31 December 2018	124	525	564
31 December 2019	598	538	277
31 December 2020	262	110	17

31 December 2021	222	-	-
31 December 2022	133	-	-
31 December 2023	100	-	-
31 December 2024	50	-	-
Total	**1,622**	**1,378**	**1,454**

20. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group's budgeted capital expenditure commitments as at 30 June 2017 amounted to US$ 124 million (31 December 2016: US$ 64 million).

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) agrees to participate in financing of certain social and infractructure development project of the region. Total social expenses commitment at 30 June 2017 amounts to US$ 31 million, allocated to the future periods as follows:

	30 June 2017
	mln'$
Within one year	2
From one to five years	20
Thereafter	9
Total	**31**

Operating Environment

Emerging markets such as Russia, Kazakhstan and Armenia 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 is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia and Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to a substantial decrease of the Russian Ruble exchange rate. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on a free floating Tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016 Tenge depreciated significantly against major foreign currencies.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

In the first quarter of 2015 two international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

The above mentioned events have led to reduced access of Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

Taxation

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

Management has identified a total exposure (covering taxes and related interest and penalties) of approximately US$ 14 million in respect of contingent liabilities (31 December 2016: US$ 13 million; 30 June 2016: US$ 29 million) which relate to the possible incorrect calculation of the technical losses exempt from mining tax and other tax exposures.

21. STATED CAPITAL ACCOUNT AND RETAINED EARNINGS

At 30 June 2017, the Company's issued share capital consisted of 430,112,661 ordinary shares of no par value, each carrying one vote (31 December 2016: 428,262,338 ordinary shares; 30 June 2016: 426,233,460).

The movements in stated capital account during the six months ended 30 June 2017 were as follows:

	Stated capital account, no. of shares	Stated capital account, mln'$
Balance at 31 December 2016	**428,262,338**	**2,010**
Issue of shares for Tarutin	893,575	10
Issue of shares for Primorskoye contingent consideration (Note 22)	815,348	10
Issue of shares in accordance with Deferred Share Awards plan	141,400	1
Balance at 30 June 2017	**430,112,661**	**2,031**

In January 2017 the Group increased its interest in LLC Vostochny Basis (holder of the licence for the Tarutinskoye copper deposit (Tarutin) from 75% to 100%. The Group purchased the additional 25% from an unrelated party for a consideration of US$ 10 million, payable through the issue of 893,575 new Polymetal International plc shares. The Group has previously determined that LLC Vostochny Basis meets the definition of a subsidiary and it was consolidated from the date of the 25% share acquisition. The increase in interest in Tarutin was recognised as an acquisition of the non-controlling interest and recognised interest within equity. As of 30 June 2017 and during the period ended 30 June 2017 Tarutin does not give rise to a significant non-controlling interest to be presented within equity, income statement and statement of comprehensive income.

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

Reserves available for distribution to shareholders are based on the available cash in the Company under Jersey law. As Russian, Kazakh and Armenian legislation identifies the basis of distribution of the dividends as accumulated profit, the ability to distribute cash up to the Company from the Russian, Kazakh and Armenian operating companies will be based on the statutory historical information of each stand-alone entity. Statutory financial statements in the Russian Federation are prepared in accordance with Russian accounting standards which differs from IFRS, while Kazakhstan and Armenia have adopted IFRS from 1 January 2006 and 1 January 2011, respectively. However, current legislation and other statutory regulations dealing with distribution rights are open to legal interpretation; consequently, actual distributable reserves may differ from the amount of accumulated profit in accordance with statutory financial statements.

22. FAIR VALUE ACCOUNTING

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

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

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

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

At 30 June 2017, 31 December 2016 and 30 June 2016, the Group held the following financial instruments:

	30 June 2017 mln'$			
	Level 1	Level 2	Level 3	Total

	Level 1	Level 2	Level 3	Total
Receivables from provisional copper, gold, silver and zinc concentrate sales	-	39	-	**39**
Contingent consideration liability	-	-	(65)	**(65)**
	-	**39**	**(65)**	**(26)**

	31 December 2016 mln'$			
	Level 1	Level 2	Level 3	Total
Receivables provisional copper, gold, silver and zinc concentrate sales	-	35	-	**35**
Contingent consideration liability	-	-	(76)	**(76)**
	-	**35**	**(76)**	**(41)**

	30 June 2016 mln'$			
	Level 1	Level 2	Level 3	Total
Receivables from provisional copper, gold, silver and zinc concentrate sales	-	44	-	**44**
Contingent consideration liability	-	-	(52)	**(52)**
	-	**44**	**(52)**	**(8)**

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 2017, is US$ 1,449 million (31 December 2016: US$ 1,269 million; 30 June 2016: US$ 1,350 million), and the carrying value as at 30 June 2017 is US$ 1,622 million (31 December 2016: US$ 1,378 million; 30 June 2016: US$ 1,454 million) (see Note 19).

Carrying values of the long-term loans provided to related parties as at 30 June 2017, 31 December 2016 and 30 June 2016 are approximated to their fair values.

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.

Contingent consideration liabilities

The table below sets forth a summary of changes in the fair value of the Group's Level 3 financial liabilities for the period ended 30 June 2017 and year ended 31 December 2016:

	30 June 2017							
	Omolon	Kyzyl	Primorskoye	Lichkvaz	Kapan	Komar	Total	31 December 2016
	mln'$	mln'$	mln'$	mln'$	mln'$	mln'$	mln'$	mln'$
Opening balance	15	19	8	7	9	18	76	26
Additions	-	-	-	-	-	-	-	29
Change in fair value, included in profit or loss	1	(3)	2	-	1	-	1	22
Unwind of discount	-	-	-	-	-	-	-	1
Settlement though issue of shares (Note 21)	-	-	(10)	-	-	-	(10)	-
Cash settlement	(2)	-	-	-	-	-	(2)	(2)

Total contigent consideration	14	16	-	7	10	18	65	76
less current portion of contingent consideration liability	(4)	-	-	-	(1)	-	(5)	(14)
							-	
	10	16	-	7	9	18	60	62

In 2008, the Group recorded a contingent consideration liability related to the acquisition of 98.1% of the shares in JSC Omolon Gold Mining Company (Omolon). The fair value of the contingent consideration liability was determined using a valuation model which simulates expected production of gold and silver at the Kubaka mine and future gold and silver prices to estimate future revenues of Omolon. This liability is revalued at each reporting date based on 2% of the life-of-mine revenues with the resulting gain or loss recognised in the consolidated income statement. The liability recognised at 30 June 2017 was US$ 14 million, including current portion of US$ 4 million.

During the year ended 31 December 2014 the Group completed the acquisition of Altynalmas Gold Ltd, the holding company for the Kyzyl gold project in Kazakhstan. The fair value of the related contingent consideration liability was estimated using the Monte Carlo model. The liability was revalued at 30 June 2017 using the same method with updated inputs as of reporting date and amounts to US$ 16 million.

During the year ended 31 December 2015 the Group recorded a contingent consideration liability related to the acquisition of 100% interest in Primorskoye. Deferred conditional cash consideration, which is determined as the highest of US$ 13,333 per tonne of contained silver equivalent (translating into US$ 0.415 per silver equivalent ounce) based on the audited reserves estimate of the deposit, and US$ 8 million, was revalued at 31 December 2016 at US$ 8 million. Following the determination of the mineral resource estimate at March 2017, the deferred consideration was calculated at US$ 9.7 million and settled by 815,348 newly issued Polymetal International shares (Note 21).

During the year ended 31 December 2015 the Group completed the acquisition of LV Gold Mining (Lichkvaz), the company owning the Lichkvaz exploration licence in Armenia. The fair value of the related contingent consideration liability is calculated using a valuation model which simulates expected production of metals and future gold, silver and copper prices to estimate future value of the metals in the actually extracted ore. The liability recognised at 30 June 2017 was US$ 7 million.

During the year ended 31 December 2016 the Group completed the acquisition of DPMK, the company owning the Kapan mine and processing plant in Armenia. The seller is entitled to receive a 2% NSR (Net Smelter Return) royalty on future production from the Kapan Gold Mine capped at US$ 25 million. At 30 June 2017, the fair value of the contingent consideration was estimated at US$ 10 million, including current portion of US$ 1 million.

On 1 August 2016 the Group completed the acquisition of Orion Minerals LLP, the holding company for the Komarovskoye Gold Deposit (“Komarovskoye”) in the Republic of Kazakhstan (Note 2). 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. As of 30 June 2017, the fair value of the contingent consideration was estimated at US$ 18 million. In addition, a deferred consideration contingent upon future production levels and gold price performance will be paid to the seller. The royalty is calculated on a quarterly basis, based on contained gold in ore mined per relevant quarter and is payable at gold prices above US$ 1,250 per ounce. The royalty is capped at a total consideration of US$ 80 million.

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

Monte-Carlo modelling for Kyzyl and Komarovskoye contingent consideration liabilitities was performed with following inputs:

- Gold price volatility: 15.88% - 18.44%
- Share price volatility: 40.5%
- Constant correlation between gold and share price: 86%
- Dividend yield: 2%.

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

23. RELATED PARTIES

Related parties are considered to include shareholders, affiliates, associates, joint ventures and entities under common ownership and control with the Group and members of key management personnel. Details of transactions between the Group and other related parties are disclosed below:

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	mln'$	mln'$	mln'$
Transactions with related parties			
Purchases of ore from equity method investments	24	-	11
Other sales recognised in other operating expenses, net	4	2	2

	30 June 2017	31 December 2016	30 June 2016
	mln'$	mln'$	mln'$
Balances outstanding as of end of reporting period			
Short-term loans provided to equity method investments	15	7	0
Long-term loans provided to equity method investments	18	1	7
Accounts receivable from equity method investments	6	-	2
Interest receivable from equity method investments	1	1	1
Accounts payable to equity method investments	(10)	(4)	0
	30	**5**	**10**

Purchases of ore from equity method investments are mainly represented by ore purchased from GRK Amikan, which is processed on Varvara and Amursk facilities. Loans provided to equity method investment are represented my loans provided to Prognoz Serebro LLC (Prognoz), JSC South-Verkhoyansk Mining Company (Nezhda) and Aktogai Mys (Dolinnoye) joint ventures.

Carrying values of the loans provided to related parties as at 30 June 2017, 31 December 2016 and 30 June 2016 approximated to their fair values.

The amounts outstanding at the balance sheet dates are unsecured and expected to be settled in cash. No expense has been recognised in the reporting period for bad or doubtful debts in respect of the amounts owed by related parties.

The remuneration of directors and other members of key management personnel during the periods was as follows:

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	mln'$	mln'$	mln'$
Share-based payments	1	1	2
Short-term benefits of board members	1	1	2
Short-term employee benefits	1	1	1

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Six months ended 30 June 2017 mln'$	Six months ended 30 June 2016 mln'$	Year ended 31 December 2016 mln'$
Profit before tax		150	238	564
Adjustments for:				
Depreciation and depletion, recognised in statement of comprehensive income		87	52	155
Write-down of exploration assets and construction in progress		1	2	2
Write-downs/(reversals) of metal inventories to net realisable value	18	2	(4)	21
Write-down of non-metal inventories to net realisable value	18	1	1	6
Reversal/accrual of additional mining taxes and VAT exposures, penalties and accrued interest	10	(10)	22	(12)
Provision for investment in Special economic zone	10	7	-	14
Share-based compensation	11	4	3	7
Finance costs	12	30	31	63
Finance income		(2)	(1)	(3)
Loss on disposal of property, plant and equipment	10	1	-	1
Rehabilitation expenses		-	-	1
Change in fair value of contingent consideration liability		1	17	22
Change in bad debt allowance	10	1	-	-
Share of loss of associates and joint ventures		1	-	-
Foreign exchange gain		(7)	(66)	(65)
Change in estimate of environmental obligations		(1)	-	(5)
Other non-cash expenses		3	5	1
Movements in working capital				
Increase in inventories		(114)	(72)	(50)
(Increase)/Decrease in VAT receivable		(11)	13	14
Increase in trade and other receivables		(30)	(25)	(4)
Increase in prepayments to suppliers		(34)	(27)	2
Increase/(Decrease) in trade and other payables		19	(3)	17
Increase/(Decrease) in other taxes payable		8	(15)	(6)
Cash generated from operations		**107**	**171**	**745**
Interest paid		(30)	(29)	(61)
Interest received		-	-	1
Income tax paid		(42)	(77)	(155)
Net cash generated by operating activities		**35**	**65**	**530**

Significant non-cash transactions during the six months ended 30 June 2017 represent the issuance of shares to settle Primorskoye contingent consideration of US$ 10 million and the issuance of shares to acquire Tarutin non-controlling interest of US$ 10 million (six months ended 30 June 2016: the issuance of shares for business combination amounting to US$ 15 million; year ended 31 December 2016: the issuance of shares amounting to US$ 40 million in respect of business combinations, the acquisition of assets and acquisition of non-controlling interest).

Cash flow related to capitalised exploration amounts to US$ 12 million for six months ended 30 June 2017 and is shown within Property, plant and equipment acquisitions (six months ended 30 June 2016: US$ 8 million; year ended 31 December 2016: US$ 25 million).

25. SUBSEQUENT EVENTS

In July 2017 Polymetal has agreed to acquire an additional 7% in the JSC South-Verkhoyansk Mining Company (Nezhda) for a cash consideration of US$ 8 million, from its partner, Ivan Kulakov. Simultaneously, Polymetal has acquired an option to buy out the remaining 75.3% in Nezhda (the “Call Option”), which is accounted for as joint venture (JV) as of reporting date, on the following terms:

- The Call Option premium will comprise US$ 12 million in cash payable upfront;
- Following the preparation of the initial JORC-compliant ore reserve estimate for the open-pittable reserves, Polymetal will have the option to acquire the remaining stake for US$ 100 per ounce of attributable gold reserves (equivalent to US$ 75.3/oz multiplied by total reserve ounces). The total consideration shall not be less than US$ 105 million and not more than US$ 180 million;
- The Call Option is exercisable between 1 February and 1 June 2018 entirely at Polymetal’s discretion;
- Should Polymetal decide not to proceed with the exercise of the Call Option, Polymetal will have a put option to sell its 24.7% stake to Pallavicino Holdings Ltd at a notional cost of EUR 1 thousand.

The completion of the sale and purchase of the additional 7% share in the JV and exercise of the Call Option are subject to approval by the Russian Federal Government’s Commission on Foreign Investments into Companies of Strategic Importance. The exercise of the Call Option is also subject to approval by the Russian Federal Antimonopoly Service.

A resource estimate for Nezhda has been prepared in accordance with the JORC Code (2012) and was audited by CSA Global. The resource inventory comprises 71 Mt of mineralized material containing 11 Moz of gold equivalent (GE) at an average grade of 4.8 g/t GE.